

“If you have any query about this document, you may consult the Company, the Issue Manager and an underwriter.”

PROSPECTUS



GRAMEENPHONE LTD.

Registered Office: Celebration Point, Plot 3 & 5, Road 113/A, Gulshan-2, Dhaka-1212, Bangladesh

Phone: 9882990, Fax: 9882970

Website: www.grameenphone.com

Public Offering of 69,439,400 ordinary shares at Taka 10.00 each
at an Issue Price of Taka 70.00 per share, including
a premium of Taka 60.00 per share, totaling Taka 4,860,758,000

Opening date for subscription: October 4, 2009

Closing date for subscription: October 8, 2009

Non-Resident Bangladeshi (NRB) subscription opens on: October 4, 2009

Non-Resident Bangladeshi (NRB) subscription closes on: October 18, 2009

ISSUE MANAGER



Citigroup Global Markets Bangladesh Private Limited

UNDERWRITERS

Citigroup Global Markets Bangladesh Private Limited

109, Gulshan Avenue
Dhaka - 1212

Eastern Bank Limited

Jiban Bima Tower, 10, Dilkusha CA
Dhaka - 1000

Green Delta Insurance Co. Ltd.

Hadi Mansion (4th Floor), 2, Dilkusha C/A
Dhaka - 1000

IDLC Finance Limited

Bay's Galleria (1st Floor), 57 Gulshan Avenue, Gulshan 1
Dhaka - 1212

IFIC Bank Limited

Head Office, BSB Building, 8, Rajuk Avenue
Dhaka - 1000

The City Bank Limited

Jiban Bima Tower, 10, Dilkusha CA
Dhaka - 1000

Trust Bank Limited

Head Office, Peoples Insurance Bhaban,
36, Dilkusha C/A (12th floor)
Dhaka - 1000

BANKERS TO THE ISSUE

Citibank, N.A.
Bank Asia Limited
BRAC Bank Limited
Dutch-Bangla Bank Limited
Eastern Bank Limited

EXIM Bank
IFIC Bank Limited
Investment Corporation of Bangladesh
Mercantile Bank Limited
National Bank Limited
One Bank Limited

Premier Bank Limited
Standard Chartered Bank
The City Bank Limited
Trust Bank Limited
United Commercial Bank Limited

CREDIT RATING AGENCY

Credit Rating Agency of Bangladesh Ltd. (CRAB)

Long Term: AAA Short Term: ST-1

Date of SEC Consent: August 24, 2009

Date of Issue of Prospectus: August 26, 2009

The issue shall be placed in “N” Category

“CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/ OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969, AND THE SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUE) RULES, 2006. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SECURITIES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM. SUCH RESPONSIBILITY LIES WITH THE ISSUER, ITS DIRECTORS, CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER, ISSUE MANAGER, UNDERWRITER AND/OR AUDITOR.”

AVAILABILITY OF PROSPECTUS

Our Prospectus will be available at the following offices:

| Particulars | Contact Person | Telephone Number |
|--|--|------------------------|
| COMPANY | | |
| Grameenphone Ltd. Celebration Point Plot 3 & 5, Road 113/A Gulshan 2, Dhaka-1212 | Mr. A.K.M. Anwarul Kabir Mr. Hasanur Rahman Rakib | 01711555888 |
| ISSUE MANAGER | | |
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| Citigroup Global Markets Bangladesh Private Limited 109, Gulshan Avenue Dhaka-1212 | Mr. Safaat Hasan Senior Analyst, Capital Markets | 8833567 |
| Eastern Bank Limited Jiban Bima Tower, 10, Dilkusha CA Dhaka-1000 | Mr. Md. Sayadur Rahman Vice President & Unit Head, Investment Banking | 9556360 |
| Green Delta Insurance Co. Ltd. Hadi Mansion (4th Floor), 2, Dilkusha C/A Dhaka-1000 | Mr. Mohd. Abdul Mannan Executive Vice President | 9560005 |
| IDLC Finance Limited Bay's Galleria (1st Floor), 57 Gulshan Avenue, Gulshan 1 Dhaka-1212 | Mr. Mahmudul Bari Deputy General Manager Merchant Banking Division | 9571842 |
| IFIC Bank Limited Head Office, BSB Building, 8, Rajuk Avenue Dhaka-1000 | Mr. S.K. Rashid Ahmed Executive Vice President (EVP) Head of Treasury & International Banking | 9563238 9557000 |
| The City Bank Limited Jiban Bima Tower, 10, Dilkusha CA Dhaka-1000 | Mr. Sheikh Mohammad Maroof Head of Treasury & Market Risks | 9562347 |
| Trust Bank Limited Head Office, Peoples Insurance Bhaban, 36, Dilkusha C/A (12th floor) Dhaka-1000 | Mr. Mohammad Saleh Ahmed Senior Executive Officer | 9572012 |
| STOCK EXCHANGES | | |
| Dhaka Stock Exchange Limited (DSE) 9/F, Motijheel C/A, Dhaka-1000 | DSE Library | 9564601-7 9666944-8 |
| Chittagong Stock Exchange Limited (CSE) CSE Building, 1080, Sk. Mujib Road Agrabad C/A, Chittagong | CSE Library | 714632-2 720871-3 |

This Prospectus is also available on these websites (www.grameenphone.com/ipo, www.asia.citibank.com/bangladesh/corporate, www.secdb.org, www.dsebd.org, www.csebd.com) and at the Public Reference Room of the Securities and Exchange Commission of Bangladesh for reading and study.

NAME AND ADDRESS OF THE AUDITORS

Rahman Rahman Huq
Chartered Accountants
A member firm of KPMG International
9 Mohakhali C/A (11th & 12th Floors), Dhaka-1212. Phone: 9886450, 9886451

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS IN MAKING AN INVESTMENT DECISION WITH RESPECT TO OUR SHARES. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH ANY ADDITIONAL OR DIFFERENT INFORMATION. THIS PROSPECTUS MAY ONLY BE USED WHERE IT IS LEGAL TO OFFER AND SELL OUR SHARES. THE INFORMATION IN THIS PROSPECTUS MAY ONLY BE ACCURATE AS OF THE DATE OF THIS PROSPECTUS. YOU SHOULD BE AWARE THAT SINCE THE DATE OF THIS PROSPECTUS THERE MAY HAVE BEEN CHANGES IN OUR BUSINESS OR OTHERWISE THAT COULD AFFECT THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT IN THIS PROSPECTUS.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities or an offer to sell or a solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The information contained in “Determination of the Public Offering Price” and elsewhere in this Prospectus should not be considered a recommendation by any of us, the Underwriters or the Issue Manager that any investor should purchase our shares. It is possible that the price of our shares may decrease after listing. Furthermore, investment in our shares may not be appropriate for all investors, and investors should consult their own advisors as to whether such an investment is appropriate for them and their circumstances. Each investor should make its own determination as to the merits of the Public Offering, including the public offering price, and whether or not to invest.

The shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”). All shares will be offered and sold only outside the United States, pursuant to Regulation S under the U.S. Securities Act or otherwise pursuant to another exemption available under the U.S. Securities Act. Our shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to U.S. persons, except in a transaction registered under the U.S. Securities Act or a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act. You should be aware that you may be required to bear the risk of an investment in our shares for an indefinite period of time.

This Prospectus is not an offer to sell the shares and is not soliciting an offer to buy the shares in any jurisdiction where such offer or sale is not permitted.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Prospectus, all references to:

- “Articles” or “Articles of Association” refer to our articles of association;
- “Asia” refer to the continent of Asia;
- “Bangladesh” or “Bangladeshi” refer to the People’s Republic of Bangladesh and the “Bangladeshi Government” or “Government” refer to the Government of the People’s Republic of Bangladesh;
- “Board” or “Board of Directors” refer to our board of directors;
- “BTA” or “Bangladesh Telecommunication Act” refer to the Bangladesh Telecommunication Act, 2001, as amended;
- “BTCL” refer to the Bangladesh Telecommunications Company Limited;
- “BTTB” refer to the Bangladesh Telegraph and Telephone Board;
- “BTRC” refer to the Bangladesh Telecommunication Regulatory Commission;
- “BTS” refer to base transceiver stations;
- “CDBL” refer to the Central Depository Bangladesh Limited;
- “Companies Act” refer to the Bangladesh Companies Act, 1994, as amended;
- “CSE” refer to the Chittagong Stock Exchange;
- “Depository Act” refer to the Depository Act, 1999, as amended;
- “DSE” refer to the Dhaka Stock Exchange;
- “Grameenphone,” the “Company,” the “Issuer,” “we,” “our,” “ourselves,” or “us” refer to Grameenphone Ltd., a public limited company incorporated in Bangladesh;
- “GTC” refer to Grameen Telecom, one of our shareholders;
- “IAS” refer to the International Accounting Standards;
- “Issue Manager” refer to Citigroup Global Markets Bangladesh Private Limited;
- “Memorandum” or “Memorandum of Association” refer to our memorandum of association;
- “MOPT” refer to the Ministry of Posts & Telecommunications;
- “NBR” refer to the National Board of Revenue;
- “Offering” refer collectively to the Public Offering and the Placement;
- “Placement” refer to the private placement of our shares with certain institutional investors and our employees prior to the commencement of the Public Offering;
- “Public Offering” refer to the offering of 69,439,400 shares to the public in Bangladesh;
- “Securities and Exchange Commission” or the “SEC” refer to the Securities and Exchange Commission of Bangladesh;
- “South Asia” refer to the southern region of the continent of Asia, comprising Bangladesh, British Indian Ocean Territory, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka;
- “Southeast Asia” refer to the southeastern region of the continent of Asia, comprising Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam;
- “TMC” refer to Telenor Mobile Communications AS, one of our shareholders and a wholly owned subsidiary of Telenor;
- “Telenor” refer to Telenor ASA, the parent company of certain of our shareholders and a publicly listed company in Norway on the Oslo Stock Exchange;
- “Telenor Group” refer to Telenor and its subsidiaries;
- “Taka,” “Tk.” or “BDT” refer to the legal currency of Bangladesh, “U.S. dollar,” “US\$” or “USD” refer to the legal currency of the United States of America, and “Norwegian Kroner,” “Nks” or “NOK” refer to the legal currency of the Kingdom of Norway; and
- “Underwriters” refer to Citigroup Global Markets Bangladesh Private Limited, Eastern Bank Limited, Green Delta Insurance Co. Ltd., IDLC Finance Limited, IFIC Bank Limited, The City Bank Limited and Trust Bank Limited; and
- “you” or “your” refer to potential investors in and purchasers of shares.

See also “Appendix B: Glossary of Technical Terms.”

PRESENTATION OF FINANCIAL AND STATISTICAL DATA

This Prospectus contains our audited financial statements as of, and for the years ended, December 31, 2005, 2006 and 2007, as of, and for the nine months ended, September 30, 2008, and for the nine months ended September 30, 2007, each of which has been prepared and presented in accordance with Bangladesh Financial Reporting Standards (“BFRS”). Our audited financial statements as of, and for the year ended, December 31, 2008, selected financial information (unaudited) for the three months ended March 31, 2009 and selected financial information (unaudited) for the three months ended June 30, 2009, each of which have been prepared and presented in accordance with BFRS, are included in Appendix D to this Prospectus. This Prospectus includes financial projections regarding, among other things, our revenues, total expenses, net profit after taxes and earnings per share in “Determination of the Public Offering Price.” These projections are forward-looking statements that involve inherent risks and uncertainties. A number of factors could cause actual results or outcomes relating to us to differ materially from those set forth in these projections. See “Risk Factors—Risks Relating to Ownership of Our Shares—The projections included in this Prospectus involve inherent risks and uncertainties.”

Except for certain of the auditors’ certificates included in this Prospectus and Appendix D, per share data are provided based on the number of our shares outstanding as of September 30, 2008. A statement of our pro forma earnings per share for the year ended December 31, 2008 (adjusted for the 10 for 1 reverse share split we completed in July 2009) is included in Appendix D.

Any discrepancies in the tables included in this Prospectus between the amounts listed and the totals are due to rounding.

Certain Market Data

Market share data for periods prior to January 1, 2006 are based upon data published by the Bangladesh Ministry of Finance. Market share data for 2006 are based upon data published by Pyramid Research, a market research firm. Market share data from January 1, 2007 to the present is based upon data published by the BTRC. Market penetration data for Bangladesh are calculated using the foregoing market share data and population data published by Bangladesh Bank. Market penetration data for other countries are calculated using market share data and population data published by the Economist Intelligence Unit, an independent market research firm. Neither the Economist Intelligence Unit Ltd nor its affiliates can accept any responsibility or liability for reliance by any person on this information. Because the market data included in this Prospectus is derived from multiple sources, you should not assume that it has been compiled on a consistent basis. You should exercise caution when comparing market data from different sources or across different time periods. We make no representation that such market data is accurate or complete or that it has been compiled or presented on a consistent basis.

Certain Operating Data

We count subscribers as of a given date based on active subscriptions. We count a prepaid subscription as active if there has been outgoing or incoming traffic (voice and non-voice, excluding traffic relating to our promotions, such as automatically generated SMS that we send to our subscribers), or if the SIM card has been reloaded during the previous three months. A prepaid subscription first becomes active when a subscriber activates the SIM card by turning on his or her mobile phone with the new SIM card. We count a postpaid subscription as active until the subscription has been deactivated by us or the subscriber. We deactivate a postpaid subscriber three months after we bar the subscriber’s account. We bar a postpaid subscriber’s account if the subscriber’s usage exceeds the subscriber’s approved credit limit or if the subscriber does not pay an invoice by the payment deadline. We bar the accounts of Business Solutions subscribers only in accordance with the terms of their agreements, which may vary from subscriber to subscriber. We do not include in our number of subscribers any subscriptions used for test purposes or any subscriptions used by our employees that we pay for.

We calculate the churn rate by taking the sum of the net number of subscribers whose subscriptions are deactivated (in the case of postpaid subscribers) or whose subscriptions have become inactive (in the case of prepaid subscribers), and dividing the sum by the average number of our subscribers in the period (calculated based on the average of the total number of subscribers at the end of each month during the relevant period). We consider a prepaid subscriber as churned three months after the subscriber becomes inactive. We consider a postpaid subscriber as churned if the subscriber’s account is barred for three months. We bar a postpaid subscriber’s account if the subscriber’s usage exceeds the subscriber’s approved credit limit or if the subscriber does not pay an invoice by the payment deadline.

Average revenue per user, or ARPU, is calculated as total revenue from mobile service from our subscribers during the relevant period divided by the average number of our subscribers during such period (calculated based on

the average of the total number of subscribers at the end of each month during the relevant period). The revenue considered here is based on our audited financial statements. ARPU includes fixed fees (connection and subscription fees), voice outgoing airtime, revenues from non-voice traffic, outbound roaming, miscellaneous mobile revenues and interconnection revenue. ARPU does not include revenues from inbound roaming, sales of customer equipment (such as handsets and accessories) or fixed network operations revenues. Our use of the term ARPU may not be comparable to similarly titled measures reported by other companies. For such calculations, our subscriber base data excludes test SIMs and employee SIMs.

Average minutes per user, or AMPU, is calculated as the total number of outgoing and incoming related minutes for the relevant period divided by the average number of our subscribers for the relevant period (calculated based on the average of the total number of subscribers at the end of each month during the relevant period).

Rated minutes refers to the number of minutes registered in our billing system and not to the total number of minutes going through our network. Rated minutes include zero-rated minutes, such as promotional minutes, which are registered in our billing system but not invoiced. Rated minutes do not include outgoing minutes generated in Bangladesh by customers of other international operators that are using our network under roaming arrangements, incoming minutes when the initiator of the call is one of our subscribers, incoming minutes terminated with customers of other international operators that are using our network under roaming arrangements or minutes for missed calls.

Average price per minute, or APPM, is calculated as ARPU for the relevant period divided by AMPU for the relevant period.

The foregoing operating data should not be considered in isolation or as an alternative measure of performance under BFRS.

EBITDA

We define EBITDA as our net profit (loss) before net finance costs, income tax expenses, depreciation and amortization, compensation to the BTRC, provision for any potential claim by the BTRC relating to unregulated international call termination using Voice over Internet Protocol (“VoIP”), loss (gain) on disposal of property, plant and equipment and excluding our share of X-Net Ltd.’s (“X-Net”) profit and any other extraordinary and non-recurring items. You should not consider EBITDA as an alternative to net profit as an indicator of our operating performance, or as an alternative to cash flow from operations as a measure of liquidity. We believe that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, we have disclosed this information to permit a more complete comparative analysis of our operating performance relative to other companies in the industry. However, our definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show trends related to the following items: depreciation and amortization; interest income and expense; and income taxes. For a discussion of these items, see “Plan of Operation and Discussion of Financial Condition” and our financial statements included elsewhere in this Prospectus.

Sources

We have obtained certain market data, certain industry forecasts and certain data relating to Bangladesh used throughout this Prospectus from market research, publicly available information, including governmental publications, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information is not guaranteed. While we believe these internal surveys, industry forecasts and market research to be reliable, we have not independently verified this information and neither the Issue Manager nor the Underwriters make any representation as to the accuracy of this information.

In addition, the information relating to, among other things, valuation, earnings and mobile penetration rates of comparable companies contained in “Determination of the Public Offering Price” has been obtained from publicly available information, market research and industry publications. Neither we, the Underwriters nor the Issue Manager have independently verified such information and none of us make any representation as to the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

This Prospectus includes “forward-looking statements.” Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and can be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “anticipate,” “plan,” “intend,” “estimate,” “target,” “aim,” “seek,” “may,” and “will.” Such forward-looking statements involve inherent risks and uncertainties. You are cautioned not to rely on these forward-looking statements.

These forward-looking statements include, without limitation, statements relating to our future business development and economic performance, future earnings and cash flow, our business strategy, regulatory changes, future policy of the Bangladeshi Government relating to the telecommunications industry in Bangladesh, our competitive position and the effects of competition, and the amount and nature of our capital expenditures and capital commitments. These forward-looking statements also include financial projections regarding, among other things, our revenues, total expenses, net profit after taxes and earnings per share in “Determination of the Public Offering Price.” See “Risk Factors—Risks Relating to Ownership of Our Shares—The projections included in this Prospectus involve inherent risks and uncertainties.” The forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to, the following:

- economic, business, market, political and other conditions globally and in Bangladesh, including the global credit crisis and related adverse market developments;
- cyclical and seasonal fluctuations in our results of operations;
- our ability to implement our business strategy;
- the level of demand for mobile services;
- regulatory developments and changes, including with respect to revenue sharing arrangements, the levels of tariffs, the terms of network interconnection, and customer access;
- the outcome of legal and regulatory proceedings in which we are involved or may become involved;
- the effects of potential consolidation within the telecommunications industry;
- the effects of competition;
- the availability and terms of external funding to finance our investments and network developments;
- technological innovations, including the cost of developing new products and services and the need to increase expenditures for improving the quality of service;
- changes in market prices for raw materials and network equipment;
- the success of our infrastructure investments;
- material adverse changes in economic conditions in the markets served by us and our business or the markets where our securities are traded;
- changes or volatility in interest rates or foreign exchange rates;
- the impact of SARS, avian influenza, swine flu or other outbreaks of contagious disease;
- war in the Middle East or elsewhere or acts of international or domestic terrorism;
- occurrences of catastrophic events that affect our business or property; and
- other factors that are beyond our control.

Our risks are more specifically described under “Risk Factors and Management’s Perception about the Risks.” If one or more of these risks or other risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or estimated. We do not undertake to update or revise any forward-looking statements, risk factors or other information in this Prospectus to reflect new information, future events or circumstances. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

SUMMARY

This summary may not contain all of the information that may be important to you. You should read the entire Prospectus, including our financial statements and related notes and the “Risk Factors and Management’s Perception about the Risks” included elsewhere in the Prospectus, including our financial statements in Appendix D before making an investment decision.

Certain market data and market penetration data included herein is based on data published by various official governmental publications and information published by market research firms. See “Presentation of Financial and Statistical Data.”

Overview

We are the largest mobile telecommunications operator in Bangladesh by revenue and subscriber base. We were incorporated on October 10, 1996 as a private limited company and commenced services on March 26, 1997. We converted to a public limited company on June 25, 2007. After 11 years of operations, we had 21.0 million subscribers as of December 31, 2008, representing a subscriber market share of 47.0%. For the year ended December 31, 2007, we had total revenue of Taka 54,303.1 million and net profit of Taka 3,059.8 million. For the year ended December 31, 2008, we had total revenue of Taka 61,359.0 million and a net profit of Taka 2,983.9 million.

We provide services to both rural and urban customers across Bangladesh, where mobile telephony is a major driver of socioeconomic development. Bangladesh has one of the lowest teledensity rates and highest subscriber growth rates in the world. The penetration rate of mobile telecommunications services in Bangladesh as of December 31, 2008 was approximately 31.3%. The total number of mobile telecommunications subscribers in Bangladesh increased from 9.3 million as of December 31, 2005 to 44.6 million as of December 31, 2008, representing a compound annual growth rate of 68.9%.

We operate a digital mobile telecommunications network based on the GSM standard in the 900 MHz and 1800 MHz frequency bands, under a license granted by the BTRC which expires in November 2011. We built our network on a nationwide basis. As of December 31, 2008, our network covered 98.1% of Bangladesh’s population and 87.0% of the total land area, and our network infrastructure included more than 11,500 base stations in more than 6,500 locations. Our network is EDGE/GPRS enabled, allowing our customers to gain access to high-speed Internet and data services from anywhere within our coverage area. During the three months ended December 31, 2008, we had approximately 1.2 million subscribers using our EDGE/GPRS services and approximately 3.7 million subscribers registered to use these services. We have been a market leader in introducing new products and services in Bangladesh. We were one of the first mobile phone operators to launch GSM service in Bangladesh. We were also one of the first operators in Bangladesh to offer our subscribers mobile to mobile service, EDGE, prepaid service, voice SMS and “over-the-air” top-ups. In January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services.

We are 62.0% owned by Telenor Mobile Communications AS (“TMC”) and its affiliates and 38.0% owned by Grameen Telecom (“GTC”) and its affiliates. TMC is a wholly owned subsidiary of Telenor ASA (“Telenor”), a leading international telecommunications company based in Norway with an established track record of building and expanding businesses in multiple emerging and developed wireless markets. Telenor currently has mobile telecommunications operations in 13 countries across Scandinavia, Eastern Europe and Asia with more than 164 million mobile subscribers as of December 31, 2008. GTC was established in 1995 as a not-for-profit company for improving the standard of living in, and eradicating poverty from, rural Bangladesh. GTC works in close collaboration with 2006 Nobel Laureates Professor Muhammad Yunus and Grameen Bank. GTC’s mandate is to provide easy access to GSM cellular services in rural Bangladesh and to create new opportunities for income generation through self-employment by providing villagers, mostly poor rural women, with access to modern information and communication-based technologies. TMC and GTC have been our shareholders since we were incorporated and they increased their holdings in 2004 by purchasing all of the shares held by two minority shareholders.

There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). See “Risk Factors—Risks Relating to Ownership of Our Shares—We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.”

Our Competitive Strengths

Largest subscriber base in Bangladesh

As of December 31, 2008, we were the largest mobile operator in Bangladesh by subscriber base, with 21.0 million subscribers and a subscriber market share of 47.0%. We believe that our leading position has helped us develop strong brand recognition and a high profile among existing and potential subscribers. In addition, our critical mass has allowed us to realize significant benefits from economies of scale in many aspects of our operations, such as equipment procurement, sales and marketing, billing and customer service. We believe that being one of the original GSM mobile cellular licensees in Bangladesh allowed us access to early subscribers for mobile telecommunications, whom we believe tend to be more affluent and have greater resources to spend on telecommunications.

Shareholders with strong operational capabilities

We have derived significant benefit from our shareholders' commitment to our business, including Telenor's experience in deploying mobile networks and business operations across multiple emerging markets. We have also benefited from Telenor's existing relationships with financing sources, industry vendors and suppliers. We believe that we will continue to benefit from Telenor's operational and management experience, through new products and services, shared technological experience, skilled personnel and group synergies such as in procurement. GTC's understanding of the Bangladesh market, its leadership in developing the Village Phone Program and its contribution of the "Grameen" brand have also supported our business growth over the years.

Well-recognized brand name and reputation

We believe that "Grameenphone" has been established as one of the most visible and respected brands in Bangladesh. We have received a number of awards, including the GSMA Award for "Best Use of Mobile for Social and Economic Development" at the 3GSM World Congress in February 2007 for our HealthLine service, as well as the "GSM in the Community" award for our Village Phone program at the GSM World Congress held in Cannes, France in February 2000. We were one of the first mobile telecommunications companies to commence operations in Bangladesh and as such had an advantage in establishing our brand presence. In August 2008, for the first Bangladesh Best Brand Awards, we received the best brand award in the "Telecom Service Provider Brand" category and were third in the overall "Best Brand" category. Moreover, the wider "Grameen" brand has gained both domestic and international awareness through the microcredit work of Grameen Bank and Nobel Laureate Professor Muhammad Yunus. We have also gained brand awareness through our sponsorship of the Bangladesh National Cricket Team and the Bangladesh National Women's Cricket Team. In addition to the "Grameenphone" brand, we successfully launched the youth brand "djuice."

Strong distribution channels and customer service

We have a strong nationwide distribution network with approximately 110,000 points-of-presence (including approximately 14,000 retail outlets) throughout Bangladesh's 64 districts where our subscribers can purchase our services. We have established more than 70 branded retail stores, known as Grameenphone Centers, which offer a range of mobile telecommunications services, SIM cards, top-up cards, mobile handsets and accessories as well as customer service. We also operate a 24-hour call center to provide customer support.

Leadership in product development and non-voice services

We have consistently sought to develop and market innovative products and services to meet our subscribers' needs, and we believe our innovation allows us to attract and retain subscribers. We were one of the first companies in Bangladesh to offer our subscribers mobile to mobile service, GSM, EDGE, prepaid service, voice SMS and "over-the-air" top-ups. In addition, in January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services. Our network is EDGE/GPRS enabled, allowing our customers to gain access to high-speed Internet and data services from anywhere within our coverage area. During the three months ended December 31, 2008, approximately 1.2 million of our subscribers browsed the Internet via their handsets, making us one of the largest providers of Internet access in the country. If the BTRC introduces licensing for new services which we are eligible to operate, such as 3G services, we intend to seek the necessary licenses and offer such services.

Experienced management team

A highly experienced management team leads the development of our business, products and services. Our management team includes senior executives who have experience working in Bangladesh since the commercialization of GSM mobile telecommunications services in Bangladesh in 1997. In addition, several members of our management team and our Board of Directors have operational experience in other emerging and developed telecommunications markets, including as managers within Telenor and its subsidiaries (the “Telenor Group”).

Our Strategies

Continue to grow our subscriber base

We believe we can continue to grow our subscriber base, while seeking to limit declines in APPM, by increasing the availability of our products and services throughout Bangladesh and by aiming to improve customer retention. We believe that new subscribers will be attracted by our network coverage and our broad offering of services, as well as our service quality and the strength of our brand. In the near term, market conditions have led us to increase the prices of our starter packs and, as a result, we will be focused on higher value customers. In the longer term, we expect to increase our penetration of the growing consumer, rural and financially constrained market sectors. We experienced growth in the consumer, rural and financially constrained market sectors during the year ended December 31, 2008.

Focus on high value customers

We strive to provide superior network coverage, connectivity, quality and reliability, as well as to continue our product and service innovation through continued investment in our network and products. We believe that being an incumbent mobile operator has allowed us to attract early subscribers, whom we believe tend to be more affluent and have greater resources to spend on telecommunications. We intend to continue focusing on this high value customer segment, which we expect will grow as the Bangladesh population becomes more affluent, with our value-added services, in particular Internet access and BlackBerry™. We also intend to increase our focus on the high value business segment customers, given the high usage of our voice and non-voice services by these customers.

Achieve capital and operational efficiencies to improve profit margins and cash flow generation

We plan to continue to exercise strong discipline over our operating costs and capital expenditures to achieve improved efficiency and productivity in our operations and leverage our existing capacity. Historically, the majority of our capital expenditures were undertaken to support the geographic expansion of our network to achieve a targeted population coverage of more than 95.0% of Bangladesh. Having achieved that target in 2007, we are now focusing our ongoing capital expenditures on expansion of our overall capacity to accommodate increases in subscribers and traffic. In 2008, we moved from a single vendor framework to a dual vendor framework as we entered into a long-term purchase and maintenance agreement for network and radio access equipment with Huawei Technologies Co. Ltd. (“Huawei”), and we plan to renew our framework agreement for the purchase and maintenance of GSM equipment with Ericsson AB (“Ericsson”). We believe the use of multiple principal suppliers will provide pricing advantages for our future capital expenditures. We have built our own fiber optic network to provide greater redundancy in our network services. We also plan to reduce our operation and maintenance expenses by, among other things, using solar power, controlling service agreement pricing and lobbying to reduce the SIM tax.

Increase brand awareness and reinforce our brand values

We believe we have established ourselves as a quality service provider, the preferred Bangladeshi data service provider, and a national brand that is a partner in developing Bangladesh. We intend to support our brands by undertaking brand refreshment exercises from time to time. In April 2008, we launched the Stay Close Campaign, which helped us to reinforce our branding by emphasizing the importance of staying close to friends and family. We believe the campaign has been successful in increasing brand awareness. For our consumer segment, we have positioned ourselves as being our customers’ lifestyle partner, giving them access to services which enhance their lives. For our business segment, we have positioned ourselves as being our customers’ partner in business, providing efficient and relevant services. For our youth segment, we have the “djuice” brand, which we support by focusing on text messaging, music, and community service. We also plan to increase brand awareness through various point of sale promotions.

Increase revenue from non-voice services

Our revenues from non-voice services as a percentage of ARPU were 4.2% for the year ended December 31, 2008, which proportion remains low relative to operators in comparable markets in Asia and hence provides scope for non-voice revenue growth. We offer a wide range of non-voice services, including SMS, MMS, games, information services, content download, ring back tones, Internet access and BlackBerry™ services. We plan to continue increasing our revenue from non-voice services by actively promoting these services, developing additional services and further expanding our presence as the one of the largest providers of Internet access in Bangladesh.

Continue to expand our comprehensive distribution network

We have adapted our distribution model to the changing telecommunications market in Bangladesh. In the first half of 2008, we implemented a new distribution model. Prior to 2008, we relied on a pull model, whereby our dealers contacted us with product orders. Our new distribution model is to push sales to retailers by distributing our SIM cards, electronic recharge system (“ERS”) and scratch cards through a network of nearly 100 third-party distributors. These distributors distribute our products to retailers, who then sell our products to the public. We have targeted to have approximately 20,000 retailers in our distribution network selling new connections and 110,000 retailers for reloads. Our objectives under the new distribution model are to improve our product availability throughout the country with the establishment of more points of sale, improve inventory management, accelerate distribution of our products, provide better support to our customer base, create a strong channel of communication between us and our subscribers and obtain better market data to allow us to be more dynamic and responsive to the market.

Our Incorporation and Contact Information

We were incorporated on October 10, 1996 as a private limited company under the laws of Bangladesh and, subsequently, we converted to a public limited company on June 25, 2007. We commenced commercial operations in 1997.

Our registered office is located at Celebration Point, Plot 3 & 5, Road 113/A, Gulshan 2, Dhaka-1212, Bangladesh and our telephone number is 988-2990. Our Internet address is www.grameenphone.com. Information contained on our website does not constitute a part of this Prospectus.

Risk Factors

An investment in our shares involves risks. See “Risk Factors and Management’s Perception about the Risks” included elsewhere in this Prospectus for a discussion of factors you should carefully consider before deciding to invest in our shares.

Recent Developments

Results for the Year Ended December 31, 2008

Our audited operating results for the year ended December 31, 2008 reflect continued revenue growth resulting from increased use of our services by our growing subscriber base, partly offset by declines in blended APPM and blended ARPU. Total revenue increased by 13.0% to Taka 61,359.0 million for the year ended December 31, 2008 from Taka 54,303.1 million for the year ended December 31, 2007. Our operating profit decreased 8.5% to Taka 15,350.0 million for the year ended December 31, 2008 from Taka 16,767.0 million for the year ended December 31, 2007. Our net profit decreased 2.5% to Taka 2,983.9 million for the year ended December 31, 2008 from Taka 3,059.8 million for the year ended December 31, 2007. See “Appendix D(I)—Audited Financial Statements of Grameenphone Ltd. As Of and For the Year Ended, December 31, 2008” for further details.

Selected First Quarter Results (Unaudited)

Our unaudited operating results for the three months ended March 31, 2009 reflect continued revenue growth resulting from increased use of our services by our growing subscriber base, partly offset by declines in blended APPM and blended ARPU. Total revenue increased 6.2% to Taka 15,772.2 million for the three months ended March 31, 2009 from Taka 14,844.9 million for the three months ended March 31, 2008. Our operating profit increased by 52.1% to Taka 5,277.5 million for the three months ended March 31, 2009 from Taka 3,469.5 million for the three months ended March 31, 2008, particularly due to decreased selling and distribution expenses resulting

from a decrease in subscriber acquisitions compared to the same period in 2008. See “Appendix D(VI)—Selected Financial Information (Unaudited) for the Three-Month Period Ended March 31, 2009” for further details.

Selected Second Quarter Results (Unaudited)

We recently announced selected unaudited operating results for the three months ended June 30, 2009. Our total revenues increased by 10.3% for the three months ended June 30, 2009 compared to the three months ended June 30, 2008, mainly due to an increase in our total number of subscribers, increased blended APPM and increased interconnection revenues following the introduction of the international gateway (IGW) in the fourth quarter of 2008. Such increase was partly offset by reduced interconnection rates for local calls.

Our total subscribers increased by nearly 106,000 during the quarter, while our subscriber market share declined to approximately 45%. Our blended ARPU decreased by about 1% due to a decrease in usage and reduced interconnection rates, partly offset by an increase in blended APPM. Our capital expenditures decreased by approximately 65% as a result of adjusting our network investments in accordance with traffic demand.

Our audited financial statements as of, and for the year ended, December 31, 2008, selected financial information (unaudited) for the three months ended March 31, 2009 and selected financial information (unaudited) for the three months ended June 30, 2009, each of which have been prepared and presented in accordance with BFRS, are included in Appendix D to this Prospectus. There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). See “Risk Factors—Risks Relating to Ownership of Our Shares—We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.”

Dividend

At the annual general meeting of our shareholders on March 23, 2009, the shareholders approved a dividend of Taka 1,579.7 million, which was paid on July 28, 2009 to shareholders of record as of March 23, 2009.

Reverse Share Split

On July 2, 2009, our Board of Directors and our shareholders approved an issuance of 250 new ordinary shares to our shareholders to avoid any fractional shares resulting from a planned reverse share split to change the par value of shares, and a 10 for 1 reverse share split to increase the par value of our ordinary shares to Taka 10.00 per share from Taka 1.00 per share. The issuance of new shares was approved by the Securities and Exchange Commission and the increase in our par value per share was approved by the Registrar of Joint Stock Companies and Firms. We increased the par value of our shares to Taka 10.00 per share because the DSE has a rule that shares with a par value of less than Taka 10.00 per share are not eligible for listing on the DSE.

Settlement with X-Net

On March 1, 2009, we resolved a dispute between us and X-Net by entering into a settlement agreement. X-Net is an information technology and data communications company that develops and provides non-voice products and services, as well as other technology such as satellite, VSAT and digital communication. The dispute related to a strategic partnership agreement between us and X-Net. As a result of the settlement, the strategic partnership agreement has been terminated, we no longer have any equity interest in X-Net, and X-Net is one of our fiber optic network customers.

Settlement of Criminal Suit

On February 10, 2009, we settled a suit that had been filed against a former chief executive officer and other employees, in which the petitioner claimed that a gift promotion of ours implicated Section 294B of the Penal Code, which prohibits inducing others to purchase items through the use of valuable gifts and products.

Potential Establishment of an IT Subsidiary

We are considering whether to establish a subsidiary that would handle all of our IT support needs as well as possibly provide such services to third parties. This is currently only a proposed initiative, and no decision has been made with respect to whether the proposal is viable or will proceed.

Summary Financial Information and Operating Data

The following table presents summary financial information derived from our audited financial statements prepared and presented in accordance with BFRS and should be read in conjunction with our audited financial statements and “Plan of Operation and Discussion of Financial Condition,” included elsewhere in this Prospectus. Our summary audited financial information as of, and for the years ended, December 31, 2005, 2006 and 2007, as of, and for the nine months ended, September 30, 2008, and for the nine months ended, September 30, 2007 is derived from our audited financial statements for those years and nine month periods, included elsewhere in this Prospectus, and should be read in conjunction with our audited financial statements contained elsewhere in this Prospectus, including the notes thereto.

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|------------------------------------|-----------------------|----------------------------|--|---------------------|
| | 2005 Taka | 2006 Taka | 2007 Taka (millions) | 2007 Taka | 2008 Taka |
| Profit and Loss Account Data (audited) | | | | | |
| Revenue | 29,473.1 | 45,640.4 | 54,303.1 | 39,993.5 | 44,561.0 |
| Cost of network operations | | | | | |
| Direct cost of network revenue | (6,705.0) | (10,072.2) | (12,792.6) | (9,522.2) | (10,503.4) |
| Network operation and maintenance expenses | (1,428.5) | (2,105.7) | (2,442.6) | (1,832.9) | (3,368.2) |
| Depreciation and amortization | (4,056.8) | (6,500.5) | (9,122.2) | (6,369.8) | (9,723.4) |
| | <u>(12,190.3)</u> | <u>(18,678.4)</u> | <u>(24,357.3)</u> | <u>(17,724.9)</u> | <u>(23,595.0)</u> |
| Gross profit | <u>17,282.8</u> | <u>26,962.0</u> | <u>29,945.9</u> | <u>22,268.6</u> | <u>20,966.0</u> |
| Other income, net | 113.8 | 102.3 | 38.2 | 44.0 | 9.2 |
| Operating expenses | | | | | |
| General and administrative expenses | (2,279.2) | (3,915.2) | (5,627.7) | (3,909.2) | (4,522.8) |
| Selling and distribution expenses | (2,056.8) | (3,944.3) | (6,660.4) | (4,937.8) | (5,320.5) |
| Bad debt expense | (150.8) | (41.6) | (135.3) | (33.2) | (140.4) |
| Depreciation and amortization | (308.1) | (967.9) | (1,273.7) | (878.4) | (1,250.1) |
| | <u>(4,794.9)</u> | <u>(8,869.0)</u> | <u>(13,697.0)</u> | <u>(9,758.7)</u> | <u>(11,233.8)</u> |
| Operating profit | <u>12,601.7</u> | <u>18,195.3</u> | <u>16,287.0</u> | <u>12,553.9</u> | <u>9,741.4</u> |
| Finance costs, net. | (740.8) | (918.8) | (968.5) | (488.9) | (1,345.3) |
| Loss on disposal of property, plant and equipment | (99.4) | (258.8) | (102.0) | (21.1) | 33.3 |
| Compensation to the BTRC ⁽¹⁾ | - | - | (1,684.2) | (1,684.2) | (2,230.8) |
| Share of profit of X-Net Ltd. | - | 1.9 | 2.6 | 2.6 | - |
| Profit before tax | <u>11,761.5</u> | <u>17,019.5</u> | <u>13,534.9</u> | <u>10,362.3</u> | <u>6,198.6</u> |
| Income tax expenses | <u>(4,848.6)</u> | <u>(9,535.5)</u> | <u>(10,475.0)</u> | <u>(8,517.4)</u> | <u>(5,818.6)</u> |
| Net profit (loss) | <u><u>6,912.9</u></u> | <u><u>7,484.0</u></u> | <u><u>3,059.8</u></u> | <u><u>1,844.9</u></u> | <u><u>380.1</u></u> |

(1) In our audited financial statements for the nine months ended September 30, 2007 and 2008, this line item is referred to as compensation & contribution to the BTRC.

“Compensation” refers to our settlement payments to the BTRC relating to our involvement with unregulated international call termination through the use of VoIP technology.

| | For The Year Ended December 31, 2007 | For the Nine Months Ended September 30, 2008 |
|---|---|---|
| | Taka (millions) | |
| Settlement agreement dated September 30, 2007, which related to such activities during the period from September 2005 to February 2007 | 1,684.2 | |
| Settlement agreement dated August 14, 2008, which related to the resolution of a second investigation of such activities (and for which we had taken a provision of Taka 500.0 million in December 2007). | | 2,500.0 |

“Contribution” refers to our payment of Taka 230.8 million in May 2008 to the BTRC for its “Lawful Interception Compliance” project, which is being financed by all mobile operators.

| | As of December 31, | | | As of September 30, |
|---|-----------------------|-----------------|-----------------|------------------------|
| | 2005 | 2006 | 2007 | 2008 |
| | Taka | Taka | Taka | Taka |
| (millions) | | | | |
| Balance Sheet Data (audited) | | | | |
| Total current assets | 6,973.8 | 10,442.2 | 6,851.1 | 8,746.4 |
| Total non-current assets | <u>42,562.9</u> | <u>56,314.5</u> | <u>81,610.0</u> | <u>85,049.4</u> |
| Total assets | <u>49,536.7</u> | <u>66,756.7</u> | <u>88,461.0</u> | <u>93,795.8</u> |
| Total current liabilities | 16,591.8 | 23,567.6 | 36,444.7 | 43,033.0 |
| Total non-current liabilities | <u>14,704.1</u> | <u>18,679.6</u> | <u>25,905.3</u> | <u>25,778.4</u> |
| Total liabilities | 31,296.0 | 42,247.2 | 62,350.0 | 68,811.4 |
| Total shareholders' equity | <u>18,240.7</u> | <u>24,509.5</u> | <u>26,111.1</u> | <u>24,984.4</u> |
| Total equity and liabilities | <u>49,536.7</u> | <u>66,756.7</u> | <u>88,461.0</u> | <u>93,795.8</u> |

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|------------|------------------------------------|------|------|---|------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | Taka | Taka | Taka | Taka | Taka |
| (millions) | | | | | |

Cash Flow Statement Data (audited)

| | | | | | |
|---|------------------|------------------|----------------|----------------|--------------|
| Net cash from (used in) | | | | | |
| Operating activities | 17,049.6 | 26,163.2 | 24,135.6 | 19,001.1 | 18,638.2 |
| Investing activities | (16,410.9) | (22,609.3) | (30,470.0) | (24,200.8) | (17,095.1) |
| Financing activities | <u>(1,230.2)</u> | <u>(2,341.9)</u> | <u>4,295.4</u> | <u>3,526.9</u> | <u>608.8</u> |
| Net increase (decrease) in cash and cash equivalents. . . | (591.5) | 1,212.0 | (2,039.1) | (1,672.8) | 2,151.9 |

Other Financial Data (unaudited; based on audited financial statements)

| | As of and for the Year Ended December 31, | | | As of and for the Nine Months Ended September 30, | |
|---|--|----------|----------|---|----------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | Taka | Taka | Taka | Taka | Taka |
| (millions) | | | | | |
| EBITDA ⁽¹⁾ | 16,966.6 | 25,663.6 | 27,182.8 | 19,802.2 | 20,714.9 |
| Capital expenditures ⁽²⁾ | 26,151.0 | 21,656.3 | 35,762.6 | 31,661.6 | 14,450.2 |
| Total debt ⁽³⁾ | 9,037.7 | 7,869.0 | 16,383.5 | n/a | 18,355.4 |

- (1) We define EBITDA as our net profit (loss) before net finance costs, income tax expenses, depreciation and amortization, compensation to the BTRC, provision for any potential claim by the BTRC relating to unregulated international call termination using VoIP, loss (gain) on disposal of property, plant and equipment and excluding our share of X-Net Ltd.'s profit and any other extraordinary and non-recurring items. You should not consider EBITDA as an alternative to net profit as an indicator of our operating performance, or as an alternative to cash flow from operations as a measure of liquidity. We believe that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, we have disclosed this information to permit a more complete comparative analysis of our operating performance relative to other companies in the industry. However, our definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show trends related to the following items: depreciation and amortization; interest income and expense; and income taxes. For a discussion of these items, see "Plan of Operation and Discussion of Financial Condition" and our financial statements included elsewhere in this Prospectus.
- (2) Capital expenditures consist principally of expenditures to build, expand and improve our network coverage and capacity and to purchase related equipment, land and buildings. It includes assets acquired under our finance lease with Bangladesh Railway amounting to Taka 5,050.0 million in 2005 and Taka 2,574.0 million in 2007.
- (3) Total debt represents the sum of current and non-current loans and borrowings, current and non-current finance lease obligations, local bank borrowings (in our audited financial statements for the nine months ended September 30, 2007 and 2008, this line item has been changed to "local interest bearing short-term borrowings", as some short-term loans that we entered into in 2008 are from non-bank financial institutions) and interest payable on loans and borrowings.

The following table reconciles our net income under BFRS to our definition of EBITDA for the periods indicated:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|------------------------------------|-----------------|--------------------|--|-----------------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | Taka | Taka | Taka (millions) | Taka | Taka |
| Net profit (loss) | 6,912.9 | 7,484.0 | 3,059.8 | 1,844.9 | 380.1 |
| Plus: Taxes | 4,848.6 | 9,535.5 | 10,475.0 | 8,517.4 | 5,818.6 |
| Profit before tax | 11,761.5 | 17,019.5 | 13,534.9 | 10,362.3 | 6,198.6 |
| Finance costs, net | 740.8 | 918.8 | 968.5 | 488.9 | 1,345.3 |
| Depreciation and amortization | 4,364.9 | 7,468.4 | 10,395.8 | 7,248.3 | 10,973.5 |
| Loss (gain) on disposal of property, plant and equipment | 99.4 | 258.8 | 102.0 | 21.1 | (33.3) |
| Share of (profit) / loss in associates | 0.0 | (1.9) | (2.6) | (2.6) | - |
| Provision in relation to ongoing VoIP investigation | - | - | 500.0 | - | - |
| Compensation and contribution to the BTRC . . . | 0.0 | 0.0 | 1,684.2 | 1,684.2 | 2,230.8 |
| EBITDA | <u>16,966.6</u> | <u>25,663.6</u> | <u>27,182.8</u> | <u>19,802.2</u> | <u>20,714.9</u> |

Summary Operating Data (unaudited; based on internal reporting system)

The following table presents summary operating data as of the dates, and for the periods, indicated. This data is based on our internally generated reporting system and, wherever applicable, on our statutory accounts.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---|----------------------------|--------------|---------------|------------------------------------|---------------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| Subscribers (at period end) | | | | | |
| Prepaid subscribers | 5,158,937 | 10,227,156 | 15,907,650 | 14,541,949 | 20,412,579 |
| Postpaid subscribers | 383,425 | 531,552 | 575,295 | 602,838 | 416,334 |
| Total subscribers | 5,542,362 | 10,758,708 | 16,482,945 | 15,144,787 | 20,828,913 |
| Total new subscribers (over prior 12 months) | 3,154,204 | 5,216,346 | 5,724,237 | 5,740,557 | 5,684,126 |
| Subscriber growth (over prior 12 months) (%). | 132.2% | 94.1% | 53.2% | 61.0% | 37.5% |
| AMPU | | | | | |
| Prepaid AMPU | 146 | 168 | 231 | 225 | 296 |
| Postpaid AMPU | 1,173 | 1,050 | 720 | 737 | 524 |
| Blended AMPU | 237 | 216 | 252 | 248 | 301 |
| Billed MOU (in thousands) | | | | | |
| Prepaid MOU | 5,920,401 | 15,482,775 | 36,388,306 | 25,169,957 | 49,251,440 |
| Postpaid MOU | 4,661,819 | 5,655,512 | 4,983,488 | 3,790,058 | 2,120,133 |
| Blended MOU | 10,582,220 | 21,138,287 | 41,371,795 | 28,960,015 | 51,371,572 |
| Average monthly churn rate | | | | | |
| Prepaid | 0.4% | 1.3% | 1.2% | 1.2% | 1.2% |
| Postpaid | 1.6% | 0.6% | 2.9% | 2.4% | 6.6% |
| Blended | 0.5% | 1.2% | 1.2% | 1.2% | 1.3% |
| ARPU (Taka) | | | | | |
| Prepaid ARPU | 454 | 359 | 292 | 300 | 244 |
| Postpaid ARPU | 2,719 | 2,279 | 1,180 | 1,220 | 898 |
| Blended ARPU | 656 | 465 | 329 | 341 | 260 |
| Non-voice as % of ARPU | 2.5% | 3.1% | 3.2% | 3.5% | 4.2% |
| APPM (Taka) | | | | | |
| Blended APPM | 2.76 | 2.15 | 1.31 | 1.38 | 0.86 |
| Number of base stations (at period end) | 2,630 | 6,178 | 10,322 | 9,421 | 11,371 |

DISCLOSURE IN RESPECT OF ISSUANCE OF SECURITY IN DEMATERIALIZED FORM

As per the provisions of the Depository Act, 1999 and regulations made thereunder, shares of Grameenphone Ltd. will be issued in dematerialized form only and for this purpose Grameenphone Ltd. will sign an agreement with the CDBL. Therefore, all transfers, transmission, splitting or conversion will take place on the CDBL system and any further issuance of shares (including rights and bonuses) will also be issued in dematerialized form only.

CONDITIONS UNDER SECTION 2CC OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969

Part-A

1. The company shall go for Initial Public Offer (IPO) for 6,94,39,400 ordinary shares of Tk.10.00 each at an issue price of Tk.70.00 per share (including a premium of Tk.60.00 each) worth Tk.486,07,58,000.00 (taka four hundred eighty six crore seven lac fifty eight thousand) only following the Securities and Exchange Commission (Public Issue) Rules, 2006, the Depository Act, 1999 and regulations made there under.
2. The abridged version of the prospectus, as approved by the Commission, shall be published by the issuer in four national daily newspapers (in two Bangla and two English), within 03 (three) working days of issuance of this letter. The issuer shall post the full prospectus vetted by the Securities and Exchange Commission in the issuer's website and shall also put on the web sites of the Commission, stock exchanges, and the issue Manager within 03 (three) working days from the date of issuance of this letter which shall remain posted till the closure of the subscription list. The issuer shall submit to SEC, the stock exchanges and the issue Manager a diskette containing the text of the vetted Prospectus in "MS-Word" format.
3. Sufficient copies of prospectus shall be made available by the issuer so that any person requesting a copy may receive one. A notice shall be placed on the front of the application form distributed in connection with the offering, informing that interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue Manager. The subscription application shall indicate in bold type that no sale of securities shall be made, nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus has been published.
4. The company shall submit 40 (forty) copies of the printed prospectus to the Securities and Exchange Commission for official record within **5 (Five)** working days from the date of publication of the abridged version of the prospectus in the newspaper.
5. The issuer company and the issue Manager shall ensure transmission of the prospectus, abridged version of the prospectus and relevant application forms for NRBs through e-mail, simultaneously with publication of the abridged version of the prospectus, to the Bangladesh Embassies and Missions abroad and shall also ensure sending of the printed copies of abridged version of the prospectus and application forms to the said Embassies and Missions within **five working days** of the publication date by express mail service (EMS) of the postal department. A compliance report shall be submitted in this respect to the SEC jointly by the issuer and the issue manger within two working days from the date of said dispatch of the prospectus & the forms.
6. The paper clipping of the published abridged version of the prospectus, as mentioned at **condition 2 above**, shall be submitted to the Commission within 24 hours of the publication thereof.
7. The company shall maintain separate bank account(s) for collecting proceeds of the Initial Public Offering and shall also open FC account(s) to deposit the application money of the Non- Resident Bangladeshis (NRBs) for IPO purpose, and shall incorporate full particulars of said FC account(s) in the prospectus. The company shall open the abovementioned accounts for IPO purpose; and close these accounts after refund of over-subscription. Non-Resident Bangladeshi (NRB) means Bangladeshi citizens staying abroad including all those who have dual citizenship (provided they have a valid Bangladeshi passport) or those, whose foreign passport bear a stamp from the concerned Bangladesh Embassy to the effect that no visa is required to travel to Bangladesh.
8. The issuer company shall apply to all the stock exchanges in Bangladesh for listing within **07(seven) working days** from the date of issuance of this letter and shall simultaneously submit the vetted prospectus with all exhibits, as submitted to SEC, to the stock exchanges.
9. The following declaration shall be made by the company in the prospectus, namely:-

"Declaration about Listing of Shares with the Stock Exchange(s):

None of the stock exchange(s), if for any reason, grants listing within 75 days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (seventy five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen days, the company directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (two percent) per month above the bank rate, to the subscribers concerned.

The issue Manager, in addition to the issuer company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within seven days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money.”

10. The subscription list shall be opened and the sale of securities commenced **after 25 (twenty five) days** of the publication of the abridged version of the prospectus and shall remain open for **5 (five) consecutive banking days**.
11. A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking “Account Payee only”. The NRB applicants shall send applications to the issuer company within the closing date of the subscription so as to reach the same to the company by the closing date plus ten days. Applications received by the company after the above time period will not be considered for allotment purpose.
12. The company shall apply the spot buying rate (TT clean) in US Dollar, UK Pound Sterling and Euro of Sonali Bank, which shall be mentioned in the Prospectus, as prevailed on the date of opening of the subscription for the purpose of application of the NRBs and other non-Bangladeshi persons, where applicable.
13. The company and the issue Manager shall ensure prompt collection/clearance of the foreign remittances of NRBs and other non-Bangladeshis, if applicable, for allotment of shares.
14. Upon completion of the period of subscription for securities the issuer and the issue Manager shall jointly provide the Commission and the stock exchanges with the preliminary status of the subscription within 05 (five) working days, in respect of the following matters, namely: -
 - (a) Total number of securities for which subscription has been received;
 - (b) Amount received from the subscription; and
 - (c) Amount of commission paid to the banker to the issue.
15. The issuer and the issue Manager shall jointly provide the Commission and the stock exchanges the list of valid and invalid applicants in electronic form in 2 (two) CDs and final status of subscription to the Commission within **3 (three) weeks** after the closure of the subscription along with bank statement (original) and branch-wise subscription statement. The list of valid and invalid applicants shall be finalized after examination with the CDBL in respect of BO accounts and particulars thereof.
16. The IPO shall stand cancelled and the application money shall be refunded immediately (but not later than **5(five) weeks** from the date of the subscription closure) if any of the following events occur:
 - (a) Upon closing of the subscription list it is found that the total number of valid applications (in case of under subscription including the number of the underwriter) is less than the minimum requirement as specified in the listing regulations of the stock exchange(s) concerned; or
 - (b) At least 50% of the IPO is not subscribed.
17. 10% of total public offering shall be reserved for non-resident Bangladeshi (NRB) and 10% for mutual funds and collective investment schemes registered with the Commission, and the remaining 80% shall be open for subscription by the general public. In case of under-subscription under any of the 10% categories mentioned above, the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the issuer and the issue Manager shall jointly conduct an open lottery of all the applicants added together.
18. All the applicants shall first be treated as applied for one minimum market lot of **200 shares worth Tk.14,000/-**. If, on this basis, there is over subscription, then lottery shall be held amongst the applicants allocating one identification number for each application, irrespective of the application money. In case of over-subscription under any of the categories mentioned hereinabove, the issuer and the issue Manager shall jointly conduct an open lottery of all the applications received under each category separately in presence of representatives from the issuer, the stock exchanges and the applicants, if there be any.
19. **An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of application money may be forfeited by the Commission.**

20. Lottery (if applicable) shall be held within 4 **(four) weeks** from closure of the subscription date.
21. The company shall issue share allotment letters to all successful applicants within **5 (Five) weeks** from the date of the subscription closing date. Within the same time, refund to the unsuccessful applicants shall be made in the currency in which the value of securities was paid for by the applicants without any interest through Account Payee Cheque/ refund warrants with bank account number, bank's name and Branch as indicated in the securities application forms payable at Dhaka/ Chittagong/ Khulna/ Rajshahi/ Barisal/ Sylhet/ Bogra, as the case may be, **subject to condition 19 above**.

Refund money of the unsuccessful applicants shall be credited directly to their respective bank accounts, who have mentioned in the IPO application forms, bank account numbers with the bankers to the issue and other banks as disclosed in the prospectus. A compliance report in this regard shall be submitted to the Commission within **7(seven) weeks** from the date of closure of subscription.
22. The company shall furnish the List of Allotees to the Commission and the stock exchange(s) simultaneously in which the shares will be listed, within **24 (twenty four) hours** of allotment.
23. In the event of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s) (subject to para -16 above). The issuer must notify the underwriter to take up the underwritten shares within **10 (ten) days** of the subscription closing date on full payment of the share money within **15(fifteen) days** of the issuer's notice. The underwriter shall not share any underwriting fee with the issue Manager, other underwriters, issuer or the sponsor group.
24. All issued shares of the issuer at the time of according this consent shall be subject to a **lock-in of three years** from the date of issuance of prospectus or commercial operation, whichever comes later;

Provided that the persons, other than directors and those who hold 5% or more shares, who have subscribed to the shares of the company within immediately preceding two years of according consent, shall be subject to a **lock-in of one year** from the date of issuance of prospectus or commercial operation, whichever comes later.
25. Either a Jumbo Share (one for each of the existing Sponsors/ Directors/ Shareholders) in respect of the shares already issued shall be issued covering together respective total holding, which shall contain the expiry date of lock-in period **or** Sponsors/Directors/Promoters/Shareholders' shareholding shall be converted into demat form but shall be locked-in as per the condition at **para-24 above**.
26. In case of Jumbo Share Certificate issued to the existing Sponsors/ Directors/ Shareholders, the said share certificates shall be kept under custody of a security custodian bank registered with SEC during the lock-in period. The name and branch of the bank shall be furnished to the Commission jointly by the issuer and the issue Manager, along with a confirmation thereof from the custodian bank, within **one week** of listing of the shares with the stock exchange(s).
27. In case of dematerialization of shares held by the existing Sponsors/ Directors/ Shareholders, the copy of dematerialization confirmation report generated by CDBL and attested by the managing director of the company along with lock-in confirmation shall be submitted to SEC within **one week** of listing of the shares with the stock exchange(s).
28. The company shall apply to the stock exchanges for listing within **7(seven) working days** of issuance of this letter and shall simultaneously submit to the Commission attested copies of the application filed with the stock exchanges.
29. The company shall not declare any benefit other than cash dividend based on the financial statements for the period ended on December 31, 2008.

Part-B

1. The issuer and the issue Manager shall ensure that the abridged version of the prospectus and the full prospectus is published correctly and in strict conformity without any error/omission, as vetted by the Securities and Exchange Commission.
2. The issue Manager shall carefully examine and compare the published abridged version of prospectus on the date of publication with the copy vetted by SEC. If any discrepancy/ inconsistency is found, both the issuer and the issue Manager shall jointly publish a corrigendum immediately in the same newspapers concerned, simultaneously endorsing copies thereof to SEC and the stock exchange(s) concerned, correcting the discrepancy/inconsistency as required under 'Due Diligence Certificates' provided with SEC.

3. Both the issuer company and the issue Manager shall, immediately after publication of the prospectus and its abridged version, jointly inform the Commission in writing that the published prospectus and its abridged version are verbatim copies of the same as vetted by the Commission.
4. The fund collected through IPO shall not be utilized prior to listing with stock exchange and that utilization of the said fund shall be effected through banking channel, i.e. through account payee cheque, pay order or bank drafts etc.
5. The company shall furnish report to the Commission on utilization of IPO proceeds **within 15 days** of the closing of each quarter until such fund is fully utilized, as mentioned in the schedule contained in the prospectus, and in the event of any irregularity or inconsistency, the Commission may employ or engage any person, at issuer's cost, to examine whether the issuer has utilized the proceeds for the purpose disclosed in the prospectus.
6. All transactions, excluding petty cash expenses, shall be effected through the company's bank account(s).
7. Proceeds of the IPO shall not be used for any purpose other than those specified in the prospectus. Any deviation in this respect must have approval of the shareholders in the General Meeting under intimation to SEC and stock exchange(s).
8. Directors on the company's Board will be in accordance with the applicable laws, rules and regulations.

Part-C

1. All the above conditions imposed under section 2CC of the Securities and Exchange Ordinance, 1969 shall be incorporated in the prospectus immediately after the page of the table of contents, with a reference in the table of contents, prior to its publication.
2. The Commission may impose further conditions/restrictions etc. from time to time as and when considered necessary which shall also be binding upon the issuer company.

Part-D

1. As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/ transmission/ splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (including rights/bonus) will be made in dematerialized form only.

An applicant (including NRB) shall not be able to apply for allotment of shares without beneficial owner account (BO account).

2. The issue Manager shall also ensure due compliance of all above.

GENERAL INFORMATION

Grameenphone Ltd. has prepared this Prospectus. The directors of Grameenphone Ltd., collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading.

No person is authorized to give any information or to make any representations not contained in this Prospectus and if such are given or made, such information or representations must not be relied upon as having been authorized by us.

The Public Offering as contemplated in this document is made in Bangladesh and is subject to the exclusive jurisdiction of the courts of Bangladesh. Forwarding this Prospectus to any person resident outside Bangladesh in no way implies that the Public Offering is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of that country.

A copy of this Prospectus may be obtained from the head office of Grameenphone Ltd., the Issue Manager, the underwriters and the stock exchanges where the securities will be traded.

DECLARATIONS AND DUE DILIGENCE CERTIFICATES

DECLARATION ABOUT THE RESPONSIBILITY OF THE DIRECTORS AND CEO OF THE COMPANY “GRAMEENPHONE LTD.” IN RESPECT OF PROSPECTUS.

This Prospectus has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity and accuracy of the statements made, information given in the Prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Securities and Exchange Commission in support thereof, and confirm, after making all reasonable inquiries that all conditions concerning this Public Offering and Prospectus have been met and that there are no other information or documents the omission of which make any information or statements therein misleading for which the Securities and Exchange Commission may take any civil, criminal or administrative action against any or all of us as it may deem fit.

We also confirm that full and fair disclosure has been made in this Prospectus to enable investors to make a well-informed decision for investment.

Sd/-
Sigve Brekke⁽¹⁾
Chairman and Director

Sd/-
Snorre Corneliussen⁽¹⁾
Director

Sd/-
Per Erik Hylland⁽¹⁾
Director

Sd/-
Dipal Chandra Barua⁽²⁾
Director

Sd/-
M. Shahjahan⁽²⁾
Director

Sd/-
Oddvar Hesjedal
Chief Executive Officer

⁽¹⁾ Nominated by TMC.

⁽²⁾ Nominated by GTC.

CONSENT OF DIRECTOR(S) TO SERVE AS DIRECTOR(S)

We hereby agree that we have been serving as director(s) of Grameenphone Ltd. and will continue to act as director(s) of Grameenphone Ltd.

Sd/-
Sigve Brekke⁽¹⁾
Chairman and Director

Sd/-
Snorre Corneliussen⁽¹⁾
Director

Sd/-
Per Erik Hylland⁽¹⁾
Director

Sd/-
Dipal Chandra Barua⁽²⁾
Director

Sd/-
M. Shahjahan⁽²⁾
Director

⁽¹⁾ Nominated by TMC.

⁽²⁾ Nominated by GTC.

DECLARATION ABOUT FILING OF PROSPECTUS WITH THE REGISTRAR OF JOINT STOCK COMPANIES AND FIRMS

A dated and signed copy of this Prospectus has been filed for registration with the Registrar of Joint Stock Companies and Firms, Bangladesh, as required by Section 138(1) of the Companies Act, 1994 on August 25, 2009, vide receipt no. 2009542245.

DECLARATION BY THE ISSUE MANAGER ABOUT THE APPROVAL FROM SECURITIES AND EXCHANGE COMMISSION FOR ANY MATERIAL CHANGES REGARDING PROSPECTUS OF GRAMEENPHONE LTD.

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statement, made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication, such changes shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Securities and Exchange Commission.

Sd/-
Silmat Chisti
Head of Bangladesh Capital Markets
Citigroup Global Markets Bangladesh Private Limited

DECLARATION BY THE ISSUER ABOUT THE APPROVAL FROM SECURITIES AND EXCHANGE COMMISSION FOR ANY MATERIAL CHANGES REGARDING PROSPECTUS OF GRAMEENPHONE LTD.

In case of any material changes in any agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication, such changes shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Securities and Exchange Commission.

Sd/-
Oddvar Hesjedal
Chief Executive Officer
Grameenphone Ltd.

DUE DILIGENCE CERTIFICATE OF THE ISSUE MANAGER

Sub: Public Offering of 69,439,400 ordinary shares of Taka 70.00 each including a premium of Taka 60.00 per share of Grameenphone Ltd.

We, the under-noted Manager to the Issue to the above-mentioned forthcoming issue, state as follows:

1. We, while finalizing the draft prospectus pertaining to the said issue, have examined various documents and other materials as relevant for adequate disclosures to the investors; and
2. On the basis of such examination and the discussions with the Issuer, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the Issuer;

WE CONFIRM THAT

- (a) the draft prospectus forwarded to the Securities and Exchange Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) all the legal requirements connected with the said issue have been duly complied with; and
- (c) the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well-informed decision for investment in the proposed issue.

For Manager to the issue

Sd/-
Silmat Chisti
Head of Bangladesh Capital Markets
Citigroup Global Markets Bangladesh Private Limited

DUE DILIGENCE CERTIFICATE OF THE UNDERWRITERS

Sub: Public Offering of 69,439,400 ordinary shares of Taka 70.00 each including a premium of Taka 60.00 per share of Grameenphone Ltd.

We, the under-noted Underwriters to the above-mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the Company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the Issuer.

WE CONFIRM THAT

- (a) all information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Securities and Exchange Commission has been approved by us;
- (b) we shall subscribe and take up the unsubscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the Issuer; and
- (c) this underwriting commitment is unequivocal and irrevocable.

For the Underwriters

Sd/-

Authorized Signatory

Citigroup Global Markets Bangladesh Private Limited
Eastern Bank Limited
Green Delta Insurance Co. Ltd.
IDLC Finance Limited
IFIC Bank Limited
The City Bank Limited
Trust Bank Limited

RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS

An investment in our shares involves risks. Investors should carefully consider all of the information in this Prospectus and, in particular, the risks described below before deciding to invest in our shares. The following describes some of the significant risks that could affect us and the value of our shares. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. The occurrence of any of the following events, or other risks that are not currently known to us or are now deemed to be immaterial, could have a material adverse effect on our business, financial condition, results of operations and prospects. In such event, the value or trading price of our securities could decline and investors may lose all or part of their investment.

In general, investing in securities of issuers in emerging market countries such as Bangladesh involves risks not typically associated with investing in the securities of companies in countries with more developed economies. This Prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below. See "Forward-Looking Statements."

Operational Risks

Our primary telecommunications license expires in November 2011. If we fail to maintain or renew our primary telecommunications license, we will not be able to continue our operations.

We depend on licenses granted by the BTRC in order to provide our telecommunications services and to use our allocated frequencies. Our mobile cellular license is scheduled to expire in November 2011, and, thereafter, will be subject to annual renewal by the BTRC. Our ISP license is scheduled to expire in January 2010, and is currently subject to annual renewal by the BTRC. Failure by us to renew our licenses, renewal on less favorable terms (including increased license fees) or the introduction of new types of licenses with less favorable terms, would have a material adverse effect on our business, financial condition, results of operations and prospects.

Our licenses could be cancelled, suspended or amended.

If we violate or fail to comply with the terms and conditions of our licenses, any other terms and conditions imposed by the BTRC, the BTA or applicable regulations thereunder, our licenses could be cancelled or suspended. Furthermore, the BTRC may amend the terms of our ISP license at its discretion. The cancellation or suspension of any of our licenses or any unfavorable amendment of the terms of our licenses would have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to stabilize our churn rates and ARPU, which may adversely affect our business operations.

Our churn rates have increased and our ARPU has decreased as we have sought to add a significant number of new consumer, rural and financially-constrained prepaid subscribers. There is no assurance that our revenue from such subscribers will allow us to recover the subscriber acquisition cost of acquiring these new subscribers or the increased network costs required to accommodate such new subscribers on our network.

Our pricing strategy, additional revenue offerings from competitors and a growing price awareness among subscribers have led and may continue to lead to increased churn rates and lower ARPU. Our blended ARPU has declined 49.8% since 2005, from Taka 656 in 2005 to Taka 329 in 2007. Our annual blended churn rate increased from 6.0% in 2005 to 15.0% in 2007. We cannot assure you that our churn rates will not increase further or that our ARPU will not decline further in the future and any such increase or decline may adversely affect our business, financial condition, results of operations and prospects.

Our low ARPU subscribers may not evolve into high ARPU subscribers.

In recent years, we have invested in low ARPU subscribers in the hope that their spending on mobile telecommunications will eventually increase as the Bangladesh economy develops. Our low ARPU subscribers may never evolve into high ARPU subscribers, especially if macroeconomic growth in Bangladesh slows or declines. These subscribers may also have a higher churn rate as they tend to have less brand loyalty and are more price sensitive and thus are more likely to respond to price incentives, such as price promotions, from our competitors. These factors may adversely affect our business, financial condition, results of operations and prospects.

Our subscriber growth rate and our APPM may continue to decrease.

Over the past five years, the mobile telecommunications market in Bangladesh has experienced a period of strong growth, particularly in urban areas. With robust competition, the market is now witnessing a slowing growth

rate. Our rate of subscriber growth is slowing and more consumers are using multiple SIM cards. Our blended APPM has declined significantly, from Taka 2.76 in 2005 to Taka 1.31 in 2007, and the decline is outpacing our subscriber growth. While our blended AMPU has increased since 2006, we expect AMPU to stabilize or decline in the long term. Growth is occurring principally in low ARPU segments and the growth rate of market penetration may decline. A decline in the market's growth rate and our blended APPM may have a material adverse effect on our business, financial condition, results of operations and prospects.

Subscribers are using multiple SIM cards, which increase price competition.

We are aware that subscribers are using multiple SIM cards to concentrate their usage of our network and the networks of our competitors during periods when tariffs are lowest. This practice makes it difficult to build customer loyalty and encourages intense price competition among operators and may lead to further decline in our blended AMPU and our blended ARPU, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We paid substantial fines relating to illegal international call termination using VoIP, and remain subject to a show cause notice as to why our license should not be cancelled or suspended.

In 2007, we paid the BTRC compensation of Taka 1,684.2 million in connection with our involvement with unregulated international call termination through the use of VoIP technology from September 2005 to February 2007. In February 2007, a member of the Bangladesh Rapid Action Battalion Forces ("RABF") filed a criminal allegation (known as a First Information Report or "FIR") with the police alleging, among other things, that we were involved in illegal international call termination through the use of VoIP technology. During the relevant time period, all incoming and outgoing international calls were required to be routed through BTTB and interconnection charges were to be paid to BTTB, the Government-owned incumbent fixed-line operator in Bangladesh. See "Description of Business—Network Interconnection." Certain of our customers purchased our High Volume User product, a SIM card that provided discounted tariffs for users with a committed call volume, and used VoIP technology to route international calls through our network rather than through BTTB's network, resulting in lost revenue for BTTB. Shortly after the FIR was filed, we discontinued the High Volume User product. On September 30, 2007, we and the BTRC entered into a settlement agreement. We paid Taka 1,684.2 million to the BTRC in three installments as full settlement for any claims by the BTRC for lost revenue due to these activities. The BTRC agreed that, upon payment of the last installment, it would not take any further legal action against us, it would submit a final report to the police with regard to the allegations in the FIR and it would take all possible and necessary steps to ensure that we are released from the charges brought against us in the FIR. We paid the last installment of the fine in December 2007. The BTRC submitted a final report to the police in May 2008, requesting that the case be withdrawn. The police produced their final report to the Metropolitan Magistrate Court of Dhaka. By an order dated November 26, 2008, the court accepted the final report and released the accused persons from the allegations. The case has been dismissed by the court.

A second related investigation was initiated in December 2007 by the regulators obtaining evidence that we provided E-1 connectivity to an operator, which allowed it to bypass BTTB for international call origination and termination. Thereafter, a second criminal allegation or FIR was filed alleging that we and members of our present and previous management had participated in illegal VoIP business and that had knowingly provided E-1 connections to institutions without the requisite license. On January 30, 2008, the BTRC sent us a show cause notice, noting these allegations and asking us to show cause why our license should not be cancelled or suspended. We duly replied to the show cause notice on February 27, 2008. All applicable E-1 connections were in operation during the period covered by the first investigation and all such connections were terminated by February 2007. On August 14, 2008, we entered into a settlement agreement with the BTRC concerning the second investigation. Under this agreement with the BTRC, we agreed to pay a fine of Taka 2,500 million. We paid Taka 500 million on the date of the agreement and we paid the last installment of the fine on October 29, 2008. In accordance with the settlement agreement, the BTRC will submit a final report to the police in favor of us and the members of our present and previous management named in the second FIR. In accordance with the settlement agreement, in consideration of the payment of the fine, the BTRC has also agreed not to take any further legal action against us or our management and employees in connection with this matter. The BTRC has submitted a final report to the police and the police have submitted that final report to the Metropolitan Magistrate Court of Dhaka. We have not received any order from the court yet.

We also cannot assure you that similar situations may not arise in the future, or that we will be able to reach a settlement with the authorities in such situations.

We may have to make a significant payment for unpaid SIM tax.

We pay tax on new SIM cards on behalf of our subscribers as part of our subscriber acquisition cost. See “Plan of Operation and Discussion of Financial Condition—Factors Affecting Our Results of Operations—Taxes, Duties and Fees—Tax on New SIM Cards.” During the six month period from August 2006 to March 2007, we did not pay the SIM tax because it had been declared illegal by a decision of the High Court Division of the Supreme Court of Bangladesh (the “High Court”). The Government and the NBR challenged and filed and were granted leave to appeal in the Appellate Division of the Supreme Court of Bangladesh (the “Appellate Division”). The Appellate Division granted an interim order staying the decision of the High Court. We are a pro forma respondent in this case, so we submitted our statements against the imposition of SIM tax to the Appellate Division. The matter is pending a final hearing by the Appellate Division. In August 2007, the Large Taxpayers Unit of the Government claimed payment from us of SIM tax for the six month period from August 2006 to March 2007, between the time of the decision of the High Court and the stay order issued by the Appellate Division. We are contesting the Large Taxpayers Unit’s claim and have not paid the SIM tax for this period. We accrued SIM tax expense throughout 2006 and 2007 and we believe that adequate provision has been taken. A decision that we must pay supplemental duty for this six month period may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may have to make significant payments relating to a claim for unpaid rent on our lease of Bangladesh Railway’s fiber optic network, and have yet to take a provision for such payment.

We are involved in a dispute regarding the payment of Value Added Tax (“VAT”) on the rent we pay Bangladesh Railway to use its fiber optic network. At issue is whether the rent is inclusive of VAT or whether we are supposed to pay VAT in addition to the rent.

In 1997, we entered into a lease agreement with Bangladesh Railway, whereby we pay rent to use Bangladesh Railway’s fiber optic network. This agreement did not include terms regarding the payment of VAT. In 2005, the NBR claimed payment from us of VAT on the rent. After discussions with the NBR, the NBR agreed that we could deduct VAT from the rent and pay it directly to the NBR. We believe this understanding is also supported by the provisions of rule 23(4) of the Value Added Tax Act, 1991 (the “VAT Act”). Since then, we paid approximately Taka 319.7 million to the NBR as accrued VAT on the rent for the period from 1997 through 2007.

Bangladesh Railway, however, has taken the position that the rent was not supposed to be inclusive of VAT. Bangladesh Railway has demanded that we pay the Taka 319.7 million that we deducted from our rent.

On July 6, 2008, we filed a writ petition before the High Court Division of the Supreme Court of Bangladesh against Bangladesh Railway and the NBR challenging Bangladesh Railway’s demand of Taka 319.7 million plus interest. The court issued a rule to show cause in our favor and we obtained, through a series of extended stay orders, a stay of the demand until October 2009. We will apply to extend the stay period from time to time until the final determination of the rule to show cause.

On February 1, 2008, the NBR issued a notification that VAT is to be paid at 15.0% over the agreed rental payments. Since then, we have paid Bangladesh Railway the rent together with 15.0% VAT and Bangladesh Railway has agreed to deposit the VAT amount with the NBR in our name. Whether the NBR’s tax notification is to apply retroactively, however, has not been resolved and this issue has been referred to the NBR.

If the High Court determines that the rent was not supposed to be inclusive of VAT and that we should have paid VAT over the rent, we may be required to pay Taka 319.7 million to Bangladesh Railway as unpaid rent and Taka 199.1 million to the NBR as VAT on this unpaid rent. The NBR has also claimed interest of Taka 124.2 million on the unpaid VAT. See “Description of Business — Legal and Regulatory Proceedings.” We have made no provision for such payments, and cannot assure you that any provision we may make will be adequate. Any requirement to pay amounts in excess of any provision we may make could also have a material adverse effect on our business, financial condition, results of operations and prospects.

On May 17, 2009, the Deputy Commissioner of VAT at the NBR issued a demand for us to deposit approximately Taka 237 million with the NBR, which amount we had previously claimed as a VAT rebate. We claimed the VAT rebate in accordance with an order we had previously received from the NBR relating to our lease of Bangladesh Railway’s fiber optic network. As such, we believe that the demand by the Deputy Commissioner is in conflict with the NBR order. We believe we are eligible for the VAT rebate and we expect to contest the demand as necessary, including in an appropriate legal forum. The order is still subsisting, however, and has not been set aside by any competent authority.

We are engaged in two other disputes concerning payment of VAT.

In May 2007, the Large Taxpayers Unit of the Government issued a notice demanding unpaid VAT due on our payments, from 2000-2005, to certain foreign service providers as consultants for technical assistance and know-how. We disagreed with this assessment. We had not used any such services from 2001-2004. Where we had used such services, in 2005, we had first obtained BOI's permission to procure these services, and BOI did not consider them as consultancy services. Moreover, in the application forms which we have to provide to BOI and Bangladesh Bank before we can procure such services, there is no provision for the deduction of VAT for services for technical assistance and know-how. Nonetheless, after a hearing, the Large Taxpayers Unit ordered us to pay Taka 86.4 million as unpaid VAT for 2000-2005, with Taka 84.3 million in interest, and further imposed a penalty of Taka 20,000. The Customs, Excise and VAT Appellate Tribunal disallowed our appeal, whereupon we filed a petition before the High Court Division of the Supreme Court of Bangladesh. The court issued a rule to show cause in our favor and stayed the tribunal's order, which stay has been extended until July 27, 2009.

The second dispute concerns VAT payments involving our sublease of fiber optic network to the Bangladesh Navy. In September 2004, the Customs, Excise and VAT Commission issued a demand for unpaid VAT on this sublease from October 2002 to December 2003. We disputed this demand as, among other reasons, Bangladesh Navy, as the service receiver, had already paid VAT on the sublease. We appealed this issue through to the Customs, Excise and VAT Appellate Tribunal, but, in December 2007, the tribunal dismissed our appeal and ordered the payment of Taka 36.3 million. We then filed a petition before the High Court Division of the Supreme Court of Bangladesh on this matter. The court issued a rule to show cause in our favor. The court also stayed the tribunal's order, and this stay has been extended to September 3, 2009.

While we believe we had no duty to pay VAT in these cases, we cannot guarantee that the outcome of these cases will be in our favor. A decision that we will have to pay these disputed amounts may have a material adverse effect on our business, financial condition, results of operations, and prospects.

We are involved in a legal dispute with a former dealer of our products, which may require us to make a payment as may be directed by the court.

We are involved in a dispute with Communic Park Ltd. ("Communic Park"), a former dealer of our products, for allegedly unpaid commissions and other claims. Communic Park initially claimed a shortfall of Taka 120.0 million, but later claimed that it was owed approximately Taka 450.5 million. See "Description of Business—Legal and Regulatory Proceedings." We engaged in arbitration proceedings to resolve this dispute. On December 31, 2008, the arbitral tribunal issued an award of Taka 242.2 million in favor of Communic Park, which includes Taka 121.8 million for pending commissions, Taka 50.0 million as compensation for loss of opportunity and Taka 65.3 million in interest. In addition, the tribunal ordered us to return a bank guarantee of Taka 10.0 million, which Communic Park had earlier provided as part of a security deposit under the dealer agreement. We filed a case before the Court of District Judge, Dhaka to set aside the award. The court has issued a rule to show cause in our favor and stayed the arbitral award until disposal of the case. There is no assurance that the court will decide in our favor, or that we will not have to pay this award to Communic Park.

An inquiry has been initiated by the Anti Corruption Commission concerning our alleged receipt of illegal benefits in relation to our lease of the fiber optic network from Bangladesh Railway.

On July 23, 2008, we received notice from the Anti Corruption Commission ("ACC") that it had initiated an inquiry relating to a complaint of corruption concerning our alleged receipt of illegal benefits in relation to our lease of the fiber optic network from Bangladesh Railway. We had a meeting with the ACC in July 2008 to address their concerns, and there have been no further developments since then.

Our trademarks could be challenged.

We have applied to register all our logos and brands as trademarks and are waiting for the registration to be completed. However, we have not applied to register the "Telenor device" and the "djuice" logos, as they belong to Telenor and Djuiice AS (a wholly owned subsidiary of Telenor), respectively (though we have applied to register the "Telenor device" logo accompanied by the name "grameenphone"). Even after the registration process is concluded, our trademarks may be challenged by anyone (including our existing shareholders), be infringed upon or be difficult to enforce, any of which could frustrate our ability to establish and protect our brands and could harm our business, results of operations, financial condition and prospects.

We may not reach formal agreements with Telenor on the use of certain trademarks.

Telenor has informally granted us the right to use the "Telenor device" trademark in Bangladesh in relation to the marking and sale of our products and services and as part of our company logo. Djuiice AS, a wholly owned

subsidiary of TMC, has informally granted us the use of the “djuice” trademarks in Bangladesh for our “djuice” products. The terms of the granted licenses, however, have not been agreed upon, and we and Telenor are in the process of formalizing the detailed license terms. We cannot assure you that we will reach an agreement on the use of these trademarks. If we fail to reach an agreement or an agreement on terms favorable to us, we may have to stop the use of these trademarks, which would adversely affect our business, results of operations, financial condition and prospects.

We may be subject to fines if we fail to comply with the BTRC’s subscriber registration program.

In December 2006, the BTRC directed all mobile operators to register new subscribers using a prescribed form, as well as obtain fingerprints and a photo ID, namely a driver’s license or national identification card, from each new subscriber. The BTRC will impose a penalty of US\$50 for each non-registered number found to be active after August 1, 2008. While we have actively taken measures to ensure that our retailers and sales outlets comply fully with the BTRC’s regulations in this regard, for instance by reducing their sales commissions for any violations, we cannot guarantee that we will always be in compliance with those regulations, due, in part, to our widespread sales and distribution network and some subscribers’ ignorance of the BTRC’s requirements. Hence, there is no guarantee that we will not be fined for non-compliance. There can also be no assurance that any non-compliance with the BTRC’s registration requirements will not have a material adverse effect on our business, financial condition, results of operations and prospects.

Any negative cash flows in the future may have an adverse effect on our results of operations.

We operate in a capital-intensive industry and have historically financed our expansion and other capital expenditures through a combination of cash generated from operations, short-term and long-term bank and other borrowings, including vendor financing through deferred letters of credit with Ericsson. The current global market downturn and liquidity shortfall may also affect our ability to raise sufficient funds for our operations. We have had negative working capital for the past three years and negative cash flows for the years ended December 31, 2005 and December 31, 2007, during which periods we have incurred significant capital expenditures. If we are unable to raise financing to meet our working capital requirements and to fund our projects, our business, results of operations, profitability and financial condition may be adversely affected. See “Plan of Operation and Discussion of Financial Condition—Liquidity and Capital Resources.”

Subscriber growth may increase our costs, particularly capital expenditures on our network.

Our subscriber base has grown significantly over the past few years. The increase in our subscriber base and the corresponding increase in usage of our services has placed significant strain on our network. To expand our network capacity and alleviate congestion, we have made and are likely to continue to make significant capital expenditures on additional base stations and other transmission equipment, particularly in Dhaka. The increased costs associated with subscriber growth may have a material adverse effect on our business, financial condition, results of operations and prospects. Our subscribers’ usage may be insufficient to compensate for these costs.

Our retailers may fraudulently activate our SIM cards and we may not recover our subscriber acquisition costs.

We have experienced cases of our retailers fraudulently activating our SIM cards in order to claim the sales commission, though no subscriber continues to use the SIM card. This practice has and may continue to increase our costs of operations as we may not recover our subscriber acquisition cost, which is our net cash investment per subscriber over a given period. See “Plan of Operation and Discussion of Financial Condition—Factors Affecting Our Results of Operations—Subscriber Acquisition Costs.” In addition, the free airtime included with starter packs may not lead to continued revenues. Though we have implemented strict measures to prevent such fraudulent activity, we monitor the sales and usage patterns of our SIM cards and take appropriate measures against such retailers when such fraudulent activity is discovered, there can be no assurance that we will be able to prevent such practices. The foregoing practices may adversely affect our business, financial condition, results of operations and prospects.

Our postpaid subscriber growth rate and our revenues from postpaid subscribers may continue to decrease.

The annual growth rate of our postpaid subscriber base slowed from 38.6% in 2006 to 8.2% in 2007. A reduction in our postpaid tariffs and a decrease in postpaid AMPU resulted in lower postpaid ARPU, which fell 48.2% to Taka 1,180 in 2007 from Taka 2,279 in 2006. Postpaid MOU decreased 12.0% to 4,983.5 million in 2007 from 5,655.5 million in 2006, which we attribute primarily to increased competition, the discontinuance of our High Volume User product and high churn of Village Phone subscribers. A continued decline in our postpaid subscriber

growth rate and our postpaid APPM may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to execute our business and marketing strategies successfully or increase our subscriber base, which could adversely affect our revenue and profitability.

We may not be able to increase our subscriber base as a result of competition, regulatory and other factors. To increase our subscriber base, it may be necessary to lower our rates, which may result in a corresponding decrease in ARPU, or it may be necessary to increase our subscriber acquisition costs, including the provision of free or highly subsidized handsets, which would increase our operating costs but may not result in a corresponding increase in revenue. Regulations regarding pricing and promotions may restrict our ability to attract new subscribers. In addition, any new service that we intend to launch may not be technically or commercially successful or launched according to expected schedules. For example, if the BTRC grants 3G licenses, we may not be awarded a license, and even if we are, we may not recover the cost of the license. Our competitors may also be awarded 3G licenses whether or not we obtain one. Any failure to obtain a license or our competitors obtaining 3G licenses may have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we may not be successful in the execution of our business strategies, such as our plan to target the financially-constrained market and our focus on generating cost efficiencies, as well as the other strategies described under “Description of Business—Our Strategies.” We may experience delays in the implementation of these strategies for various reasons, including a failure to integrate our networks and technologies, capital shortfalls, failure of third party suppliers to deliver services and products in a timely manner and our inability to meet our own implementation standards. There can be no assurance that our business strategies will be satisfactorily implemented, which may adversely affect the growth of our business.

We cannot guarantee that our low ARPU subscribers will evolve into high ARPU subscribers or that the Bangladesh economy will grow such that the spending power of our low ARPU subscribers will increase. Even if the spending power of our low ARPU subscribers increases, such subscribers may not spend their money on our services.

We are dependent on key suppliers and vendors as well as third-party providers for the adequate and timely supply and maintenance of equipment and services.

We depend on key suppliers and vendors to provide us with equipment and services that we need to build our network and upgrade and operate our business. Our major suppliers of core network, radio and access equipment are Ericsson and Huawei, with whom our framework contracts expire at the end of 2010. We rely on the services of vendors such as Ericsson and Huawei in order to accomplish our build-out and upgrade schedule. We cannot assure you that our key suppliers and vendors will continue to supply equipment and provide services on terms that are favorable to us or at all. Any failure to obtain the equipment and services that we need to build our network and upgrade and operate our business may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to implement our capital expenditure plans, which may materially and adversely affect our growth prospects and future profitability.

The telecommunications industry is capital intensive. Our ability to maintain and increase our revenue, net income and cash flows depends upon continued capital spending. We need to incur substantial capital expenditures to build, maintain, modernize and operate our telecommunications network. We also need to incur significant capital expenditures to market and distribute our services and products, to develop new services and products and to develop and implement new telecommunications technologies. Any future expansion of our business, including our planned capital projects, will require additional capital expenditures, which we expect to be substantial.

Our business strategy contemplates capital expenditures of approximately Taka 12.5 billion in 2009, Taka 6.8 billion in 2010 and Taka 16.8 billion in 2011, including investment expenditures for network capacity, improved operational efficiency, coverage and product development. Our plan to reduce our capital expenditures may not be achievable due to the need for unexpected capital expenditures and expenditures on 3G technology. Our actual capital expenditures may be significantly higher than the planned amounts, and we cannot assure you whether, or at what cost, our planned or other possible capital projects will be completed or that these projects will be successful if completed.

Our capital expenditure plans are subject to a number of risks, contingencies and other factors, some of which are beyond our control, including:

- the requirement that various Government agencies or departments approve major projects, certain types of loans and the import of equipment;
- the introduction of regulations requiring that mobile operators share base stations and other transmission equipment;
- unplanned cost overruns, including as a result of exchange rate fluctuations;
- economic, political and other conditions in Bangladesh;
- our ability to plan and execute our capital expenditures in a manner that efficiently uses our available resources;
- our ability to keep pace with the capital expenditures of our competitors;
- our ability to integrate new technologies with our current network infrastructure;
- demand by consumers for the network additions and technological improvements that we make; and
- our ability to generate sufficient cash flows from operations and financings to finance our capital expenditures, investments and other requirements.

Any of these factors may hinder or prevent us from being able to implement our capital projects, which may adversely affect our business, financial condition, results of operations and prospects.

Our ability to finance our capital expenditure plans is uncertain, and we may require external financing, which we may not be able to obtain.

The delivery of telecommunications services is capital intensive. In order to be competitive, we need to continually expand, modernize and update our technology, which involves substantial capital investment. In the future, we may need to obtain external debt and equity financing to implement our capital expenditure plans and to fund our other business requirements. The actual amount and timing of future capital requirements may differ from our estimates. If we decide to meet these funding requirements through debt financing, our interest obligations (including costs of funds) may increase and we may be subject to additional restrictive covenants, including restrictions on our payment of dividends, incurrence of further debt, change in shareholding, constitution of our board of directors and management of our business. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of existing shareholders, including investors in the Offering, may be diluted.

Our ability to obtain external financing on acceptable terms in the future is subject to a variety of uncertainties, including:

- restrictive covenants in our existing financing agreements or the requirement to obtain approval, including approval for any new secured debt, any transfer of shares by our principal shareholders and any amendment to our Memorandum and Articles of Association;
- our future results of operations, financial condition and cash flows;
- the condition of the economies of Bangladesh, South Asia and Southeast Asia and the markets for our services;
- the Government's policies relating to foreign currency borrowings and local currency borrowing;
- the amount of capital other Bangladeshi entities and telecommunications companies may seek to raise in the international capital markets;
- the cost of financing, the availability of financing for the telecommunications sector and the condition of financial markets generally; and
- the projected risks associated with infrastructure development in Bangladesh.

See "Plan of Operation and Discussion of Financial Condition—Capital Expenditures."

If we are unable to obtain sufficient financing at prices acceptable to us for our planned capital expenditures or otherwise finance these expenditures through other arrangements, including internal cash flows, we may have to forego, delay or postpone certain of our planned capital expenditures. We cannot assure you that we will be able to raise adequate capital in a timely manner and on acceptable terms or at all. Any of these factors may prevent us from

being able to finance needed capital expenditures, which may adversely affect our business, financial condition, results of operations and prospects.

Power outages may increase our expenses.

Power outages are common in Bangladesh and recently power outages have occurred more frequently. Power outages may increase our expenses due to our increasing use of diesel-based generators for power and back-up power. Such generators have become more expensive due to rising fuel prices. Approximately 3% of our base stations rely on generators as their sole source of power and approximately 40% of our base stations rely on generators for back-up power. For base stations that do not have generators as back-up power, we use portable mobile generators in case of a prolonged power failure, which may lower our quality of service and reduce redundancy within our network. We use batteries for back-up power for five to eight hours per base station before switching to portable mobile generators. While we are exploring other alternatives for back-up power supply, including the use of solar power generators, there can be no assurance that such supply will be available or that it would be cost-effective. Managing power shortages, which may occur as a result of power being diverted to urban areas and prioritized to certain industries, among other reasons, diverts management attention and resources away from other business operations. If we are unable to manage or reduce periods of interruption of power supply or our competition manages their power supply better than we do, our quality of service and reputation could be harmed, which could materially and adversely affect our business, financial condition, results of operation and prospects.

We rely on software licenses from the Telenor Group.

We obtain approximately half of our software licenses from Telenor and its subsidiaries, through its global licenses. This reduces our costs. If Telenor or its subsidiaries decide to terminate these licenses, we will have to obtain the licenses directly from the relevant software companies, leading to an increase in our license costs. This may also cause disruption in our operations, adversely affecting our business, results of operations, financial condition and prospects.

We depend on the services of certain key executives and highly skilled, qualified and experienced personnel, and any inability to retain such personnel or attract suitable replacements could adversely affect our business.

Our business depends upon the continued service of certain key executives and highly skilled and experienced management personnel, including personnel from TMC and its affiliates. We have lost key personnel in recent years, including our head of product planning and senior executives in our network and sales divisions. We believe that intense competition for experienced and qualified personnel in the Bangladeshi telecommunications industry will continue. Any inability on our part to attract, retain and motivate highly skilled, qualified and experienced personnel could materially and adversely affect our business. Even if we are successful in attracting and retaining such personnel, competition for such employees may significantly increase our compensation costs and have a material adverse effect upon our business, results of operations, financial condition and prospects.

The violation of applicable labor laws and regulations by our vendors and contractors may harm our reputation.

Bangladesh labor laws restrict and regulate the employment of children under 14 years of age and adolescents between 14 to 18 years of age. We do not employ children or adolescents. While we endeavor to ensure that our vendors and contractors comply with all labor laws and regulations, our ability to monitor and ensure that our vendors and contractors are not in violation of applicable labor laws may be limited due to the large number of them. After unacceptable working conditions were revealed at the premises of certain of our contractors in 2008, we took steps to strengthen the awareness of health, safety, security and environment at our vendors and contractors such as conducting awareness training programs and health checkup programs for their staff, carrying out risk assessments, and conducting surprise inspections. The employment of children or adolescents by our vendors and contractors, particularly in unsafe or hazardous working conditions, may have an adverse effect on our reputation, business, financial condition, results of operations and prospects.

Our existing shareholders may continue to be our controlling shareholders, and their interests as our major shareholders could conflict with those of our other shareholders.

Prior to the Offering, TMC and GTC beneficially owned 100.0% of our issued and outstanding shares. All the members of our Board of Directors have been appointed by these shareholders, and they have a significant influence over the selection of our management. See “Directors and Officers.” Following the Offering, TMC and GTC will beneficially own 55.80% and 34.20% of our issued and outstanding shares, respectively. Accordingly, TMC may pass all resolutions that require a simple majority of shareholder votes, while TMC and GTC, acting

together, may pass all resolutions that require 75.0% of the shareholder votes (including decisions regarding the amendment of our Articles of Association, increasing or reducing our share capital, effecting an acquisition, consolidation, merger, divestiture, our liquidation or winding-up, selling all or substantially all of our assets, or borrowing funds in excess of 10.0% of our capitalization). See “Description of Securities Outstanding or Being Offered.” Our principal shareholders may take action that conflicts with the interests of our other shareholders, who will own, in the aggregate, 10.0% of our shares upon completion of the Offering.

In addition, TMC and its affiliates have provided significant management expertise, technical knowledge and branding to us. We cannot assure you that, due to Government policies or otherwise, TMC will remain as one of our shareholders or continue to provide such direction, services and assistance to us.

Disagreements between our major shareholders could have a material adverse effect on our management and strategic direction.

As of the date of this Prospectus, 62.0% of our share capital is held by TMC and its affiliates and 38.0% is held by GTC and its affiliates. Although the shareholdings of TMC and GTC will be diluted following the Public Offering, they will remain our major shareholders. GTC’s chairman, Nobel Laureate Professor Muhammad Yunus, has in the past raised concerns over the VoIP and child labor issues (see “Risk Factors and Management’s Perception About the Risks—Operational Risks—We paid substantial fines relating to illegal international call termination using VoIP, and remain subject to a show cause notice as to why our license should not be cancelled or suspended” and “—The violation of applicable labor laws and regulations by our vendors and contractors may harm our reputation”). He has also made public statements referring to provisions in our Articles of Association and the Shareholders’ Agreement that our shareholders entered into in 1996 that state that it is Telenor’s intention to reduce its shareholding to below 35.0% within six years after our incorporation (i.e. by 2002).

TMC and GTC jointly reiterated their continued commitment to the success of Grameenphone and of our Public Offering. Nevertheless, any disputes between our major shareholders could have a material adverse impact on our reputation, management and strategic direction and could ultimately result in a change of control, which could in turn have a material adverse impact on our business, financial condition, results of operations and prospects.

Changes in taxation may have an adverse effect on our business, financial condition, results of operations and prospects.

We are the largest corporate taxpayer in Bangladesh and are currently subject to a 45.0% corporate income tax rate. Due to the tax disallowance of certain expenses, our effective tax rate was 74.2% for 2008, 77.4% for 2007 and 56.0% for 2006. In 2008, we contributed approximately Taka 4,842.7 million in corporate tax to the National Exchequer. Based on the Finance Act 2009, however, we will be eligible for a reduced corporate income tax rate of 35.0% from fiscal year 2009, as well as a significant deferred tax benefit in fiscal year 2009, if we transfer 10% of our outstanding shares through the stock exchange, as long as the shares so transferred through a placement prior to our Public Offering do not exceed 5.0% of our paid-up capital. We cannot predict whether tax rates will be maintained at current levels or whether new taxes, tax equivalents or fees will be introduced. Additionally, the Government may disagree with our interpretation of tax laws, including deductions we make for tax withholding. Any detrimental change in relation to our tax position may have a material adverse effect on our business, financial condition, results of operation and prospects.

Our ability to enter into foreign exchange transactions is subject to approval of the Board of Investment and Bangladesh Bank.

Foreign exchange regulations generally require the consent of the Board of Investment (“BOI”) and Bangladesh Bank prior to foreign exchange transactions, including capital expenditures and other purchases in foreign currencies. If such consent is not granted in respect of any material transactions, our business, financial condition, results of operations and prospects could be adversely affected.

The operation of telecommunications assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses.

Operating telecommunications assets involves many risks and hazards which may adversely affect our profitability, including breakdown, failure or substandard performance of network equipment, improper installation or operation of network equipment, labor disturbances, environmental hazards, industrial accidents and terrorist activities. We believe that we maintain the types and amounts of insurance customary in the industry and country in which we operate, including coverage for employee-related accidents and injuries, property damage and expropriation. Our insurance may not provide adequate coverage in certain circumstances and is subject to certain deductibles, exclusions and limits on coverage. See “Description of Business—Insurance.” We cannot

assure you that the operation of our network infrastructure will not be affected by any of the incidents and hazards listed above, or that the terms of our insurance policies will be adequate to cover any damage or loss caused by any such incidents and hazards. Therefore, there may be instances when we will have to bear the full amount of all losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our allocated spectrum may not be sufficient to service our subscribers in the future or to maintain our service quality, and we may not be able to obtain sufficient additional spectrum in the future to resolve these issues.

One of the principal limitations on a mobile telecommunications system's capacity is the amount of frequency spectrum available for use by the system. In November 2008, we acquired new spectrum of 7.4 MHz, which is in addition to our previous 14.6 MHz of spectrum in 1800 MHz. This additional spectrum has increased our capacity and should reduce network congestion for the next few years.

However, we cannot guarantee that with this additional spectrum we will not suffer network congestion again in the future. Network congestion may have a material adverse impact on our service quality, possibly leading to, among other things, an increase in dropped calls and interconnection failures, particularly in respect of value-added services, which may lead to a decline in our subscriber numbers, higher churn and an increase in the number of affected calls. Continued network congestion may lead to a complete breakdown of our service, including an inability to transmit calls and data.

Our ability to obtain additional spectrum in the future is dependent in large part on the BTRC auctioning or reallocating additional spectrum to us. Even if the BTRC reallocates spectrum, we may not obtain additional or sufficient spectrum, or the cost may be excessive. As a result of insufficient spectrum, we may need to make further significant capital investments and incur significant costs to maximize utilization of our existing spectrum. However, these measures may not be sufficient to compensate for lack of spectrum. We may also choose to use 3G technology to compensate for any lack of sufficient spectrum. However, the timeline to introduce 3G licensing in Bangladesh has not been declared. If 3G licensing is introduced, we may not obtain a license, such a license may be expensive, or such a license may not meet our spectrum needs. We may not be able to implement our growth strategy, including increasing our subscriber base and developing new service offerings, if we do not have sufficient additional spectrum. This could have a material adverse affect on our business, financial condition and results of operations.

Finally, while our spectrum allocation is renewed yearly upon our payment of the annual spectrum charges, there is no assurance that our allotted spectrum will continue to be renewed. Our failure to renew our spectrum allocation will have adverse effects on our business, financial condition, results of operations and prospects.

Efforts to acquire other companies or product lines may divert management attention and resources away from our business operations, and if we complete an acquisition, we may incur or assume additional liabilities or experience integration problems.

We may seek to acquire other companies or product lines for various reasons, including to acquire more frequency spectrum, new technologies and service capabilities, add new subscribers, increase market penetration or expand into new markets. Our ability to successfully grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. These efforts could divert the attention of our management and key personnel from our business operations. As a result of acquisitions, we may also experience:

- difficulties in integrating acquired companies, personnel and products into our existing business;
- delays in realizing the benefits of acquired company or products;
- higher costs of integration than we anticipated;
- difficulties in retaining key employees of the acquired business who are necessary to manage these businesses;
- difficulties in maintaining uniform standards, controls, procedures and policies throughout our businesses;
- adverse customer reaction to the business combination; or
- increased liability and exposure to contingencies that we did not contemplate at the time of the acquisition.

In addition, an acquisition could materially impair our operating results by causing us to incur debt or requiring us to amortize acquisition expenses and acquired assets.

Our subscribers' proprietary rights may be misappropriated by our employees or our subcontractors or their employees in violation of applicable confidentiality and non-disclosure agreements and as a result, cause us to breach our contractual obligations in relation to such proprietary rights.

We require our employees and subcontractors to enter into non-disclosure agreements to limit access to and distribution of our subscribers' confidential information such as name and address lists. We can give no assurance that the steps taken by us will adequately prevent the disclosure of confidential information by an employee or subcontractor or a subcontractor's employee. If our subscribers' confidential information is disclosed by us or is misappropriated by our employees or subcontractors, we may be in breach of applicable laws and our subscribers may consider us liable for that act and seek damages and compensation from us. The successful assertion of any claim could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have to ensure compliance with certain requirements for our long-term borrowings.

We have a number of long-term loans with a number of banks and institutions, all of which are secured by a first priority floating charge on our undertakings, property and assets, present and future goodwill and monies held in our bank accounts. In accordance with these loans, we must ensure compliance with certain financial ratios, being that the net long-term debt to shareholders' equity ratio must not be more than 1.5, the debt service coverage ratio must not be less than 1.5, the net long-term debt to annualized EBITDA ratio must not be more than 2.0, and the financial indebtedness to shareholders' equity ratio must not be more than 2.0, among other requirements. See "Plan of Operation and Discussion of Financial Condition—Liquidity and Capital Resources—Long-Term Borrowings." If we fail to comply with these financial ratios and requirements, we may have to, among other penalties, immediately repay these loans. Such penalties may have a material adverse effect on our business, financial condition, results of operations and prospects.

Potential or Existing Government Regulations

Under the BTA, the BTRC regulates the telecommunications industry and has extensive power to issue guidelines, directives and regulations in the interest of the industry and to encourage the orderly development of a telecommunications system that strengthens the social and economic welfare of Bangladesh and prevent and abolish discrimination in the provision of telecommunication services.

The telecommunications industry is in a stage of transition and in recent years, the BTRC has taken an increasingly active regulatory role, leading to heightened supervision and regulation of the industry. This includes changing and amending terms in licenses, introducing price and tariff directives whereby it prescribes the tariff ranges within which mobile operators must set their tariffs, introducing new regulations, issuing new licenses and monitoring different operational areas of the industry. Certain regulatory risks are described below.

The terms and conditions of telecommunications licenses may be amended under the provisions of the BTA. In April 2006, the BTRC increased revenue sharing fees under our mobile cellular license from 1.0% to 5.5% of our collected rent and call charges, with effect from July 1, 2005. Further, revenue from sub-leases of fiber optic and value-added services were brought into the purview of revenue sharing fees. Any changes to our licenses, including the manner of calculation of the mobile cellular license fee or the permitted tariff price range, may have a material adverse effect on our business, financial condition, results of operations and prospects.

If the BTRC decides to adopt new regulations to promote greater equality among mobile operators, or to allocate more or better spectrum to our competitors rather than to us in order to redistribute market share, our competitors may be in a better position to provide a higher quality service than us, which could adversely affect our competitive position, and our business, financial condition, results of operations and prospects.

In past years, the BTRC has issued specific regulations and instructions in relation to tariff setting, discount mechanisms, registration of our subscribers and interconnection policy, guidelines and rates, under the International Long Distance Telecommunications Services Policy, 2007 (the "ILDTS Policy"). Our compliance with these new regulations and the new interconnection policy and guidelines may require significant additional costs and may divert our resources from our business operations, which may adversely affect our business, financial condition, results of operations and prospects.

We expect that regulatory changes may occur that may significantly affect our industry, including the introduction of competition rules (such as rules regulating significant market players), unified licensing, number portability, new categories of licenses (including 3G), the grant to telecom operators of the ability to launch additional services, the grant of telecom licenses to new operators, tariff reductions and environmental compliance. We also expect that some of the new regulations may prohibit existing operators from acquiring these licenses. The BTRC issued guidelines on infrastructure-sharing by operators, including requiring operators to provide capacity to

other operators on a “first come first served” basis. Also, three local companies won WiMAX licenses at an auction in September 2008, subject to payment of license fees. To date, two of these companies have paid the license fees. BTCL has also been granted a WiMAX license, subject to payment of the license fee as well. Under the terms of their licenses, these companies should begin providing services by mid-2009. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh.” We cannot assure you that the enactment of these changes or guidelines will not have a material adverse effect on our business, financial condition, results of operations and prospects.

Some local government authorities at the district and lower levels have attempted to levy an annual fee for each base station installed or to be installed in their jurisdiction. We have requested that the BTRC confirm that such levies are not allowed under current law. Pending the BTRC’s determination, we have started paying the requested fees. Should the BTRC determine that such levies are allowed, we may have to pay them on an annual basis, exposing us to significant costs, which may have an adverse effect on our business, financial condition, results of operations and prospects.

The Government has recently introduced consumer protection laws. Under the Consumers’ Rights Ordinance, our customers may file complaints against us with the Directorate of National Consumers’ Rights Protection (“Directorate”) for violation of the applicable consumer laws. Acts that oppose and violate consumers’ rights under the Consumers’ Rights Ordinance include: not preserving, displaying or showing the price list for services; providing any service at a price higher than the price specified under any law or regulation; deceiving the customer by deceptive or false advertisements with the objective of selling any service; not selling or supplying properly the assured service in exchange for the specified price; conducting work that endangers the life and safety of a service receiver; and bringing about a loss of money, health, and life of the service receiver through negligence. We cannot assure you that there will be no violations of the Consumers’ Rights Ordinance, or that such violations will not have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

The Government is also considering introducing competition laws. We cannot assure you that the enactment of any such competition laws will not have a material adverse effect on our business, financial condition, results of operations and prospects.

Market and Technology-Related Risks

If there is a network systems failure, IT systems failure or if we are unable to develop and maintain accurate and reliable management information systems, our business, financial condition, results of operations and prospects could be adversely affected.

Our telecommunications services are carried through our mobile network, comprising fiber optic cable and microwave transmission links and through network interconnection with the networks of other service providers. Our GSM network is backed by IT systems for service provisioning, service maintenance, capturing customer and transaction data, and archiving data for invoicing, analyzing and reporting. The provision of our telecommunications services depends on the stability of our network and the networks of other service providers with whom we interconnect. These networks may be vulnerable to damage or interruptions in operation due to flooding, monsoons, earthquake, fire, power outages, telecommunications failures, network software flaws, transmission cable disruption, government action or other events. In the past, we have experienced complaints over call failures and failed connections, which may have been caused by network failures. Recently, power outages have occurred more frequently in Bangladesh, affecting our network availability and may increase our expenses due to our increasing use of generators for back-up power.

Our use of back-up generators to supply power during power outages increases our cost of network operations. While we are exploring other alternatives for back-up power supply, including the use of solar power generators, there can be no assurance that such supply will be available or that it would be cost-effective.

Any failure of our network, our servers, our business systems, the networks of other service providers with whom we interconnect, or any link in the transmission chain that results in an interruption in our operations or the provision of any service, whether from operational disruption, natural disaster, terrorist activity or otherwise, could damage our business and our ability to attract and retain subscribers, subject us to potential claims by other telecommunications service providers or subscribers, and adversely affect our business, financial condition, results of operations and prospects.

We require accurate and reliable information on a timely basis to manage risks and respond to market and other developments. There can be no assurance that the information available to our management will permit our management to plan for and respond to changes in our operating environment. Any failure to upgrade management information systems on a timely basis or at all could adversely affect our business.

Our networks and IT systems may be vulnerable to security breaches, piracy and hacking.

Our networks may be vulnerable to computer viruses, piracy, hacking or similar disruptions. Computer viruses, security breaches or other problems caused by third parties could lead to disruptions in our services and damage to our reputation and brand name. Fixing such problems may require delays or temporary suspension of our services, which could result in lost revenue and dissatisfied subscribers.

Breaches of our systems and networks, including through piracy or hacking, may result in unauthorized access to our confidential information and that of our subscribers. Such breaches of our systems or networks may have a material adverse effect on our business, financial condition, results of operations and prospects and may also require us to purchase more advanced security systems to prevent any unauthorized access to our networks.

Industry Risks

Recent and future global market developments may adversely affect our industry, business, results of operations and access to capital.

The global financial markets have experienced, and may continue to experience, significant turbulence originating from the liquidity shortfalls in the U.S. credit and sub-prime residential mortgage markets since the second half of 2007, which have resulted in the collapse of two major investment banks in the United States and caused liquidity problems to many financial institutions, and resulted in major government bailout packages for banks and other institutions. These adverse market developments and the associated uncertainties present significant challenges to the global economy as well as the financial markets. As a result, the global economy, including the Bangladesh economy, may experience significant downturns. A significant downturn in the Bangladesh economy could have a material adverse effect on the demand for our products and therefore, on our business, financial condition, results of operations and prospects. In addition, the general lack of available credit and lack of confidence in the financial markets associated with any market downturn could adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could adversely affect our ability to fund our working capital requirements and capital expenditures.

Our business is subject to intense competition.

Competition in the mobile telecommunications industry in Bangladesh is based mainly on price, network coverage, quality and customer service. We directly compete with five other mobile telecommunications operators. Of these, Banglalink has the second largest market share by number of subscribers. Banglalink has competed, largely on price, since its acquisition by Orascom Telecom Ventures (“Orascom”) in 2005. AKTEL has the third largest market share by number of subscribers. In 2007, Warid, the latest entrant in the market, claimed the fourth largest market share by regularly offering the lowest tariffs. See “Appendix A: Additional Disclosure—(III) The Telecommunications Industry in Bangladesh” and “Description of Business—Competition.” In addition, we indirectly compete against several other operators that provide fixed-line and other types of telecommunications services in Bangladesh, including low-priced public switched telephone network (“PSTN”) operators that are increasing competition in the public call office (“PCO”) market. We may also face competition from new market entrants, including foreign operators entering the Bangladesh market. Such competition may arise as a result of technological developments, the convergence of various telecommunications services or otherwise. Recently, a PSTN company named World Tel Ltd., whose license had been suspended, got back its license with 7.5 MHz frequency in the GSM-1800 MHz band for operation in the central zone. As the frequency is GSM, World Tel may enter the mobile telecommunications market. With its insignificant license fees, revenue sharing fees and lower investment cost compared to the incumbent mobile operators, World Tel may challenge our market share.

The Bangladesh mobile telecommunications industry has recently experienced periods of intense price competition. During 2006 and 2007, price competition was particularly intense, with operators significantly reducing prepaid and postpaid tariffs and extending promotional periods. Largely, as a result of such competition, our blended APPM has decreased from Taka 2.76 in 2005 to Taka 1.31 in 2007. Recent price competition is likely to continue and may increase, particularly in relation to business subscribers and postpaid subscribers as they are generally high ARPU subscribers. Tariff reductions from price competition adversely affect our revenue and margins. See “Plan of Operation and Discussion of Financial Condition—Factors Affecting Our Results of Operations—Tariff Regulation, Price Competition and APPM.” Ongoing price competition may not increase our market share, market penetration or total MOU and so could decrease our margins and profitability.

There can be no assurance that future periods of intense price competition, which may involve more severe price competition or may persist for longer periods of time than the intense price competition the industry has witnessed to date, will not occur. The increase in price competition may result in slower growth in our subscriber base, a higher rate of subscriber churn, increased subscriber acquisition costs, slower revenue growth or a decline in revenue due to competitive pricing policies. Intense price competition has also led subscribers to use multiple SIM cards to concentrate their usage during periods when tariffs are lowest, which we expect to continue and possibly increase. Practices such as these have negatively affected our blended ARPU, and in the near and medium term our blended ARPU may continue to decline whether or not our subscriber base or AMPU grows.

We depend on the networks and associated infrastructure of other telecommunications operators and our roaming arrangements with international mobile operators.

Our ability to provide commercially viable and uninterrupted international, mobile and data communication services depends, in part, upon our arrangements with third parties, including other telecommunications operators. We rely on network interconnection and other arrangements with other telecommunications operators to allow our subscribers to communicate with subscribers of other mobile and fixed-line telecommunications service providers. In particular, we depend on BTCL (which succeeded BTTB on July 1, 2008) for interconnection to the fixed-line network and to the international gateway. Under our current agreement with BTCL we pay access charges to BTCL for calls and data generated from our network and terminated in BTCL’s network and we receive fees from BTCL for interconnection from BTCL’s network to our network. Currently, the international gateway provided by BTCL is limited by capacity constraints. The fixed-line interconnection exchange and international gateway regimes, however, are in a period of regulatory transition. Under the new interconnection exchange regime, we have begun to receive revenue from BTCL for interconnection through its exchange and through its international gateway, though we may not realize increased revenue and we cannot assure you that the new regime will not increase our costs. See “Description of Business—Network Interconnection.”

Any failure of these third parties to perform under the terms of our arrangements with them could materially affect us and our business. We cannot assure you that we will be able to maintain our existing arrangements with these parties on terms that are commercially acceptable to us or that any material increase in expenses in connection with such arrangements would not have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, any interruption of service may lead to lower quality of our service and an increase in our churn rate.

The new interconnection regime and the new international gateway regime proposed by the BTRC may increase the technical complexity of our delivery model and our business model and lead to uncertainty regarding their implementation and commercial terms. See “Description of Business—Network Interconnection.” Under the new interconnection regime, we may not realize additional revenue and we cannot assure you that the new regime will not increase our costs.

We are dependent on our lease of the fiber optic network of Bangladesh Railway, and any failure to maintain our lease of the fiber optic network would adversely affect our business.

We are party to a lease agreement with Bangladesh Railway whereby we use their fiber optic network for transmission of calls and data and pay a guaranteed annual rent. See “Description of Business—Network.” Any failure to maintain this lease may adversely affect our business, financial condition, results of operations and prospects. In particular, any breakdown in their fiber optic network could impact our ability to provide services to our subscribers. Despite our efforts to introduce redundancy throughout our network except in respect of our call centers, we cannot guarantee that our network will not experience disruptions. We are also involved in a dispute with Bangladesh Railway over payment of VAT with respect to our lease. See “Description of Business—Legal and Regulatory Proceedings—VAT Dispute with Bangladesh Railway.”

Rapid technological changes may increase competition and render our technologies, products or services obsolete.

The global telecommunications industry is characterized by rapid increases in the diversity and sophistication of the technologies and services offered. As a result, we may face increasing competition from the application of technologies which are currently being developed, or which may be developed in the future, by our existing competitors, new market entrants or telecommunications equipment firms. Future development or application of new or alternative technologies, services or standards could require significant changes to our business model, the development of new products, the provision of additional services or substantial new investment by us. For example, the development of fixed-mobile convergence technology, which allows a call that originates on a cellular phone to bypass a cellular network and instead be carried over a fixed-line telephone network, could adversely affect our business. The introduction of WiMAX may also adversely affect our business as, under the WiMAX licensing guidelines, existing mobile operators are not allowed to bid for WiMAX licenses and bidders in any event must not be more than 60.0% foreign-owned. Three local companies won WiMAX licenses at an auction in September 2008, subject to payment of license fees. To date, two of these companies have paid the license fees. BTCL has also been granted a WiMAX license, subject to payment of the license fee as well. Under the terms of their licenses, these companies are to begin providing services by mid-2009.

The development and application of new technologies involve time, substantial cost and risks. Our competitors may be more effective than us at developing or marketing new technologies, products and services. We cannot accurately predict how emerging and future technological changes will affect our operations or the competitiveness of our services. Similarly, the technologies we employ may become obsolete or subject to intense competition from new technologies in the future. We cannot assure you that our technologies will not become obsolete, or be subjected to competition from new technologies in the future, or that we will be able to acquire new technologies necessary to compete in changed circumstances on commercially acceptable terms. If we fail to develop, or obtain timely access to, new technologies or equipment, or if we fail to obtain the necessary licenses to provide services using these new technologies, we may lose our subscribers and market share and become less profitable, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Concerns about health risks relating to the use of mobile handsets may adversely affect our prospects.

Reports have linked radio frequency emissions from mobile handsets and base stations to various health problems, including cancer, and to interference with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may discourage the use of mobile handsets or affect the location of base stations in Bangladesh, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Lawsuits have been filed in the United States against certain participants in the telecommunications industry alleging various adverse health consequences as a result of mobile handset usage, and the perception of health risks may lead to reduced usage of mobile handsets in Bangladesh. Research and studies are ongoing. The BTRC has issued a circular stating that radio frequency emissions from mobile handsets and base stations do not pose any health hazard. The Bangladesh Department of Environment is also in the process of issuing a similar circular after conducting a technical survey. Still, we cannot assure you that further research and studies will not demonstrate a link between radio frequency emissions and health problems, which could result in a reduction in use of mobile handsets in Bangladesh or subject us to legal action from individuals alleging personal injuries.

Government and Third Party Sources

We cannot guarantee the quality, accuracy and comparability of the information and statistics in this Prospectus that is derived from certain Government and third party sources.

Statistical and other information relating to our industry contained herein has been derived from various official governmental publications and surveys conducted by market research firms, as well as a research service company hired by the Issue Manager. We cannot guarantee the quality or accuracy of such information and statistics. Moreover, information and statistics derived from multiple sources may not be prepared on a comparable basis. Neither we nor the Issue Manager has verified the accuracy of such information and statistics. We make no representation as to the accuracy of such information and statistics, which may not be consistent with other information publicly available or available from other sources. Accordingly, such information and statistics contained herein may not be accurate and should not be unduly relied upon.

Potential Changes in Global or National Policies

Changes in Government policy or the policies of foreign countries may adversely affect our business.

Our ability to operate profitably is related to the policies of the Government as well as foreign governments at any given point in time. Imposition of restrictive policies, whether fiscal or otherwise, by the Government or other foreign governments may affect our business, financial condition, results of operations and prospects.

Interest Rate Risks

We are exposed to interest rate fluctuations.

We are subject to market risks due to fluctuations in interest rates, principally as a result of our long-term borrowings, nearly all of which bear interest at variable rates. An increase in the variable rate would result in an increase in the interest payable by us. We have not hedged our interest rate risk in the past. After giving effect to our exposure to floating interest rates as of December 31, 2007 and September 30, 2008, if interest rates increased by 1.0% and all other variables were held constant, we estimate that we would have incurred additional interest expense of Taka 83.1 million and Taka 113.5 million, respectively, on our floating rate debt. Increases in interest rates will increase the cost of new borrowings and the interest rate with respect to our outstanding floating rate debt, and could have a material adverse effect on our financial position.

Exchange Rate Risks

We are exposed to foreign exchange rate fluctuations.

Foreign exchange rate fluctuations principally affect the value of foreign currency denominated debt on our balance sheet, the costs of our foreign currency denominated debt service and our foreign currency capital expenditures. We are principally exposed to fluctuations in the exchange rates between the U.S. dollar, the Norwegian kroner and the Taka, our reporting currency, which may materially affect our expenses. Any depreciation of the Taka against these currencies would increase our financing costs and capital expenditures in Taka terms and the value of our foreign currency denominated debt in our balance sheet.

As of September 30, 2008, Taka 1,655.5 million, or 13.4% of our outstanding loans and borrowings, was denominated in U.S. dollars and Taka 339.0 million, or 2.8% of our outstanding loans and borrowings, was denominated in Norwegian kroner.

For the nine months ended September 30, 2008, approximately Taka 290.2 million of our operating expenses were denominated in U.S. dollars and Taka 628.6 million of our operating expenses were denominated in Norwegian kroner, together accounting for approximately 8.2% of our total operating expenses. For the year ended December 31, 2007, approximately Taka 452.3 million of our operating expenses were denominated in U.S. dollars and Taka 509.8 million of our operating expenses were denominated in Norwegian kroner, together accounting for approximately 7.0% of our total operating expenses in such period. Any depreciation of the Taka against these foreign currencies may increase our operating expenses as well. We expect that a substantial portion of our future capital expenditures will be denominated in foreign currencies.

Accordingly, any significant fluctuation of the Taka against major currencies may adversely affect our business, financial condition, results of operations and prospects. We capitalize our foreign exchange losses in accordance with the Companies Act.

Risks Relating to Ownership of Our Shares

We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.

There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). Accordingly, you will not have the benefit of any financial information other than that presented in this Prospectus prior to making your investment decision. As at the date of this Prospectus, we cannot assure you that there has not been any material and adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus. In addition, we cannot assure you that our results of operations and financial condition will meet or exceed expectations, nor can we assure you that our results will be in line with those historically achieved by us. Any material and adverse change in our results of operations and financial condition, or any failure to meet or exceed expectations as well as historically achieved results, could have a negative impact on the price of our shares.

Our ability to pay dividends is restricted by the terms of our long-term borrowings.

We have long-term borrowings with the Asian Development Bank, Eksportfinans, International Finance Corporation, the Norwegian Investment Fund for Developing Countries, NORAD, Agrani Bank, Bank Asia Limited, Citibank N.A., Infrastructure Development Company Limited, IFIC Bank Limited, Jamuna Bank Limited, National Bank Limited, Pubali Bank Limited, Saud-Bangladesh Industrial & Agricultural Investment Company Limited, Standard Bank Limited, Standard Chartered Bank, The City Bank Limited, Trust Bank Limited, United Commercial Bank Limited, Uttara Bank Limited and Sonali Bank. So long as there is any indebtedness outstanding under our long-term borrowings, unless each of those lenders otherwise agrees in writing, we may not declare or pay any dividends unless certain conditions set forth in the loan agreements are met, including ensuring that our net long-term debt to shareholders' equity ratio is no more than 1.5, our debt service coverage ratio is no less than 1.5, there is no continuing event of default under the loan agreements and the dividend is paid out of our profits. The loan agreements for our long-term borrowings set out a common set of 18 events of default. For a further description of these loans and the events of default, see "Plan of Operation and Discussion of Financial Condition—Liquidity and Capital Resources—Long-Term Borrowings."

The net tangible book value per share of our shares issued in the Public Offering is significantly less than the offering price, and you will incur immediate and substantial dilution as a result of purchasing our shares.

The price of our shares in the Public Offering (Taka 70.00) is substantially higher than the net tangible book value per share of our shares as of December 31, 2008, based on the number of our shares deemed to be outstanding, as adjusted for the Offering (Taka 14.10). Therefore, purchasers of our shares in the Public Offering will experience immediate and substantial dilution (meaning that the book value per share of the purchaser's shares will be lower than that of the initial public offering price paid by the purchaser), and our existing shareholders will experience a material increase in the net tangible book value per share of the shares they own. See "Appendix A: Additional Disclosure—(II) Dilution." If we issue additional shares in the future, investors may experience further dilution.

The sale or possible sale of a substantial number of our shares could lead to a decrease in our share price.

Upon completion of the Offering and the listing of our shares on the DSE and the CSE, we estimate that a total of 69.4 million of our shares will be immediately tradable on the DSE and the CSE, with a further 65.7 million shares being tradeable one year from the date of allotment of the shares following expiry of the lock-in on shares purchased in the Placement. See "Ownership of the Company's Securities—Strategic Investors." The remaining 1,215.2 million shares beneficially owned by TMC and GTC will be tradeable three years after the date of issuance of the Prospectus. We cannot predict the effect, if any, that future sales of our shares, or the availability of our shares for future sale, will have on the prevailing market price of our shares. Sales of a significant number of our shares in the public market, whether by our principal shareholders or other shareholders following the Offering, or the perception that such sales may occur, could adversely affect the market price of our shares. Large sales or transfers of our shares could adversely affect the market price of our shares.

We strongly caution you not to place any reliance on any information contained in press articles or other media concerning us and the Offering.

There has been press and media coverage regarding us and the Offering, some of which may include certain financial information, valuations, and other information about us and the structure of the Offering. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any

such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this Prospectus is inconsistent or conflicts with the information contained in this Prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our shares, you should rely only on the financial, operational and other information included in this Prospectus provided to you directly by us and by the Issue Manager.

The projections included in this Prospectus involve inherent risks and uncertainties.

This Prospectus includes financial projections regarding, among other things, our revenues, total expenses, net profit after taxes and earnings per share in “Determination of the Public Offering Price.” These projections are not guarantees of future performance or results, and involve risks and uncertainties, many of which are beyond our control. In addition, the assumptions we have made in preparing these projections may not prove to be accurate. Many factors could affect our actual financial condition or results of operations and cause our actual results to differ materially from those expressed or implied by such projections.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Public Offering, after deducting issue management fees, underwriting commissions, the banker to the issue fee and other estimated expenses relating to the Public Offering, will be approximately Taka 4,596.0 million.

We intend to use the net proceeds received by us for capital expenditures and general corporate purposes as determined by our Board of Directors.

The net proceeds from the Public Offering would be used for the following purposes:

| | | <u>Approximate time to utilization after receipt of the net proceeds</u> |
|---|------------------------------------|--|
| Repayment of overdraft facilities | Taka 1,200.0 million | 1 month |
| Network expansion | Taka 2,716.8 million | 6 months |
| IT and general | <u>Taka 679.2 million</u> | 6 months |
| Capital expenditure. | Taka 3,396.0 million | 6 months |
| Total | <u>Taka 4,596.0 million</u> | |

These figures are only estimates, as we have no agreements yet concerning the use of the proceeds of the Public Offering. We aim to pay down a major part of our existing overdraft facilities within one or two months of the completion of the Public Offering. Our payments for capital expenditure will include payment of the costs of enhancing and maintaining our network's existing capacity in 2009.

Sd/-
Raihan Shamsi
Company Secretary

Sd/-
Oddvar Hesjedal
Chief Executive Officer

Breakdown of Public Offering Expenses

The following amounts to be paid to the Issue Manager, underwriters and other costs are estimated as follows for the Public Offering:

| Particulars | Rate | Amount in Taka |
|--|---|--|
| Manager to the Issue Fees | 1.0% on Public Offering or Taka 2.0 million, whichever is lower | 2,000,000 |
| Regulatory Expenses: | | |
| Listing related expenses: | | |
| Service charge for DSE | Fixed Taka 5,000 | 5,000 |
| Annual fee for DSE and CSE | Taka 100,000 for paid up capital more than Taka 100 crore | 200,000 |
| Listing fees for stock exchanges (DSE & CSE) | 0.15% of paid up capital after Public Offering but maximum Taka 2.0 million | 4,000,000 |
| SEC Fee: | | |
| Application fee | Fixed Taka 10,000 | 10,000 |
| Consent fee | 0.15% on Public Offering amount | 7,291,137 |
| Public Offering Commission: | | |
| Underwriting commission | 1% of 50% of Public Offering amount | 24,303,790 |
| Bankers to the issue commission | 0.1% on amount collected To be paid at actual (currency estimated) | 10,277,256 |
| Credit rating agency fee | Lump sum | 500,000 |
| Professional fees ⁽¹⁾ | Rahman Rahman Huq, a member firm of KPMG International KPMG Taseer Hadi & Co., Chartered Accountants Milbank, Tweed, Hadley & McCloy LLP Skadden, Arps, Slate, Meagher & Flom LLP Syed Ishtiaq Ahmed & Associates Dr. Kamal Hossain & Associates Bowne International L.L.C. | 6,900,000 1,552,500 66,930,000 48,990,000 3,726,000 3,726,000 15,456,000 |
| | Total | 147,280,500 |
| Printing & Post Public Offering Expenses (Estimated): | | |
| Publication of Prospectus | To be paid at actual (currently estimated) | 5,063,590 |
| Abridged version of Prospectus and notice | To be paid at actual (currently estimated) | 1,000,000 |
| Printing of Prospectus and forms | To be paid at actual (currently estimated) | 4,000,000 |
| Distribution, data processing, and promotions | To be paid at actual (currently estimated) | 50,000,000 |
| Lottery and software, installation, other promotions | To be paid at actual (currently estimated) | 7,000,000 |
| CDBL Fees and Expenses: | | |
| Security deposit | Taka 5 lac if paid up capital is more than Taka 50 crore | 500,000 |
| Documentation fee | Fixed Taka 2,500 | 2,500 |
| Annual fee | Taka 1 lakh if paid up capital is more than Taka 20 crore | 100,000 |
| Public Offering | 0.025% of Public Offering amount (issue price including premium) | 1,215,190 |
| Total | | 264,748,963 |

⁽¹⁾ The breakdown is based on invoices received to date, and is subject to change. As of December 31, 2008, approximately Taka 32.95 million has been paid to the various firms.

* Note: Costs do not include tax & VAT implications

DESCRIPTION OF BUSINESS

This summary may not contain all of the information that may be important to you. You should read the entire Prospectus, our financial statements and related notes, including our financial statements in Appendix D, and the “Risk Factors and Management’s Perception about the Risks” included elsewhere in the Prospectus, before making an investment decision.

Certain market data and market penetration data included herein is based on data published by various official governmental publications and information published by market research firms. See “Presentation of Financial and Statistical Data.”

Overview

We are the largest mobile telecommunications operator in Bangladesh by revenue and subscriber base. We were incorporated on October 10, 1996 as a private limited company and commenced services on March 26, 1997. We converted to a public limited company on June 25, 2007. After 11 years of operations, we had 21.0 million subscribers as of December 31, 2008, representing a subscriber market share of 47.0%. For the year ended December 31, 2007, we had total revenue of Taka 54,303.1 million and net profit of Taka 3,059.8 million. For the year ended December 31, 2008, we had total revenue of Taka 61,359.0 million and a net profit of Taka 2,983.9 million.

We provide services to both rural and urban customers across Bangladesh, where mobile telephony is a major driver of socioeconomic development. Bangladesh has one of the lowest teledensity rates and highest subscriber growth rates in the world. The penetration rate of mobile telecommunications services in Bangladesh as of December 31, 2008 was approximately 31.3%. The total number of mobile telecommunications subscribers in Bangladesh increased from 9.3 million as of December 31, 2005 to 44.6 million as of December 31, 2008, representing a compound annual growth rate of 68.9%.

We operate a digital mobile telecommunications network based on the GSM standard in the 900 MHz and 1800 MHz frequency bands, under a license granted by the BTRC which expires in November 2011. We built our network on a nationwide basis. As of December 31, 2008, our network covered 98.1% of Bangladesh’s population and 87.0% of the total land area, and our network infrastructure included more than 11,500 base stations in more than 6,500 locations. Our network is EDGE/GPRS enabled, allowing our customers to gain access to high-speed Internet and data services from anywhere within our coverage area. During the three months ended December 31, 2008, we had approximately 1.2 million subscribers using our EDGE/GPRS services and approximately 3.7 million subscribers registered to use these services. We have been a market leader in introducing new products and services in Bangladesh. We were one of the first mobile phone operators to launch GSM service in Bangladesh. We were also one of the first operators in Bangladesh to offer our subscribers mobile to mobile service, EDGE, prepaid service, voice SMS and “over-the-air” top-ups. In January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services.

We are 62.0% owned by TMC and its affiliates and 38.0% owned by GTC and its affiliates. TMC is a wholly owned subsidiary of Telenor, a leading international telecommunications company based in Norway with an established track record of building and expanding businesses in multiple emerging and developed wireless markets. Telenor currently has mobile telecommunications operations in 13 countries across Scandinavia, Eastern Europe and Asia with more than 164 million mobile subscribers as of December 31, 2008. GTC was established in 1995 as a not-for-profit company for improving the standard of living in, and eradicating poverty from, rural Bangladesh. GTC works in close collaboration with 2006 Nobel Laureates Professor Muhammad Yunus and Grameen Bank. GTC’s mandate is to provide easy access to GSM cellular services in rural Bangladesh and to create new opportunities for income generation through self-employment by providing villagers, mostly poor rural women, with access to modern information and communication-based technologies. TMC and GTC have been our shareholders since we were incorporated and they increased their holdings in 2004 by purchasing all of the shares held by two minority shareholders.

There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). See “Risk Factors—Risks Relating to Ownership of Our Shares—We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.”

Our Competitive Strengths

Largest subscriber base in Bangladesh

As of December 31, 2008, we were the largest mobile operator in Bangladesh by subscriber base, with 21.0 million subscribers and a subscriber market share of 47.0%. We believe that our leading position has helped us develop strong brand recognition and a high profile among existing and potential subscribers. In addition, our critical mass has allowed us to realize significant benefits from economies of scale in many aspects of our operations, such as equipment procurement, sales and marketing, billing and customer service. We believe that being one of the original GSM mobile cellular licensees in Bangladesh allowed us access to early subscribers for mobile telecommunications, whom we believe tend to be more affluent and have greater resources to spend on telecommunications.

Shareholders with strong operational capabilities

We have derived significant benefit from our shareholders' commitment to our business, including Telenor's experience in deploying mobile networks and business operations across multiple emerging markets. We have also benefited from Telenor's existing relationships with financing sources, industry vendors and suppliers. We believe that we will continue to benefit from Telenor's operational and management experience, through new products and services, shared technological experience, skilled personnel and group synergies such as in procurement. GTC's understanding of the Bangladesh market, its leadership in developing the Village Phone Program and its contribution of the "Grameen" brand have also supported our business growth over the years.

Well-recognized brand name and reputation

We believe that "Grameenphone" has been established as one of the most visible and respected brands in Bangladesh. We have received a number of awards, including the GSMA Award for "Best Use of Mobile for Social and Economic Development" at the 3GSM World Congress in February 2007 for our HealthLine service, as well as the "GSM in the Community" award for our Village Phone program at the GSM World Congress held in Cannes, France in February 2000. We were one of the first mobile telecommunications companies to commence operations in Bangladesh and as such had an advantage in establishing our brand presence. In August 2008, for the first Bangladesh Best Brand Awards, we received the best brand award in the "Telecom Service Provider Brand" category and were third in the overall "Best Brand" category. Moreover, the wider "Grameen" brand has gained both domestic and international awareness through the microcredit work of Grameen Bank and Nobel Laureate Professor Muhammad Yunus. We have also gained brand awareness through our sponsorship of the Bangladesh National Cricket Team and the Bangladesh National Women's Cricket Team. In addition to the "Grameenphone" brand, we successfully launched the youth brand "djuice."

Strong distribution channels and customer service

We have a strong nationwide distribution network with approximately 110,000 points-of-presence (including approximately 14,000 retail outlets) throughout Bangladesh's 64 districts where our subscribers can purchase our services. We have established more than 70 branded retail stores, known as Grameenphone Centers, which offer a range of mobile telecommunications services, SIM cards, top-up cards, mobile handsets and accessories as well as customer service. We also operate a 24-hour call center to provide customer support.

Leadership in product development and non-voice services

We have consistently sought to develop and market innovative products and services to meet our subscribers' needs, and we believe our innovation allows us to attract and retain subscribers. We were one of the first companies in Bangladesh to offer our subscribers mobile to mobile service, GSM, EDGE, prepaid service, voice SMS and "over-the-air" top-ups. In addition, in January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services. Our network is EDGE/GPRS enabled, allowing our customers to gain access to high-speed Internet and data services from anywhere within our coverage area. During the three months ended December 31, 2008, approximately 1.2 million of our subscribers browsed the Internet via their handsets, making us one of the largest providers of Internet access in the country. If the BTRC introduces licensing for new services which we are eligible to operate, such as 3G services, we intend to seek the necessary licenses and offer such services.

Experienced management team

A highly experienced management team leads the development of our business, products and services. Our management team includes senior executives who have experience working in Bangladesh since the commercialization of GSM mobile telecommunications services in Bangladesh in 1997. In addition, several members of our management team and our Board of Directors have operational experience in other emerging and

developed telecommunications markets, including as managers within Telenor and its subsidiaries (the “Telenor Group”).

Our Strategies

Continue to grow our subscriber base

We believe we can continue to grow our subscriber base, while seeking to limit declines in APPM, by increasing the availability of our products and services throughout Bangladesh and by aiming to improve customer retention. We believe that new subscribers will be attracted by our network coverage and our broad offering of services, as well as our service quality and the strength of our brand. In the near term, market conditions have led us to increase the prices of our starter packs and, as a result, we will be focused on higher value customers. In the longer term, we expect to increase our penetration of the growing consumer, rural and financially constrained market sectors. We experienced growth in the consumer, rural and financially constrained market sectors during the year ended December 31, 2008.

Focus on high value customers

We strive to provide superior network coverage, connectivity, quality and reliability, as well as to continue our product and service innovation through continued investment in our network and products. We believe that being an incumbent mobile operator has allowed us to attract early subscribers, whom we believe tend to be more affluent and have greater resources to spend on telecommunications. We intend to continue focusing on this high value customer segment, which we expect will grow as the Bangladesh population becomes more affluent, with our value-added services, in particular Internet access and BlackBerryTM. We also intend to increase our focus on the high value business segment customers, given the high usage of our voice and non-voice services by these customers.

Achieve capital and operational efficiencies to improve profit margins and cash flow generation

We plan to continue to exercise strong discipline over our operating costs and capital expenditures to achieve improved efficiency and productivity in our operations and leverage our existing capacity. Historically, the majority of our capital expenditures were undertaken to support the geographic expansion of our network to achieve a targeted population coverage of more than 95.0% of Bangladesh. Having achieved that target in 2007, we are now focusing our ongoing capital expenditures on expansion of our overall capacity to accommodate increases in subscribers and traffic. In 2008, we moved from a single vendor framework to a dual vendor framework as we entered into a long-term purchase and maintenance agreement for network and radio access equipment with Huawei, and we plan to renew our framework agreement for the purchase and maintenance of GSM equipment with Ericsson. We believe the use of multiple principal suppliers will provide pricing advantages for our future capital expenditures. We have built our own fiber optic network to provide greater redundancy in our network services. We also plan to reduce our operation and maintenance expenses by, among other things, using solar power, controlling service agreement pricing and lobbying to reduce the SIM tax.

Increase brand awareness and reinforce our brand values

We believe we have established ourselves as a quality service provider, the preferred Bangladeshi data service provider, and a national brand that is a partner in developing Bangladesh. We intend to support our brands by undertaking brand refreshment exercises from time to time. In April 2008, we launched the Stay Close Campaign, which helped us to reinforce our branding by emphasizing the importance of staying close to friends and family. We believe the campaign has been successful in increasing brand awareness. For our consumer segment, we have positioned ourselves as being our customers’ lifestyle partner, giving them access to services which enhance their lives. For our business segment, we have positioned ourselves as being our customers’ partner in business, providing efficient and relevant services. For our youth segment, we have the “djuice” brand, which we support by focusing on text messaging, music, and community service. We also plan to increase brand awareness through various point of sale promotions.

Increase revenue from non-voice services

Our revenues from non-voice services as a percentage of ARPU were 4.2% for the year ended December 31, 2008, which proportion remains low relative to operators in comparable markets in Asia and hence provides scope for non-voice revenue growth. We offer a wide range of non-voice services, including SMS, MMS, games, information services, content download, ring back tones, Internet access and BlackBerryTM services. We plan to continue increasing our revenue from non-voice services by actively promoting these services, developing additional services and further expanding our presence as the one of the largest providers of Internet access in Bangladesh.

Continue to expand our comprehensive distribution network

We have adapted our distribution model to the changing telecommunications market in Bangladesh. In the first half of 2008, we implemented a new distribution model. Prior to 2008, we relied on a pull model, whereby our dealers contacted us with product orders. Our new distribution model is to push sales to retailers by distributing our SIM cards, ERS and scratch cards through a network of nearly 100 third-party distributors. These distributors distribute our products to retailers, who then sell our products to the public. We have targeted to have approximately 20,000 retailers in our distribution network selling new connections and 110,000 retailers for reloads. Our objectives under the new distribution model are to improve our product availability throughout the country with the establishment of more points of sale, improve inventory management, accelerate distribution of our products, provide better support to our customer base, create a strong channel of communication between us and our subscribers and obtain better market data to allow us to be more dynamic and responsive to the market.

Subscribers

Since 2003 our subscriber base has grown significantly, from approximately 2.4 million subscribers at the end of 2004 to approximately 21.0 million subscribers by December 31, 2008. Consistent with the trend in Bangladesh, most of our subscribers are prepaid subscribers, who represent an increasing proportion of our subscriber base. Compared to postpaid subscribers, our prepaid subscribers have historically been characterized by little to no customer service costs and relatively lower access charges, and have provided us with a cash flow advantage because all payments are made prior to services being provided.

The following table sets forth certain information about our subscriber base as of the dates indicated:

| | As of December 31, | | | |
|--|-----------------------|------------|------------|------------|
| | 2005 | 2006 | 2007 | 2008 |
| Subscribers | | | | |
| Prepaid | 5,158,937 | 10,227,156 | 15,907,650 | 20,607,245 |
| Postpaid | 383,425 | 531,552 | 575,295 | 386,110 |
| Total | 5,542,362 | 10,758,708 | 16,482,945 | 20,993,355 |
| Subscriber growth (over prior 12 months) (%) | 132.2% | 94.1% | 53.2% | 27.4% |
| % prepaid subscribers | 93.1% | 95.1% | 96.5% | 98.2% |
| % Village Phone subscribers | 3.7% | 2.7% | 1.0% | 1.4% |
| Blended monthly churn rate | 0.50% | 1.23% | 1.25% | 1.12% |

In accordance with the BTRC's subscriber re-registration program, we were required to re-register all of our customers who subscribed before February 28, 2006. The BTRC required us to obtain a photo ID as well as fingerprints from each subscriber. The deadline for registration was May 31, 2008. We were required to deactivate the accounts of all subscribers not re-registered by the deadline. We have barred approximately 692,000 subscribers due to non-registration which, when combined with increased prices for prepaid starter packs, resulted in a slight decrease in the total number of our subscribers as of October 31, 2008 as compared to that as of August 31, 2008. See "Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Registration Requirements."

Our ARPU differs significantly between prepaid and postpaid subscribers. For postpaid subscribers, ARPU tends to be higher due in part to the higher minutes of usage and greater spending power of postpaid subscribers. For prepaid subscribers, our ARPU is lower, reflecting the appeal of a prepaid service to a wide range of customers, many of whom use our services less frequently.

The following table sets out our ARPU for the periods indicated:

| | Year Ended December 31, | | | |
|-------------------------|----------------------------|-------|-------|------|
| | 2005 | 2006 | 2007 | 2008 |
| ARPU (Taka) | | | | |
| Prepaid ARPU | 454 | 359 | 292 | 248 |
| Postpaid ARPU | 2,719 | 2,279 | 1,180 | 875 |
| Blended ARPU | 656 | 465 | 329 | 262 |

Our Products and Services

Our principal source of revenue involves charging for airtime, which represents the usage of our network by our customers. We charge for airtime for voice services and for non-voice services on a prepaid and postpaid basis. Our ability to set and adjust fees and tariffs for our services is restricted by the BTRC, requiring the agreement or approval of

the BTRC in the case of proposed fee and tariff increases above prescribed ceilings or notification to the BTRC in the case of proposed decreases to our existing fees and tariffs. For more information on tariffs, see “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Tariffs and Charges.”

| Products Contributing More Than 10% of Revenue during the Year Ended December 31, 2008 | Contribution (%) |
|---|-------------------------|
| Prepaid Voice Outgoing Airtime revenue (net) | 78.1 |

Voice Services

Our prepaid and postpaid voice subscribers have access to national and international long-distance dialing. In addition, we offer a variety of value-added services in different combinations according to the airtime package selected. These services include call waiting, call holding, call conferencing, missed call alert and caller identification. We also offer our voice subscribers international roaming services, which enable them to make and receive calls when outside Bangladesh, as well as bundled products and services. These services made up 83.7% of our revenue for 2008.

Non-Voice Services

We also offer non-voice services, which we refer to as value-added services, or “VAS,” to our subscribers. Our subscribers are increasingly using our non-voice services, in particular Internet access, downloadable content and ring-back tone services, each described in further detail below. Our customer care centers provide training on use of these services. We offer some of these services free of charge with promotions, though generally these services carry usage-based fees. For the year ended December 31, 2007, value-added services contributed approximately 3.2% to our total revenue, compared to 3.0% in the year ended December 31, 2006. For the year ended December 31, 2008, value-added services contributed approximately 4.2% to our total service revenue, compared to 3.7% in the year ended December 31, 2007.

We currently offer the following value-added services to our subscribers:

- *SMS*: allows subscribers to send short text messages to other mobile users’ handset display screens;
- *VoiceSMS*: allows subscribers to send audio messages (instead of text) to our other subscribers;
- *Web to SMS*: a web-based SMS service that allows our subscribers to send SMSs to single or multiple recipients;
- *Voicemail*: enables subscribers to retrieve audio message recordings left by callers;
- *MMS*: allows subscribers to send pictures, text and sound/voice in a single packet message;
- *EDGE/GPRS*: allows subscribers to use their mobile phones to access the Internet, send and receive MMS, browse WAP and download files;
- *GP World*: allows subscribers to visit wap.gpworld.com from WAP enabled phone sets to download Poly Tones and True Tones of hit songs;
- *BlackBerry™ services*: allows subscribers to use BlackBerry™ wireless services with support for e-mail, phone, Internet, instant messaging, organizer and more;
- *Bull-Stock Information*: allows subscribers to receive, almost in real-time, updates on stock prices on their mobiles;
- *Instant Messenger*: allows subscribers to use PC-style instant messaging through our own chat software;
- *Multimedia Content Services*: allows content such as music, sports, news and finance and other content to be accessible or pushed to subscribers’ mobile handsets, including instant news updates and headlines (including News Update, Traffic Update and Cricket Alert);
- *Grameenphone HealthLine*: an interactive teleconference with a licensed physician that provides medical advice and assistance to our subscribers and non-subscribers (who register for a fee) for both emergency and non-emergency situations, 24 hours a day, seven days a week. HealthLine was awarded the GSMA Award for “Best Use of Mobile for Social and Economic Development” at the 3GSM World Congress in February 2007;

- *Mobile Chat:* a WAP-based instant messaging service that allows subscribers to engage in online and mobile chat;
- *Mobile Web:* allows subscribers with compatible mobile handsets to access the Internet;
- *Pay for Me:* allows prepaid subscribers to call another subscriber even if the caller does not have sufficient balance in his account to make the call. The intended recipient can decide whether or not to take the call;
- *Welcome Tunes:* allows subscribers to set the tunes that callers will hear when they call;
- *Ring-back Tone:* offers personalized ring-back tones and songs instead of traditional telephony ring-back tones; and
- *BillPay service:* Power Development Board customers in Chittagong and Cox's Bazaar and Titas Gas Transmission and Distribution Company customers in greater Dhaka, Maymensingh, and Comilla can pay their bills either from their handsets or at any authorized BillPay center whether or not they have a mobile phone.

We were the first company to provide BlackBerry™ e-mail services in Bangladesh, which we launched in January 2008. We typically bundle BlackBerry™ services with our other service offerings. The majority of our subscribers for BlackBerry™ services are corporate clients.

Prepaid Services—smile and djuice

As of December 31, 2008, we had approximately 20.6 million prepaid subscribers, representing approximately 98.2% of our total subscriber base. We derive a majority of our mobile telecommunications service revenue from our prepaid mobile services. Since 2007, we have marketed our prepaid services under the “smile” brand and the “djuice” youth brand. Prepaid subscribers do not pay subscription or other monthly charges. Our prepaid services made up 89.1% of our revenue for 2008.

A party becomes a prepaid subscriber by purchasing a starter pack that includes a SIM card with an initial credit balance. As of December 31, 2008, starter packs for “smile” cost Taka 500. In April 2009, the price was revised and currently a starter pack for “smile” costs Taka 900 with Taka 20 of initial credit. Prepaid subscribers to “smile” can subsequently top-up their credit balance either by using FlexiLoad, our electronic recharge system or ERS, or by purchasing scratch cards (which are refill vouchers). A credit top-up of Taka 10 to Taka 299 expires after 30 days (for both incoming and outgoing service), while a credit top-up of Taka 300 to Taka 5,000 expires after 365 days (for both incoming and outgoing service) with which we include seven additional free days for incoming service. We offer a variety of promotional packages, such as discounted tariffs for off-peak hours or for calls to certain designated parties. Our “smile” subscribers may purchase scratch cards at Grameenphone Centers, Grameenphone service desks and at many independent retailers.

The “djuice” brand is our youth brand for prepaid mobile to mobile services. A party becomes a djuice subscriber by purchasing a start-up pack, which includes a SIM card with an initial credit balance and a number of free SMS with other djuice subscribers. As of December 31, 2008, a djuice start-up pack cost Taka 500 and included Taka 20 of bonus talk time and 200 free SMS with other djuice subscribers. After a price revision in April 2009, a djuice starter pack currently costs Taka 900 with an initial credit of Taka 20 and 200 free SMS with other djuice subscribers. Djuice subscribers can also enjoy the same refill benefits as “smile” subscribers. Each start-up pack includes a SIM card with an initial credit balance of Taka 20 and 200 free SMS with other djuice subscribers. A credit top-up of Taka 10 to Taka 299 expires after 30 days (for both incoming and outgoing service), while a credit top-up of Taka 300 to Taka 10,000 expires after 365 days (for both incoming and outgoing service) with which we include seven additional free days for incoming service. In addition to basic cellular options, djuice subscribers can have an “xtra” card, that gives the holder the opportunity to receive discounts or benefits, including in food shops, cafés, clothing stores, and CD and DVD stores. Djuice subscribers may purchase scratch cards at Grameenphone Centers, Grameenphone service desks as well as our exclusive retailers.

Postpaid Services—xplore

As of December 31, 2008, we had approximately 386,110 postpaid subscribers, representing approximately 1.8% of our total subscriber base. Since 2006, we have marketed our postpaid services under the “xplore” brand. “xplore” is a contractual mobile telecommunications subscription service in which we bill postpaid subscribers monthly for subscription fees, airtime and usage of other voice and non-voice mobile telecommunications services.

A party becomes a postpaid subscriber by purchasing a starter pack that includes a SIM card with an initial credit limit. As of December 31, 2008, a new connection for “xplore” costs Taka 800 and includes 100 free SMS.

Postpaid subscribers can purchase credit in advance using FlexiLoad or scratch cards. We offer a variety of promotional packages, such as discounted tariffs for off-peak hours. Currently, postpaid subscribers pay a line rental fee of Taka 50 per month, which we waive if the subscriber's monthly airtime usage exceeds Taka 450. After a price revision earlier in 2009, an "xplore" postpaid package now costs Taka 900 with 100 free SMS.

Business Solutions

For business customers, we provide our "Business Solutions" product. As of December 31, 2008, we had more than 391,500 subscribers to our Business Solutions service. We introduced Business Solutions in January 2006 to cater to the needs of the Bangladesh business community. Business Solutions is a complete, quality business communications service designed especially for the business community in Bangladesh. We have a dedicated sales team to provide our customers with customized telecommunications solutions through consultation. Services may be prepaid or postpaid depending on customer preference. We also offer additional data support. Under Business Solutions, we offer special tariffs for three Friends & Family numbers, cost effective tariffs from 9 a.m. to 6 p.m., lower call rates within defined company connections, international roaming, call divert, high-speed internet and data services, and priority service through key account managers.

International Roaming Services

We allow our subscribers to use the networks of operators with whom we have entered into out-bound international roaming agreements, and we also allow customers of network operators with whom we have in-bound international roaming agreements to use our network when in Bangladesh.

As to out-bound roaming for our subscribers, as of December 31, 2008, we had international roaming agreements for both voice and SMS services for postpaid roaming with more than 400 mobile telecommunications network operators in more than 115 countries, for prepaid roaming with 13 mobile telecommunications network operators in 9 countries, and, for our postpaid subscribers, GPRS roaming with more than 100 mobile telecommunications network operators in more than 50 countries. While SMS services are usually available for our out-bound roaming subscribers in conjunction with their voice services, some foreign operators block incoming SMSs from our network, and charge separately for each SMS terminated on their network. In those cases, we sign separate SMS interconnection agreements with those operators with a negotiated bilateral SMS termination rate. We have SMS interconnection agreements with 10 operators.

Our in-bound roaming arrangements with operators in other countries permit visitors to Bangladesh to use their cellular handsets while in Bangladesh through our network. We have roaming agreements with other cellular operators in respect of international in-bound roaming charges for calls and SMSs made by, and received by, their customers while roaming on our network. We link for international roaming by using an international private leased circuit and a satellite link, both leased from BTCL. As of December 31, 2008, we had prepaid in-bound roaming agreements with more than 46 mobile telecommunications network operators in 25 countries.

Our in-bound and out-bound roaming agreements with these operators establish the charges for these services. The charges for in-bound roaming are denominated principally in U.S. dollars and we receive payments from operators outside Bangladesh for these services in U.S. dollars. Subscribers may only spend US\$3,000 to US\$4,000 per year in roaming charges, depending on the country in which the roaming services take place. Roaming revenue accounted for less than 1.0% of our revenue in 2007 and 2008.

In 2005, the BTRC abolished roaming charges for calls within Bangladesh.

Village Phone Program

The Village Phone Program is our initiative to provide access to telecommunications service in remote, rural areas of Bangladesh. Administered by GTC, one of our shareholders, in cooperation with Grameen Bank, the program enables rural people that are Grameen Bank borrowers to use the service and provides the local operators with an opportunity to earn a living. Typically, a village woman, also a borrower of Grameen Bank, finances a mobile phone through microcredit and earns money by offering a phone service in her community. GTC ensures that all subscriptions are used only by Grameen Bank members.

The program has been acknowledged as a sustainable development tool by development agencies such as the World Bank, the United Nations, the International Finance Corporation and USAID, and received the "GSM in the Community" award at the GSM World Congress held in Cannes, France in February 2000. Village Phones have proven their potential in boosting the income of poor households in rural areas, promoting health care, development of agri-business and in the social empowerment of rural women.

As of December 31, 2008, the Village Phone Program had more than 286,500 subscribers, of which all are prepaid subscribers. In February 2008, we completed the migration of all our Village Phone subscribers to prepaid accounts for their convenience, as the prepaid system offers real-time balance checking and is more convenient for refilling and recharging, both of which are important for the public call office business whereby a telephone facility is provided in a public place. For Village Phone services, GTC charges an additional 10.0% on our tariffs, including on airtime, SMS and value-added services, to cover administrative expenses and the repayment to Grameen Bank of financing costs for terminal equipment, with the balance as profit for the Village Phone operator. The program generated revenue of Taka 2,956.3 million for the year ended December 31, 2007, and Taka 1,183.0 million for the year ended December 31, 2008.

Grameenphone Public Phone

Grameenphone Public Phone is our product for the public call office market whereby a telephone facility, run by one of our subscribers, is provided in a public place for use by the general public. We offer a low call rate, rechargeable through FlexiLoad or scratch cards, for our subscribers. Grameenphone Public Phone is targeted towards potential subscribers in the urban and semi-urban public call office market.

Grameenphone Community Information Centers

Launched in February 2006, Grameenphone Community Information Centers (“CIC”) provide access for rural people in Bangladesh to Internet, voice communications, video conferencing and other information services. They are designed to be run independently by local entrepreneurs as small businesses. We provide the entrepreneur with training and support. The services also include office services, including scanning, printing and e-fax, CD writing, telemedicine services, multimedia education for children, electronic governance services and certain value-added services. We had more than 500 CICs as of December 31, 2008.

Mobile Handset and Other Sales

We offer mobile handsets from a number of manufacturers, including BlackBerry™ handsets, particularly in connection with bundled promotions. Handsets are typically sold for approximately Taka 2,000 to Taka 4,000 per handset. We also sell certain other products on a consignment basis at Grameenphone Centers and Grameenphone service desks. Historically, high ARPU customers are more likely to buy bundled handsets. Revenue from sales of mobile handsets accounted for less than 1.0% of our revenue in each of the year ended December 31, 2007 and the year ended December 31, 2008.

Bundling

We believe that bundling of products and services creates additional opportunities for expanding our subscriber base and driving revenue growth. We have experienced lower churn rates with bundled handsets, and have also found that many of such subscribers remain subscribers for more than three months and, on average, have greater usage than our other subscribers. We have launched several campaigns in the past year and a half, each with an average duration of approximately 36 days, and with different handset vendors, including Nokia, Samsung, Sony Ericsson and Sagem. We generally target these campaigns towards the mass market. The cost of a mobile handset is a barrier to entry for many people and we believe this has led our bundled offers to be effective in attracting new subscribers.

Network

We operate an advanced GSM network. As of December 31, 2008, our network covered approximately 98.1% of Bangladesh’s population and 87.0% of Bangladesh’s land area—all of the districts in the country except in the mangrove forest in the southwest area of the country. The Government announced in 2008 that mobile service may be provided in the Rangamati, Bandarban and Khagrachhari districts, which were formerly-restricted districts, and we have expanded service into these areas. By the end of 2008, we completed our expansion of network coverage and capacity build-up in 18 sites in the above-mentioned districts, being seven sites in Rangamati, seven sites in Bandarban and four sites in Khagrachhari. We currently expect to extend our coverage and capacity in these districts by building up to 11 more sites by the end of 2009.

Our network comprises over 11,500 base stations, over 110 base station controllers (“BSC”) and over 45 mobile switching centers (“MSC”). The base station sites are linked to the BSCs mainly by microwave links and optical fiber, and the BSCs are linked to the MSCs by fiber optic networks. We also interconnect with the other fixed-line and mobile telecommunications operators using E-1 lines through microwave and optical fibers. In 2007, we expanded our network coverage by improving our network capacity in order to handle an increased number of

subscribers and higher traffic volume. We achieved, by the end of 2008, a level of uninterrupted network availability of above 99.7% which would allow us to ensure accessibility to our subscribers. As of December 31, 2008, we have GPRS coverage of 87.0% of the land area of Bangladesh and EDGE coverage of 83.8% of the land area of Bangladesh. Given the power shortages in Bangladesh, we have installed back-up generators for our network, most of which are diesel-based. We have built two sites with solar power as an alternate power source and we are further investing and expanding this effort with up to 10 more sites by the end of 2009.

In line with the BTRC's infrastructure-sharing guidelines, we are currently evaluating the possibility of sharing infrastructure, including BTS, with other operators to optimize investment and use Bangladesh's national resources optimally. Overall, we expect that the new infrastructure-sharing regime will be of benefit to us and our operations, principally as a source of additional revenue from other operators using our infrastructure.

We completed all phases of our network expansion in 2007. The last phase focused mainly on capacity building and quality enhancement of our network. We plan to increase our network capacity to more than 14,000 base stations by the end of 2009.

We have an agreement with Bangladesh Railway to use their fiber optic cable network until 2027. We have agreed to upgrade that network at our own cost in exchange for reduced rent and are in the process of completing that upgrade.

We lease dark fiber optic cable from the Power Grid Company of Bangladesh Ltd. ("PGCB"), including a lease of over 200 kilometers of dark fiber optic cable on the Dhaka to Chittagong route until 2021. On April 22, 2008, we entered into an agreement with PGCB to lease over 100 kilometers of dark fiber optic cable on the Chittagong to Cox's Bazaar route until 2023. Both leases allow us to sub-lease spare bandwidth capacity.

Our core network and radio access equipment has principally been supplied by Ericsson. Our framework contract with Ericsson is in effect until the end of 2008, although we plan to renew it. An amendment was signed on June 10, 2008, covering commercial issues such as discount voucher adjustments, revision of the price annex and support fees. In April 2008, we signed a long-term purchase arrangement for network and radio access equipment with Huawei.

Network Monitoring and Maintenance

We have a network operation center operating 24 hours a day, seven days a week, in three daily shifts. Our network operation center ensures a consistent level of service for problems encountered in our network and controls all operational activity in our network. We have central monitoring systems at our operation center known as network management systems. Using these systems, we monitor our network 24 hours a day, which enables us to respond quickly to any problems.

We employ more than 550 network engineers, of which more than 350 are responsible for specific BTS sites. In the event of alarms or network events requiring repair, the network monitoring center automatically alerts the relevant engineer. We also have a second line of engineering support located at our head office who assume responsibility for the repairs or response if the front-line engineers cannot solve the problem. If our network problems cannot be solved in-house, we refer these problems to our suppliers. Problems with hardware are generally sent to the manufacturers for repairs pursuant to our maintenance agreements with them. We also receive technical support from Ericsson.

We conduct regular analyses of problems and changes in our network both through self-tests and through tests conducted by the Telenor Global Security Risk Team. We monitor the performance and quality of our network continually using a combination of computer generated reports and manual processes such as drive testing. The network architecture is made of back-up systems that re-route traffic around malfunctioning switches or base stations, or a failing component.

Spectrum

We have 22 MHz of spectrum, which we use for our GSM-900 and GSM-1800 networks. We acquired an additional 7.4 MHz in the 1800 MHz band in November 2008 for Taka 5,920 million. The purchase price was fully paid by June 2009.

We expect that the new spectrum will, over the next six months, gradually ease the congestion in our network, and will thereafter enable us to provide higher quality call services for the next few years. The table below shows the spectrum and bandwidth allocated to us as of November 1, 2008:

| | |
|-------------------------------------|-----------|
| Frequency (MHz) | 900, 1800 |
| Available Bandwidth (MHz) | 7.4, 14.6 |
| Channels | 37, 73 |
| Bandwidth allocated (MHz) | 22 |
| Population coverage | 98.0% |

Our spectrum allocation is renewed annually on payment of spectrum fees. Our new spectrum allocation is valid for 18 years, subject to its yearly renewal. We made payment for spectrum charges of Taka 497 million in the year ended December 31, 2007 and Taka 437.6 million for the year ended December 31, 2008. See “Risk Factors and Management’s Perception about the Risks—Operational Risks—Our allocated spectrum may not be sufficient to service our subscribers in future or to maintain our service quality, and we may not be able to obtain sufficient additional spectrum in the future to resolve these issues” and “Risk Factors and Management’s Perception About the Risks—Potential or Existing Government Regulations” for risks concerning spectrum.

Suppliers

We have various suppliers and vendors who provide us with equipment and services that we need to build our networks and upgrade and operate our business. Our core network and radio access equipment has principally been supplied by Ericsson and Huawei, with whom our framework contract expires at the end of 2010. We rely on the services of vendors such as Ericsson and Huawei in order to accomplish our build-out and upgrade schedule.

Network Interconnection

Our network interconnects with the networks of other telephone service providers, allowing our customers to communicate with the customers of other mobile and fixed-line telecommunications service providers.

We are party to interconnection agreements with the other mobile telecommunications operators in Bangladesh for interconnection with their networks as well as with BTCL for interconnection to the fixed-line network and the international gateway.

Currently, for mobile to mobile calls, mobile to PSTN calls and PSTN to mobile calls, interconnection charges are set at Taka 0.40 per minute (though BTTB (now BTCL) did not have to pay interconnection charges until September 30, 2007). The interconnection charge for domestic calls to a mobile phone had been Taka 0.66 per minute from January 2007 through September 2007. From February 2004 through December 2006, the interconnection charge for domestic calls to a mobile phone was Taka 0.50 per minute for off-peak calls and Taka 0.90 per minute for on-peak calls. For mobile or PSTN calls to international destinations, interconnection charges vary from country to country, between a range of Taka 6 to Taka 500 per minute.

Interconnection revenue from mobile operators accounts for a significant portion of our operating revenue. Our interconnection revenue was Taka 4,605.4 million, or 8.5%, of our total revenue in the year ended December 31, 2007 and Taka 6,517.3 million, or 10.6% of our total revenue, for the year ended December 31, 2008.

The interconnection regime changed in the third quarter of 2008, in accordance with the ILDTS Policy and regulations issued by the BTRC thereunder. Bilateral connections between operators are being replaced by an operator connecting to an interconnection exchange (“ICX”), which, with effect from August 24, 2008, is responsible for routing international calls through an international gateway (“IGW”), and, with effect from December 24, 2008, will be responsible for routing domestic inter-operator calls through itself. The ILDTS Policy is focused on providing affordable means of communication to Bangladeshis at home and abroad, encouraging local entrepreneurs and the development of new technologies, and ensuring revenue for the Government. The ILDTS Policy states that IGW and ICX licenses will be issued to Bangladeshi entities only, and furthermore, that such licenses shall not be issued to existing operators. In this regard, the BTRC issued licenses to four IGW operators, three ICX operators, and two IX and IIG operators in 2008. In accordance with the BTRC’s directive, we also signed an agreement with the new ICX and IGW licensees. Even though a certain percentage of the interconnection revenues under this new regime will go to other parties, overall we expect that our interconnection revenue will still increase as there was no such revenue sharing system in place before. See “Plan of Operation and Discussion of Financial Condition—Factors Affecting Our Results of Operations—Regulation.”

Under the new interconnection regime, beginning December 24, 2008, interconnection revenue for domestic calls was shared between Access Network Service (“ANS”) operators (90.0%), such as ourselves, and ICX (10.0%), resulting in the ANS receiving interconnection revenue of Taka 0.36 per minute at current

interconnection rates and the ICX receiving Taka 0.04 per minute. As per the BTRC's recent directive dated March 24, 2009, however, after the deduction of the ICX charge (Taka 0.04 per minute) the remaining amount of the interconnection charge (Taka 0.36 per minute) is to be equally shared between the call originating and call terminating operators. Accordingly, we would receive a net interconnection charge of Taka 0.18 per minute while we would pay an interconnection charge of Taka 0.22 per minute. Beginning August 24, 2008, charges of Taka 16.50 and Taka 6.00 per minute for outgoing international economy ISD calls to mobile network and to PSTN, respectively, and the previous zone related tariff for normal ISD calls is continuing. After deduction of settlement amounts (as determined by the BTRC) to be paid to overseas networks from these call charges, the remaining amount is to be shared between ANS (40.0%), ICX (15.0%), IGW (15.0%) and the BTRC (30.0%). The interconnection revenue for incoming international calls, to be charged at no less than US\$0.03 per minute, effective from May 2009, is to be shared between IGW (65.0%), ICX (15.0%) and ANS (20.0%), resulting in the IGW receiving interconnection revenue of US\$0.019 per minute, the ICX receiving interconnection revenue of US\$0.0045 per minute and the ANS receiving interconnection revenue of US\$0.006 per minute. The BTRC reserves the right to change these interconnection rates at any time.

Marketing and Brand Recognition

We believe that we have one of the strongest brand images in the Bangladesh telecommunications sector. We also aim to keep the Grameenphone and Djuice brands amongst the strongest brands in Bangladesh in terms of brand recognition, enjoying high spontaneous as well as prompted positive brand awareness among the Bangladeshi population; both represent a valuable asset to us.

We launched a new logo in November 2006 known as the “Telenor device”, which we accompany with the name “grameenphone.” We believe the new logo and related visuals express values we strive for, such as trust, reliability, quality and constant progress, and signal our continued focus on securing the best possible communications services for our subscribers. Our logo is visible on our sales and service centers, franchises, retail outlets, billboards, electronic media and on our website. See “—Intellectual Property.”

Our Advertising

We have engaged in high profile advertising campaigns in order to promote our products and services nationally and to increase our brand recognition. We utilize a wide range of media for our advertising in order to reach the mass market: electronic media (nationwide television and radio advertisements), print media (advertisements in newspapers, magazines and periodicals) and outdoor advertising (billboards, shop fascias and point-of-sale materials). We also advertise our products and services via our website and target our existing subscribers through direct advertising, including postpaid bill inserts and SMS advertisements.

In addition to our advertising campaigns, we also sponsor a wide range of charitable causes and community events throughout Bangladesh in order to position our brand name and promote our products and services, such as our sponsorship of the Bangladesh National Cricket Team and our sponsorship of the Bangladesh team for the 2007 Special Olympics World Summer Games.

For the year ended December 31, 2007, our expenditure on advertising totaled Taka 1,051.7 million. For the year ended December 31, 2008, we spent Taka 864.6 million on advertising.

Our Marketing Initiatives

We position ourselves as a caring company, helping people stay close to friends and family while improving their access to their interests. In this vein, our new campaign “Stay Close” was launched in April 2008, which helped us to reinforce our brand position by emphasizing the importance of staying close to friends and family. We believe it has been successful in increasing brand awareness. The campaign had full media coverage, comprising television, radio, outdoor-overheads, press, cinemas and posters.

We also look to enrich the lives of our countrymen. Our award winning service HealthLine gives people easy access to medical services. Our CICs bring the internet to our rural areas. Our focus on continuously creating value for subscribers has given us the reputation as a leading innovative value-added services provider.

Based on information from sources such as the Bangladesh Bureau of Statistics, the World Bank, the National Media Survey by AC Nielsen and analysis of our internal call data records, we have developed a comprehensive market segmentation model for the mobile telecommunications market in Bangladesh. We target each market with a specific set of products and corresponding marketing mix.

There are four market segments, namely “Consumer,” “Business,” “Youth,” and “Emerging.”

The “Consumer” segment consists of people above the age of 29 and includes professionals, homemakers, and the general population. Products targeted toward this segment are the “smile prepaid” and “xplore postpaid” packages.

The “Business” segment is made up of businesses that pay the subscriptions for their employees. This segment is exclusively catered to with the “Business Solutions” packages.

The “Youth” segment consists of people within the age group 18-29. They exercise significant buying power, both for themselves and in the context of their family purchasing decisions. They are often the “early adopters” for any newly introduced product or feature. “Djuice” prepaid packages are sold specifically to this market.

The “Emerging” segment is alternatively referred to as the “financially constrained” group. Households with monthly incomes ranging between Taka 2,500 and Taka 6,000 fall into this segment, and it is assumed that one financially constrained household has the purchasing power for one subscription. As the Emerging segment mostly uses shared phones, we count shared phone users as part of our Emerging market. Hence, we target this segment with our “Grameenphone Public Phone” and “Village Phone” products.

Sales and Distribution

We sell our products and services to subscribers through an indirect channel consisting of exclusive third-party distributors, who deliver our products to retailers who then sell them to the public, and exclusive branded franchises, as well as through a direct channel comprised of Grameenphone Centers and a dedicated “Direct Sales Force” focused on the corporate sector and the business market, including small- and medium-sized enterprises. We estimate that a substantial majority of the new subscribers added during the year ended December 31, 2008, were acquired through indirect channels.

Our prepaid services are sold both indirectly through a network of third-party non-exclusive retailers—more than 14,000 retail outlets sell SIM card kits and reload cards nationwide and over 95,000 points of presence sell SIM card top-ups only—and directly through Grameenphone Centers and Grameenphone service desks. We expect the number of third-party non-exclusive retailers offering our products to increase to more than 130,000 by the end of 2009. Many of these third-party retail outlets are located in high visibility, high-traffic areas and are provided with specially designed Grameenphone shop fascia and branded point-of-sale products to help consumers in identifying these outlets. We also provide trade marketing assistance to third-party retailers.

We implemented a new distribution model in 2008, whereby we have divided the country into nearly 100 business operating areas, depending on the geography and business volume. For each area, we have assigned an exclusive distributor to ensure direct delivery of products to our channel partners, which include our third-party distributors and registered retailers. Our new model is designed to allow us greater efficiency, flexibility and speed in delivering our products, as we aim to achieve a maximum delivery time of three days per week. We developed a distribution manual to be followed by the distributors, with our audit team conducting periodic reviews to ensure their compliance. Our distribution contracts grant exclusivity for one year, subject to annual renewal, and the distributor agrees to exclusivity with us in respect of the telecommunications industry. One sales employee known as our “distribution operations manager” is assigned to each distributor to assist the distributor and to ensure compliance with our guidelines, to review the distributor’s performance, to help manage stock and order control, and to ensure retailers are satisfied with their distributors.

Under our distribution model, we deliver our SIM cards, scratch cards, ERS and other products to distributors, who in turn place the products with retailers. Customers then purchase and activate the SIM cards, ERS or scratch cards.

Retail Channel

All third-party non-exclusive retail outlets (14,000 outlets for SIM and reload services; and 95,000 outlets for only reload services) are regularly visited by our territory officers, who are our full time employees. We invest in a retail point based on its contribution to our business and we develop those outlets that have business potential. We provide our product and service knowledge development support to our retailers, as well as campaign and merchandising material.

In addition to third-party retail, our 18 directly-owned Grameenphone Centers provide a direct channel to customers and offer our whole portfolio of products. Our flagship Grameenphone Centers provide a “one-stop solution” for our customers. Our sales and service staff provide assistance with postpaid SIM replacement,

reconnections, migrations, billing, product information, refunds, ownership transfer, complaints and queries, password unblocks, SIM checks, technical problems, international roaming, welcome tunes configuration, Voice SMS, voice mail, and EDGE-related services.

Another aspect of our indirect distribution network is our nationwide franchise network. We were one of the first mobile operators to introduce a franchising concept into the mobile sector in Bangladesh, and we currently have 54 exclusive franchisees operating Grameenphone Centers. Both our prepaid and our postpaid services are sold through these franchisees, focusing on private subscribers in major cities as well as certain more remote locations. Each franchisee is equipped to process sales, collect bills and offer other customer services. All franchisees have Grameenphone-trained sales and service staff. Under the franchise agreements, the franchisee is given a license to sell our products and services, using our trade name and trademark, in a location selected by us. The franchisee must sell our products and services exclusively. In return, we pay them a commission, as set and amended by us from time to time. We also provide them with our products and services, such as handsets, SIM cards and subscription forms, organize training for their sales force, and provide support services, as well as merchandising and marketing support.

Direct Sales to the Business Market

A dedicated sales team provides our Business Solutions subscribers with customized telecommunications solutions through consultation. We had nearly 150 employees as of December 31 who were responsible for sales and related activities and after-sales support aimed at our corporate customers. As of December 31, 2008, we had more than 391,500 subscribers to our Business Solutions service. Our direct sales team is focused on high revenue subscribers (rather than high numbers of subscribers), as well as customer quality, service quality, up sales and cross sales. We target the small business market through our indirect sales channels rather than our direct sales force.

Sales and Distribution Organization

To manage our sales activities, we have divided the country into nine regions, 48 areas and 268 territories. Each of these groupings is led and managed by a regional head, an area manager and a territory officer, respectively.

We have over 1,380 full time and 130 contract sales employees as of December 31, 2008, who are responsible for sales and marketing activities. In line with our new distribution model, we restructured our sales division in 2008. As part of the restructuring, we decentralized some functions, introduced information technology tools to increase operational efficiencies, and consolidated some divisions. We also intend to move all our contract sales employees into full-time positions. We incentivize our frontline sales staff with variable salaries rather than commissions. Salaries are adjusted based on a sales staff member meeting quarterly targets set by our management.

Billing and Customer Management

Billing

Before activating postpaid subscriptions, we verify the information that subscribers provide in their subscription applications and perform internal credit checks on postpaid subscribers. Most of our postpaid subscribers are part of a corporate subscription plan through their employers and we benefit from a guarantee by their employer. After a subscriber's information is verified, we can activate the mobile connection within the same business day. Deposits are only required from individual postpaid subscribers who use our international roaming services.

Increases in non-payment have been due to increased usage by clients and subsequent delays in payment, rulings by the Government that prohibit the payment of international roaming charges in Taka (they require that the charges be paid in the relevant foreign currency), and the addition of unused or commitment fees.

Our postpaid subscribers are generally billed on a monthly basis. We accept payments at our customer service centers, as well as through commercial banks (at the counter and through direct debit), by credit card, FlexiLoad, and via the internet. We also offer a billing service that shows integrated charges for mobile services and data and related services on one bill. In addition, our itemized billing service provides call details including information such as date, time, duration and charge of any voice calls.

We bar a postpaid subscriber's account if the subscriber's usage exceeds the subscriber's approved credit limit or if the subscriber does not pay an invoice by the payment deadline. We then notify the customer to remind him or her of the payment due date. If payment continues to be outstanding for a further 90 days, we typically suspend the provision of our services to the customer and send a notice of termination of the service agreement.

We introduced FlexiLoad in April 2005 for use by prepaid subscribers and we extended the service to our postpaid subscribers in May 2006. FlexiLoad allows a subscriber to pay a mobile bill or add credit to such subscriber's account. A subscriber can also use FlexiLoad to transfer airtime from such subscriber's account to another subscriber's account by providing a code on the handset, up to a limit of Taka 100 per day and up to 16 times per month. All such transfers require registration with us and the use of a PIN number issued by us. In 2008, our subscribers used FlexiLoad for more than 96.0% of the total recharge value.

Credit Management and Deactivation

We consider a prepaid subscriber as inactive when there has been no outgoing or incoming traffic (voice and non-voice, excluding traffic relating to our promotions, such as automatically generated SMS that we send to our subscribers) or the SIM card has not been reloaded during the previous three months. We deactivate a postpaid subscriber three months after we bar the subscriber's account. We bar a postpaid subscriber's account if the subscriber's usage exceeds the subscriber's approved credit limit or if the subscriber does not pay an invoice by the payment deadline. We do not include subscriptions used for test purposes or subscriptions used by our employees that we pay for.

Customer Service

We are committed to providing the best in class customer service to each of our customers and to developing our customer service as a competitive advantage. We operate a 24-hour call center for Business Solutions and individual subscribers, retailers and service points. The center is located in Dhaka and staffed with more than 400 full-time and more than 400 part-time employees as of December 31, 2008. We have an online customer service system that allows our subscribers to interact directly with our customer service staff. Our call center staff also engages in direct sales marketing. Grameenphone Centers and Grameenphone service desks also provide customer support.

We established a loyalty program under the "thankyou" brand. For postpaid subscribers that are consumers, we provided discounts on voice calls and, for our prepaid subscribers that are consumers or in the youth segment, we provided bonus airtime. The program also provides discounts to all subscribers with various partners, including stores, restaurants and hotels. Following the publication of the Interim Directive on Tariff and Marketing Promotion (the "Interim Directive on Tariffs") on July 26, 2007, we discontinued the program in respect of our prepaid subscribers. See "Appendix A(IV)—Regulation of the Telecommunications Industry in Bangladesh—Marketing and Promotions." We plan to reintroduce loyalty programs for prepaid subscribers within applicable guidelines set by the BTRC.

Competition

The Bangladesh mobile telecommunications market is highly competitive. We compete against two other major mobile telecommunications operators providing nationwide service: Banglalink, which had a subscriber base of approximately 10.3 million, representing a market share of 23.1% of subscribers as of December 31, 2008, as measured by number of subscribers, and AKTEL, which had a subscriber base of approximately 8.2 million, representing a market share of 18.4% of subscribers as of December 31, 2008, as measured by number of subscribers. Banglalink, a subsidiary of Orascom, has emerged as the number two mobile operator in terms of market share and revenue share, based on consistently offering lower tariffs than ours, mass marketing, a focused distribution model and timely payment. AKTEL, which is 70.0% owned by Axiata (formerly TM International), has a significant subscriber base in Chittagong and promotes its network and service quality.

We also compete against three other mobile operators, CityCell, Warid and Teletalk, who had a combined market share of approximately 11.5% as of December 31, 2008, as measured by the number of subscribers. CityCell is a subsidiary of Singapore Telecommunications Ltd. ("SingTel"), the Singapore based telecommunications company, and is the sole mobile operator to use a CDMA system. Warid was founded by the Abu Dhabi Group. Teletalk is owned by the Government.

Competition in the market is based primarily on factors such as pricing, service quality (including coverage), promotional activities, convenience of distribution network (including network for top-up of prepaid cards), and availability of special features (such as non-voice services). Price competition through promotional activities and competitive pricing plans is constantly evolving. Since Orascom's purchase of Banglalink in 2005, price competition has been particularly intense, with each operator significantly reducing prepaid and postpaid tariffs and extending promotional periods. Periods of intense price reductions adversely affect our revenue and margins and, to the extent that they attract subscribers from a lower-income, lower-usage segment of the market, may also lead to changes in the composition of our subscriber base which result in lower ARPU. Partly as a result,

our blended ARPU has declined from Taka 465 in 2006 to Taka 262 in 2008. The Bangladesh mobile telecommunications industry remains susceptible to further periods of intense price competition in the future, as well as other forms of increased competition. Any such price competition may adversely affect our ARPU and revenue. If our ARPU continues to decrease, our revenue could decrease, despite an increase in our subscriber base.

It is possible that additional foreign operators may enter the Bangladesh telecommunications market, whether directly or indirectly by buying an existing local operator. For instance, NTT DoCoMo announced in September 2008 that it had completed its acquisition of 30.0% of AKTEL from its minority shareholder. The industry might have potential for consolidation, subject to applicable competition laws.

In September 2008, pursuant to an auction, three local companies won WiMAX licenses, subject to payment of the license fees. To date, two of these companies have paid the license fees. BTCL has also been granted a WiMAX license, subject to payment of the license fee as well. According to the conditions of the WiMAX licenses, these companies will have to set up at least 90 base stations within a year, and should begin providing services by mid-2009. As requested by the WiMAX licensees, the BTRC has extended the time to begin providing services by three months.

We expect that regulatory changes may occur that may significantly affect our industry, including the introduction of competition rules (such as rules regulating significant market players), unified licensing, number portability, new categories of licenses (including 3G), the grant to telecom operators of the ability to launch additional services, the grant of telecom licenses to new operators, tariff reductions and environmental compliance. We also expect that some of the new regulations may prohibit existing operators from acquiring these licenses. These changes are likely to increase price competition and increase subscriber churn, which could have a material and adverse effect on our business, financial condition, results of operations and prospects. We expect that, in order to remain competitive, and to offset to some extent the effect that competition will have on our ARPU, we will have to continue to offer innovative and technologically advanced products and services. Failure to do so could materially and adversely affect our results of operations. See “Risk Factors and Management’s Perception about the Risks—Potential or Existing Government Regulations” for further risks concerning the effect of government regulations.

Our Licenses

Mobile Cellular License

On November 11, 1996, the Ministry of Posts & Telecommunications (the “MOPT”) awarded us a 15 year license to establish, operate and maintain digital cellular mobile telephone services throughout Bangladesh in the private sector. The license expires in November 2011. After the BTA established the BTRC, the BTRC revalidated our license in October 2004. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Regulatory Framework—Framework under the Bangladesh Telecommunication Act, 2001.” The BTRC amended our license in May 2005. Under the terms of our mobile cellular license, we are required to pay to the BTRC an annual license fee of Taka 50.0 million and a revenue-sharing license fee in an amount equal to 5.5% of our collected rent and call charges. Collected rent and call charges include monthly subscription fees and charges for airtime (including revenue from value-added services). We must pay the revenue-sharing license fee by January 10, April 10, July 10 and October 10 of each year.

The BTRC can suspend or terminate our license for violation of its terms, after issuance of a notice which gives us an opportunity to explain our position in relation to any contravention. Our license also stipulates that the BTRC can cancel the license in the event of a breach of any conditions contained in our license or if a payment default occurs.

Our mobile cellular license requires us to follow strictly the provisions of the BTA, under which we are not authorized to introduce any changes in tariffs without the BTRC’s prior approval. The BTRC has the right to determine our tariffs, call charges and other related charges in the manner contemplated under Section 48 of the BTA and our license conditions as and when the BTRC deems necessary. Under the license, we are required to maintain the quality and standard of service as determined by the BTRC.

As of November 1, 2008, the BTRC has allocated us 7.4 MHz in the 900 MHz frequency band and 14.6 MHz in the 1800 MHz frequency band, which we can use to provide our services. We are required to ensure optimal use of the frequency allocated to us. In addition, the BTRC reserves the right to make modifications of the frequency allocation and recover the excess frequency not in use from us. We pay spectrum charges to the BTRC on a quarterly basis, calculated according to the licensing area, frequencies, the number of our subscribers, bandwidth and the number of links for microwave. Spectrum charges are, at present, calculated by multiplying the following: (i) a spectrum tariff unit of Taka 60 per MHz per square km; (ii) a contribution factor for frequency based (A) on the

number of subscribers using access frequency or (B) on microwave frequency; (iii) the amount of bandwidth assigned for (A) access frequency or (B) microwave frequency; (iv) an area factor based on whether the frequency is (A) access frequency or (B) microwave frequency; and (v) a band factor based on the band used. See “Plan of Operation and Discussion of Financial Condition—Factors Affecting Results of Operations—Taxes, Duties and Fees—Spectrum Charges.”

ISP License

On January 25, 2005, we were awarded a license to build, maintain and operate a data communication network throughout Bangladesh to provide internet services to our mobile subscribers only. This license expires in January 2010 subject to annual renewal, payment of necessary fees and compliance with such conditions as may be prescribed by the BTRC from time to time. Under our renewed ISP license, we may also provide ISP services to non-mobile subscribers who use our internet services, such as users in our CICs.

Our ISP license can be terminated in accordance with its terms in the event of a breach of any conditions contained in our license or if we default in payment of license fees. Under its terms, we are required to pay additional fees and charges as may be levied by the BTRC from time to time.

Under our ISP license, the BTRC has free access to our ISP operation and other facilities at any place and may inspect our installations at any time. The BTRC is further entitled to alter, change or modify any conditions of this license at any time. In addition, we are required to follow strictly the tariff chart approved by the BTRC at the time of commencement of our internet services and are not authorized to alter the tariffs, call charges and any other related charges without the BTRC’s prior approval.

Associates/Subsidiaries and Their Core Areas of Business

We have no associate companies or subsidiaries at present.

From January 2001 to March 2009, we were party to a strategic partnership agreement with X-Net, an information technology and data communications company, pursuant to which we would own 30% of X-Net’s issued capital. On March 1, 2009, we resolved a dispute between us and X-Net by entering into a settlement agreement. As a result of the settlement, the strategic partnership agreement has been terminated, we no longer have any equity interest in X-Net, and X-Net is one of our fiber optic network customers.

Employees

The following table shows the number of our employees by function during the periods indicated:

| | As of December 31, | | | |
|-------------------------------|---------------------------|-------------|-------------|-------------|
| | 2005 | 2006 | 2007 | 2008 |
| Full-time employees | 1,274 | 1,646 | 2,208 | 3,687 |
| Temporary employees | 1,146 | 2,809 | 2,930 | 995 |

As of December 31, 2008, we employed a total of 3,687 full-time employees, reflecting an increase of 67.0% from December 31, 2007. As of December 31, 2008, we also employed a total of 995 temporary employees, reflecting a decrease of 66.0% from December 31, 2007.

As of December 31, 2008, 10 people from the Telenor Group were working for us pursuant to consulting agreements between us and Telenor Consult, including Mr. Oddvar Hesjedal, our Chief Executive Officer.

We believe that we have a good relationship with our employees. None of our employees is represented by a union or covered by a collective bargaining agreement, and we have never experienced any work stoppage. Certain drivers who we hire through a third party agency had a strike on March 30, 2008 because they wanted to be our employees and were seeking pay increases. We negotiated pay increases for them, and adjusted their working hours and overtime pay.

Employee Benefits

We believe we provide competitive compensation and benefits, which we review on an annual basis based on a compensation survey conducted by compensation specialists in our human resources department.

We have established variable bonus targets for our full-time employees, which affect the bonuses they receive.

We maintain an Employees Provident Fund and an Employees' Gratuity Fund for all our eligible permanent employees. Eligibility is determined according to the terms and conditions set out in the deeds for the funds. The terms of the funds are approved by the NBR.

The Employees Provident Fund is a defined contribution plan under which we provide post-employment benefits to eligible permanent employees. Under this plan, eligible employees contribute 10.0% of their basic salary to the fund each month and we make an equal contribution each month. Employees who leave before completing three years' of service will only be entitled to their own contributions, with interest thereon. All monies are administered by a Board of Trustees and invested in Government approved securities.

The Employees' Gratuity Fund is a retirement benefit plan. Its purpose is to encourage long service with us. Employees are eligible for benefits under this plan after five years of service with us. Under the plan, on leaving us after five or more years of service, employees are entitled to receive payouts equivalent to one or more month's basic salary, based on their last drawn basic salary, depending on how many years of service they have completed. Halim & Associates, Actuarial & Pension Consultants performed the most recent actuarial study for this fund, in 2006.

We also provide health benefits for our full-time employees. In addition to providing a fixed entitled monthly medical allowance and in-house medical consultation services, we provide a group health insurance plan that provides hospitalization insurance for our employees and their spouses and dependent children. We also provide group life insurance for our full-time employees.

Employees are also eligible for what we term "short-term employee benefits." These include the cost of their medical insurance premiums, the cost of one handset every two years, and leave encashment.

Employee Development

We strive to be an "employer of choice" in the Bangladesh labor market. We have a strong succession planning program and we generally have not experienced difficulties in attracting skilled personnel.

We use a three-pronged approach for employee development: education (training), experience and exposure. We facilitate and organize a variety of training programs conducted by internal and external resources, in accordance with identified individual or organizational development needs. We play an active role in providing exposure through a performance management process, internal value creation process, leadership coaching and regular feedback. In addition, we provide educational grants which encourage employees to obtain higher education.

We have annual programs with local campuses, such as competency building sessions and guest lectures. We also work with them in developing courses and curriculums, sponsor MBA alumni and student clubs, and encourage industrial visits and attachments, practical learning and internship programs.

We have arrangements with the Stockholm School of Economics in Sweden to provide core leadership training to senior managers, and the British Council for providing management development training to our employees.

We second employees to other Telenor affiliates, generally for a period not exceeding four years, to aid in employment development as well as to assist the Telenor affiliates in fulfilling short-term staffing needs, including the need for certain special expertise such as internal controls, accounting and reporting, and revenue assurance.

Employee Share Participation Plan

Under our Employee Share Participation Plan, we offer our key management personnel fixed cash payments that must be used to buy shares of Telenor in the public market, which shares are then locked in for a period of three years. Participants are required to remain employed by Telenor or one of its subsidiaries throughout the lock-in period. We recognized expense on share-based payment of Taka 994,739 in the year ended December 31, 2007 and Taka 8,048,736 in the year ended December 31, 2008.

Property and Equipment

We lease our corporate headquarters office building, located at Celebration Point, Plot 3 & 5, Road 113/A, Gulshan-2, Dhaka-1212, with a total of approximately 39,425 square feet, from a third party, 4,900 square feet of which expires on August 2011 and the remainder expires on December 31, 2011. We will not be renewing all the lease as we are moving to our new headquarters in March 2010.

We own building floors in nine locations, consisting of approximately 90,605 square feet. We lease certain other buildings pursuant to three to ten year leases, for a total of over 0.8 million square feet. Under the terms of our lease agreements, we may terminate the lease upon 90 to 180 days' prior written notice. We intend to renew all leases expiring in 2009.

We are in the process of building a new headquarters at Bashundhara, Dhaka. Approximately 40.0% of the headquarters has been completed as of December 31, 2008, and we expect it to be ready for use by the end of 2009. The new headquarters is intended to provide the physical infrastructure for enterprise wide communication and knowledge sharing, and to facilitate efficient workplace collaboration and increased productivity, such as providing for common work spaces that encourage knowledge sharing between employees. The new headquarters will be able to house up to 2,700 employees.

We own or lease the sites throughout Bangladesh where our telecommunications network equipment is installed, including fiber optic network, switches, lines, backbone network, MSCs, BSC units and equipment, transmission equipment and related buildings. As of December 31, 2008, we leased over 6,000 macro and micro GSM sites consisting of almost 7,400,000 square feet and nine switch sites or buildings consisting of over 84,000 square feet for a term of maximum of 30 years, after which the leases must be renegotiated with the house or land owner. We also own land in over 1,000 macro GSM sites and nine switch locations consisting of over 3,600,000 square feet and over 80,000 square feet, respectively. We owned more than 11,500 base stations as of December 31, 2008.

Intellectual Property

We have applied to register all of our logos and brands as trademarks with the Department of Patents, Designs and Trademarks of Bangladesh. However, we have not applied to register the "Telenor device" and the "djuice" logos, as they belong to Telenor and Djui AS (a wholly owned subsidiary of Telenor), respectively (though we applied to register the "Telenor device" logo accompanied by the name "grameenphone" on November 13, 2006). We have provisional certificates for all of our logos and brands, excluding the two Telenor logos. The logos and brands we have applied to register include the "Telenor device" logo (accompanied by the name "grameenphone"), "xplora," "smile," "BillPay," and "GPWorld." We have yet to receive any final certificates for our trademark applications. After we have filed an application for registration of a trademark (such as our logos or brands), we will have the right to initiate actions for passing off under common law. If we do not continue to use a trademark, however, any action for passing off that we might initiate may not succeed. Applications for registration are subject to hearings and are registered at the discretion of the Registrar of Trade Marks. If an application is allowed, then the registration of the mark takes effect from the date of the application for registration. We expect many registrations will become effective within the next 12 months.

Telenor has informally granted us the right to use the "Telenor device" trademark in Bangladesh in relation to the marking and sale of our products and services and as part of our company logo. Telenor has also informally granted us the use of the "djuice" trademarks in Bangladesh for our "djuice" products. The terms of the granted licenses, however, are not agreed. We and Telenor are in the process of formalizing the detailed license terms.

We grant license agreements regarding our trademarks, including license agreements with our various distributors, franchisees and authorized vendors in our distribution channel and with our agents and content providers for the mobile market. We also have several license agreements regarding our use of the registered trademarks of third parties, such as BlackBerry[™]. It is our policy to vigorously defend and pursue any infringements on our intellectual property.

We have entered into an agreement with Research in Motion Limited to purchase BlackBerry[™] handsets and offer BlackBerry[™] email service as the first provider of "push" e-mail services in Bangladesh, whereby email is actively transferred to the subscriber's handset as it is received. This mark is the brand name under which we market our BlackBerry[™] products and services.

We have encountered a small amount of infringement of our logos and brands. For instance, people print T-shirts with the "Telenor device" logo on them without our permission. While we consider such infringements to be minor problems, other forms of infringement, such as people selling non-Grameenphone mobiles using our logos, may pose more serious problems, and could have an adverse effect on our business and results of operations. To date, however, we do not believe this type of infringement has occurred to a material extent.

Insurance

We believe that we maintain the types and amounts of insurance customary in the industry and country in which we operate, including coverage for employee-related accidents and injuries, property damage and

expropriation. Our insurance covers our fixed assets, e.g., radio base stations, equipment, inventory, computers and accessories, office equipment, furniture and fixtures, buildings, as well as goods imported or in transit, cash in transit, in safe and on counter, including loss or damage to property resulting from strikes, lock-outs, riots and civil commotion, but does not cover the loss of electronic data or losses from war and terrorism. Our insurance policies also cover, among other things, damage caused by cyclones, fire, explosions, and malicious damage. Our vehicles are covered by either comprehensive or third party insurance. We are also insured against business interruption losses resulting from property damage including interruptions from earthquakes, volcanic eruptions and tsunamis. We have not had any material claims under our insurance policies during the past ten years. Our policies are subject to deductibles, exclusions and limits that result in our retention of certain risk.

Legal and Regulatory Proceedings

From time to time, we may become involved in legal and regulatory proceedings relating to claims arising out of our operations in the normal course of business. These include cases filed by individual subscribers regarding service complaints and also cases in various courts with respect to base transceiver stations set up or proposed to be set up by us, most generally disputes over ownership of the land on which the base transceiver stations are to be set up. Other than as described below, we believe such proceedings will not have a material adverse effect on our business, financial condition, results of operations or liquidity.

International Call Termination through VoIP

The BTRC and law enforcement agencies are investigating the provision of unregulated international call termination through the use of VoIP technology by the country's mobile operators. In February 2007, a member of the RABF filed an FIR with the police alleging, among other things, that we were involved in illegal international call termination through the use of VoIP technology instead of termination through BTTB (now BTCL) as required by the BTRC. During the relevant time period, all incoming and outgoing international calls were required to be routed through BTTB and interconnection charges were to be paid to BTTB, the Government-owned incumbent fixed-line operator in Bangladesh. See "Description of Business—Network Interconnection." Certain of our customers purchased our High Volume User product, a SIM card that provided discounted tariffs for users with a committed call volume, and used VoIP technology to route international calls through our network rather than through BTTB's network, resulting in lost revenue for BTTB. Shortly after the FIR was filed, we discontinued the High Volume User Product. On September 30, 2007, we and the BTRC entered into a settlement agreement. We paid the BTRC Taka 1,684.2 million in three installments as full settlement for any claims by the BTRC for lost revenue due to these activities. The BTRC agreed that, upon payment of the last installment, it would not take any further legal action against us, it would submit a final report to the police with regard to the allegations in the FIR and it would take all possible and necessary steps to ensure that we are released from the charges brought against us in the FIR. We paid the last installment of the fine in December 2007. The BTRC submitted a final report to the police in May 2008, requesting that the case be withdrawn. The police produced their final report to the Metropolitan Magistrate Court of Dhaka. By an order dated November 26, 2008, the court accepted the final report and released the accused persons from the allegations. The case has been dismissed by the court.

A second related investigation was initiated in December 2007 by the regulators obtaining evidence that we provided E-1 connectivity to an operator, which allowed it to bypass BTTB for international call origination and termination. Thereafter, a second criminal allegation or FIR was filed alleging that we and members of our present and previous management had participated in illegal VoIP business and had knowingly provided E-1 connections to institutions without the requisite license. On January 30, 2008, the BTRC sent us a show cause notice, noting these allegations and asking us to show cause why our license should not be cancelled or suspended. We duly replied to the show cause notice on February 27, 2008. All applicable E-1 connections were in operation during the period covered by the first investigation, and all such connections had been terminated by February 2007. On August 14, 2008, we entered into a settlement agreement with the BTRC concerning the second investigation. Under this agreement, we agreed to pay a fine of Taka 2,500 million. We paid Taka 500 million on the date of the agreement and we paid the last installment of the fine on October 29, 2008. In accordance with the settlement agreement, the BTRC will submit a final report to the police in favor of us and the members of our present and previous management named in the second FIR. In consideration of the payment of the fine, the BTRC has also agreed not to take any further legal action against us or our management and employees in connection with this matter. The BTRC has submitted a final report to the police and the police have submitted that final report to the Metropolitan Magistrate Court of Dhaka. We have not received any order from the court yet.

VAT Dispute with Bangladesh Railway

We are involved in a dispute regarding the payment of VAT on the rent we pay Bangladesh Railway to use its fiber optic network. At issue is whether the rent is inclusive of VAT or whether we are supposed to pay VAT in addition to the rent.

In 1997, we entered into a lease agreement with Bangladesh Railway, whereby we pay rent to use Bangladesh Railway's fiber optic network. This agreement did not include terms regarding the payment of VAT. In 2005, the NBR claimed payment from us of VAT on the rent. After discussions with the NBR, the NBR agreed that we could deduct VAT from the rent and pay it directly to the NBR. We believe this understanding is also supported by the provisions of rule 23(4) of the VAT Act. Since then, we paid approximately Taka 319.7 million to the NBR as accrued VAT on the rent for the period from 1997 through 2007.

Bangladesh Railway, however, has taken the position that the rent was not supposed to be inclusive of VAT. Bangladesh Railway has demanded that we pay the Taka 319.7 million that we deducted from our rent.

On July 6, 2008, we filed a writ petition before the High Court Division of the Supreme Court of Bangladesh against Bangladesh Railway and the NBR challenging Bangladesh Railway's demand of Taka 319.7 million plus interest. The court issued a rule to show cause in our favor and we obtained, through a series of extended stay orders, a stay of the demand until October 2009. We will apply to extend the stay period from time to time until the final determination of the rule to show cause.

On February 1, 2008, the NBR issued a notification that VAT is to be paid at 15.0% over the agreed rental payments. Since then, we have paid Bangladesh Railway the rent together with 15.0% VAT and Bangladesh Railway has agreed to deposit the VAT amount with the NBR in our name. Whether the NBR's tax notification is to apply retroactively, however, has not been resolved and this issue has been referred to the NBR.

If the High Court determines that the rent was not supposed to be inclusive of VAT and that we should have paid VAT over the rent, we may be required to pay Taka 319.7 million to Bangladesh Railway as unpaid rent and Taka 199.1 million to the NBR as VAT on this unpaid rent. The NBR has also claimed interest of Taka 124.2 million on the unpaid VAT. We have made no provision for such payments, and cannot assure you that any provision we may make will be adequate. Any requirement to pay amounts in excess of any provision we may make could also have a material adverse effect on our business, financial condition, results of operations and prospects.

On May 17, 2009, the Deputy Commissioner of VAT at the NBR issued a demand for us to deposit approximately Taka 237 million with the NBR, which amount we had previously claimed as a VAT rebate. We claimed the VAT rebate in accordance with an order we had previously received from the NBR relating to our lease of Bangladesh Railway's fiber optic network. As such, we believe that the demand by the Deputy Commissioner is in conflict with the NBR order. We believe we are eligible for the VAT rebate and we expect to contest the demand as necessary, including in an appropriate legal forum. The order is still subsisting, however, and has not been set aside by any competent authority.

Other VAT Disputes

In May 2007, the Large Taxpayers Unit of the Government issued a notice demanding unpaid VAT due on our payments, from 2000-2005, to certain foreign service providers as consultants for technical assistance and know-how. We disagreed with this assessment. We had not used any such services from 2001-2004. Where we had used such services, in 2005, we had first obtained BOI's permission to procure these services, and BOI did not consider them as consultancy services. Moreover, in the application forms which we have to provide to BOI and Bangladesh Bank before we can procure such services, there is no provision for the deduction of VAT for services for technical assistance and know-how. Nonetheless, after a hearing, the Large Taxpayers Unit ordered us to pay Taka 86.4 million as unpaid VAT for 2000-2005, with Taka 84.3 million in interest, and further imposed a penalty of Taka 20,000. The Customs, Excise and VAT Appellate Tribunal disallowed our appeal, whereupon we filed a petition before the High Court Division of the Supreme Court of Bangladesh. The court issued a rule to show cause in our favor and stayed the tribunal's order, which stay has been extended until July 27, 2009.

The second dispute concerns VAT payments involving our sublease of fiber optic network to the Bangladesh Navy. In September 2004, the Customs, Excise and VAT Commission issued a demand for unpaid VAT on this sublease from October 2002 to December 2003. We disputed this demand as, among other reasons, Bangladesh Navy, as the service receiver, had already paid VAT on the sublease. We appealed this issue through to the Customs, Excise and VAT Appellate Tribunal but, in December 2007, the tribunal dismissed our appeal and ordered the payment of Taka 36.3 million. We then filed a petition before the High Court Division of the Supreme Court of

Bangladesh on this matter. The court issued a rule to show cause in our favor. The court also stayed the tribunal's order, and this stay has been extended to September 3, 2009.

While we believe we had no duty to pay VAT in these cases, we cannot guarantee that the outcome of these cases will be in our favor. A decision that we will have to pay these disputed amounts may have a material adverse effect on our business, financial condition, results of operations, and prospects.

Challenge of SIM Tax

We pay tax on new SIM cards on behalf of our subscribers as part of our subscriber acquisition cost. See "Plan of Operation and Discussion of Financial Condition—Factors Affecting Our Results of Operations—Taxes, Duties and Fees—Tax on New SIM Cards." During the six month period from August 2006 to March 2007, we did not pay the SIM tax because it had been declared illegal by a decision of the High Court. The Government and the NBR challenged and filed and were granted leave to appeal in the Appellate Division. The Appellate Division granted an interim order staying the decision of the High Court. We are a pro forma respondent in this case, so we submitted our statements against the imposition of SIM tax to the Appellate Division. The matter is pending a final hearing by the Appellate Division.

In August 2007, the Large Taxpayers Unit of the Government claimed payment of SIM tax for the six month period between the decision of the High Court and the stay order issued by the Appellate Division. We are contesting the Large Taxpayers Unit's claim and have not paid the SIM tax for this period. We accrued SIM tax expense throughout 2006 and 2007 and we believe that adequate provision has been taken.

Criminal Allegations and Charges

Criminal allegations were filed against previous and current members of our management in relation to the second VoIP investigation.

We also have criminal cases pending against us and our employees. In one case, the Government filed a complaint of illegal trespass against one of our employees, based on the installation of one of our base stations on its alleged property. The employee is currently out on bail, and the case is now pending. We consider such a complaint to be in the ordinary course of business, and believe that there is no merit to this charge.

Dispute with Communic Park

We are involved in a dispute with Communic Park, one of our former dealers. In November 2004, we appointed Communic Park as a dealer to sell, exclusively, our products and services and to obtain new mobile phone subscriptions. In return, Communic Park obtained certain commissions, based on rates set out in the agreement. We reserved the right to alter the commission rates by providing 15 days' notice. This agreement expired on December 31, 2005.

Communic Park was one of 16 dealers appointed under similar agreements. These dealers would take delivery of our products and redistribute them to their outlets and retailers. In July 2005, we decided to lower our dealers' commission rates because the rates we were giving were far above market rate, and because many dealers were not passing on the benefits of the commissions to the retailers and outlets. We gave verbal notice of this change to the dealers in April 2005 but did not give 15 days' written notice.

A number of dealers, including Communic Park, disputed the change in commission rates, and we have reached or are in the process of reaching settlements with most of them. Communic Park, however, demanded a much larger settlement amount than the others, approximately Taka 120.0 million. After failing to reach a settlement, Communic Park issued a notice of arbitration and, in its statement of claim, demanded approximately Taka 445.5 million in damages. It later filed an amended statement of claim requesting approximately Taka 450.5 million. We responded that Communic Park had itself breached the agreement by, among other things, failing to make payments on time; that it had verbal notice of the change in commission rates; and that it had engaged in fraud by, for instance, creating fake subscribers and assigning one mobile number to two or three people, in order to get a greater amount in commissions.

We engaged in arbitration proceedings to resolve this dispute. On December 31, 2008, the arbitral tribunal issued an award of Taka 242.2 million in favor of Communic Park, which includes Taka 121.8 million for pending commissions, Taka 50.0 million as compensation for loss of opportunity and Taka 65.3 million in interest. In addition, the tribunal ordered us to return a bank guarantee of Taka 10.0 million, which Communic Park had earlier provided as part of a security deposit under the dealer agreement. We filed a case before the Court of District Judge, Dhaka to set aside the award. The court has issued a rule to show cause in our favor and stayed the arbitral award.

until disposal of the case. There is no assurance that the court will decide in our favor, or that we will not have to pay this award to Communic Park.

Taxes and Other Charges by Local Authorities

We conduct our operations under nationwide licenses issued by the BTRC, pursuant to the BTA. A number of local authorities and Government agencies, however, have claimed that mobile operators are required to obtain their permission to install base stations and have to pay taxes and other charges to them as well, and have served notices to the mobile telecommunications operators, including us, to this effect. We have asked the BTRC to look into this matter and to rule that only the BTRC has the power to regulate the mobile operators. All the operators have, however, started to pay the tax as claimed by the local authorities.

Other Proceedings

More than 400 of our drivers, who we hire through third-party agencies, have filed a number of civil cases before the Labor Court praying that they should be treated as our direct permanent employees, as opposed to as employees of the agencies. We are contesting these cases.

On July 23, 2008, we received notice from the ACC that it had initiated an inquiry relating to a complaint of corruption concerning our alleged receipt of illegal benefits in relation to our lease of the fiber optic network from Bangladesh Railway. We had a meeting with the ACC in July 2008 to address their concerns, and there have been no further developments since then. However, there can be no assurance that the inquiry will not be resumed, or that the results of such a resumed inquiry will not be negative. If the results of a resumed inquiry are negative, the ACC may also conduct an investigation and, if those results are negative as well, eventually file a case against us. There can be no assurance that this complaint will not have a material effect on our business, financial condition, results of operations and prospects.

Between August 2007 and July 2008, we received several orders from the Customs Authority claiming that we evaded customs duty and tax by misrepresenting and declaring the wrong shipping code in connection with approximately 19 instances in 2005 when we imported telecommunications equipment. The Customs Authority has demanded an aggregate amount of approximately Taka 404 million in purportedly unpaid duty, fines and penalties. We appealed to the Customs Authority and then to the Customs Excise, VAT, and Appellate Tribunal (the “Appellate Tribunal”). In accordance with the law, prior to filing the appeals, we deposited Taka 3.8 million in cash with the Customs Authority (representing 25% of the demanded penalty imposed by the Customs Commissioner) and we provided a bank guarantee for Taka 3.8 million (representing 25% of the amount demanded by the Customs Commissioner). The Appellate Tribunal issued another letter demanding that we deposit 50% of the fine (including the penalty) as well as a penalty on pre-shipment inspection as 25% in cash 25% as bank guarantee. We believe that we declared the shipping code correctly for all the telecommunications equipment that we imported and, if necessary, we expect to take appropriate legal action to challenge the orders and the demand. On August 11, 2009, the Honourable High Court Division stayed the demand for three months. The NBR has appealed.

See “Risk Factors and Management’s Perception about the Risks” for further information in relation to the above proceedings. There can be no assurance that the proceedings described above will not have a material adverse effect on our business, financial condition, results of operations or liquidity.

Corporate Social Responsibility

We define corporate social responsibility (“CSR”) as a combination of ethical and responsible corporate behavior. Our core strategy in this area is to be Bangladesh’s partner in developing the country, particularly in its promise, as a United Nations Millennium Declaration signatory, to meet the eight targets known as the Millennium Development Goals by 2015. We have focused on poverty alleviation, healthcare, especially reducing child and maternal mortality, empowerment, including enabling intellectually challenged athletes and acid survivors to live up to their full potential, and providing access to education for talented but underprivileged children.

In this regard, we partner with non-governmental organizations with a strong track record of successful partnerships with the private sector, such as Pathfinder International, and donor agencies operating in common areas of interest, such as the World Health Organization. We conduct a number of projects with our partners. We have collaborated with GTC on the Village Phone Program, which provides poor village women with an opportunity to earn a living. For more information on our Village Phone Program, see “— Our Products and Services—Village Phone Program.” In May 2007, we set up the Safe Motherhood and Infant Care Project together with Pathfinder International and USAID, which aims to provide free comprehensive primary healthcare services to economically disadvantaged pregnant mothers and infants. We partnered with Special Olympics Bangladesh to empower the

intellectually challenged athletes of Bangladesh and we were the sole sponsor of the Bangladesh team for the 2007 Special Olympics World Summer Games. We have given six acid survivors employment opportunities with us. In collaboration with Grameen Shikkha, we aim to provide financial assistance to 100 bright but underprivileged students in the form of a scholarship fund. The fund is managed by Grameen Shikkha.

In addition, we have set up a number of CSR projects on our own. We have created more than 500 CICs, whereby people living in rural areas may gain access to information technologies such as the Internet, video conferencing, and other information services. CIC users are charged for the use of these services, producing a source of income for the local entrepreneurs who run the CICs. See “—Our Products and Services—Grameenphone Community Information Centers.” We have also been the official sponsor of the Bangladesh National Cricket Team since 2003. See “— Our Competitive Strengths—Well-recognized brand name and reputation.”

Most recently, we are focused on the environment. Our objective is to support a healthier environment by reducing our carbon footprint through innovative approaches, as well as increasing awareness among our different stakeholder groups through various environmental activities and initiatives. Our environmental focus will continue through the year with different awareness campaigns, activities and environmental initiatives, with the objective to work jointly towards a greener future for the country. In this regard, we already initiated a sapling distribution and plantation drive. We are also actively exploring alternative energy sources for our base stations.

In total, we have set up 38 CSR programs as of December 31, 2008. We also make substantial contributions towards disaster relief efforts in Bangladesh, such as donating food, money and supplies towards victims of Cyclone Sidr in 2007. We actively encourage our employees to take part in our programs to help the community.

Environmental Matters and Safety

We are in material compliance with all applicable environmental rules and regulations, including the Environmental Conservation Act, 1995 and the Environmental Conservation Rules, 1997. We are currently in discussions with the BTRC and the Department of Environment over whether any licenses or permits from the Department of Environment are required for the erection of BTS towers. While we believe that such licenses and permits are not required on the grounds that our mobile cellular license permits these towers, the BTRC and the Department of Environment may decide otherwise.

Fraud Prevention

We have a revenue assurance and fraud management plan to identify revenue leakages and risk areas for fraud.

Before any product or service is launched, we conduct testing to ensure that subscribers are being charged according to the applicable tariff or service class. We also carry out comparative analysis on the commission payable and the actual commission paid to our channel partners (which includes our third party distributors and registered retailers) to help ensure that the commission receivable is equal to the commission paid. We conduct stock reconciliation at different sources, enabling us to establish control over our internal inventory. We conduct risk analysis to proactively and reactively prevent leakage of any bonus airtime that is due to our new subscribers.

We analyze network traffic for discrepancies at different nodes of our network. We also test new network nodes to help ensure their smooth operation. Such testing helps verify that the services available to each subscriber are what the subscriber actually registered for. We re-rate our prepaid and postpaid products by verifying call and service charges to ensure that subscribers are being charged correctly. This verification prevents both revenue loss from our end and goodwill loss from our subscribers' end. We also reconcile invoices from our roaming partners and other local interconnection operators, as well as third party content providers, with the information from our own system to ensure proper financial payments and service delivery.

We minimize information leakage by investigating and analyzing the information flow in our internal systems. We also investigate, analyze and report any other apparent internal fraudulent activities. Internally, a department which detects such fraudulent activity will forward the information to our fraud management department. On the customer end, we have analyzed fraudulent activities, such as fake calls offering prizes if the subscriber sends money electronically to a certain number using his or her FlexiLoad account. We have identified and blocked the originating numbers of such calls. We also put caps, effective March 2008, on the maximum balance that any subscriber can have in their accounts to reduce the risk of money laundering.

We also implement cross-functional initiatives on a case by case basis in line with applicable compliance regulations and to ensure good business practices.

Business Continuity and Disaster Recovery System

In Bangladesh, our business could potentially be disrupted by many hazards, both natural, such as earthquakes and floods, and man-made, such as the failure of the national power grid and political unrest. To help ensure business continuity and data recovery, we have set up our business systems and network to provide seamless service and network and information security. For instance, we have optimized our network to remove a single point of failure in our transmission network and switch nodes, so that we minimize the chances of a service outage in an entire area of service. We also provide redundant transmission paths to ensure continuous service, and use generators to provide back-up power during power outages. Our core switch locations are decentralized and we store system backups in different locations. Our virtual network is secured through firewalls and other devices, and we protect our physical network with regular security patrols.

We have set up a disaster recovery system, which includes a secondary data center for our business critical systems and a disaster management process for all our personnel to follow. We back up and replicate all of our business data on an off-site location, and also replicate all our data in real time. In 2007, after cyclone Sidr, we managed to restore our network within three days.

Through our Business Continuity Plan, we have analyzed all our major processes and systems routines and created a risk-mitigation plan, which provides guidelines in case of any major business disruptions. We also have a Crisis Management Plan to respond to and manage crisis situations.

Through these measures, we believe we have secured reasonable protection against business disruptions from weather conditions or other adverse events.

Material Contracts

- Underwriting agreements between us and the underwriters;
- Issue Manager Agreement between us and Citigroup Global Markets Bangladesh Private Limited;
- Agreement with CDBL to be entered into in connection with the Public Offering; and
- Agreements between us and our professional advisors for the Offering: Milbank, Tweed, Hadley & McCloy LLP and Syed Ishtiaq Ahmed & Associates, our counsel, and Skadden, Arps, Slate, Meagher & Flom LLP, Dr. Kamal Hossain & Associates, the Underwriters' and Issue Manager's counsel, Rahman Rahman Huq, Citigroup Global Markets Bangladesh Private Limited and Citigroup Global Markets Limited.

A copy of our Memorandum of Association and Articles of Association and the Consent Order from the Securities and Exchange Commission may be inspected, on any working day during office hours, at our registered office.

(1) Sources and availability of materials and names of our principal suppliers are as follows:

| Vendor | Products | Total Qty | Amount in USD | Contract Duration |
|--|--|-----------|----------------|-------------------------|
| Wipro Ltd. India | Software for LTA System | 1 | \$5,122,772.00 | Until December 31, 2012 |
| Huawei, China | PRBT System | 1 | \$300,000.00 | Until December 31, 2011 |
| Huawei, China | mCentrex System | 1 | \$900,000.00 | Until December 31, 2011 |
| Independent Technology Systems Ltd., United Kingdom | Software for Interconnect Billing System | 1 | \$950,000.00 | Until December 31, 2009 |
| ZTE Corp., China | MCA Expansion | 1 | \$1,000,000.00 | Until December 31, 2009 |
| Watchdata Technologies Pte Ltd. 31 Tannery Lane, #04-01 HB Centre II Singapore-347788 | SIM Card | Various | \$1,215,210 | Until December 31, 2009 |
| Eastcompeace Smart Card (Bangladesh) Limited Floor Plot No 260/A Tejgaon Industrial Area P.S. Tejgaon Dhaka-1208 | SIM Card | Various | \$1,113,670.00 | Until December 31, 2009 |
| Bluefish Technologies Pte Ltd. 77 Amoy Street, # 01-01 Singapore 069896 | SIM Card | Various | \$786,795.00 | Until December 31, 2009 |

| Vendor | Products | Total Qty | Amount in USD | Contract Duration |
|--|--------------------------|---|-----------------|-------------------------|
| Gemalto Pte Ltd, 12 Ayer Rajah Crescent Singapore 139941 | SIM Card | Various | \$199,595.00 | Until December 31, 2009 |
| Huawei Tech Investment Co., Limited Unit 3610-12, 36/F The Center, No. 99 Queens Road, Central, Hong Kong | USB Edge Data Card | Various | \$2,160,000.00 | Until May 6, 2010 |
| Scientific Games International Limited George Mann Road Leeds LS10 1DJ United Kingdom | Scratch Card | Various | \$331,000.00 | Until December 31, 2009 |
| Huawei Bantian, Longgang District, Shenzhen China | GSM Network Equipment | Various | \$40,436,992.00 | Until December 3, 2010 |
| Huawei Technologies (Bangladesh) Ltd. RM Center (2nd) Floor), 101 Gulshan Avenue Gulshan-2, Dhaka-1212 Bangladesh | Various Services | Implementation, Integration, Training, Maintenance services etc | \$8,106,824.18 | Until December 3, 2010 |
| Ericsson AB Torshamnsgatan 21-23 S-16480 Stockholm Sweden | GSM Network Equipment | Various | \$42,271,297.17 | Until December 31, 2010 |
| LM Ericsson Bangladesh Ltd. | Various Services | Implementation, Integration, Training, Maintenance services etc | \$13,041,279.24 | Until December 31, 2010 |

- (2) We have no customer providing 10.0% or more revenues.
- (3) Other than the subscription forms signed by our mobile subscribers and agreements signed with our business segment customers, we have no other contracts with our customers. As of December 31, 2008, we had approximately 21.0 million subscribers. The total value of these subscriptions and agreements cannot be derived from the subscription forms and agreements alone.
- (4) We do not require gas and water except for the ordinary use in office work. However, power is required extensively for the operations of our base stations and due to the acute crises in the power sector; approximately 40.0% of the base stations rely on generators as backup power. See “Risks Factors and Management’s Perception about the Risks—Operational Risks—Power outages may increase our expenses.”

DESCRIPTION OF PROPERTY

The following list describes 20 principal plants and other properties which are either leased or owned by the Company. All the owned plants and other properties listed here are new and are also security for our long-term borrowings. See “Plan of Operations and Financial Condition—Liquidity and Capital Resources—Long-Term Borrowings.”

| Location of Principal Plants / property | Whether property is owned or leased | Monthly Rent in Taka | If lease, the expiry date of the lease | If lease, name of the lessor | If property owned, whether there is mortgage or lien on the property | If property mortgaged, name of mortgagor |
|--|-------------------------------------|----------------------|--|------------------------------|--|--|
| <u>Owned asset:</u> | | | | | | |
| AMR (Adaptive Multiple Rate) Software for RBS Celebration Point, Gulshan-2 | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Land for GP corporate office Busundhara R/A, Dhaka | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| OSS for E. Services and Features | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Mobile switching centers (MSC) Different switch locations throughout Bangladesh | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Mobile Soft Switch Solution (MSS) Different switch locations throughout Bangladesh | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Base station controller (BSC) Different switch locations throughout Bangladesh | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Home location register (HLR) Different switch locations throughout Bangladesh | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Signaling transfer point (STP) Different switch locations throughout Bangladesh | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| Microsoft license Celebration Point, Gulshan-2 | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |
| SAN server Celebration Point, Gulshan-2 | Owned | | | | Yes | Senior lenders: IFC, ADB, NORFUND, EKSPORT FINANS, NORAD & A LOCAL SYNDICATE OF 16 BANKS |

| Location of Principal Plants / property | Whether property is owned or leased | Monthly Rent in Taka | If lease, the expiry date of the lease | If lease, name of the lessor | If property owned, whether there is mortgage or lien on the property | If property mortgaged, name of mortgagor |
|--|-------------------------------------|---|--|--|--|--|
| Leased asset: | | | | | | |
| Fiber optic network throughout the country | Leased | 73,703,853 (subject to yearly 5% increase on 11th year's rent and 40.0% rebate for replaced portion of network) | Jun-17-27 | Bangladesh Railway | N/A | N/A |
| Head Office Celebration Point, Plot 3 & 5, Road 113/A Gulshan-2, Dhaka | Leased | 895,500 | Dec-31-11 | Goodwill Properties Ltd. | N/A | N/A |
| Head Office Celebration Point Plot 3 & 5, Road 113/A Gulshan-2, Dhaka | Leased | 1,176,000 171,500 21,579 | Dec-31-11 Aug-14-10 July-31-09 | Prime Tower Ltd. | N/A | N/A |
| Warehouse 407, Tejgaon I/A, Tejgaon, Dhaka | Leased | 1,056,000 | Jul-30-12 | M/S Eastern Dyeing & Calendaring Works Ltd. | N/A | N/A |
| Warehouse Plot No. 243A, Tejgaon I/A, Tejgaon, Dhaka-1215 | Leased | 946,000 | Feb-14-10 | Murad Ahmed Jamal | N/A | N/A |
| Lease of optical fiber network Dhaka- Chittagong-Cox's Bazaar | Leased | 833,000 | Dec-31-20 | Power Grid Company of Bangladesh | N/A | N/A |
| Office The Grand DELVISTAA (North Block) Plot # CES (A) 1A Road #113, Gulshan | Leased | 3,375,000 693,000 | Apr-30-12 May-9-16 | Mrs. Mahua Khan Kazi Mahmudul Hassan Kazi Mamoonul Hassan Mrs. Kaya Amanullah Mizanur Rahman | N/A | N/A |
| Office The Grand DELVISTAA (South Block) Plot # CES (A) 1A Road #113, Gulshan | Leased | 4,050,000 | Apr-30-12 | Khan Mohammed Mustapha Khalid & Mrs. Shahzia Islam Mohammad Foyez Ullah & Mrs. Morsheda Nasmeen | N/A | N/A |
| Office Niloy Tower Plot # 11, Road # 113/A Gulshan-2, Dhaka | Leased | 1,248,500 | Mar-31-11 | Central Properties Limited | N/A | N/A |
| Office Nitol Niloy Tower, Nikunjo New Airport Road Dhaka | Leased | 3,200,000 | Oct-31-10 | Central Properties Ltd | N/A | N/A |

As of December 31, 2008, a total of approximately 8636 decimals of land have been purchased in our name. Mutation for approximately 7837 decimals of this land has been completed, and mutation for the remaining approximately 799 decimals is in process.

SELECTED FINANCIAL AND OPERATING DATA

You should read the summary financial information presented below in conjunction with our audited financial statements, which are contained elsewhere in this Prospectus. You should also see the section of this Prospectus entitled “Plan of Operation and Discussion of Financial Condition.”

We have derived the selected financial information from our audited financial statements as of and for the years ended December 31, 2005, 2006 and 2007, as of, and for the nine months ended, September 30, 2008, and for the nine months ended September 30, 2007. Results for the interim periods are not necessarily indicative of results for the full year.

Our audited financial statements as of, and for the year ended, December 31, 2008, selected financial information (unaudited) for the three months ended March 31, 2009 and selected financial information (unaudited) for the three months ended June 30, 2009, each of which have been prepared and presented in accordance with BFRS, are included in Appendix D to this Prospectus. There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). See “Risk Factors—Risks Relating to Ownership of Our Shares—We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.”

The following table presents selected financial information derived from our audited financial statements prepared and presented in accordance with BFRS, as certified by our auditors, and should be read in conjunction with our audited financial statements and “Plan of Operation and Discussion of Financial Condition,” included elsewhere in this Prospectus. Our selected audited financial information as of and for the years ended December 31, 2005, 2006 and 2007, as of, and for the nine months ended, September 30, 2008, and for the nine months ended September 30, 2007, is derived from our audited financial statements for those years and nine month periods, included elsewhere in this Prospectus, and should be read in conjunction with our audited financial statements contained elsewhere in this Prospectus, including the notes thereto.

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|------------------------------------|-------------------|--------------------|--|-------------------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | Taka | Taka | Taka (millions) | Taka | Taka |
| Profit and Loss Account Data (audited) | | | | | |
| Revenue | 29,473.1 | 45,640.4 | 54,303.1 | 39,993.5 | 44,561.0 |
| Cost of network operations | | | | | |
| Direct cost of network revenue | (6,705.0) | (10,072.2) | (12,792.6) | (9,522.2) | (10,503.4) |
| Network operation and maintenance expenses | (1,428.5) | (2,105.7) | (2,442.6) | (1,832.9) | (3,368.2) |
| Depreciation and amortization | (4,056.8) | (6,500.5) | (9,122.2) | (6,369.8) | (9,723.4) |
| | <u>(12,190.3)</u> | <u>(18,678.4)</u> | <u>(24,357.3)</u> | <u>(17,724.9)</u> | <u>(23,595.0)</u> |
| Gross profit | <u>17,282.8</u> | <u>26,962.0</u> | <u>29,945.9</u> | <u>22,268.6</u> | <u>20,966.0</u> |
| Other income, net | 113.8 | 102.3 | 38.2 | 44.0 | 9.2 |
| Operating expenses | | | | | |
| General and administrative expenses | (2,279.2) | (3,915.2) | (5,627.7) | (3,909.2) | (4,522.8) |
| Selling and distribution expenses | (2,056.8) | (3,944.3) | (6,660.4) | (4,937.8) | (5,320.5) |
| Bad debt expense | (150.8) | (41.6) | (135.3) | (33.2) | (140.4) |
| Depreciation and amortization | (308.1) | (967.9) | (1,273.7) | (878.4) | (1,250.1) |
| | <u>(4,794.9)</u> | <u>(8,869.0)</u> | <u>(13,697.0)</u> | <u>(9,758.7)</u> | <u>(11,233.8)</u> |
| Operating profit | <u>12,601.7</u> | <u>18,195.3</u> | <u>16,287.0</u> | <u>12,553.9</u> | <u>9,741.4</u> |
| Finance costs, net. | (740.8) | (918.8) | (968.5) | (488.9) | (1,345.3) |
| Loss on disposal of property, plant and equipment | (99.4) | (258.8) | (102.0) | (21.1) | 33.3 |
| Compensation to the BTRC ⁽¹⁾ | - | - | (1,684.2) | (1,684.2) | (2,230.8) |
| Share of profit of X-Net Ltd. | - | 1.9 | 2.6 | 2.6 | - |
| Profit before tax | <u>11,761.5</u> | <u>17,019.5</u> | <u>13,534.9</u> | <u>10,362.3</u> | <u>6,198.6</u> |
| Income tax expenses | <u>(4,848.6)</u> | <u>(9,535.5)</u> | <u>(10,475.0)</u> | <u>(8,517.4)</u> | <u>(5,818.6)</u> |
| Net profit (loss) | <u>6,912.9</u> | <u>7,484.0</u> | <u>3,059.8</u> | <u>1,844.9</u> | <u>380.1</u> |

(1) In our audited financial statements for the nine months ended September 30, 2007 and 2008, this line item is referred to as compensation & contribution to the BTRC.

“Compensation” refers to our settlement payments to the BTRC relating to our involvement with unregulated international call termination through the use of VoIP technology.

| | For The Year Ended December 31, 2007 | For the Nine Months Ended September 30, 2008 |
|---|---|---|
| | <i>Taka (millions)</i> | |
| Settlement agreement dated September 30, 2007, which related to such activities during the period from September 2005 to February 2007. | 1,684.2 | |
| Settlement agreement dated August 14, 2008, which related to the resolution of a second investigation of such activities (and for which we had taken a provision of Taka 500.0 million in December 2007). | | 2,500.0 |

“Contribution” refers to our payment of Taka 230.8 million in May 2008 to the BTRC for its “Lawful Interception Compliance” project, which is being financed by all mobile operators.

| | As of December 31, | | As of September 30, |
|--|-----------------------|----------|------------------------|
| | 2005 | 2006 | 2007 |
| | Taka | Taka | Taka |
| | <i>(millions)</i> | | |
| Balance Sheet Data (audited) | | | |
| Total current assets | 6,973.8 | 10,442.2 | 6,851.1 |
| Total non-current assets | 42,562.9 | 56,314.5 | 81,610.0 |
| Total assets. | 49,536.7 | 66,756.7 | 88,461.0 |
| Total current liabilities | 16,591.8 | 23,567.6 | 36,444.7 |
| Total non-current liabilities. | 14,704.1 | 18,679.6 | 25,905.3 |
| Total liabilities | 31,296.0 | 42,247.2 | 62,350.0 |
| Total shareholders’ equity | 18,240.7 | 24,509.5 | 26,111.1 |
| Total equity and liabilities | 49,536.7 | 66,756.7 | 88,461.0 |

| | For the Year Ended December 31, | | For the Nine Months Ended September 30, | |
|--|------------------------------------|------|--|------|
| | 2005 | 2006 | 2007 | 2008 |
| | Taka | Taka | Taka | Taka |
| | <i>(millions)</i> | | | |

Cash Flow Statement Data (audited)

| | | | | | |
|--|------------|------------|------------|------------|------------|
| Net cash from (used in) | | | | | |
| Operating activities | 17,049.6 | 26,163.2 | 24,135.6 | 19,001.1 | 18,638.2 |
| Investing activities | (16,410.9) | (22,609.3) | (30,470.0) | (24,200.8) | (17,095.1) |
| Financing activities | (1,230.2) | (2,341.9) | 4,295.4 | 3,526.9 | 608.8 |
| Net increase (decrease) in cash and cash equivalents . . . | (591.5) | 1,212.0 | (2,039.1) | (1,672.8) | 2,151.9 |

Other Financial Data (unaudited; based on audited financial statements)

| | As of and for the Year Ended December 31, | | | As of and for the Nine Months Ended September 30, | |
|---|--|----------|----------|---|----------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | Taka | Taka | Taka | Taka | Taka |
| | <i>(millions)</i> | | | | |
| EBITDA ⁽¹⁾ | 16,966.6 | 25,663.6 | 27,182.8 | 19,802.2 | 20,714.9 |
| Capital expenditures ⁽²⁾ | 26,151.0 | 21,656.3 | 35,762.6 | 31,661.6 | 14,450.2 |
| Total debt ⁽³⁾ | 9,037.7 | 7,869.0 | 16,383.5 | n/a | 18,355.4 |

(1) We define EBITDA as our net profit (loss) before net finance costs, income tax expenses, depreciation and amortization, a one-off compensation to the BTRC, provision for any potential claim by the BTRC relating to unregulated international call termination using VoIP, loss (gain) on disposal of property, plant and equipment and excluding our share of X-Net Ltd.’s profit and any other extraordinary and non-recurring items. You should not consider EBITDA as an alternative to net profit as an indicator of our operating performance, or as an alternative to cash flow from operations as a measure of liquidity. We believe that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, we have disclosed this information to permit a more complete comparative analysis of our operating performance relative to other companies in the industry. However, our definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show trends related to the following items: depreciation and amortization; interest income and expense; and income taxes. For a discussion of these items, see “Plan of Operation and Discussion of Financial Condition” and our financial statements included elsewhere in this Prospectus.

(2) Capital expenditures consist principally of expenditures to build, expand and improve our network coverage and capacity and to purchase related equipment, land and buildings. It includes assets acquired under our finance lease with Bangladesh Railway amounting to Taka 5,050.0 million in 2005 and Taka 2,574.0 million in 2007.

(3) Total debt represents the sum of current and non-current loans and borrowings, current and non-current finance lease obligations, local bank borrowings (in our audited financial statements for the nine months ended September 30, 2007 and 2008, this line item has been changed to “local

interest bearing short-term borrowings”, as some short-term loans that we entered into in 2008 are from non-bank financial institutions) and interest payable on loans and borrowings.

The following table reconciles our net income under BFRS to our definition of EBITDA for the periods indicated:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|------------------------------------|--------------|----------------------------|--|--------------|
| | 2005 Taka | 2006 Taka | 2007 Taka (millions) | 2007 Taka | 2008 Taka |
| Net profit (loss) | 6,912.9 | 7,484.0 | 3,059.8 | 1,844.9 | 380.1 |
| Plus: Taxes | 4,848.6 | 9,535.5 | 10,475.0 | 8,517.4 | 5,818.6 |
| Profit before tax | 11,761.5 | 17,019.5 | 13,534.9 | 10,362.3 | 6,198.6 |
| Finance costs, net. | 740.8 | 918.8 | 968.5 | 488.9 | 1,345.3 |
| Depreciation and amortization | 4,364.9 | 7,468.4 | 10,395.8 | 7,248.3 | 10,973.5 |
| Loss (gain) on disposal of property, plant and equipment | 99.4 | 258.8 | 102.0 | 21.1 | (33.3) |
| Share of (profit) / loss in associates | 0.0 | (1.9) | (2.6) | (2.6) | - |
| Provision in relation to ongoing VoIP investigation | - | - | 500.0 | - | - |
| Compensation and contribution to the BTRC | 0.0 | 0.0 | 1,684.2 | 1,684.2 | 2,230.8 |
| EBITDA | 16,966.6 | 25,663.6 | 27,182.8 | 19,802.2 | 20,714.9 |

Summary Operating Data (unaudited; based on internal reporting system)

The following table presents summary operating data as of the dates, and for the periods, indicated. This data is based on our internally generated reporting system and, wherever applicable, on our statutory accounts.

| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|--|----------------------------|------------|------------|------------------------------------|------------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| Subscribers (at period end) | | | | | |
| Prepaid subscribers | 5,158,937 | 10,227,156 | 15,907,650 | 14,541,949 | 20,412,579 |
| Postpaid subscribers | 383,425 | 531,552 | 575,295 | 602,838 | 416,334 |
| Total subscribers | 5,542,362 | 10,758,708 | 16,482,945 | 15,144,787 | 20,828,913 |
| Total new subscribers (over prior 12 months) | 3,154,204 | 5,216,346 | 5,724,237 | 5,740,557 | 5,684,126 |
| Subscriber growth (over prior 12 months) (%) | 132.2% | 94.1% | 53.2% | 61.0% | 37.5% |
| AMPU | | | | | |
| Prepaid AMPU | 146 | 168 | 231 | 225 | 296 |
| Postpaid AMPU | 1,173 | 1,050 | 720 | 737 | 524 |
| Blended AMPU | 237 | 216 | 252 | 248 | 301 |
| Billed MOU (in thousands) | | | | | |
| Prepaid MOU | 5,920,401 | 15,482,775 | 36,388,306 | 25,169,957 | 49,251,440 |
| Postpaid MOU | 4,661,819 | 5,655,512 | 4,983,488 | 3,790,058 | 2,120,133 |
| Blended MOU | 10,582,220 | 21,138,287 | 41,371,795 | 28,960,015 | 51,371,572 |
| Average monthly churn rate | | | | | |
| Prepaid | 0.4% | 1.3% | 1.2% | 1.2% | 1.2% |
| Postpaid | 1.6% | 0.6% | 2.9% | 2.4% | 6.6% |
| Blended | 0.5% | 1.2% | 1.2% | 1.2% | 1.3% |
| ARPU (Taka) | | | | | |
| Prepaid ARPU | 454 | 359 | 292 | 300 | 244 |
| Postpaid ARPU | 2,719 | 2,279 | 1,180 | 1,220 | 898 |
| Blended ARPU | 656 | 465 | 329 | 341 | 260 |
| Non-voice as % of ARPU | 2.5% | 3.1% | 3.2% | 3.5% | 4.2% |
| APPM (Taka) | | | | | |
| Blended APPM | 2.76 | 2.15 | 1.31 | 1.38 | 0.86 |
| Number of base stations (at period end) | 2,630 | 6,178 | 10,322 | 9,421 | 11,371 |

PLAN OF OPERATION AND DISCUSSION OF FINANCIAL CONDITION

The following discussion and analysis of our financial condition and results of operations is based on our audited financial statements as of, and for the years ended, December 31, 2005, 2006 and 2007, as of, and for the nine months ended, September 30, 2008 and for the nine months ended September 30, 2007, included elsewhere in this Prospectus. You should read the following discussion and analysis in conjunction with our financial statements and the notes thereto included elsewhere in this Prospectus, as well as our audited financial statements as of, and for the year ended, December 31, 2008, the selected financial information (unaudited) for the three months ended March 31, 2009 and the selected financial information (unaudited) for the three months ended June 30, 2009, which are included in Appendix D to this Prospectus. We prepare our financial statements in accordance with BFRS, as certified by our auditors.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under “Risk Factors and Management’s Perception about the Risks” and elsewhere in this Prospectus.

In this discussion, references to “2005,” “2006” and “2007” refer to our fiscal years ended December 31, 2005, 2006 and 2007, respectively, unless otherwise specified.

Overview

We are the largest mobile telecommunications operator in Bangladesh. We were incorporated on October 10, 1996 as a private limited company and commenced services on March 26, 1997. We converted to a public limited company on June 25, 2007. After 11 years of operations, we had 21.0 million subscribers as of December 31, 2008, representing a subscriber market share of 47.0%. For the year ended December 31, 2007, we had total revenue of Taka 54,303.1 million and net profit of Taka 3,059.8 million. For the year ended December 31, 2008, we had total revenue of Taka 61,359.0 million and a net profit of Taka 2,983.9 million.

We provide services to both rural and urban customers across Bangladesh, where mobile telephony is a major driver of socioeconomic development. Bangladesh has one of the lowest teledensity rates and highest subscriber growth rates in the world. The penetration rate of mobile telecommunications services in Bangladesh as of December 31, 2008 was approximately 31.3%. The total number of mobile telecommunications subscribers in Bangladesh increased from 9.3 million as of December 31, 2005 to 44.6 million as of December 31, 2008, representing a compound annual growth rate of 68.9%.

We operate a digital mobile telecommunications network based on the GSM standard in the 900 MHz and 1800 MHz frequency bands, under a license granted by the BTRC which expires in November 2011. We built our network on a nationwide basis. As of December 31, 2008, our network covered 98.1% of Bangladesh’s population and 87.0% of the total land area, and our network infrastructure included more than 11,500 base stations in more than 6,500 locations. Our network is EDGE/GPRS enabled, allowing our customers to gain access to high-speed Internet and data services from anywhere within our coverage area. During the three months ended December 31, 2008, we had approximately 1.2 million subscribers using our EDGE/GPRS services and approximately 3.7 million subscribers registered to use these services. We have been a market leader in introducing new products and services in Bangladesh. We were one of the first mobile phone operators to launch GSM service in Bangladesh. We were also one of the first operators in Bangladesh to offer our subscribers mobile to mobile service, EDGE, prepaid service, voice SMS and “over-the-air” top-ups. In January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services.

We are 62.0% owned by TMC and its affiliates and 38.0% owned by GTC and its affiliates. TMC is a wholly owned subsidiary of Telenor, a leading international telecommunications company based in Norway with an established track record of building and expanding businesses in multiple emerging and developed wireless markets. Telenor currently has mobile telecommunications operations in 13 countries across Scandinavia, Eastern Europe and Asia with more than 164 million mobile subscribers as of December 31, 2008. GTC was established in 1995 as a not-for-profit company for improving the standard of living in, and eradicating poverty from, rural Bangladesh. GTC works in close collaboration with 2006 Nobel Laureates Professor Muhammad Yunus and Grameen Bank. GTC’s mandate is to provide easy access to GSM cellular services in rural Bangladesh and to create new opportunities for income generation through self-employment by providing villagers, mostly poor rural women, with access to modern information and communication-based technologies. TMC and GTC have been our shareholders since we were incorporated and they increased their holdings in 2004 by purchasing all of the shares held by two minority shareholders.

There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). See “Risk Factors—Risks Relating to Ownership of Our Shares—We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.”

Recent Developments

Results for the Year Ended December 31, 2008

Our audited operating results for the year ended December 31, 2008 reflect continued revenue growth resulting from increased use of our services by our growing subscriber base, partly offset by declines in blended APPM and blended ARPU. Total revenue increased by 13.0% to Taka 61,359.0 million for the year ended December 31, 2008 from Taka 54,303.1 million for the year ended December 31, 2007. Our operating profit decreased 8.5% to Taka 15,350.0 million for the year ended December 31, 2008 from Taka 16,767.0 million for the year ended December 31, 2007. Our net profit decreased 2.5% to Taka 2,983.9 million for the year ended December 31, 2008 from Taka 3,059.8 million for the year ended December 31, 2007. See “Appendix D(I)—Audited Financial Statements of Grameenphone Ltd. As Of and For the Year Ended, December 31, 2008” for further details.

Selected First Quarter Results (Unaudited)

Our unaudited operating results for the three months ended March 31, 2009 reflect continued revenue growth resulting from increased use of our services by our growing subscriber base, partly offset by declines in blended APPM and blended ARPU. Total revenue increased 6.2% to Taka 15,772.2 million for the three months ended March 31, 2009 from Taka 14,844.9 million for the three months ended March 31, 2008. Our operating profit increased by 52.1% to Taka 5,277.5 million for the three months ended March 31, 2009 from Taka 3,469.5 million for the three months ended March 31, 2008, particularly due to decreased selling and distribution expenses resulting from a decrease in subscriber acquisitions compared to the same period in 2008. See “Appendix D(VI)—Selected Financial Information (Unaudited) for the Three-Month Period Ended March 31, 2009” for further details.

Selected Second Quarter Results (Unaudited)

We recently announced selected unaudited operating results for the three months ended June 30, 2009. Our total revenues increased by 10.3% for the three months ended June 30, 2009 compared to the three months ended June 30, 2008, mainly due to an increase in our total number of subscribers, increased blended APPM and increased interconnection revenues following the introduction of the international gateway (IGW) in the fourth quarter of 2008. Such increase was partly offset by reduced interconnection rates for local calls.

Our total subscribers increased by nearly 106,000 during the quarter, while our subscriber market share declined to approximately 45%. Our blended ARPU decreased by about 1% due to a decrease in usage and reduced interconnection rates, partly offset by an increase in blended APPM. Our capital expenditures decreased by approximately 65% as a result of adjusting our network investments in accordance with traffic demand.

Our audited financial statements as of, and for the year ended, December 31, 2008, selected financial information (unaudited) for the three months ended March 31, 2009 and selected financial information (unaudited) for the three months ended June 30, 2009, each of which have been prepared and presented in accordance with BFRS, are included in Appendix D to this Prospectus. There are no financial statements included herein for any period subsequent to December 31, 2008, except for the selected financial information (unaudited) for the three months ended March 31, 2009 set forth in Appendix D(VI) and the selected financial information (unaudited) for the three months ended June 30, 2009 set forth in Appendix D(IX). See “Risk Factors—Risks Relating to Ownership of Our Shares—We cannot assure you that there has not been any material adverse change in our results of operations and financial condition since the date of the financial information included in this Prospectus.”

Dividend

At the annual general meeting of our shareholders on March 23, 2009, the shareholders approved a dividend of Taka 1,579.7 million, which was paid on July 28, 2009 to shareholders of record as of March 23, 2009.

Reverse Share Split

On July 2, 2009, our Board of Directors and our shareholders approved an issuance of 250 new ordinary shares to our shareholders to avoid any fractional shares resulting from a planned reverse share split to change the par value of shares, and a 10 for 1 reverse share split to increase the par value of our ordinary shares to Taka 10.00

per share from Taka 1.00 per share. The issuance of new shares was approved by the Securities and Exchange Commission and the increase in our par value per share was approved by the Registrar of Joint Stock Companies and Firms. We increased the par value of our shares to Taka 10.00 per share because the DSE has a rule that shares with a par value of less than Taka 10.00 per share are not eligible for listing on the DSE.

Settlement with X-Net

On March 1, 2009, we resolved a dispute between us and X-Net by entering into a settlement agreement. X-Net is an information technology and data communications company that develops and provides non-voice products and services, as well as other technology such as satellite, VSAT and digital communication. The dispute related to a strategic partnership agreement between us and X-Net. As a result of the settlement, the strategic partnership agreement has been terminated, we no longer have any equity interest in X-Net, and X-Net is one of our fiber optic network customers.

Settlement of Criminal Suit

On February 10, 2009, we settled a suit that had been filed against a former chief executive officer and other employees, in which the petitioner claimed that a gift promotion of ours implicated Section 294B of the Penal Code, which prohibits inducing others to purchase items through the use of valuable gifts and products.

Potential Establishment of an IT Subsidiary

We are considering whether to establish a subsidiary that would handle all of our IT support needs as well as possibly provide such services to third parties. This is currently only a proposed initiative, and no decision has been made with respect to whether the proposal is viable or will proceed.

Factors Affecting Our Results of Operations

Our financial condition and results of operations are affected by numerous factors, including the following:

Tariff Regulation, Price Competition and APPM

The tariffs that we are permitted to charge are a significant factor determining our revenue. Tariffs for telecommunications services in Bangladesh are regulated by the BTRC in accordance with the Bangladesh Telecommunication Act and the licenses issued to telecommunications operators. Pursuant to the Interim Directive on Tariffs issued on July 26, 2007, the BTRC has fixed a price range of Taka 0.25 to Taka 2.00 per minute within which operators may charge for airtime, regardless of promotion, package, network, timing or pulse. The directive also provides that if a promotional package is offered, the promotional tariff must be the same for all subscribers under the same package and may not vary depending upon geographic location. Any deviation from these terms must be approved by the BTRC. Prior to the issuance of the Interim Directive on Tariffs, the BTRC had not set price ranges for tariffs. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Tariffs and Charges” and “Risk Factors and Management’s Perception about the Risks—Potential or Existing Government Regulations.”

Our blended APPM has been declining due to a combination of intense price competition within the Bangladesh mobile telecommunications industry, low permitted tariff ranges set by the BTRC and our strategy to expand our subscriber base by lowering tariffs. During 2006 and 2007, price competition was particularly intense, with operators significantly reducing prepaid and postpaid tariffs and extending promotional periods. Our blended APPM decreased 22.1% in 2006 and 39.1% in 2007.

The Bangladesh mobile telecommunications industry remains susceptible to periods of intense price competition, which may be more intense or persist for longer periods than in the past. See “Risk Factors and Management’s Perception about the Risks—Industry Risks—Our business is subject to intense competition.”

Growth in Our Subscriber Base

Our subscriber base has grown from approximately 5.5 million as of December 31, 2005 to approximately 20.8 million as of September 30, 2008. Our strategy has been to expand our subscriber base by appealing to lower-income consumers, primarily through tariff reductions and other promotions, as well as generally building greater awareness among lower-income consumers regarding mobile telecommunications. Additional drivers of subscriber growth have been our broad product and service offerings, along with the high profile of our brand. Subscriber growth has contributed to increased call volumes, which in turn has increased traffic revenue. However, most of our

new subscribers have been consumer, rural and financially-constrained prepaid subscribers many of whom engage in SIM card swapping and who concentrate their relatively low usage during periods when tariffs are lowest. Accordingly, adding such subscribers to our subscriber base has decreased our blended ARPU, and in the near and medium term our blended ARPU may continue to decline as our subscriber base grows. If, however, the Bangladesh economy grows such that spending power increases, then consumer, rural and financially-constrained subscribers may eventually spend more of their disposable income on mobile telecommunications and more first-time subscribers may enter the mobile telecommunications market, which may eventually lead to an increase in ARPU. In view of the continuing decline of our blended ARPU, we have recently shifted our subscriber growth strategy for the near term to focus on obtaining more high ARPU customers, such as Business Solutions customers.

In recent years, postpaid traffic revenue has declined as a proportion of total revenue, and we expect postpaid traffic revenue to continue to decline as a proportion of total revenue because we have been adding more new prepaid subscribers than new postpaid subscribers. The primary growth opportunity in the Bangladesh mobile telecommunications market so far has been to acquire consumer, rural and financially-constrained subscribers, who generally cannot afford or cannot qualify for postpaid packages.

The following table summarizes our subscriber base as of the dates indicated:

| | As of December 31, | | As of September 30, | |
|--|-------------------------------|-------------|--------------------------------|-------------|
| | 2005 | 2006 | 2007 | 2008 |
| Subscribers | | | | |
| Prepaid subscribers | 5,158,937 | 10,227,156 | 15,907,650 | 20,412,579 |
| Postpaid subscribers | 383,425 | 531,552 | 575,295 | 416,334 |
| Total subscribers | 5,542,362 | 10,758,708 | 16,482,945 | 20,828,913 |
| Total new subscribers (over prior 12 months) | 3,154,204 | 5,216,346 | 5,724,237 | 5,684,126 |
| Subscriber growth (over prior 12 months) (%) | 132.2% | 94.1% | 53.2% | 37.5% |

As a result of the barring of approximately 692,000 subscribers due to non-registration as well as the recent increase in prices for our prepaid start-up packs, there was a slight decrease in the total number of our subscribers as of September 30, 2008 as compared to that as of August 31, 2008.

Our strategy to increase our subscriber base is founded partly on the relatively low mobile telecommunications penetration rate in Bangladesh, particularly among consumer, rural and financially-constrained subscribers. As of September 30, 2008, the Bangladesh mobile telecommunications penetration rate was approximately 32.1%. The total number of mobile telecommunications subscribers in Bangladesh increased from 9.3 million as of December 31, 2005 to 45.1 million as of September 30, 2008. See “Appendix A: Additional Disclosure—(III) The Telecommunications Industry in Bangladesh.”

Subscriber Acquisition Costs

Most of our new subscribers are low-ARPU consumer, rural and financially-constrained subscribers, so it is important that we maintain a low subscriber acquisition cost in order for our strategy to succeed. Our subscriber acquisition cost is our net cash investment per subscriber over a given period. For any period, we calculate subscriber acquisition cost as the SIM tax and the cost of the sales commissions we pay to agents and dealers, offset by the revenue generated from sale of the SIM cards, and then divided by the total number of new subscribers for the relevant period. We recognize SIM tax upon delivery of a SIM card to a distributor. Sales commissions are payable at two points in time: upon delivery of a SIM card to a retailer and then upon activation of the SIM card by a customer. Given the differences in timing in our calculation of subscriber acquisition cost, we believe it provides an indicative number only. We do not include costs of network operations, such as capital expenditures, in our calculation. Our subscriber acquisition cost increases if we decrease the sale price for our new SIM cards, as we generate less revenue to offset our subsidy of the SIM tax.

Our subsidy of the SIM tax represents the largest component of our subscriber acquisition cost. The SIM tax was first payable in July 2005. It amounted to Taka 900 per SIM card from July 1, 2005 to June 8, 2006 and Taka 800 per SIM card since then. Our blended subscriber acquisition cost increased 30.4% to Taka 750 in 2007 from Taka 575 in 2006, primarily due to higher subsidies in 2007 resulting from lower connection prices. Our blended subscriber acquisition cost decreased 21.3% to Taka 575 in 2006 from Taka 731 in 2005, primarily because payments of SIM tax were less per subscriber than payment of the government royalty and license fee of Taka 1,100 per SIM card that was payable prior to the introduction of the SIM tax. For additional details on the SIM tax, see “—Taxes, Duties and Fees.”

We recently increased the price of our start-up packs. “Smile” starter packs, which used to cost Taka 150 for mobile to mobile service and Taka 300 for mobile to PSTN service, cost Taka 490 and Taka 590 respectively as of

September 30, 2008. “Djuice” start-up packs, which used to cost Taka 150, cost Taka 490 as of September 30, 2008. We expect these price increases will lead our subscriber acquisition costs to decrease due to our decreased subsidy of the SIM tax.

ARPU

Our acquisition of consumer, rural and financially-constrained subscribers has decreased our blended ARPU in recent years, and in the near and medium term our ARPU may continue to decline as our subscriber base grows. If our ARPU continues to decrease, our revenue could decrease despite an increase in our subscriber base, particularly if usage among prepaid subscribers starts to decline or if competitive pressures require us to lower tariffs further. If, however, the growth of the Bangladesh economy leads to an increase in spending power, then consumer, rural and financially-constrained subscribers may eventually spend more of their disposable incomes on mobile telecommunications, which may eventually result in an increase in our ARPU. Our ARPU for prepaid subscribers is generally lower than for postpaid subscribers, due to lower average usage and lower APPM for prepaid subscribers. In view of the continuing decline of our blended ARPU, we recently shifted our subscriber growth strategy for the near term to focus on obtaining more high ARPU customers, such as Business Solutions customers.

The table below sets forth selected ARPU data for the periods indicated:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|-------------------------|------------------------------------|-------|--------|--|------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | | | (Taka) | | |
| Prepaid ARPU | 454 | 359 | 292 | 300 | 244 |
| Postpaid ARPU | 2,719 | 2,279 | 1,180 | 1,220 | 898 |
| Blended ARPU | 656 | 465 | 329 | 341 | 260 |

Churn

The number of prepaid subscribers who fail to use prepaid airtime and the number of postpaid subscribers who fail to pay for our services have an adverse impact upon our results of operations. We measure our performance in this respect by our churn rate. Our churn rate is primarily affected by subscribers using the services of other mobile operators during periods of intense price competition. Many of our new prepaid subscribers are from the consumer, rural and financially-constrained segments, and these subscribers tend to be more sensitive to price and promotions than subscribers from other segments.

Our average monthly blended churn rate in 2005, 2006 and 2007 was 0.5%, 1.23% and 1.25%, respectively, and our annual blended churn rate in 2005, 2006 and 2007 was 6.0%, 15.0% and 15.0%, respectively. Given the large portion of our subscriber acquisition costs attributable to the SIM tax, we are working to reduce churn and we may introduce customer loyalty programs for this purpose.

Call Volume and Usage

Our MOU and AMPU among prepaid subscribers have been increasing, primarily as a result of the increase in our subscriber base and tariff reductions. As call volume increases, the demands on our network increase along with the direct cost of network revenue and other variable costs. MOU and AMPU among postpaid subscribers, however, have been declining recently, which we attribute primarily to increased competition, particularly from public call offices, the discontinuance of our High Volume User product in February 2007 in response to the VoIP investigation, high churn of Village Phone subscribers and our migration of Village Phone subscribers to prepaid accounts on February 1, 2008.

The table below sets forth selected call volume and usage data for the periods indicated:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--------------------------|------------------------------------|----------|----------|--|----------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| <i>(MOU in millions)</i> | | | | | |
| Total Billed MOU | | | | | |
| Prepaid MOU | 5,920.4 | 15,482.8 | 36,388.3 | 25,170.0 | 49,251.4 |
| Postpaid MOU | 4,661.8 | 5,655.5 | 4,983.5 | 3,790.1 | 2,120.1 |
| Blended MOU | 10,582.2 | 21,138.3 | 41,371.8 | 28,960.0 | 51,371.6 |
| AMPU | | | | | |
| Prepaid AMPU | 146 | 168 | 231 | 225 | 296 |
| Postpaid AMPU | 1,173 | 1,050 | 720 | 737 | 524 |
| Blended AMPU | 237 | 216 | 252 | 248 | 301 |

Capital Expenditures

In order to meet the needs of our increasing subscriber base and to retain existing subscribers in a competitive market, we have made significant capital expenditures to expand the coverage and capacity of our network and to improve its quality. In 2005, 2006, 2007 and the nine months ended September 30, 2008, our capital expenditures, including assets acquired under our finance lease with Bangladesh Railway, were Taka 26,151.0 million, Taka 21,656.3 million, Taka 35,762.6 million and Taka 14,450.2 million, respectively. Capital expenditures for the fourth quarter of 2008 were approximately Taka 12.9 billion, of which Taka 5.9 billion is for the additional spectrum allocation. We have budgeted capital expenditures for 2009, 2010 and 2011 of approximately Taka 12.5 billion, Taka 6.8 billion and Taka 16.8 billion, respectively.

We expect our future capital expenditures to be driven primarily by our recent purchase of additional spectrum and the need for additional base stations and other measures to address the needs of our growing subscriber base. Our planned capital expenditures may be affected if the BTRC decides to grant us a 3G license. While there can be no assurance that we will not require additional capital, we expect to fund our ongoing capital expenditures with cash from operations, the proceeds from our bond issuance and the proceeds of the Offering.

Regulation

We operate our business pursuant to a mobile cellular license granted by the BTRC that expires in November 2011 and an ISP license granted by the BTRC that expires in January 2010. We are dependent on our mobile cellular license for substantially all of our operating revenue and net income. Both licenses impose limitations on the operation of our business and may be terminated if we fail to comply with their terms. Under our mobile cellular license, we are required to pay to the BTRC a quarterly revenue-sharing license fee in an amount equal to 5.5% of our collected rent and call charges. Prior to July 1, 2005, however, we were required to pay 1.0% of such charges to the BTRC. See “Risk Factors and Management’s Perception about the Risks—Potential or Existing Government Regulations.”

The BTRC also regulates network interconnection charges. On October 1, 2007, the BTRC reduced the interconnection charge for all domestic calls from a mobile phone from Taka 0.66 per minute to Taka 0.40 per minute. The interconnection charge for domestic calls to a mobile phone had been Taka 0.66 per minute from January 2007 to September 2007. From February 2004 through December 2006, the interconnection charge for domestic calls to a mobile phone was Taka 0.50 per minute for off-peak calls and Taka 0.90 per minute for on-peak calls. For interconnection with other mobile operators in Bangladesh, we pay the interconnection charge for outgoing calls and receive the interconnection charge for incoming calls. For interconnection with the fixed-line network, until September 30, 2007, we paid the interconnection charge while BTCL’s predecessor BTTB did not. Since October 1, 2007, BTCL is to pay us an interconnection charge for incoming calls to our network. We are still in the process of negotiating with BTCL regarding its payment of interconnection charges. Charges for outgoing international calls vary from country to country, between a range of Taka 6 to Taka 500 per minute.

The BTRC has begun implementing a new interconnection regime in accordance with the ILDTS Policy and regulations issued by the BTRC thereunder. Bilateral connections between operators will be replaced by an operator connecting to an ICX. With effect from December 24, 2008, the ICX is responsible for routing domestic inter-operator calls through itself and, with effect from August 24, 2008, the ICX is responsible for routing international calls through an IGW. Under this new regime, we will also receive revenue from BTCL for domestic incoming calls to our network from the fixed-line network. This new revenue source, however, may be offset by the requirement that we pay 10.0% of interconnection revenue to the new interconnection operators. As per the BTRC’s recent directive dated March 24, 2009, after the deduction of the ICX charge (Taka 0.04 per minute) the remaining amount

of the interconnection charge (Taka 0.36 per minute) is to be equally shared between the call originating and the call terminating operators. Accordingly, we would receive a net interconnection charge of Taka 0.18 per minute while we would pay an interconnection charge of Taka 0.22 per minute.

Additionally, beginning August 24, 2008, outgoing call charges of Taka 16.50 and Taka 6.00 per minute for outgoing international economy ISD calls to another mobile network and to another PSTN, respectively, while the previous zone related tariff for normal ISD calls remains the same, as reduced by the settlement amounts (as determined by the BTRC) to be paid to overseas networks, are to be shared between ANS (40.0%), ICX (15.0%), IGW (15.0%) and the BTRC (30.0%). The interconnection revenue for incoming international calls, to be charged at no less than US\$0.03 per minute, is to be shared between IGW (65.0%), ICX (15.0%) and ANS (20.0%), resulting in the IGW receiving interconnection revenue of US\$0.019 per minute, the ICX receiving interconnection revenue of US\$0.0045 per minute and the ANS receiving interconnection revenue of US\$0.006 per minute. The BTRC reserves the right to change these interconnection rates at any time. The BTRC has also directed that all mobile operators sign agreements with ICX and IGW licensees. Draft agreements were prepared and sent to the BTRC for its approval. After the BTRC's approval, we signed these agreements in May 2009. See "Description of Business—Network Interconnection" and "Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Regulatory Framework—International Long Distance Telecommunication Services Policy, 2007" and "Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Network Interconnection."

We expect that regulatory changes may occur that may significantly affect our industry, including the introduction of competition rules (such as rules regulating significant market players), unified licensing, number portability, new categories of licenses (including 3G), the grant to telecom operators of the ability to launch additional services, the grant of telecom licenses to new operators, tariff reductions and environmental compliance. We also expect that some of the new regulations may prohibit existing operators from acquiring these licenses. These changes are likely to increase price competition and increase churn, which could have a material adverse effect on our business, financial condition, results of operations and prospects. We expect that, in order to remain competitive, we will have to continue to offer innovative and technologically advanced products and services. We intend to implement this strategy with the objective of increasing customer loyalty and reducing churn, and competing on quality in addition to price.

Taxes, Duties and Fees

The taxes, duties and fees that we pay to the NBR and the BTRC significantly affect our results of operations. We pay corporate income tax, VAT, customs duties and charges, tax on new SIM cards, fees for our mobile cellular license and spectrum charges.

Except as mentioned herein, no taxes, duties or fees that are payable by us are due and outstanding.

Taxes and Duties.

Corporate Income Tax. Our income tax expense was Taka 9,535.5 million in 2006, Taka 10,475.0 million in 2007 and Taka 5,818.6 million for the nine months ended September 30, 2008. The corporate income tax rate applicable to us is 45.0%. In July 2007, the NBR increased the income tax rate for telecommunications companies to 45.0% from 40.0%, with retroactive effect to the 2006 income tax year. We included the additional income tax in respect of 2006 in our income tax expense for 2007 in accordance with BAS 8 because the rate increase occurred after the end of the 2007 financial year and thus there was no error requiring restatement of our results of operations for 2006. Due to the disallowance of certain expenses, including our payment of the SIM tax on behalf of our new subscribers and the Taka 1,684.2 million fine that we paid to the BTRC in 2007, our effective tax rate was 77.4% for 2007, 56.0% for 2006 and 41.2% for 2005. We are challenging these disallowances.

Prior to 2006, we had a tax holiday for a unit of our business relating to the second phase of our network expansion. Amounts in the tax holiday reserve have since been transferred to our general reserve upon meeting the conditions of the Income Tax Ordinance 1984.

Status of Tax Assessments.

| <u>Assessment Year</u> | <u>Our Fiscal Year Ended</u> | <u>Status</u> |
|------------------------|------------------------------|---|
| 2005-2006 | December 31, 2004 | Assessment completed. |
| 2006-2007 | December 31, 2005 | Assessment completed. |
| 2007-2008 | December 31, 2006 | Returns submitted December 30, 2007, to the Large Taxpayers Unit. Assessment not yet completed. |
| 2008-2009 | December 31, 2007 | Returns submitted July 15, 2008, to the Large Taxpayers Unit. Assessment not yet completed. |

VAT Payments. Our VAT payable for 2007 was Taka 2,335.7 million, comprising VAT payments of Taka 911.0 million, a provision of Taka 103.0 million, and VAT charged on new SIM cards of Taka 1,346.0 million, reduced by a VAT input of Taka 24.3 million. We are contesting the VAT claimed on the new SIM cards for the six month period from August 2006 to March 2007, see “—Other Tax Liabilities — Tax on New SIM Cards” below.

Our VAT payable as of September 30, 2008 was Taka 2,189.0 million. This comprised VAT payments of Taka 797.7 million, a provision of Taka 114.1 million, and VAT charged on new SIM cards of Taka 1,346.0 million, reduced by a VAT input of Taka 68.7 million. We have paid the VAT on the new SIM cards for the nine months ended September 30, 2008, and will pay the provision if so required by the courts.

We are involved in a dispute regarding the payment of VAT on the rent we pay Bangladesh Railway to use its fiber optic network. See “Risk Factors and Management’s Perception about the Risks—Operational Risks—We may have to make significant payments relating to a claim for unpaid rent on our lease of Bangladesh Railway’s fiber optic network, and have yet to take a provision for such payment” and “Description of Business—Legal and Regulatory Proceedings—VAT Dispute with Bangladesh Railway.”

Customs Duties and Charges. We paid Taka 1,018.1 million in 2006, Taka 2,977.7 million in 2007 and Taka 1,232.1 million for the nine months ended September 30, 2008 for customs duties and charges. We have no outstanding liabilities for customs duties as of September 30, 2008 other than the bank guarantees we provide for the customs authorities.

Other Tax Liabilities.

Tax on New SIM Cards. Another significant tax cost for us involves our payment of supplementary duty and VAT on new SIM cards, which we refer to as “SIM tax”, on behalf of our new subscribers. The SIM tax has two components: (i) supplementary duty on SIM cards calculated as 35.0% of the value of a SIM card, which is set by the NBR, and (ii) VAT on SIM cards calculated as 15.0% of the sum of the NBR’s deemed value of the SIM card and the supplementary duty. The tax rules provide that each subscriber is obligated to pay the SIM tax to the NBR, though mobile telecommunications operators are obligated to collect the SIM tax from subscribers and pay it to the NBR. Like many of our competitors, we pay the SIM tax on behalf of our new subscribers as part of our subscriber acquisition cost.

The NBR introduced the SIM tax in 2005 and it first became payable as of July 1, 2005. When the SIM tax first became payable it amounted to Taka 900 per SIM card (which had been reduced from the originally proposed Taka 1,200 SIM tax). The NBR decreased the deemed value of SIM cards on June 8, 2006. As a result, the SIM tax decreased to Taka 800 per SIM card on such date.

We accrued subsidies based on SIM tax of Taka 2,565.7 million in 2006, Taka 4,526.0 million in 2007 and Taka 4,071.5 million for the nine months ended September 30, 2008. This is net of corporate income tax. Though we accrued SIM tax expense throughout 2006 and 2007 as we added new subscribers, we did not pay SIM tax to the NBR for a six month period from August 2006 to March 2007 because the SIM tax had been declared illegal by the Bangladesh High Court. We are contesting the SIM tax claimed for this period and have not paid this amount. See “Risk Factors and Management’s Perception about the Risks—Operational Risks—We may have to make a significant payment for unpaid SIM tax” and “Description of Business—Legal and Regulatory Proceedings—Challenge of SIM Tax.”

Fees.

License Fees. Under the terms of our mobile cellular license, we are required to pay to the BTRC an annual license fee of Taka 50.0 million and a quarterly revenue-sharing license fee in an amount equal to 5.5% of our collected rent and call charges. Collected rent and call charges include monthly subscription fees and charges for

airtime (including revenue from value-added services). The applicable revenue-sharing license fee rate has been 5.5% since July 1, 2005. Prior to that date, the rate was 1.0%.

In March 2007, the BTRC determined that revenue from value-added services (including SMS and EDGE/GPRS) and certain other sources, including subleasing of fiber optic network and subleasing of E1 lines and microwave capacity, was also subject to the revenue-sharing license fee, effective as of January 1, 2007. Accordingly, we have paid the revenue-sharing license fee on these other revenue sources since that time and we made the first quarterly payment on April 10, 2007. In July 2007, the BTRC claimed payment from us of the revenue-sharing license fee on revenue from SMS and EDGE/GPRS for the period from January 1, 2004 to December 31, 2006. As a result, in March 2008, we paid Taka 103.0 million to the BTRC.

Total license fees (revenue-sharing license fees plus the annual license fee) were Taka 2,116.8 million in 2006, Taka 2,824.5 million in 2007 and Taka 2,228.4 million for the nine months ended September 30, 2008.

Spectrum Charges. We pay spectrum charges to the BTRC on a quarterly basis, calculated according to the size of our network, frequencies, the number of our subscribers and bandwidth. Spectrum charges were Taka 415.6 million in 2006, Taka 762.3 million in 2007 and Taka 332.7 million for the nine months ended September 30, 2008.

Government Royalty and License Fee. Prior to the introduction of the SIM tax, a government royalty and license fee was payable at the rate of Taka 1,100 per SIM card. This fee ceased to be payable upon the introduction of the SIM tax in July 2005.

Accounts Payable to Government, Autonomous Bodies and Other Operators.

As of September 30, 2008, we had accounts payable to government, autonomous bodies and other operators as follows:

- to the BTRC for frequency and spectrum charges of Taka 1,154.5 million because we had not received the invoice from the BTRC yet;
- to the BTRC for revenue sharing fees of Taka 770.7 million because of a disagreement with the BTRC;
- to BTCL for interconnection charges of Taka 2,612.0 million because we are in discussions with the BTRC concerning the payment;
- to BTCL for pulse code modulation related expenses of Taka 29.6 million because we have had not received the invoice from BTCL yet;
- to content providers for fees for revenue sharing with content providers of Taka 39.8 million because we had not received the relevant invoices yet;
- to the NBR for supplementary duty on SIM cards of Taka 2,392.5 million because of disputed payments as well as month-on-month regular liability (which customarily gets paid in the subsequent month), of which approximately Taka 2,328.9 million was carried over from 2007 due to the dispute over the SIM tax payable from August 2006 to March 2007. See “—Other Tax Liabilities” and “Description of Business—Legal and Regulatory Proceedings—Challenge of SIM Tax”;
- to Bangladesh Railway for the share of the sub-lease rent payable to Bangladesh Railway of Taka 5.6 million because this amount is only paid once a year; and
- to other operators for interconnection charges payable to other operators of Taka 673.4 million because some PSTN operators owed us payment from interconnection charges, and our policy is to withhold our own payments until their payments are resolved.

The Bangladesh Economy

Our results of operation are affected by the state of the Bangladesh economy. Since January 2007, price increases in essential items, including fuel and food (particularly rice), have reduced consumer purchasing power and slowed the growth of the economy. For 2007, the 12 month average CPI inflation was 7.2%, rising to a high of 10.0% in March 2008 (mainly due to internal shocks and external developments), and declining to 9.9% in May 2008. The real GDP growth rate for 2008 is estimated at 6.2%, which is slightly lower than the 6.4% achieved in 2007. For 2009, the Government projects a real GDP growth rate of 6.5% and an average inflation rate of around 9.0%.

In recent years, one of our strategies has been to invest in low-ARPU subscribers in the hope that their spending on mobile telecommunications will eventually increase as the Bangladesh economy grows. Therefore, continued growth in the Bangladesh economy is important to the implementation of this strategy. Any increase in the cost of food, fuel or other basic necessities may reduce consumer purchasing power and may lead to decreased spending on telecommunications services or a decrease in subscriber growth.

Inflation, interest rates set by Bangladesh Bank and lower GDP growth may also adversely affect the foreign exchange rates between the Taka and other currencies, which may adversely affect the cost to us of purchasing equipment in foreign currency and may increase the interest and repayment costs on our foreign currency denominated debt. See “Risk Factors and Management’s Perception about the Risks—Interest Rate Risks—We are exposed to interest rate fluctuations.”

Trends, Events and Uncertainties

Please see the entire section on “Risk Factors and Management’s Perception About the Risks” for a discussion on the known trends, events and uncertainties that may have a material effect on our future business.

Our Critical Accounting Policies

Our financial statements have been prepared in accordance with BFRS, as certified by our auditors. The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. We believe that the critical accounting policies discussed below require significant judgments and estimates on the part of management. For a summary of our accounting policies, see Note 3 of our financial statements as of and for the year ended December 31, 2005, 2006 and 2007 and Note 3 of our financial statements as of, and for the nine months ended, September 30, 2008 and for the nine months ended September 30, 2007.

Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable, net of discount and sales related taxes, such as VAT. We recognize prepaid traffic revenue on the basis of the usage recorded in the network from the prepaid cards and ERS. The unused portion of the prepaid cards and ERS remains as unearned revenue until it is used, at which point it is recognized as revenue. We recognize postpaid traffic revenue as services are rendered. Subscription revenue is recognized evenly over the subscription period.

Connection revenue is recognized over the estimated period of the customer relationship, which we estimate as 48 months based on our historical churn data. International roaming revenue and interconnection revenue from other mobile operators is recognized as services are rendered.

Other operating revenue is recognized in the same manner as prepaid traffic revenue and postpaid traffic revenue, as applicable. We recognize prepaid VAS revenue as per the usage recorded in the network from the prepaid cards and ERS. The unused portion of the prepaid cards and ERS remains as unearned revenue until it is used, at which point it is recognized as revenue. We recognize postpaid VAS revenue and customer support revenue as services are rendered.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for freehold land which is stated at cost. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Depreciation is generally calculated on a straight-line basis over the estimated useful life of the respective asset. In the second quarter of 2007, we extended the useful life of our packet switching and routing equipment from 5 years to 7 years in connection with our annual review of the useful lives of our property, plant and equipment. At that time, we also extended the useful life of our fiber optic network from 8 years to 20 years because in June 2007 we extended the term of our lease agreement with Bangladesh Railway for use of its fiber optic network until 2027. In 2006, we changed the estimated useful life of cable, cable ducts and other related installation accessories from

10 years to 30 years as per GCIM (Group Common Information Module). In the first quarter of 2008, we reassessed this estimate and revised it from 30 years to 7 years. We do not charge depreciation on freehold land and capital work in progress.

Property, plant and equipment which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of transaction. Any related exchange gain/(loss) is capitalized with the property, plant and equipment in compliance with the Companies Act.

Intangible Assets

Intangible assets, comprising license fees for pulse code modulation, business software, network management software and software under testing phase, are stated at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets comprises purchase price, import duties and non-refundable taxes, and any directly attributable cost of preparing the assets for their intended use.

Amortization is generally calculated on a straight line basis over the estimated useful life of the respective intangible asset, from the date available for use.

We did not pay any upfront fees to acquire our licenses. Accordingly, our licenses do not appear on our balance sheet.

Capital Work in Progress

Capital work in progress consists of the acquisition costs of network plant and machinery, capital components and related installation cost until the date placed in service at which time the costs are moved to property, plant and equipment and depreciated. For imported components, we recognize capital work in progress when the shipment of the components is confirmed by the supplier.

Impairment

We review the carrying amounts of our assets at each balance sheet date whenever there is any indication of impairment. For this review we are considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any such indication exists, the assets' recoverable amount will be estimated. As at September 30, 2008 the assessment of indicators of impairment revealed that impairment testing was not required.

Inventories

Inventories of mobile handsets, scratch cards and SIM cards are valued at the lower of cost and net realizable value. The cost of handsets inventory is determined by the first-in, first-out ("FIFO") costing method and the cost of inventory of scratch cards and SIM cards is determined by the weighted average costing method. Net realizable value is based on the estimated selling price less any further costs anticipated to be incurred to make the sale.

Accounts Receivable

Accounts receivable consist of unpaid bills receivable from subscribers and unbilled revenue recognized at the balance sheet date and are stated net of the provision for bad debts. According to our bad debt policy, we record a provision for 100.0% of the amount outstanding (after considering security deposits) from churned postpaid subscribers. We consider a postpaid subscriber as churned if the subscriber's account is barred for three months. We bar a postpaid subscriber's account if the subscriber's usage exceeds the subscriber's approved credit limit or if the subscriber does not pay an invoice by the payment deadline. We write off bad debts one year after the year of recognition. Any recovery of previously written off bad debt is adjusted with bad debt expenses in the year of recovery.

Finance Lease Obligations

We recognize finance lease obligations as liabilities in the balance sheet at an amount equal to the present value of minimum lease payments. The present value of payments under our lease of Bangladesh Railway's fiber optic network has been calculated using an interest rate of 15.0%, which is the interest rate implicit in the lease. As of September 30, 2008, that lease was our only finance lease.

Provisions

We recognize a provision on our balance sheet when we have a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign Currency Exchange Differences

We capitalize foreign currency exchange differences arising on our foreign currency designated loans that have been used for the acquisition of property, plant and equipment and foreign currency transactions (other than interest) and include them in the carrying amount of property, plant and equipment as required under the Companies Act. We record foreign exchange gain or loss on interest payments and other payables under net finance costs in our profit and loss account.

Deferred Taxation

We recognize deferred tax in accordance with the provisions of BAS/IAS 12. Deferred tax arises due to temporary difference deductible or taxable in the future for the events or transactions recognized in the profit and loss account. A temporary difference is the difference between the tax base of an asset or liability and its carrying amount/reported amount in the financial statements. The deferred tax asset/income or liability/expense does not create a legal liability or recoverability to or from the income tax authority.

Employment Benefits

We recognize contribution to our Employees' Provident Fund, a defined contribution plan, as an expense when an employee has rendered services in exchange for the contribution. Our legal and constructive obligation is limited to the amount the employee agrees to contribute to the fund.

Under our Employees' Gratuity Fund, a defined benefit plan, we are obligated to provide benefits to current and former employees as per the terms of the fund. The present value of our defined benefit obligation and the fair value of the plan assets were determined by a professional actuary. The Projected Unit Credit method is used to measure the present value of our defined benefit obligations and the related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables were used. The difference between the fair value of the plan assets and the present value of our obligation is recognized as a liability or an asset in the balance sheet.

The rate we use to discount post employment benefit obligations is determined by reference to market yields at the balance sheet date on treasury bills. The expected return on our plan assets is based on market expectation and is one of the components of expenses recognized in our profit and loss account. Total expenses recognized in our profit and loss account are comprised of current service cost, interest cost and expected return on plan assets.

Explanation of Certain Profit and Loss Account Items

Revenue

Revenue includes traffic revenue, subscription revenue, connection revenue, roaming revenue, interconnection revenue from mobile operators, other operating revenue and other non-mobile revenue.

Traffic revenue includes airtime revenue from our subscribers. Subscription revenue includes fixed monthly access fees for voice and non-voice services. Connection revenue includes revenue from sales of SIM cards. Roaming revenue includes revenue from international operators for inbound roaming calls. Interconnection revenue from mobile operators includes revenue from incoming calls from other mobile operators. Other operating revenue includes revenue from customer support and revenue from value-added services, including revenue from SMS/MMS services, internet facilities (EDGE/GPRS), medical services and music download services. Other non-mobile revenue includes sale proceeds from handsets, channel fees and bill payment services revenue received by us.

Cost of Network Operations

Cost of network operations includes direct cost of network revenue, network operation and maintenance expenses and depreciation and amortization relating to network operations.

Direct cost of network revenue includes cost of interconnection, cost of SIM cards, scratch cards and handsets, international roaming costs, the BTRC revenue-sharing license fee, revenue sharing with content

providers and dealers and agency commissions. The components of direct cost of network revenue are primarily variable costs that tend to increase or decrease with changes in our subscriber base and call volumes.

The cost of interconnection includes interconnection charges paid to BTTB (now BTCL) and interconnection charges paid to other mobile operators.

Network operation and maintenance expenses includes rent, electricity charges, operation and maintenance expenses relating to base stations, switches and the fiber optic network, network quality maintenance expenses and pulse code modulation (“PCM”) operation and maintenance expenses. Certain of our operation and maintenance expenses are paid to third party providers pursuant to service contracts. Rent includes location rent for base stations, switches and selected buildings of Bangladesh Railway. Electricity charges include electricity charges for running base stations, switches and selected buildings of Bangladesh Railway. Network quality maintenance expenses include consultants’ expenses and network operational services and maintenance fees. PCM operation and maintenance expenses includes rental charges of PCM, maintenance charges of PCM and microwave link.

Depreciation and amortization relating to network operations includes depreciation of property, plant and equipment, amortization of network system software and amortization of non-telecommunications licenses.

Other Income

Net other income includes rental income from the sub-lease of our fiber optic network and Bangladesh Railway’s fiber optic network to third parties, franchisee fees and sub-lease costs.

Operating Expenses

Operating expenses include general and administrative expenses, selling and distribution expenses, bad debt expense and depreciation and amortization relating to operating expenses.

General and administrative expenses include personnel expenses, employee training and ancillary expenses, rent, office maintenance and running expenses, traveling expenses, vehicle running expenses, telephone and communication, printing, postage and stationery, legal and professional fees, audit fees, license fees and spectrum charges, meeting expenses and entertainment expenses. Personnel expenses include share-based payments to key management personnel to acquire shares of Telenor. See “Description of Business—Employees—Employee Share Participation Plan.” Rent includes rent for offices, warehouses, Grameenphone Centers, Grameenphone service desks, Grameenphone Distribution Center, logistics centers and guest houses. License fees and spectrum charges include our payment of the annual mobile cellular license fee of Taka 50.0 million to the Government of Bangladesh (though the 5.5% revenue-sharing license fee is included in direct cost of network revenue), our spectrum fees and roaming line rent charges. Our spectrum charges vary based on the size of our network, frequencies, the number of our subscribers and bandwidth. See “Description of Business—Our Licenses—Mobile Cellular License.” Meeting expenses include expenses incurred for attendance at meetings of our Board of Directors, our Treasury Committee and our operational committee. No fees are paid to our directors or the members of our committees for attending the meetings.

Selling and distribution expenses include advertisements, business development and promotional expenses and sales, marketing and representation costs. We include our payment of the SIM tax on behalf of our new subscribers in our sales, marketing and representation costs.

Bad debt expense includes our provision for bad debt expenses in accordance with our policy, whereby we record a provision for 100.0% of the amount outstanding from churned subscribers. We write off any provision for bad debts one year after the date of its recognition. Any recovery of bad debts is credited against bad debt expense in the period it is recovered.

Depreciation and amortization relating to non-network expenses includes depreciation and amortization of property, plant and equipment used for operations, including office furniture, vehicles and computers, and amortization of our business system software.

Net Finance Costs

Net finance costs include interest on long term loans, interest and service charge on short-term debt, foreign exchange gain or loss on international roaming receivable, finance charges on our lease of a portion of our fiber optic network from Bangladesh Railway, interest or accretion on asset retirement obligations, other financial charges and revenue collection charges, all as offset by financial income.

Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment includes the book value of sold property, plant and equipment, as offset by the sale proceeds.

Share of Profit of X-Net Ltd.

Share of profit of X-Net Ltd. includes our share of the net profit of X-Net for the relevant period. From January 1, 2005 to December 31, 2006, we accounted for our interest in X-Net using the equity method in accordance with BAS 28, *Investments in Associates*. In 2007, our management concluded that we had ceased to have significant influence over X-Net. As a result of this change, since January 1, 2007, we accounted for our investment in X-Net under the cost method in accordance with BAS 25, *Accounting for Investments*.

Income Tax Expenses

Income tax expenses includes current tax expense and deferred tax expense.

Results of Operations

The following table, based on our audited financial statements included elsewhere in this Prospectus, presents our results of operations for the periods indicated, including each line item as a percentage of revenues:

| | For the Year Ended December 31, | | | | | | For the Nine Months Ended September 30, | | | |
|---|---------------------------------|-------|------------|-------|------------|-------|---|-------|------------|-------|
| | 2005 | | 2006 | | 2007 | | 2007 | | 2008 | |
| | (Taka in millions) | | | | | | | | | |
| Revenue | 29,473.1 | 100% | 45,640.4 | 100% | 54,303.1 | 100% | 39,993.5 | 100% | 44,561.0 | 100% |
| Cost of network operations | | | | | | | | | | |
| Direct cost of network revenue | (6,705.0) | 22.7% | (10,072.2) | 22.1% | (12,792.6) | 23.6% | (9,522.2) | 23.8% | (10,503.4) | 23.6% |
| Network operation and maintenance expenses | (1,428.5) | 4.8% | (2,105.7) | 4.6% | (2,442.6) | 4.5% | (1,832.9) | 4.6% | (3,368.2) | 7.6% |
| Depreciation and amortization | (4,056.8) | 13.8% | (6,500.5) | 14.2% | (9,122.2) | 16.8% | (6,369.8) | 15.9% | (9,723.4) | 21.8% |
| | (12,190.3) | 41.4% | (18,678.4) | 40.9% | (24,357.3) | 44.9% | (17,724.9) | 44.3% | (23,595.0) | 52.9% |
| Gross profit | 17,282.8 | 58.6% | 26,962.0 | 59.1% | 29,945.9 | 55.1% | 22,268.6 | 55.7% | 20,966.0 | 47.1% |
| Other income, net | 113.8 | 0.4% | 102.3 | 0.2% | 38.2 | 0.0 | 44.0 | 0.1% | 9.2 | 0.0% |
| Operating expenses | | | | | | | | | | |
| General and administrative expenses | (2,279.2) | 7.7% | (3,915.2) | 8.6% | (5,627.7) | 10.4% | (3,909.2) | 9.8% | (4,522.8) | 10.1% |
| Selling and distribution expenses . . . | (2,056.8) | 7.0% | (3,944.3) | 8.6% | (6,660.4) | 12.3% | (4,937.8) | 12.3% | (5,320.5) | 11.9% |
| Bad debt expense | (150.8) | 0.5% | (41.6) | 0.0 | (135.3) | 0.2% | (33.2) | 0.1% | (140.4) | 0.3% |
| Depreciation and amortization | (308.1) | 1.0% | (967.9) | 2.1% | (1,273.7) | 2.3% | (878.4) | 2.2% | (1,250.1) | 2.8% |
| | (4,794.9) | 16.3% | (8,869.0) | 19.4% | (13,697.0) | 25.2% | (9,758.7) | 24.4% | (11,233.8) | 25.2% |
| Operating profit | 12,601.7 | 42.8% | 18,195.3 | 39.9% | 16,286.9 | 30.0% | 12,553.9 | 31.4% | 9,741.4 | 21.9% |
| Finance costs, net | (740.8) | 2.5% | (918.8) | 2.0% | (968.5) | 1.8% | (488.9) | 1.2% | (1,345.3) | 3.0% |
| Loss on disposal of property, plant and equipment | (99.4) | 0.3% | (258.8) | 0.6% | (101.9) | 0.2% | (21.1) | 0.1% | 33.3 | 0.1% |
| Compensation to the BTRC | - | - | - | - | (1,684.2) | 3.1% | (1,684.2) | 4.2% | (2,230.8) | 5.0% |
| Share of profit of X-Net Ltd. | - | - | 1.9 | 0.0 | 2.6 | 0.0 | 2.6 | 0.0% | - | - |
| Profit before tax | 11,761.5 | 39.9% | 17,019.5 | 37.3% | 13,534.9 | 24.9% | 10,362.3 | 25.9% | 6,198.6 | 13.9% |
| Income tax expenses | (4,848.6) | 16.4% | (9,535.5) | 20.9% | (10,475.0) | 19.3% | (8,517.4) | 21.3% | (5,818.6) | 13.0% |
| Net profit (loss) | 6,912.9 | 23.5% | 7,484.0 | 16.4% | 3,059.8 | 5.6% | 1,844.9 | 4.6% | 380.1 | 0.9% |

(1) For 2005, 2006 and 2007, license fees, spectrum charges and other regulatory payments are included in general and administrative expenses.

Our audited financial statements as of, and for the year ended, December 31, 2008, selected financial information (unaudited) for the three months ended March 31, 2009 and selected financial information (unaudited) for the three months ended June 30, 2009, are included in Appendix D to this Prospectus.

Causes for Material Changes from Period to Period

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Revenue: Revenue increased 11.4% to Taka 44,561.0 million for the nine months ended September 30, 2008 from Taka 39,993.5 million for the nine months ended September 30, 2007. The main driver of our revenue increase for the nine months ended September 30, 2008 was the expansion of our subscriber base, particularly prepaid subscribers, partially offset by lower ARPU due to the addition of lower-ARPU subscribers from the

financially-constrained segment. See “Description of Business—Our Strategies—Continue to grow our subscriber base.”

Traffic revenue, which accounted for 85.7% of total revenue for the nine months ended September 30, 2008 and 85.6% of total revenue for the nine months ended September 30, 2007, increased 11.5% to Taka 38,193.0 million for the nine months ended September 30, 2008 from Taka 34,252.5 million for the nine months ended September 30, 2007. The increase in traffic revenue primarily consisted of an increase in prepaid traffic revenue from our expanded subscriber base, partially offset by reductions in our tariffs. Prepaid traffic revenue, which accounted for 92.7% of total traffic revenue for the nine months ended September 30, 2008 and 84.4% of total traffic revenue for the nine months ended September 30, 2007, increased 22.5% to Taka 35,418.6 million for the nine months ended September 30, 2008 from Taka 28,922.0 million for the nine months ended September 30, 2007. We increased prepaid traffic revenue for the nine months ended September 30, 2008 by increasing the size of our prepaid subscriber base with tariff reductions and marketing campaigns directed towards prepaid subscribers and also by migrating our Village Phone and Grameenphone Public Phone subscribers to prepaid status. Total subscribers increased 37.5% to approximately 20.8 million at September 30, 2008 from approximately 15.1 million at September 30, 2007, while prepaid subscribers increased 40.4% to approximately 20.4 million at September 30, 2008 from approximately 14.5 million at September 30, 2007. The increase to our subscriber base resulted in increased call volumes. Blended MOU increased 77.4% to 51,371.6 million minutes for the nine months ended September 30, 2008 from approximately 28,960.0 million minutes for the nine months ended September 30, 2007, while prepaid MOU increased 95.7% to 49,251.4 million minutes for the nine months ended September 30, 2008 from approximately 25,170.0 million minutes for the nine months ended September 30, 2007. These changes were primarily due to our higher subscriber base and the reduction in our tariffs. The tariff reductions also contributed to decreased APPM but helped increase usage. Blended APPM decreased 37.3% to Taka 0.86 for the nine months ended September 30, 2008 from Taka 1.38 for the nine months ended September 30, 2007. Blended AMPU increased 21.5% to 301 for the nine months ended September 30, 2008 from 248 for the nine months ended September 30, 2007, while prepaid AMPU increased 31.3% to 296 for the nine months ended September 30, 2008 from 225 for the nine months ended September 30, 2007. Despite the increase in usage, ARPU declined for the nine months ended September 30, 2008. Blended ARPU decreased 23.8% to Taka 260 for the nine months ended September 30, 2008 from Taka 341 for the nine months ended September 30, 2007, while prepaid ARPU decreased 18.7% to Taka 244 for the nine months ended September 30, 2008 from Taka 300 for the nine months ended September 30, 2007.

We attribute the decrease in blended and prepaid ARPU for the nine months ended September 30, 2008 to two related factors. First, continuing intense price competition required us to reduce tariffs. Second, our subscriber acquisitions for the nine months ended September 30, 2008 primarily consisted of a long-term investment by us in consumer, rural and financially-constrained prepaid subscribers, who concentrate their relatively low usage during periods when tariffs are lowest. Our tariff reductions for the nine months ended September 30, 2008 were in part designed to acquire these new subscribers. In addition, the interconnection rate was lower during the nine months ended September 30, 2008 (at Taka 0.40 per minute) than the interconnection rate during the nine months ended September 30, 2007 (which was Taka 0.66 per minute). In the near and medium term, we expect our ARPU will continue to decline as we acquire more consumer, rural and financially-constrained prepaid subscribers, a factor that may continue to reduce the positive impact of subscriber growth on traffic revenue. See “Risk Factors and Management’s Perception about the Risks—Operational Risks—We may not be able to stabilize our churn rates and ARPU, which may adversely affect our business operations.”

Postpaid traffic revenue, which accounted for 7.3% of total traffic revenue for the nine months ended September 30, 2008 and 15.6% of total traffic revenue for the nine months ended September 30, 2007, decreased 48.0% to Taka 2,774.4 million for the nine months ended September 30, 2008 from Taka 5,330.5 million for the nine months ended September 30, 2007, primarily because we migrated 160,000 Village Phone subscribers to prepaid accounts on February 1, 2008 and because we stopped selling new connections of postpaid Grameenphone Public Phone in March 2008 and launched prepaid Grameenphone Public Phone. Revenue from “xplore” postpaid subscribers declined, while revenue from postpaid Business Solutions subscribers increased 42.1%. Postpaid subscribers decreased 30.9% to 416,334 at September 30, 2008 from 602,838 at September 30, 2007 primarily because we migrated 160,000 Village Phone subscribers to prepaid accounts on February 1, 2008 and because we stopped selling new connections of postpaid Grameenphone Public Phone in March 2008 and launched prepaid Grameenphone Public Phone. Postpaid call volumes declined for the nine months ended September 30, 2008. Postpaid MOU decreased 44.1% to 2,120.1 million minutes for the nine months ended September 30, 2008 from approximately 3,790.1 million minutes for the nine months ended September 30, 2007, which we attribute primarily to our migration of Village Phone and Grameenphone Public Phone subscribers to prepaid accounts. Postpaid usage per user decreased for the nine months ended September 30, 2008. Postpaid AMPU decreased 29.0% to 524 for the

nine months ended September 30, 2008 from 737 for the nine months ended September 30, 2007, which we also attribute primarily to our migration of Village Phone and Grameenphone Public Phone subscribers to prepaid accounts. See “Risk Factors and Management’s Perception about the Risks—Operational Risks—Our postpaid subscriber growth rate and our revenues from postpaid subscribers may continue to decrease.” The reduction in usage also led to lower postpaid ARPU, which decreased 26.5% to Taka 898 for the nine months ended September 30, 2008 from Taka 1,220 for the nine months ended September 30, 2007. In recent years, postpaid traffic revenue has declined in proportion to total revenue, and we expect postpaid traffic revenue to continue to decline in proportion to total revenue because we have been adding more new prepaid subscribers than new postpaid subscribers.

Interconnection revenue from other domestic mobile operators, which accounted for 8.5% of total revenue for the nine months ended September 30, 2008 and 9.0% of total revenue for the nine months ended September 30, 2007, increased 4.8% to Taka 3,772.2 million for the nine months ended September 30, 2008 from Taka 3,600.4 million for the nine months ended September 30, 2007, primarily due to increased incoming traffic from other operators, partially offset by a decrease in the interconnection tariff (from Taka 0.66 per minute for the nine months ended September 30, 2007 to Taka 0.40 per minute for the nine months ended September 30, 2008). Changes in interconnection revenues were not proportionate to changes in blended MOU because interconnection rates decreased and an increasing proportion of our MOU were for on-network calls, as subscribers took advantage of lower tariffs for on-network calls. The BTRC will implement a new tariff structure in December 2008 for the new interconnection regime, under which we will receive a net interconnection tariff of Taka 0.36 per minute. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Network Interconnection.”

VAS revenue, which accounted for 3.5% of total revenue for the nine months ended September 30, 2008 and 3.1% of total revenue for the nine months ended September 30, 2007, increased 23.5% to Taka 1,539.5 million for the nine months ended September 30, 2008 from Taka 1,246.4 million for the nine months ended September 30, 2007, primarily due to the increase in our subscriber base and increased usage of SMS (to 15 SMSs per subscriber per month for the nine months ended September 30, 2008 from 11 SMSs per subscriber per month for the nine months ended September 30, 2007). VAS, as a percentage of ARPU, increased to 4.2% for the nine months ended September 30, 2008 from 3.5% for the nine months ended September 30, 2007.

Direct cost of network revenue: Direct cost of network revenue increased 10.3% to Taka 10,503.4 million for the nine months ended September 30, 2008 from Taka 9,522.2 million for the nine months ended September 30, 2007, primarily due to increased interconnection costs from the increasing number of outgoing calls to other operators’ networks, BTRC license fee expenses, and increased dealer and agency commissions due to higher sales. Cost of interconnection increased 10.1% to Taka 4,512.2 million for the nine months ended September 30, 2008 from Taka 4,098.3 million for the nine months ended September 30, 2007, primarily due to higher call volumes from an increased number of outgoing calls to other operators’ networks partially offset by decreased interconnection rates. Changes in the cost of interconnection were not proportionate to changes in blended MOU primarily because of the decrease in interconnection rates. Interconnection costs increased at a greater rate than interconnection revenues because we pay more in interconnection costs for outgoing calls to BTCL’s network than BTCL pays us for incoming calls from BTCL’s network. The BTRC revenue sharing expense increased 5.9% to Taka 2,190.9 million for the nine months ended September 30, 2008 from Taka 2,068.7 million for the nine months ended September 30, 2007, primarily due to an increase in revenue from higher traffic. Dealers and agency commission increased 21.0% to Taka 3,010.3 million for the nine months ended September 30, 2008 from Taka 2,488.5 million for the nine months ended September 30, 2007, primarily due to increased Flexi Load sales and SIM sales.

The increase in direct costs of network revenue for the nine months ended September 30, 2008 was partially offset by an 11.6% decline in the cost of SIM cards, scratch cards and handsets to Taka 631.9 million for the nine months ended September 30, 2008 from Taka 715.2 million for the nine months ended September 30, 2007, primarily due to decreased purchases by us of scratch card supplies because subscribers increasingly used FlexiLoad, our electronic recharge system or ERS, to top up their accounts. This was partially offset by increased costs of SIM cards and handsets.

Network operation and maintenance expenses: Network operation and maintenance expenses increased by 83.8% to Taka 3,368.2 million for the nine months ended September 30, 2008 from Taka 1,832.9 million for the nine months ended September 30, 2007, primarily due to the growth of our network, as we had 1,950 more base stations during the nine months ended September 30, 2008, than the nine months ended September 30, 2007, which also led to a corresponding increase in electricity charges. We increased the number of our base stations for the nine months ended September 30, 2008 because of the increase in our subscriber base. Operation and maintenance costs

for base stations increased 83.1% to Taka 830.0 million for the nine months ended September 30, 2008 from Taka 453.2 million for the nine months ended September 30, 2007, primarily due to the increase in the number of base stations and switches and due to our increased use of generators for back-up power during power outages. During the nine months ended September 30, 2008, the price of fuel used to power generators increased approximately 37.5%. In addition, during the third quarter of 2008, we made an accounting adjustment to reallocate the discount under our framework agreement with Ericsson proportionally between capital expenditures and operating expenses because a portion of the discount related to support maintenance fees. As a result, we allocated Taka 535.0 million to our operation and maintenance costs for base stations and our operation and maintenance costs for switches and reduced capital expenditures by Taka 446.0 million. Electricity charges increased 29.4% to Taka 755.0 million for the nine months ended September 30, 2008 from Taka 583.6 million for the nine months ended September 30, 2007, primarily due to the increase in the number of base stations.

Network quality maintenance expenses increased 60.2% to Taka 710.2 million for the nine months ended September 30, 2008 from Taka 443.4 million for the nine months ended September 30, 2007, primarily due to an increase in consultancy fees and service maintenance fees relating to the increase in the number of base stations.

Depreciation and amortization relating to network operations: Depreciation and amortization relating to network operations increased 52.6% to Taka 9,723.4 million for the nine months ended September 30, 2008 from Taka 6,369.8 million for the nine months ended September 30, 2007, primarily due to the depreciation of our increased asset base, including base stations and transmission equipment acquired in 2007 and the first nine months of 2008. We incurred capital expenditures of Taka 14,450.2 million for the nine months ended September 30, 2008 compared to Taka 31,661.6 million for the nine months ended September 30, 2007.

Gross profit: As a result of the foregoing, our gross profit decreased 5.8% to Taka 20,966.0 million for the nine months ended September 30, 2008 from Taka 22,268.6 million for the nine months ended September 30, 2007. Our gross margin decreased to 47.1% for the nine months ended September 30, 2008 from 55.7% for the nine months ended September 30, 2007.

Other income, net: Other income, net, decreased 79.2% to Taka 9.2 million for the nine months ended September 30, 2008 from Taka 44.0 million for the nine months ended September 30, 2007, primarily due to the discontinuance of certain subleases of our fibre optic network capacity and a decrease in the rental rate under certain subleases of our fibre optic network capacity. This was partially offset by income from our Grameenphone Center franchisees.

General and administrative expenses: General and administrative expenses increased 15.7% to Taka 4,522.8 million for the nine months ended September 30, 2008 from Taka 3,909.2 million for the nine months ended September 30, 2007, primarily due to increases in personnel expenses and license fees and spectrum charges. Personnel expenses increased 33.2% to Taka 2,739.6 million for the nine months ended September 30, 2008 from Taka 2,057.1 million for the nine months ended September 30, 2007, primarily because we increased our number of full-time employees by 18.8% to 2,532 at September 30, 2008, from 2,131 at September 30, 2007. Most of our new hires were in regional sales. We also increased wages in the first quarter of 2008 in response to inflation. Office maintenance and running expenses decreased 17.0% to Taka 451.9 million for the nine months ended September 30, 2008 from Taka 544.7 million for the nine months ended September 30, 2007, primarily because we decreased the number of Grameenphone centers and Grameenphone service desks in 2008.

License fees and spectrum charges increased 34.2% to Taka 407.5 million for the nine months ended September 30, 2008 from Taka 303.7 million for the nine months ended September 30, 2007, primarily because we added more base stations, increased our microwave links and increased our subscriber base.

Selling and distribution expenses: Selling and distribution expenses increased by 7.7% to Taka 5,320.5 million for the nine months ended September 30, 2008 from Taka 4,937.8 million for the nine months ended September 30, 2007, primarily because we paid more SIM tax for our increased subscriber base for the nine months ended September 30, 2008. These payments increased 25.1% to Taka 4,071.5 million for the nine months ended September 30, 2008 from Taka 3,253.8 million for the nine months ended September 30, 2007, primarily because of higher SIM sales and the addition of more subscribers for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007. Selling and distribution expenses also increased for the nine months ended September 30, 2008, primarily because of increased spending on sales, marketing and representation costs. Advertising costs decreased by 24.9% to Taka 663.5 million for the nine months ended September 30, 2008 from Taka 883.3 million for the nine months ended September 30, 2007, as we reduced advertising expenditures following the launch of our Stay Close campaign in the second quarter of 2008. The implementation of our new distribution model may also increase our selling and distribution expenses in the future. See “Description of Business—Sales and Distribution.”

Bad debt expense: Bad debt expense increased 322.6% to Taka 140.4 million for the nine months ended September 30, 2008 from Taka 33.2 million for the nine months ended September 30, 2007, primarily due to non-payment from subscribers, particularly Grameenphone Public Phone subscribers, whose connections we barred on suspicion of involvement in illegal international call termination using VoIP and increased non-payment by business segment and other postpaid customers, whose connections we had previously barred due to their failure to pay their bills.

Depreciation and amortization relating to non-network operations: Depreciation and amortization relating to non-network operations increased 42.3% to Taka 1,250.1 million for the nine months ended September 30, 2008 from Taka 878.4 million for the nine months ended September 30, 2007, primarily due to our increased asset base, including the depreciation of computers and other office equipment that we acquired in 2007 and 2008 for the opening of Grameenphone Centers and Grameenphone service desks.

Operating profit: As a result of the foregoing, operating profit decreased 22.4% to Taka 9,741.4 million for the nine months ended September 30, 2008 from Taka 12,553.9 million for the nine months ended September 30, 2007. Our operating margin decreased to 21.9% for the nine months ended September 30, 2008 from 31.4% for the nine months ended September 30, 2007.

Finance costs, net: Finance costs, net, increased 175.2% to Taka 1,345.3 million for the nine months ended September 30, 2008 from Taka 488.9 million for the nine months ended September 30, 2007, primarily due to increased interest and service charges on short-term debt in connection with our syndicated term loan and the increase in our short-term working capital facilities, many of which carry a high rate of interest. In addition, our finance charges related to our finance lease increased in connection with the June 2007 amendment of our lease agreement for use of Bangladesh Railway's fiber optic network, and this increase affected the entire nine month period in 2008 but only three months of the corresponding nine month period in 2007. These increased costs were partially offset by a foreign exchange gain of Taka 138.6 million for the nine months ended September 30, 2008 compared to a gain of Taka 1.7 million for the nine months ended September 30, 2007, which increase resulted from the appreciation of the Taka against the U.S. dollar and the Norwegian kroner in 2008.

Loss on disposal of property, plant and equipment: We recognized a gain on disposal of property, plant and equipment of Taka 33.3 million for the nine months ended September 30, 2008 as opposed to a loss of Taka 21.1 million for the nine months ended September 30, 2007.

Compensation to the BTRC: Compensation to the BTRC for the nine months ended September 30, 2008 was Taka 2,230.8 million compared with Taka 1,684.2 million in the nine months ended September 30, 2007. The 2008 amount has two components: our payment of Taka 230.8 million in May 2008 to the BTRC for its "Lawful Interception Compliance" project, which is being financed by all mobile operators, and an expense of Taka 2,000.0 million relating to our settlement of a second investigation regarding our involvement in unregulated international call termination using VoIP technology. See "Risk Factors and Management's Perception about the Risks—Risks Relating to Our Business—We paid substantial fines relating to illegal call termination using VoIP, and remain subject to a show cause notice as to why our license should not be cancelled or suspended." On August 14, 2008, we entered into a settlement agreement with the BTRC whereby we agreed to pay a fine of Taka 2,500.0 million to settle the BTRC's investigation of our provision of E-1 connectivity, which would allow the bypass of BTTB for international call origination and termination. In relation to this settlement, we recognized an expense of Taka 2,000.0 million for the nine months ended September 30, 2008 as we had previously taken a provision for Taka 500.0 million relating to this matter in December 2007. We paid Taka 500 million on the date of the settlement agreement and we paid the last installment of the fine on October 29, 2008.

Share of profit of X-Net Ltd.: Share of profit of X-Net Ltd. decreased to zero for the nine months ended September 30, 2008 from Taka 2.6 million for the nine months ended September 30, 2007, primarily due to the change of accounting for X-Net to the cost method from the equity method. See "—Explanation of Certain Profit and Loss Account Items—Share of Profit of X-Net Ltd."

Profit before tax: As a result of the foregoing, profit before tax decreased 40.2% to Taka 6,198.6 million for the nine months ended September 30, 2008 from Taka 10,362.3 million for the nine months ended September 30, 2007.

Income tax expenses: Income tax expenses decreased 31.7% to Taka 5,818.6 million for the nine months ended September 30, 2008 from Taka 8,517.4 million for the nine months ended September 30, 2007, primarily due to our lower profit before tax. In addition, certain items that we record as expenses, such as provisions for penalties and SIM tax subsidy, were disallowed for purposes of calculating taxable income.

Net profit: As a result of the foregoing, net profit decreased 79.4% to Taka 380.1 million for the nine months ended September 30, 2008 from Taka 1,844.9 million for the nine months ended September 30, 2007. Our net margin decreased to 0.9% for the nine months ended September 30, 2008 from 4.6% for the nine months ended September 30, 2007.

2007 Compared to 2006

Revenue: Revenue increased 19.0% to Taka 54,303.1 million in 2007 from Taka 45,640.4 million in 2006. The main driver of our revenue increase in 2007 was the expansion of our subscriber base, particularly prepaid subscribers, partially offset by tariff reductions and the addition of lower-ARPU financially-constrained subscribers. See “Description of Business—Our Strategies—Continue to grow our subscriber base.”

Traffic revenue, which accounted for 86.0% of total revenue in 2007 and 85.6% of total revenue in 2006, increased 19.4% to Taka 46,684.7 million in 2007 from Taka 39,085.3 million in 2006. The increase in traffic revenue primarily consisted of an increase in prepaid traffic revenue. Prepaid traffic revenue, which accounted for 73.3% of total revenue in 2007 and 61.4% of total revenue in 2006, increased 42.0% to Taka 39,794.3 million in 2007 from Taka 28,034.0 million in 2006. We increased prepaid traffic revenue in 2007 by increasing the size of our prepaid subscriber base with tariff reductions and marketing campaigns directed towards prepaid customers. Total subscribers increased 52.8% to approximately 16.5 million at December 31, 2007 from approximately 10.8 million at December 31, 2006, while prepaid subscribers increased 55.5% to approximately 15.9 million at December 31, 2007 from approximately 10.2 million at December 31, 2006. The increase to our subscriber base resulted in increased call volumes. Blended MOU increased 96.2% to 41,371.8 million in 2007 from 21,138.3 million in 2006, while prepaid MOU increased 135.0% to 36,388.3 million in 2007 from 15,482.8 million in 2006. The tariff reductions contributed to decreased APPM but helped increase average usage. Blended APPM decreased 39.1% to Taka 1.31 in 2007 from Taka 2.15 in 2006. Blended AMPU increased 16.7% to 252 in 2007 from 216 in 2006, while prepaid AMPU increased 37.5% to 231 in 2007 from 168 in 2006. Despite the increase in usage, ARPU declined in 2007. Blended ARPU decreased 29.2% to Taka 329 in 2007 from Taka 465 in 2006, while prepaid ARPU decreased 18.7% to Taka 292 in 2007 from Taka 359 in 2006.

We attribute the decrease in blended and prepaid ARPU in 2007 to two related factors. First, intense price competition led us to reduce tariffs several times in 2007. Second, our subscriber acquisitions in 2007 largely consisted of a long-term investment by us in rural and financially-constrained prepaid subscribers who concentrate their relatively low usage during periods when tariffs are lowest. Many of our tariff reductions in 2007 were in part designed to acquire these new subscribers. In the near and medium term, we expect our ARPU will continue to decline as we acquire more consumer, rural and financially-constrained prepaid subscribers, a factor that will continue to reduce the positive impact of subscriber growth on traffic revenue. See “Risk Factors and Management’s Perception about the Risks—Operational Risks—We may not be able to stabilize our churn rates and ARPU, which may adversely affect our business operations” and “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Network Interconnection.”

Postpaid traffic revenue, which accounted for 12.7% of total revenue in 2007 and 24.2% of total revenue in 2006, decreased 37.6% to Taka 6,890.5 million in 2007 from Taka 11,051.3 million in 2006, primarily because intense price competition required us to reduce postpaid tariffs several times in 2007. The tariff reductions contributed towards decreased postpaid APPM. Reduced tariffs, however, helped attract new postpaid subscribers. Postpaid subscribers increased 8.1% to approximately 575,000 at December 31, 2007 from approximately 532,000 at December 31, 2006. Despite the lower tariffs and larger postpaid subscriber base, postpaid call volumes declined in 2007. Postpaid MOU decreased 12.0% to 4,983.5 million in 2007 from 5,655.5 million in 2006, which we attribute primarily to increased competition, particularly from public call offices, the discontinuance of our High Volume User product and high churn of Village Phone subscribers. Despite the lower tariffs, postpaid usage per user also decreased in 2007. Postpaid AMPU decreased 31.4% to 720 in 2007 from 1,050 in 2006, which we also attribute primarily to increased competition, particularly from public call offices, the discontinuance of our High Volume User product and high churn of Village Phone subscribers. See “Risk Factors and Management’s Perception about the Risks—Our postpaid subscriber growth rate and our revenues from postpaid subscribers may continue to decrease.” The reduction in postpaid tariffs and usage resulted in lower postpaid ARPU, which fell 48.2% to Taka 1,180 in 2007 from Taka 2,279 in 2006. In recent years, postpaid traffic revenue has declined in proportion to total revenue, and we expect postpaid traffic revenue to continue to decline in proportion to total revenue because we have been adding more new prepaid subscribers than new postpaid subscribers.

Interconnection revenue from other domestic mobile operators, which accounted for 8.5% of total revenue in 2007 and 8.4% of total revenue in 2006, increased 20.7% to Taka 4,605.4 million in 2007 from Taka 3,815.6 million in 2006, primarily due to higher call volumes. The increase in interconnection revenue in

2007 was partially offset by a 39.4% reduction in interconnection charge for domestic calls from Taka 0.66 per minute to Taka 0.40 per minute, which the BTRC introduced on October 1, 2007. Changes in interconnection revenues were not proportionate to changes in blended MOU because an increasing proportion of our MOU was for on-network calls, as new subscribers took advantage of lower tariffs for on-network calls. The BTRC has announced a new tariff structure for the new interconnection regime, which is expected to be implemented in 2008, under which we would receive a net interconnection tariff of Taka 0.36 per minute. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Network Interconnection.”

VAS revenue, which accounted for 3.2% of total revenue in 2007 and 3.0% of total revenue in 2006, increased 26.1% to Taka 1,744.4 million in 2007 from Taka 1,382.9 million in 2006, primarily due to the increase in our subscriber base, the introduction of new value-added services and increased usage of value-added services.

Direct cost of network revenue: Direct cost of network revenue increased 27.0% to Taka 12,792.6 million in 2007 from Taka 10,072.2 million in 2006, primarily due to increases to variable costs resulting from our subscriber growth. Cost of interconnection increased 40.7% to Taka 5,512.4 million in 2007 from Taka 3,919.6 million in 2006, primarily due to higher call volumes. Changes in the cost of interconnection were not proportionate to changes in blended MOU because the interconnection charges we paid to BTTB (now BTCL) varied depending upon the nature of the connection and the time of day and also because an increasing proportion of our MOU was for on-network calls, for which there were no interconnection charges. The BTRC license fee expense increased 34.3% to Taka 2,774.6 million in 2007 from Taka 2,066.8 million in 2006, primarily due to higher traffic revenue. The percentage increase in the BTRC license fee expense was greater than the percentage increase in traffic revenue in 2007 (19.4%) primarily because we paid the revenue-sharing license fee on VAS revenue in 2007, which we had not done in prior years, and because we recognized the expense for the revenue-sharing license fee on VAS revenue for 2004 through 2006 (though we did not pay this expense until 2008). On March 30, 2008, we paid Taka 103.0 million to the BTRC as the revenue-sharing license fee relating to VAS revenue for 2004 through 2006. Dealers and agency commission increased 21.7% to Taka 3,359.3 million in 2007 from Taka 2,759.8 million in 2006, primarily due to increased acquisition of new subscribers and higher commissions relating to reloads by our larger subscriber base.

The increase in direct costs of network revenue in 2007 was partially offset by a 19.4% decline in the cost of SIM cards, scratch cards and handsets to Taka 938.2 million in 2007 from Taka 1,163.1 million in 2006. The cost of SIM cards, scratch cards and handsets declined primarily due to decreased purchases by us of scratch card supplies because subscribers increasingly used FlexiLoad, our electronic recharge system or ERS, to top up their accounts.

Network operation and maintenance expenses: Network operation and maintenance expenses increased 16.0% to Taka 2,442.6 million in 2007 from Taka 2,105.7 million in 2006, primarily due to a 67.1% increase in our number of base stations to 10,322 at December 31, 2007 from 6,178 at December 31, 2006 and a corresponding increase in electricity charges. We increased the number of our base stations in 2007 because of the increase in our subscriber base and in order to address the deterioration of call quality stemming from spectrum constraints. As a result, operation and maintenance costs for base stations increased 152.1% to Taka 735.1 million in 2007 from Taka 291.6 million in 2006 primarily due to the increase in the number of base stations and due to the increased use of generators for back-up power during power outages. Electricity charges increased 44.4% to Taka 830.8 million in 2007 from Taka 575.4 million in 2006, primarily due to the increase in the number of our base stations.

A 19.6% decline in network quality maintenance expenses to Taka 610.9 million in 2007 from Taka 759.6 million in 2006 partially offset the increase in network operation and maintenance expenses. This was because growing internal maintenance expertise reduced our expenditures on external consultants. We recorded a gain of Taka 120.6 million in 2007 under operation and maintenance costs for switches, compared to expenses of Taka 187.9 million in 2006, which also reduced network operation and maintenance expenses. This gain resulted primarily from a fee discount under our framework agreement with Ericsson that was triggered by reaching a certain volume of services and a liquidated damages payment from Ericsson to us relating to its non-compliance with service obligations under our framework agreement.

Depreciation and amortization relating to network operations: Depreciation and amortization relating to network operations increased 40.3% to Taka 9,122.2 million in 2007 from Taka 6,500.5 million in 2006, primarily due to the depreciation of base stations and transmission equipment acquired in 2006 and 2007. We incurred capital expenditures of Taka 33,189.0 million in 2007 compared to Taka 21,656.3 million in 2006. Increases to the useful lives of network equipment that we implemented in the second quarter of 2007 partially offset the increase in depreciation and amortization relating to network operations in 2007 as the increases in useful lives led to decreased annual depreciation charges. As part of our annual review of the useful lives of our property, plant and equipment, we extended the useful life of our packet switching and routing equipment from five years to seven years and extended the useful life of our fiber optic network from eight years to 20 years. We extended the useful life of our

fiber optic network because in June 2007 we extended the term of our lease with Bangladesh Railway to September 16, 2027.

Gross profit: As a result of the foregoing, our gross profit increased 11.1% to Taka 29,945.9 million in 2007 from Taka 26,962 million in 2006. Our gross margin decreased to 55.1% in 2007 from 59.1% in 2006.

Other income, net: Net other income decreased 62.7% to Taka 38.2 million in 2007 from Taka 102.3 million in 2006, primarily due to a reduction in the rates we charge to sublessees of our fiber optic network capacity in response to price competition and the discontinuance of a number of such subleases including due to sublessees building out their own fiber optic networks.

General and administrative expenses: General and administrative expenses increased 43.7% to Taka 5,627.7 million in 2007 from Taka 3,915.2 million in 2006, primarily due to increases in personnel expenses, office maintenance and running expenses and license fees and spectrum charges. Personnel expenses increased 40.2% to Taka 2,784.8 million in 2007 from Taka 1,986.4 million in 2006, primarily because we increased our number of full-time employees 34.1% to 2,208 at December 31, 2007 from 1,646 at December 31, 2006. Most of our new hires were in distribution and sales, network operations and marketing. We also increased wages in the first quarter of 2007 in response to inflation. Office maintenance and running expenses increased 117.1% to Taka 732.6 million in 2007 from Taka 337.4 million in 2006, primarily because we opened 73 Grameenphone Centers and 600 Grameenphone service desks in 2007. License fees and spectrum charges increased 74.2% to Taka 813.2 million in 2007 from Taka 466.8 million in 2006. General and administrative expenses for 2007 also include a Taka 500.0 million provision, included in license fees and spectrum charges, for any further payment by us to the BTRC in connection with the ongoing investigation into unregulated international call termination using VoIP.

Selling and distribution expenses: Selling and distribution expenses increased 68.9% to Taka 6,660.4 million in 2007 from Taka 3,944.3 million in 2006, primarily due to the increase in our subscriber base in 2007 resulted in increased payments by us on behalf of new subscribers of the SIM tax. The payments of subsidy on account of SIM tax increased 76.4% to Taka 4,526.0 million in 2007 from Taka 2,565.7 million in 2006, primarily because we added more subscribers in 2007 than in 2006. Selling and distribution expenses also increased in 2007 because of increased spending on advertising, business development and promotions in response to heightened competition and to enlarge our subscriber base. The implementation of our new distribution model may affect our selling and distribution expenses in the future. See “Description of Business—Sales and Distribution.”

Bad debt expense: Bad debt expense increased 224.9% to Taka 135.3 million in 2007 from Taka 41.6 million in 2006, primarily due to increased non-payment by some Business Solutions subscribers and higher churn of postpaid subscribers.

Depreciation and amortization relating to non-network operations: Depreciation and amortization relating to non-network operations increased 31.6% to Taka 1,273.7 million in 2007 from Taka 967.9 million in 2006, primarily due to the depreciation of computers and other office equipment that we acquired in 2007 for the opening of Grameenphone Centers and Grameenphone service desks in 2007.

Operating profit: As a result of the foregoing, operating profit decreased 10.5% to Taka 16,287.0 million in 2007 from Taka 18,195.3 million in 2006. Our operating margin decreased to 30.0% in 2007 from 39.9% in 2006.

Finance costs, net: Net finance costs increased 5.4% to Taka 968.5 million in 2007 from Taka 918.8 million in 2006. We incurred higher interest costs and other charges in 2007 because we entered into a local syndicated loan and other short-term financings in 2007. These increases were partially offset by a reduction in the finance charges under our lease with Bangladesh Railway attributable to no rent having been payable for a three month period as part of our amendment of the lease. Finance charges on our lease of Bangladesh Railway’s fiber optic network accounted for 51.0% of net finance costs in 2007 and 75.5% of net finance costs in 2006.

Loss on disposal of property, plant and equipment: Loss on disposal of property, plant and equipment decreased 60.6% to Taka 102.0 million in 2007 from Taka 258.8 million in 2006. We disposed of an MSC in 2006.

Compensation to the BTRC: We paid the BTRC a fine of Taka 1,684.2 million in 2007 in connection with unregulated call termination using VoIP during the period from September 2005 to February 2007. See “Risk Factors and Management’s Perception about the Risks—Risks Relating to Our Business—We paid substantial fines relating to illegal call termination using VoIP, and remain subject to a show cause notice as to why our license should not be cancelled or suspended.”

Share of profit of X-Net Ltd.: Share of profit of X-Net Ltd. increased 38.1% to Taka 2.6 million in 2007 from Taka 1.9 million in 2006. X-Net's net profit increased in 2007 as it increased its subscriber base and total revenues.

Profit before tax: As a result of the foregoing, profit before tax decreased 20.5% to Taka 13,534.9 million in 2007 from Taka 17,019.5 million in 2006.

Income tax expenses: Income tax expenses increased 9.9% to Taka 10,475.0 million in 2007 from Taka 9,535.5 million in 2006. The impact of the 20.5% decrease in our profit before tax was partially offset by an increase in the applicable corporate tax rate to 45.0% from 40.0%. The rate was changed in July 2007 and applied retroactively to the 2006 income year. We included the additional tax in respect of 2006 in our income tax expense for 2007 in accordance with BAS 8, because the rate increase occurred after the end of our financial year and thus there was no error requiring restatement of our results of operations for 2006. A significant portion of our income tax expense in 2007 is related to the disallowance for tax purposes of two expenses recorded in our 2007 income statement: the Taka 1,684.2 million fine that we paid to the BTRC and the Taka 4,526.0 million worth of subsidies for SIM tax and other acquisition costs that we paid on behalf of new subscribers. This also led our effective tax rate to be 77.4%, which significantly exceeds the statutory corporate tax rate.

Net profit: As a result of the foregoing, our net profit decreased 59.1% to Taka 3,059.8 million in 2007 from Taka 7,484.0 million in 2006. Our net margin decreased to 5.6% in 2007 from 16.4% in 2006.

2006 Compared to 2005

Revenue: Revenue increased 54.9% to Taka 45,640.4 million in 2006 from Taka 29,473.1 million in 2005. The main driver of our revenue increase in 2006 was the expansion of our subscriber base, particularly prepaid subscribers, partially offset by the addition of lower-ARPU financially-constrained subscribers.

Traffic revenue, which accounted for 85.6% of total revenue in 2006 and 86.8% of total revenue in 2005, increased 52.7% to Taka 39,085.3 million in 2006 from Taka 25,596.9 million in 2005. The increase in traffic revenue primarily consisted of an increase in prepaid traffic revenue. Prepaid traffic revenue, which accounted for 61.4% of total revenue in 2006 and 54.2% of total revenue in 2005, increased 75.4% to Taka 28,034.0 million in 2006 from Taka 15,986.4 million in 2005. We increased prepaid traffic revenue in 2006 by increasing the size of our prepaid subscriber base with tariff reductions and marketing campaigns directed towards prepaid customers. Total subscribers increased 94.1% to approximately 10.8 million at December 31, 2006 from approximately 5.5 million at December 31, 2005, while prepaid subscribers increased 98.2% to approximately 10.2 million at December 31, 2006 from approximately 5.2 million at December 31, 2005. The increase to our subscriber base resulted in increased call volumes. Blended MOU increased 99.8% to 21,138.3 million in 2006 from 10,582.2 million in 2005, while prepaid MOU increased 161.5% to 15,482.8 million in 2006 from 5,920.4 million in 2005. The tariff reductions contributed to decreased APPM but helped increase prepaid usage. Blended APPM decreased 22.1% to Taka 2.15 in 2006 from Taka 2.76 in 2005. Prepaid AMPU increased 15.1% to 168 in 2006 from 146 in 2005, while blended AMPU decreased 8.9% to 216 in 2006 from 237 in 2005 because of a decline in postpaid AMPU. Despite the increase in prepaid usage, blended and prepaid ARPU declined in 2006. Blended ARPU decreased 29.1% to Taka 465 in 2006 from Taka 656 in 2005, while prepaid ARPU decreased 20.9% to Taka 359 in 2006 from Taka 454 in 2005. We attribute the decrease in blended and prepaid ARPU in 2006 to intense price competition, which led us to reduce tariffs several times, and the acquisition of primarily consumer, rural and financially-constrained prepaid subscribers who concentrate their relatively low usage during periods when tariffs are lowest. Many of our tariff reductions in 2006 were in part designed to acquire these new subscribers.

Postpaid traffic revenue, which accounted for 24.2% of total revenue in 2006 and 32.6% of total revenue in 2005, increased 15.0% to Taka 11,051.3 million in 2006 from Taka 9,610.5 million in 2005. Reductions to postpaid tariffs attracted new subscribers in 2006, boosting postpaid traffic revenue. Postpaid subscribers increased 38.9% to approximately 532,000 at December 31, 2006 from approximately 383,000 at December 31, 2005. The tariff reductions contributed towards decreased postpaid APPM. Supported by the lower tariffs and larger postpaid subscriber base, postpaid call volumes increased in 2006. Postpaid MOU increased 21.3% to 5,655.5 million in 2006 from 4,661.8 million in 2005. Despite the lower tariffs, postpaid usage per user decreased in 2006. Postpaid AMPU decreased 10.5% to 1,050 in 2006 from 1,173 in 2005, which we attribute primarily to increased competition. See "Risk Factors and Management's Perception about the Risks—Operational Risks—Our postpaid subscriber growth rate and our revenues from postpaid subscribers may continue to decrease." The reduction in postpaid tariffs and usage resulted in lower postpaid ARPU, which fell 16.2% to Taka 2,279 in 2006 from Taka 2,719 in 2005.

Interconnection revenue from other domestic mobile operators, which accounted for 8.4% of total revenue in 2006 and 6.3% of total revenue in 2005, increased 104.5% to Taka 3,815.6 million in 2006 from Taka 1,866.1 million in 2005, primarily due to higher call volumes.

VAS revenue, which accounted for 3.0% of total revenue in 2006 and 2.5% of total revenue in 2005, increased 88.0% to Taka 1,382.9 million in 2006 from Taka 735.6 million in 2005, primarily due to the increase in our subscriber base and the introduction of new value-added services.

Direct cost of network revenue: Direct cost of network revenue increased 50.2% to Taka 10,072.2 million in 2006 from Taka 6,705.0 million in 2005, primarily due to increases to variable costs resulting from our subscriber growth. Cost of interconnection increased 50.0% to Taka 3,919.6 million in 2006 from Taka 2,612.7 million in 2005, primarily due to higher call volumes. Changes in the cost of interconnection were not proportionate to changes in blended MOU because the interconnection charges we paid to BTTB (now BTCL) varied depending upon the nature of the connection and the time of day and also because an increasing proportion of our MOU was for on-network calls, for which there were no interconnection charges. The BTRC license fee expense increased 155.5% to Taka 2,066.8 million in 2006 from Taka 809.0 million in 2005, primarily due to higher traffic revenue and because our mobile cellular license fee rate increased on July 1, 2005 from 1.0% to 5.5% of collected rent and call charges. Dealers and agency commission increased 30.6% to Taka 2,759.8 million in 2006 from Taka 2,113.2 million in 2005, primarily due to the growth in our subscriber base.

Network operation and maintenance expenses: Network operation and maintenance expenses increased 47.4% to Taka 2,105.7 million in 2006 from Taka 1,428.5 million in 2005, primarily due to a 134.9% increase in our number of base stations to 6,178 at December 31, 2006 from 2,630 at December 31, 2005 and a corresponding increase in electricity charges. We increased the number of our base stations in 2006 as a result of the increase to our subscriber base and in order to address the deterioration of call quality stemming from spectrum constraints. As a result, operation and maintenance costs for base stations increased 37.8% to Taka 291.6 million in 2006 from Taka 211.7 million in 2005 primarily due to the increase in number of base stations. Electricity charges increased 84.2% to Taka 575.4 million in 2006 from Taka 312.3 million in 2005, primarily due to the increase in the number of our base stations and switches. Network quality maintenance expenses increased 124.0% to Taka 759.6 million in 2006 from Taka 339.1 million in 2005, primarily due to increased expenses on consultants. Rent increased 59.6% to Taka 213.5 million in 2006 from Taka 133.7 million in 2005, primarily due to the increase in our number of leased base station sites. Operation and maintenance expenses for switches declined 56.3% to Taka 187.9 million in 2006 from Taka 429.5 million in 2005, primarily because we did not need any major maintenance work done on switches and because we did not incur significant additional costs on generators.

Depreciation and amortization relating to network operations: Depreciation and amortization relating to network operations increased 60.2% to Taka 6,500.5 million in 2006 from Taka 4,056.8 million in 2005, primarily due to the depreciation of base stations and transmission equipment acquired in 2005 and 2006. We incurred capital expenditures of Taka 21,656.3 million in 2006 compared to Taka 26,151.0 million in 2005.

Gross profit: As a result of the foregoing, our gross profit increased 56.0% to Taka 26,962.0 million in 2006 from Taka 17,282.8 million in 2005. Our gross margin increased to 59.1% in 2006 from 58.6% in 2005.

Other income, net: Net other income decreased 10.1% to Taka 102.3 million in 2006 from Taka 113.8 million in 2005, primarily because we incurred new expenses relating to our new lease of part of the Power Grid Company of Bangladesh's fiber optic network.

General and administrative expenses: General and administrative expenses increased 71.8% to Taka 3,915.2 million in 2006 from Taka 2,279.2 million in 2005, primarily due to increases in personnel expenses, office maintenance and running expenses and license fees and spectrum charges. Personnel expenses increased 76.5% to Taka 1,986.4 million in 2006 from Taka 1,125.2 million in 2005, primarily because we increased our number of full-time employees 29.2% to 1,646 at December 31, 2006 from 1,274 at December 31, 2005. Most of our new hires were in distribution and sales, network operations and marketing. We also increased salaries to retain employees in response to increased competition among Bangladesh mobile operators for personnel. Office maintenance and running expenses increased 84.5% to Taka 337.4 million in 2006 from Taka 182.9 million in 2005 because we opened a number of customer service centers and expanded our head office. Spectrum charges increased 48.0% to Taka 466.8 million in 2006 from Taka 315.3 million in 2005, primarily because we added more base stations, increased our microwave links and increased our subscriber base.

Selling and distribution expenses: Selling and distribution expenses increased 91.8% to Taka 3,944.3 million in 2006 from Taka 2,056.8 million in 2005, primarily because on July 1, 2005 we started paying the SIM tax on behalf of our subscribers. These expenses increased 107.5% to Taka 2,566.0 million in 2006 from Taka 1,236.5 million in 2005, primarily because we added more subscribers in 2006 than in 2005 and because

the SIM tax was payable for only six months in 2005 versus twelve months in 2006. See “— Factors Affecting Our Results of Operations—Taxes, Duties and Fees.” Advertisements increased 215.7% to Taka 859.9 million in 2006 from Taka 272.4 million in 2005 in response to heightened competition among mobile operators and as part of our effort to expand our subscriber base.

Bad debt expense: Bad debt expense decreased 72.4% to Taka 41.6 million in 2006 from Taka 150.8 million in 2005, primarily because we tightened our credit controls and introduced automated bill collections.

Depreciation and amortization relating to non-network operations: Depreciation and amortization relating to non-network operations increased 214.1% to Taka 967.9 million in 2006 from Taka 308.1 million in 2005, primarily due to the amortization of our business system software and the depreciation of property, plant and equipment for our new offices, Grameenphone Centers and Grameenphone service desks.

Operating profit: As a result of the foregoing, operating profit increased 44.4% to Taka 18,195.3 million in 2006 from Taka 12,601.7 million in 2005. Our operating margin decreased to 39.9% in 2006 from 42.8% in 2005.

Finance costs, net: Net finance costs increased 24.0% to Taka 918.8 million in 2006 from Taka 740.8 million in 2005. We incurred higher interest costs and other charges in 2006 because interest on our long-term loans with IFC, ADB and NORFUND first became payable during 2006. See “— Our Critical Accounting Policies—Foreign Currency Exchange Differences.”

Loss on disposal of property, plant and equipment: Loss on disposal of property, plant and equipment increased 160.4% to Taka 258.8 million in 2006 from Taka 99.4 million in 2005, because we sold two switches and accelerated disposals of older base stations.

Share of profit of X-Net Ltd.: Share of profit of X-Net Ltd. increased to Taka 1.9 million in 2006, as X-Net realized a net profit in 2006. No profit was realized in 2005.

Profit before tax: As a result of the foregoing, profit before tax increased 44.7% to Taka 17,019.5 million in 2006 from Taka 11,761.5 million in 2005.

Income tax expenses: Income tax expenses increased 96.7% to Taka 9,535.5 million in 2006 from Taka 4,848.6 million in 2005, primarily due to the 44.7% increase in our profit before tax in 2006. A significant portion of our income tax expense in 2006 is attributable to the disallowance for tax purposes of the expense we recorded in our 2006 income statement for our payment of the SIM tax on behalf of our new subscribers. Our expense on the SIM tax was not disallowed for purposes of our 2005 tax return. We also added back an amount for the Accelerated Depreciation Scheme.

Net profit: As a result of the foregoing, net profit increased 8.3% to Taka 7,484.0 million in 2006 from Taka 6,912.9 million in 2005. Our net margin decreased to 16.4% in 2006 from 23.5% in 2005.

Liquidity and Capital Resources

We maintain cash balances, held in Taka, to fund the daily cash requirements of our business. Our funding requirements for our working capital, capital expenditures and other requirements have been met through cash generated from operations, short-term and long-term bank and other borrowings and vendor financing, including six month deferred letters of credit with Ericsson with respect to network and radio access equipment. As at September 30, 2008, we had Taka 2,956.5 million of cash and cash equivalents and loans and borrowings totalling Taka 12,329.7 million. As our liquidity and capital requirements are affected by many factors, some of which are beyond our control, including economic conditions in Bangladesh, subscriber growth and demand for services, regulatory developments, availability of financing and the sectors we target for our services, our funding requirements may change. If we require additional funds to support our working capital or capital requirements, we may seek to raise such additional funds through public or private financing or other sources. In addition, we may alter our capital structure by incurring more debt.

The following table summarizes our cash flows for the periods indicated:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|------------------------------------|------------|------------|--|------------|
| | 2005 | 2006 | 2007 | 2007 | 2008 |
| | (Taka in millions) (audited) | | | | |
| Cash flow statement data: | | | | | |
| Net cash from operating activities | 17,049.6 | 26,163.2 | 24,135.6 | 19,001.1 | 18,638.2 |
| Net cash used in investing activities | (16,410.9) | (22,609.3) | (30,470.0) | (24,200.8) | (17,095.1) |
| Net cash (used in)/received from financing activities | (1,230.2) | (2,341.9) | 4,295.4 | 3,526.9 | 608.8 |
| Net increase/(decrease) in cash and cash equivalents | (591.5) | 1,212.0 | (2,039.1) | (1,672.8) | 2,151.9 |

Our audited financial statements as of, and for the year ended, December 31, 2008, selected financial information (unaudited) for the three months ended March 31, 2009 and selected financial information (unaudited) for the three months ended June 30, 2009, are included in Appendix D to this Prospectus.

Net Cash from Operating Activities

Our net cash from operating activities for the nine months ended September 30, 2008 amounted to Taka 18,638.2 million, compared to Taka 19,001.1 million for the nine months ended September 30, 2007. This decrease in the nine months ended September 30, 2008 reflected an increase in the taxes we paid on higher sales during the period.

Our net cash from operating activities for the year ended December 31, 2007 amounted to Taka 24,135.6 million, compared to Taka 26,163.2 million for the year ended December 31, 2006. This decrease during the year ended December 31, 2007 reflected an increase in our operational costs to pay our suppliers and contractors (offset in part by vendor financing), increased taxes paid and our payment of the fine to the BTRC, all of which offset our increase in cash received from sales or for the performance of services.

Our net cash from operating activities for the year ended December 31, 2006 amounted to Taka 26,163.2 million, compared to Taka 17,049.6 million for year ended December 31, 2005. The increase in cash from our operating activities in the year ended December 31, 2006 reflected our significant revenue growth during 2006 and lower payables to Government, autonomous and other operators.

Net Cash Used in Investing Activities

Our net cash used in investing activities amounted to Taka 17,095.1 million for the nine months ended September 30, 2008, compared to Taka 24,200.8 million for the nine months ended September 30, 2007. This decrease in the nine months ended September 30, 2008 reflected the fact that we deferred payment of certain capital expenditures incurred during the nine months ended September 30, 2008. The decrease also reflects a gradual decline in our investment needs, as our pace of network buildup has decreased after we achieved, in 2007, our goal of expanding our network to reach a targeted population coverage of more than 95.0% of Bangladesh. Also, our cash used in investing activities during the nine months ended September 30, 2007 was higher because our capital expenditure was higher in 2007 and we paid certain capital expenditures during that period that we had deferred from the last quarter of 2006.

Our net cash used in investing activities amounted to Taka 30,470.0 million for the year ended December 31, 2007, compared to Taka 22,609.3 million for the year ended December 31, 2006. This increase in the year ended December 31, 2007 reflected our acquisition of equipment for our network and included our payment of deferred capital expenditures from 2006.

Our net cash used in investing activities amounted to Taka 22,609.3 million for the year ended December 31, 2006, compared to Taka 16,410.9 million generated in the year ended December 31, 2005. This increase in the year ended December 31, 2006 reflected our acquisition of equipment for our network and our payment of deferred capital expenditures from 2005, offset in part by our use of deferred letters of credit for equipment purchased from Ericsson.

Net Cash (Used in)/Received from Financing Activities

Our net cash received from financing activities amounted to Taka 608.8 million for the nine months ended September 30, 2008, compared to net cash received from financing activities of Taka 3,526.9 million for the nine months ended September 30, 2007. This change in the nine months ended September 30, 2008 reflected decreased cash inflows from short-term borrowings from our overdraft facilities and payment of a dividend in the nine months ended September 30, 2008.

Our net cash received from financing activities amounted to net cash inflows of Taka 4,295.4 million for the year ended December 31, 2007, compared to net cash outflows of Taka 2,341.9 million for the year ended December 31, 2006. This change in the year ended December 31, 2007 reflected our entry into a Taka 2,000 million syndicated loan and a Taka 4,908.8 million short-term financing facility during the period, offset by payment of a Taka 1,458.2 million dividend, periodic repayments of our outstanding long-term loans and payment of principal on our lease of Bangladesh Railway's fiber optic network.

Our net cash used in financing activities amounted to net cash outflows of Taka 2,341.9 million for the year ended December 31, 2006, compared to net cash outflows of Taka 1,230.2 million for the year ended December 31, 2005. This change reflected the absence of cash inflows from financing activities in 2006. In 2006 we paid a dividend of Taka 1,215.2 million, a 51.7% decrease from the Taka 2,515.1 million dividend we paid in 2005. Also, in 2005, we borrowed Taka 2,221.9 million under our loan agreement with IFC, ADB and NORFUND. Other increased cash outflows in 2006 included our repayment of the principal portion of our loans and borrowings and our payment of the principal portion of our finance lease obligations.

| Internal and External Sources of Cash | As of September 30, 2008 (Taka) |
|--|--|
| Internal sources | |
| Business operations | 45,919,596,171 |
| Advances against employee shares | <u>1,043,532,329</u> |
| Total | 46,963,128,500 |
| External sources | |
| Local interest bearing short-term borrowings | <u>3,477,975,533</u> |
| Total | <u>3,477,975,533</u> |
| Total | <u><u>50,441,104,033</u></u> |

Indebtedness

The following table sets forth information on our outstanding indebtedness as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---------------------------------|----------------|-----------------|------------------------|
| | 2005 | 2006 | 2007 | 2008 |
| | (Taka in millions) (audited) | | | |
| Short term debt: | | | | |
| Short-term working capital facilities | - | - | 4,908.8 | 8,386.8 |
| Current portion of long-term borrowings | 938.3 | 966.9 | 1,108.7 | 1,489.9 |
| Local syndicated loan | - | - | 117.7 | 458.4 |
| IFC | 408.1 | 415.0 | 411.3 | 409.3 |
| ADB | 275.7 | 281.2 | 280.4 | 280.6 |
| NORFUND | 137.1 | 139.6 | 138.6 | 138.2 |
| Eksportfinans ASA | 39.2 | 43.7 | 53.5 | 67.8 |
| NORAD | 78.3 | 87.4 | 107.1 | 135.6 |
| Current portion finance lease obligations | 189.9 | 195.5 | 1,485.2 | 481.4 |
| Total short-term debt | 1,128.1 | 1,162.4 | 7,502.7 | 10,358.1 |
| Non-current portion of long-term borrowings | 3,278.4 | 2,448.5 | 3,367.6 | 2,452.9 |
| Local syndicated loan | - | - | 1,812.4 | 1,489.9 |
| IFC | 1,396.2 | 1,020.4 | 611.2 | 409.0 |
| ADB | 943.2 | 691.5 | 416.8 | 280.3 |
| NORFUND | 469.1 | 343.2 | 206.0 | 138.1 |
| Eksportfinans ASA | 156.6 | 131.1 | 107.1 | 45.2 |
| NORAD | 313.2 | 262.3 | 214.2 | 90.4 |
| Non-current portion finance lease obligations | 4,562.9 | 4,229.3 | 5,315.6 | 5,444.9 |
| Total long-term debt | 7,841.3 | 6,677.8 | 8,683.2 | 7,897.8 |
| Total borrowings | 8,969.5 | 7,840.2 | 16,185.9 | 18,255.9 |

Loans Taken By or Given to Issuer To or From the Holding or Parent Company

As of September 30, 2008, there are no inter-company loans between us and TMC, GTC or X-Net.

Change in Assets to Pay Any Liabilities

We have not sold or changed any of our assets in order to pay our liabilities, except in the ordinary course of business.

Short-Term Working Capital Facilities

As of September 30, 2008, we were party to short-term working capital facilities with 19 banks operating in Bangladesh and had entered into short-term loans with four financial institutions. The aggregate amount available under these facilities and loans is Taka 22,922.85 million. The aggregate non-funded limit under these facilities is Taka 19,622.2 million, which includes letters of credit, letters of guarantees and foreign exchange forward arrangements. The aggregate funded limit under these facilities is Taka 10,790.65 million, which includes overdraft facilities, short-term loans and import loans. The applicable interest rate on the funded working capital facilities varies from bank to bank between 11.0% and 15.0% per annum, subject to revision by the banks. The applicable interest rate on the short-term loans with the four financial institutions is 17.0% per annum.

The following summarizes our existing short-term working capital facilities and short-term loans as of September 30, 2008:

- Bank Alfalah. The facility with Bank Alfalah Ltd. includes a cash finance facility for up to Taka 225 million, with an interest rate of 14.0% per annum, a letter of credit for Taka 525 million, and a bank guarantee for Taka 300 million, all valid until July 2009.

- Bank Asia Ltd. The facility with Bank Asia Ltd. includes an overdraft facility for up to Taka 270 million, with an interest rate of 13.5% per annum, and a letter of credit for Taka 280 million, all valid until April 2009.
- BRAC Bank Ltd. The facility with BRAC Bank Ltd. includes a short-term loan facility and overdraft facility under which the combined exposure must not exceed Taka 550 million and each with an interest rate of 14.0% per annum, and a letter of credit for Taka 1,300 million, all valid until August 2009.
- Citibank N.A. The facility with Citibank N.A. includes a short-term loan facility and an overdraft facility, under which the combined exposure must not exceed Taka 2,100 million, with an interest rate of 11.75% and 12.0% per annum, respectively. It also includes a letter of credit for Taka 2,800 million. The Citibank N.A. facility is considered renewed yearly unless otherwise decided by the bank.
- Commercial Bank of Ceylon Ltd. The facility with Commercial Bank of Ceylon Ltd. included a short-term loan and overdraft facility of up to Taka 210 million, with an interest rate of 12.5% per annum, a letter of credit for Taka 550 million and foreign exchange forward arrangements for up to Taka 550 million, all valid until June 2008. We are in the process of renewing this facility.
- Dhaka Bank Ltd. The facility with Dhaka Bank Ltd. includes a short-term loan and revolving loan against trust receipt facility for up to Taka 435 million, with an interest rate of 14.0% per annum, and a letter of credit with shipping guarantee for Taka 1,000 million. The short-term loan and revolving loan against trust receipt facility is valid until April 2009 and the letter of credit with shipping guarantee is valid until March 2009.
- Dutch Bangla Bank Ltd. The facility with Dutch Bangla Bank Ltd. includes a revolving short-term loan, overdraft and loan against trust receipt facility for up to Taka 390 million, with an interest rate of 13.5% per annum, and a letter of credit for Taka 930 million, all valid until April 2009.
- Eastern Bank Ltd. The facility with Eastern Bank Ltd. includes a short-term loan facility for up to Taka 600 million, with an interest rate of 13.75%, an overdraft facility for up to Taka 100 million, with an interest rate of 13.75% per annum, a loan against trust receipt facility for Taka 600 million, a letter of credit for Taka 1,400 million and bank guarantees for Taka 150 million each, all valid until June 2009. The combined funded exposure under the short-term loan facility, loan against trust receipt facility and the overdraft facility must not exceed Taka 600 million, and the total exposure under the bank guarantees must not exceed Taka 150 million.
- Export Import Bank of Bangladesh Ltd. The facility with the Export Import Bank of Bangladesh Ltd. includes a *bai-muajjal* (a credit sale on a deferred payment basis) of Taka 225 million, with a profit of 14.0% per annum, and a letter of credit for Taka 300 million, all valid until June 2009.
- IDLC Ltd. On July 14, 2008, we entered into a Taka 200 million term loan with IDLC Ltd. The loan is fully drawn. The principal is to be repaid in October 2009, and interest of 17.0% per annum is payable every quarter.
- Jamuna Bank Ltd. The facility with Jamuna Bank Ltd. includes a letter of trust receipt and overdraft facility for Taka 230 million, with an interest rate of 14.5% per annum, and a letter of credit with a shipping guarantee for Taka 580 million, all valid until January 2009.
- National Housing Finance and Investments Ltd. On July 28, 2008, we entered into a Taka 150 million term loan with National Housing Finance and Investments Ltd. The loan is fully drawn. The principal is to be repaid in July 2009, and interest of 17.0% per annum is payable every month.
- One Bank Ltd. The facility with One Bank Ltd. includes an overdraft facility, loan against trust receipt facility and time loan facility, all revolving, under which the combined exposure must not exceed Taka 280 million, with an interest rate of 13.5% per annum, a letter of credit for Taka 660 million and a bank guarantee for up to Taka 10 million, all valid until October 2008. We are in the process of renewing the One Bank Ltd. facility. As of the date of this Prospectus, this facility was fully repaid, and we are in negotiations to renew this facility.
- Premier Bank Ltd. The facility with Premier Bank Ltd. includes an overdraft facility for Taka 390 million, with an interest rate of 13.5% per annum, a letter of credit for Taka 910 million and a bank guarantee for Taka 910 million, all valid until March 2009. The exposure under the letter of credit and guarantee must not exceed Taka 910 million.

- Prime Bank Ltd. The facility with Prime Bank Ltd. includes an overdraft and loan against trust receipt facility Taka 950 million, with an interest rate of 14.0% per annum for the first Taka 600 million and 15.0% for the remaining Taka 350 million, and a letter of credit with a shipping guarantee for Taka 1,500 million, all valid until August 2009.
- Shahjalal Islami Bank Ltd. The facility with Shahjalal Islami Bank Ltd. includes a murabaha letter of credit (where an intermediary buys the required item and sells it to the prospective buyer) for Taka 980 million, with a profit of 14.0% per annum, a revolving murabaha post import trust receipt and *bai-muajjal* trust receipt facility for Taka 430 million, with a profit of 14.0% per annum, and a bank guarantee for Taka 100 million, all valid until December 2008.
- Standard Chartered Bank. The facility with Standard Chartered Bank includes a short-term loan and overdraft facility under which the combined exposure must not exceed Taka 950 million, each with an interest rate of 13.5% per annum, and letters of credit with a shipping guarantee for a total of Taka 2,333 million, all valid until July 2009.
- The City Bank Ltd. The facility with The City Bank Ltd. includes an overdraft facility and short-term loan facility, under which the combined exposure must not exceed Taka 370 million, with an interest rate of 13.25% per annum and 13.5% per annum, respectively, a letter of credit for Taka 590 million and a bank guarantee for Taka 590 million, all valid until December 2008.
- The Hongkong and Shanghai Banking Corporation Limited, Dhaka. The facility with The Hongkong and Shanghai Banking Corporation Limited, Dhaka, includes a short-term loan facility for up to Taka 700 million, with a floating interest rate to be fixed at the time of drawing, an overdraft facility for up to Taka 150 million, with an interest rate of 12.5% per annum, a letter of credit for Taka 2,300 million, and a foreign exchange line for Taka 10 million, all valid until June 2009. The combined funded exposure under the short term loan and overdraft facility must not exceed Taka 700 million.
- Trust Bank. The facility with Trust Bank includes an overdraft facility for up to Taka 280 million, with an interest rate of 13.5% per annum, and a letter of credit for Taka 400 million, all valid until December 2008.
- United Leasing Company Ltd. On July 8, 2008, we entered into a Taka 150 million term loan with United Leasing Company Ltd. The loan is fully drawn. The principal is to be repaid in July 2009, and interest of 17.0% per annum is payable every month.
- Uttara Finance and Investments Ltd. On June 26, 2008, we entered into a Taka 500 million term loan with Uttara Finance and Investments Ltd. The loan is fully drawn. The principal is to be repaid in December 2008, and interest of 17.0% per annum is payable every month.
- Woori Bank. The facility with Woori Bank includes a revolving overdraft facility for up to Taka 205.65 million, with an interest rate of 11.0% per annum, and a letter of credit for Taka 274.2 million, all valid until January 2009.

The facilities with Shahjalal Islami Bank Ltd. and the Export Import Bank of Bangladesh Ltd. require compliance with certain Islamic principles. No overdraft facility is allowed, and all borrowing must be earmarked against specific purchases. Also, the monies from that facility cannot be used to make payments to regulatory authorities.

Long-Term Borrowings

On September 17, 2007, we entered into a Taka 2,000 million syndicated term loan facility with 16 banks operating in Bangladesh: Agrani Bank, Bank Asia Limited, Citibank N.A., Infrastructure Development Company Limited, IFIC Bank Limited, Jamuna Bank Limited, National Bank Limited, Pubali Bank Limited, Saud-Bangladesh Industrial & Agricultural Investment Company Limited, Standard Bank Limited, Standard Chartered Bank, The City Bank Limited, Trust Bank Limited, United Commercial Bank Limited, Uttara Bank Limited and Sonali Bank. The loan is fully drawn. The principal is to be repaid in 17 equal quarterly installments beginning on November 15, 2008, with the balance due on October 15, 2012. Interest of 13.50% per annum is payable quarterly.

We have term loan facilities with International Finance Corporation (“IFC”), the Asian Development Bank (“ADB”) and the Norwegian Investment Fund for Developing Countries (“NORFUND”), for principal amounts of US\$30.0 million, US\$20.0 million and US\$10.0 million, respectively. Each loan is fully drawn. The principal of

each term loan is to be repaid in 10 equal semi-annual installments beginning on December 15, 2005, with the balance due on June 15, 2010. Each loan has a variable interest rate linked to our net debt to EBITDA ratio. If the ratio is equal to or more than 1.0, the interest rate is LIBOR plus 3.5% per annum; if the ratio is less than 1.0 and equal to or more than 0.5, the interest rate is LIBOR plus 3.25% per annum; and if the ratio is less than 0.5, the interest rate is LIBOR plus 3.0% per annum. Interest is payable every June 15 or December 15 during the term of the loans. We used these term loans for the expansion of our cellular network and to refinance existing debt. As per the loan agreement, we can apply the amounts borrowed under the agreement towards general corporate purposes, including expanding the network capacity and capital expenditure. The term loan with ADB requires us to abide by ADB's anticorruption policy at all times.

We are party to a NOK 25.0 million term loan facility with Eksportfinans. The loan is fully drawn. The principal is to be repaid in 14 equal semi-annual installments beginning on June 29, 2004, with the balance due on December 29, 2010. The interest rate is payable at six months NIBOR plus 30 basis points per annum. Interest is payable every June 29 or December 29 during the term of the loan.

We are party to a NOK 50.0 million term loan facility with NORAD, an external directorate under the Royal Norwegian Ministry of Foreign Affairs. The loan is fully drawn. The principal is to be repaid in 14 equal semi-annual installments beginning on June 30, 2004, with the balance due on December 31, 2010. Interest is payable at a fixed rate of 3.4% per annum, payable every June 30 and December 30 during the term of the loan.

All of the above long-term loans are secured by a first priority floating charge on our undertakings, property and assets, present and future goodwill and monies held in our bank accounts for a total charge of Taka 7,651.2 million. If Telenor ceases to beneficially own 50.1% of the voting and economic rights attaching to our share capital, then we are required to prepay all of the above long-term loans. In accordance with the above long-term loans, we must ensure compliance with the following ratios based upon the unaudited quarterly financial statements for the relevant half fiscal year:

- the net long-term debt to shareholders' equity ratio is not more than 1.5;
- the debt service coverage ratio is not less than 1.5;
- the net long-term debt to annualized EBITDA ratio is not more than 2.0; and
- the financial indebtedness to shareholders' equity ratio is not more than 2.0.

The loan agreements for these long-term loans have a common set of 18 events of default, including if:

- we do not pay when due any amount payable under these long-term loan agreements and the related security agreements and fee letters;
- we do not comply with the financial covenants, subject to certain conditions regarding our ability to cure any such non-compliance;
- we do not perform our obligations under these long-term loan agreements, related security agreements and fee letters, our mobile cellular license, our interconnection agreements and our lease agreement with Bangladesh Railway (other than payment obligations in respect of the long-term loans and other obligations referred to in another event of default), and, in respect of any non-compliance with the restrictions on dividends, incurrence of debt and non-arms' length transactions, such non-compliance is not remedied within 30 days and, in respect of other obligations, such non-compliance would have a material adverse effect and is not remedied within 60 days or any longer applicable cure period;
- any one of certain representations or warranties under these long-term loan agreements is inaccurate or incorrect in any material respect and such inaccuracy or incorrectness is not remedied within 60 days;
- we (i) take any step to make an assignment for the benefit of our creditors, (ii) cease or threaten to cease to carry on our business or any substantial part of our business, or (iii) are unable to pay our debts as they fall due or otherwise become insolvent;
- an order is made or an effective resolution passed for our winding up, bankruptcy or dissolution or a petition is presented and accepted by the relevant court for our winding up or dissolution;
- any event occurs which under any applicable law would have an effect analogous to any of the events listed under the preceding three bullets;
- any encumbrancer lawfully takes possession, or a liquidator, judicial custodian, receiver, administrative receiver or trustee is appointed, of the whole or any material part of our assets, or an attachment, sequestration, distress or execution is levied or enforced upon or issued against our

assets or property with an aggregate value in excess of US\$2,000,000 and is not discharged within 30 days;

- we do not pay any debt (other than the long-term loans) when due in an amount exceeding the equivalent of US\$1,000,000 or to perform any of our obligations under any agreement pursuant to which we have outstanding debt (other than the long-term loans) in excess of the equivalent of US\$1,000,000, and such non-payment continues for more than the applicable grace period, entitling the creditor to declare the debt due and payable prior to its specified maturity date, or any such debt of ours becomes prematurely due and payable or is placed on demand by reason of an event of default (howsoever defined under the relevant debt agreement), except to the extent that such debt being contested in good faith by us in a timely manner and in appropriate proceedings;
- any authorization necessary for us to perform our material obligations under our long-term loan agreements, related security agreements and fee letters, our mobile cellular license, our interconnection agreements and our lease agreement with Bangladesh Railway is not obtained when required or ceases to be in full force and effect and is not restored or reinstated within 30 days of notice thereof;
- any provision of any security agreement relating to our long-term loan agreements is revoked, rescinded or ceases to be in full force and effect or any such agreement ceases or fails to provide the security intended to be created, without, in each case, the prior written consent of each lender representative, or the performance of the obligations under any such document becomes unlawful or any such document is declared to be void or is repudiated or its validity or enforceability at any time is challenged by any person (other than the lenders) unless, in the case only of a repudiation or challenge, such repudiation or challenge is withdrawn within 30 days of the first of each of the lender representatives' notice to us requiring that withdrawal and pending such withdrawal such repudiation or challenge has no effect;
- any material provision of any of our long-term loan agreements, related fee letters, our mobile cellular license and our lease agreement with Bangladesh Railway ceases to be in full force and effect without, in each case, the prior written consent of each lender representative, or the performance of the obligations under any such document becomes unlawful or any such document is declared to be void or is repudiated or its validity or enforceability at any time is contested by any person and the provision is not restored or replaced by a provision acceptable to each of the lender representatives, or such repudiation or challenge is not withdrawn within 30 days of any lender representative's notice to us requiring that restoration, replacement or withdrawal and pending such withdrawal such repudiation or challenge has no effect;
- any of the terms and conditions of our mobile cellular license is breached by any party to it and such breach may have a material and adverse effect on our ability to perform our material obligations under our long-term loan agreements, related security agreements and fee letters, our mobile cellular license, our interconnection agreements and our lease agreement with Bangladesh Railway;
- any Bangladeshi authority notifies us of a material breach or potential material breach of any of our obligations under our mobile cellular license and such breach would have a material and adverse effect on our ability to perform any of our obligations under our long-term loan agreements, related security agreements and fee letters, our mobile cellular license, our interconnection agreements and our lease agreement with Bangladesh Railway, and we do not promptly notify each of the lender representatives of such notification;
- any litigation in respect of us is adversely determined and is not subject to further appeal and such determination could reasonably be expected to have a material adverse effect on us, our ability to comply with our obligations under our long-term loan agreements, or the validity or enforceability of any security granted under our long-term loan agreements or the rights and remedies of any finance party under our long-term loan agreements;
- we do not take any action to remedy a breach of our obligations under our mobile cellular license and such failure can be claimed as grounds for termination of the license;
- we do not observe or perform any of our obligations under our long-term loan agreements not to make prohibited payments to officials, which is material in the opinion of the lender representatives, acting reasonably, and such failure is not remedied within 60 days; or

- any event or circumstance occurs which any of the lender representatives reasonably believe might have a material adverse effect on our ability to comply with our payment obligations or our obligations to comply with or maintain any financial covenant contained in our long-term loan agreements, related security agreements and fee letters or which results, or is reasonably likely to result, in any of our long-term loan agreements, related security agreements and fee letters ceasing to be legal, valid, binding and enforceable substantially in accordance with its terms.

The foregoing is a summary description of the events of default under the long-term loan agreements described above. This description is not intended to be exhaustive and is qualified in its entirety by reference to the provisions contained in the definitive agreements.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated:

| | Capital Expenditures⁽¹⁾ (Taka in millions) |
|--|--|
| 2005 ⁽²⁾ | 26,151.0 |
| 2006 | 21,656.3 |
| 2007 | 35,762.6 |
| Nine months ended September 30, 2008 | 14,450.2 |

(1) Capital expenditures consist principally of expenditures to build, expand and improve our network coverage and capacity and to purchase related equipment. It includes assets acquired under our finance lease with Bangladesh Railway amounting to Taka 5,050.0 million in 2005 and Taka 2,574.0 million in 2007.

(2) In November 2004, we amended our lease agreement with Bangladesh Railway to increase the guaranteed annual rent and use more channel capacity. As a result of this amendment, we classified our lease of the fiber optic network as a finance lease instead of as an operating lease in accordance with IAS 17. Accordingly, we have treated the lease as a finance lease in our financial statements since January 1, 2005. The matter has also been disclosed in our audited accounts for 2005, and has not been qualified by our auditors. In June 2007, we amended our lease agreement again in order to extend its term to 2027, though at the end of this term we will not have ownership of the fiber optic network.

Historically, most of our capital expenditures were made to build, expand and improve our network coverage and capacity and to purchase related equipment. Of the capital expenditures on our network in 2007, we spent more than 70.0% on improving network capacity. More recently, our capital expenditures for the nine months ended September 30, 2008 mainly related to adding base stations to increase our network capacity.

For the near future, in connection with our capacity expansion plans, we expect to continue to increase our number of base stations and purchase other network equipment. Capital expenditures for the fourth quarter of 2008 were approximately Taka 12.9 billion, of which Taka 5.9 billion is for the additional spectrum allocation. In the aggregate, we are budgeting for capital expenditures of approximately Taka 12.5 billion in 2009, Taka 6.8 billion in 2010 and Taka 16.8 billion in 2011. Our budgeted future capital expenditures may be affected if the BTRC decides to grant us a 3G license.

In 2005 and 2007, we entered into arrangements with Ericsson to use unfunded letters of credit to defer payment for the purchase of network equipment by six months. Since July 1, 2008, we have entered into similar arrangements with Ericsson, Huawei and other suppliers with a total value of US\$ 21.2 million. In 2009, we expect to fund our ongoing capital expenditures with cash from operations, the proceeds of our bond issuance and the proceeds of the Offering.

Contractual Obligations and Material Commitments for Capital Expenditure, and Expected Sources of Funds

The following table sets forth our contractual obligations, including commitments for capital expenditures, as of September 30, 2008 for the periods indicated:

| | Payment due by | | | | Total |
|--|---------------------------|--------------|--------------|--------------|---------------|
| | 2008 | 2009-2010 | 2011-2012 | Thereafter | |
| | <i>(Taka in millions)</i> | | | | |
| Long-term debt | 633 | 2,420 | 890 | 0 | 3,943 |
| Committed capital expenditures . . | 5,085 | 0 | 0 | 0 | 5,085 |
| Finance lease obligations | 218 | 151 | 0 | 5,557 | 5,926 |
| Operating lease obligations | 385 | 808 | 808 | 4,111 | 6,112 |
| Other obligations ⁽¹⁾ | 41,062 | 0 | 0 | 0 | 41,062 |
| Total contractual obligations . . . | 47,383 | 3,379 | 1,698 | 9,668 | 62,128 |

- (1) Other obligations include payables to the Government (being the BTRC, BTTB, NBR and Bangladesh Railway), income tax and VAT payable, unearned income, provision for expenses, etc.
- (2) Our expected sources of funds for our committed capital expenditure are cash generated from our operations, loans from banks and other financial institutions, and the proceeds from the Public Offering.

We intend, within the next one year, to enter into the following contracts: a renewed framework agreement with Ericsson for GSM equipment; an additional framework agreement with Ericsson for services relating to the maintenance of GSM equipment; and a framework agreement for microwave antenna and related equipment, with the vendor to be determined, as well as other contracts in the ordinary course of business. Any liabilities we incur under these contracts will have an impact on our financial fundamentals, though we expect such liabilities to be consistent with our projected capital expenditures.

Operating Lease Commitments

Our operating leases for the past five years consist of a total of 5,432 leases for our switches and base stations. The length of our operating leases ranges from three months to 30 years. The average monthly rental was Taka 11,109.8, with the maximum being Taka 3,481,800 and the minimum being Taka 1,000.

Finance Lease Commitments

Our sole finance lease for the past five years has been with Bangladesh Railway, for the use of its fiber optic network. The lease, which was signed in 1997, will expire in 2027. The monthly rental for 2008 is Taka 73.7 million. The monthly rental will increase by Taka 3.7 million each year.

Off-Balance Sheet Arrangements

We do not have material off-balance sheet arrangements. As of September 30, 2008, contingent liabilities in relation to outstanding letters of credit amounted to Taka 2,889.6 million and contingent liabilities in relation to outstanding bank guarantees amounted to Taka 425.2 million.

Allowance for Doubtful Accounts

As of December 31, 2007 and September 30, 2008, we had an aggregate of Taka 2,874.4 million and Taka 2,472.5 million, respectively, in accounts receivable subject to a provision for doubtful debts as shown in the table below:

| | As of | | | As of |
|--|---------------------------|-------------------|----------------|--------------------|
| | 2005 | December 31, 2006 | 2007 | September 30, 2008 |
| | <i>(Taka in millions)</i> | | | |
| Accounts receivable | 3,842.2 | 4,317.8 | 2,874.4 | 2,472.5 |
| Less: provision for doubtful debts | 157.5 | 52.6 | 148.6 | 252.3 |
| Accounts receivable, net | <u>3,684.7</u> | <u>4,265.2</u> | <u>2,725.7</u> | <u>2,220.2</u> |

Our net accounts receivable constituted 39.8% of our total current assets as of December 31, 2007 and 25.4% of our total current assets as of September 30, 2008.

According to our bad debt policy, we record a provision for 100.0% of the amount outstanding (after considering security deposits) from churned postpaid subscribers. We consider a postpaid subscriber as churned if the subscriber's account is barred for three months. We bar a postpaid subscriber's account if the subscriber's usage exceeds the subscriber's approved credit limit or if the subscriber does not pay an invoice by the payment deadline. We write off bad debts one year after the year of recognition. Any recovery of previously written off bad debt is adjusted with bad debt expenses in the year of recovery.

The table below presents a maturity schedule of net accounts receivable as of the periods indicated:

| Maturity | As of December 31, 2007 | As of September 30, 2008 |
|---|-------------------------------|--------------------------------|
| | <i>(Taka in millions)</i> | |
| Less than 30 days | 1,650.7 | 1,851.0 |
| Later than 30 days but less than 60 days | 269.5 | 97.7 |
| Later than 60 days but less than 90 days | 270.0 | 64.7 |
| Later than 90 days but less than 180 days | 426.6 | 125.3 |
| Later than 180 days but less than 365 days. | 171.5 | 164.6 |
| Later than 365 days | 86.3 | 169.3 |
| Total | <u>2,874.4</u> | <u>2,472.5</u> |

Quantitative and Qualitative Disclosures about Market Risk

The principal market risks that we are exposed to are changes in foreign exchange rates, inflation and, to a lesser extent, fluctuations in interest rates. The following discussions, constituting forward-looking statements that involve risk and uncertainties, summarize our exposure to foreign exchange rates, inflation and interest rate movements and our policies to address these risks. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations.

Foreign Currency Exchange Risk

Our foreign currency exposures give rise to market risk associated with exchange rate movements against the Taka, which is our functional and reporting currency. We capitalize foreign currency exchange differences arising on our foreign currency designated loans and borrowings and include them in the carrying amount of property, plant and equipment as required under the Companies Act. As a result, fluctuations in the value of the Taka against these other currencies will be reflected in our balance sheet. The difference for the year ended December 31, 2007 was Taka 65.8 million.

Our foreign currency denominated liabilities as of September 30, 2008 consisted of USD 24.0 million in long-term borrowings from IFC, ADB and NORFUND and NOK 26.8 million in long-term borrowings payable to NORAD and Eksportfinans. Together these accounted for 2.9% of our total liabilities as of September 30, 2008. Over the medium term, we plan to manage our exposure to foreign exchange fluctuations through our foreign-currency denominated debt by repaying all such debt by the end of 2010.

We also had Taka 3,644.8 million in accounts payable and accrued expenses (including for both capital expenditures and operating expenditures) that were denominated in U.S. dollars, which accounted for 5.3% of our total liabilities as of September 30, 2008. In 2007 and the first nine months of 2008, we had capital expenditures of approximately Taka 35,762.6 million and Taka 14,450.2 million, respectively, of which approximately 55.0% and 63.7% respectively, were denominated in U.S. dollars.

Inflation Risk

We are affected by inflation and changing prices from our suppliers primarily through the cost of equipment, increased operating costs and expenses, and fluctuations in interest rates. In particular, we increase wages annually in response to inflation in Bangladesh.

According to the Bangladesh Bureau of Statistics, Bangladesh's national inflation rate, as measured by consumer price index, was 7.2%, 7.2% and 9.9% for the 12 months ended June 30, 2006, 2007 and 2008, respectively. Inflation has been increasing in recent months. The Government projects an average CPI inflation rate of around 9.0% in 2009.

If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through tariff increases. Increases in the cost of essential items, such as fuel and food, may reduce our subscribers' available purchasing power and may lead to decreased spending on telecommunications. Any of the foregoing could adversely affect our business, financial condition, results of operations and prospects.

Interest Rate Risk

We are also subject to market risks due to fluctuations in interest rates, principally as a result of our long-term borrowings, nearly all of which bear interest at variable rates and expose us to rate increases. During 2008, we may enter into agreements to hedge our interest rate exposure, though we have not engaged in any such hedging activity previously.

Increases in interest rates will increase the cost of new borrowings and the interest rate with respect to our outstanding floating rate debt, and could have a material adverse effect on our financial position. After giving effect to our exposure to floating interest rates as of December 31, 2007 and September 30, 2008, if interest rates increased by 1.0% and all other variables were held constant, we estimate that we would have incurred additional interest expense of Taka 83.1 million and Taka 113.5 million, respectively, on our floating rate debt.

The table below summarizes the nominal value of the interest rate sensitive financial instruments held by us as of the periods indicated.

| | As of December 31, | | | As of |
|---|---|---------|---------|---------------|
| | 2005 | 2006 | 2007 | September 30, |
| | | | | 2008 |
| | Book value (Taka in millions) (unaudited) | | | |
| Variable rate bank and other loans (U.S. dollar) | 3,629.3 | 2,890.8 | 2,064.4 | 1,665.5 |
| Variable rate bank and other loans (Norwegian kroner) | 195.8 | 174.9 | 160.6 | 113.0 |
| Variable rate bank and other loans (Taka) | 0 | 0 | 6,088.8 | 9,585.2 |

Revaluation of Assets

We have not made any revaluation of our assets since our incorporation.

Transactions with Holding Company

We have paid dividends to TMC for the past five years, in the amount of Taka 332.9 million for 2003, Taka 1,715.3 million for 2004, Taka 753.4 million for 2005, Taka 904.1 million for 2006, and Taka 934.2 million for 2007. In 2008, in connection with our bonus share issuance, we issued 6,027,261,668 shares to TMC. As of September 30, 2008, 12 people from the Telenor Group were working for us pursuant to consulting agreements between us and Telenor Consult, including Mr. Oddvar Hesjedal, our Chief Executive Officer. See "Summary—Overview" and "Ownership of the Company's Securities—Telenor" for further information on our holding company TMC.

Seasonal Aspects

In general, our sales and operations are adversely affected by bad weather, especially during the rainy season. In particular, cyclones and tidal surges have been known to affect our sales and operations in the coastal districts. Flooding may also have an adverse effect on network towers, the maintenance of our network, our power supply and our distribution channels. Additionally, our sales tend to slow down after a national budget is passed.

However, we tend to show an increase in sales and positive revenue growth around festive holidays, including Eid Ul Fitr, Ed Ul Azha, New Year's Day, Valentine's Day and Independence Day.

Material Information

The material information which is likely to have an impact on the Offering or which will change the terms and conditions under which the Offering has been made to the public is disclosed in the Prospectus.

Auditors' certificate on allotment of shares to shareholders including promoters or sponsor shareholders for any consideration otherwise than for cash

This is to certify that Grameenphone Ltd. has allotted 2,441,079 ordinary shares of Taka 43.00 each for consideration other than cash to its shareholders including the promoters or sponsor shareholders up to 31 December 2007.

This is also to certify that Grameenphone Ltd. has issued 9,721,398,376 bonus shares of Taka 1.00 each in July 2008. This issue of bonus share was approved by shareholders at the 16th EGM (Extra-ordinary General Meeting) held on 15 July 2008.

Dhaka, 22 September 2008

Sd/-
(Rahman Rahman Huq)
Chartered Accountants

DIRECTORS AND OFFICERS

Our Board of Directors

Our Board of Directors is responsible for administering our affairs and ensuring that our affairs are carried out in compliance with our objectives, Articles of Association, shareholders' resolutions and all applicable laws, in good faith and in the best interests of our shareholders. Our Articles of Association provide that our directors are elected by our shareholders and the Board is to consist of not less than five directors and not more than ten directors, including the Chairman, unless otherwise decided in a general meeting of our shareholders. TMC has the right to nominate five members of the Board and GTC has the right to nominate three members of the Board. One director must be an independent director, who is to be nominated and elected in accordance with Bangladesh law and who shall have the qualifications as set out by applicable law to be eligible to be elected as an independent director. Our Board of Directors shall meet at least four times a year and otherwise when duly called for in writing by a director.

Our Board of Directors is required to elect one of our directors to be the Chairman of our Board. A director is required to hold at least ten of our shares in his own name, unless the director is a nominee of a corporate body, in order to qualify for the appointment as a director. One-third of the total number of directors on our Board or, if their number is not three or a multiple of three then the number nearest to one-third, is subject to retirement. Our directors who are required to retire each year are those who have been in office the longest since their last election, but as between directors who became a director on the same day, those to retire are determined by lot, unless otherwise agreed among our directors themselves.

A retiring director is eligible for re-election. Our shareholders may, at the general meeting at which a director retires in the manner as aforesaid, fill in the vacated office by electing a person thereto. Any casual vacancy caused on our Board of Directors may be filled by our directors, but the person so chosen is subject to retirement at the same time as the director who such person has replaced. Subject to certain specified reasons set out in our Articles of Association, our shareholders may, by extraordinary resolution, remove any director before the expiration of his period of office for reasons set out in our Articles of Association, and may by an ordinary resolution elect another person instead and the person so elected is subject to retirement at the same time as the director who he has replaced.

The current members of our Board of Directors are as follows:

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Date of first appointment</u> | <u>Nominated by</u> | <u>Expiration of current appointment</u> |
|-----------------------------------|------------|-----------------------|----------------------------------|---------------------|--|
| Mr. Sigve Brekke | 49 | Chairman and Director | September 1, 2008 | TMC | 13th AGM, 2010 |
| Mr. Per Erik Hylland | 56 | Director | June 25, 2007 | TMC | 13th AGM, 2010 |
| Mr. Snorre Corneliussen | 37 | Director | March 23, 2009 | TMC | 13th AGM, 2010 |
| Mr. Dipal Chandra Barua | 54 | Director | June 26, 2006 | GTC | 13th AGM, 2010 |
| Mr. M. Shahjahan | 53 | Director | June 26, 2006 | GTC | 13th AGM, 2010 |

Their involvement in other organizations is as follows:

| <u>Name and Position</u> | <u>Name of other organization(s)</u> | <u>Position with other organization(s)</u> |
|---|--------------------------------------|--|
| Mr. Sigve Brekke Chairman and Director | Telenor Asia | Executive Vice President; |
| | Total Access Communications PLC | Head of Telenor Asia |
| | Digi | Vice Chairman and Director |
| | Unitech Wireless Ltd. India | Chairman and Director |
| Mr. Per Erik Hylland Director | Telenor Asia | Director |
| Mr. Snorre Corneliussen Director | Telenor Asia | Senior Vice President |
| | DTAC, Thailand | Director, Performance Manager |
| | Grameen Bank | Director |
| | Grameen Shakti | Deputy Managing Director |
| | Grameen Krishi Foundation | Managing Director |
| | Grameen Fund | Director |
| | Grameen Fisheries Foundation | Director |
| | Grameen Uddog | Director |
| Mr. Dipal Chandra Barua Director | Grameen Telecom | Director |

| <u>Name and Position</u> | <u>Name of other organization(s)</u> | <u>Position with other organization(s)</u> |
|--|--|---|
| | Grameen Shamogree | Director |
| | Grameen Kalyan | Director |
| | Grameen Communications | Director |
| | Grameen Shikkha | Director |
| | Grameen Knitwear | Director |
| | Grameen Byabosa Bikash | Director |
| | Grameen Solutions | Director |
| | Grameen Danone Foods | Director |
| | Yunus Foundation | Director |
| | Grameen Health Care Services Ltd. | Director |
| | Grameen Health Care Trust | Director |
| | Grameen Fabrics & Fashions Ltd. | Director |
| | Grameen Distribution Ltd. | Chairman |
| Mr. M. Shahjahan Director | Grameen Bank | General Manager, Central Accounts, Finance, Planning, Monitoring and Evaluation |
| | Grameen Telecom | Director |
| | Grameen Shakti | Director |
| | Grameen Uddog | Director |
| | Grameen Shamogree | Director |
| | Grameen Fund | Director |
| | Grameen Krishi Foundation | Director |
| | Grameen Kalyan | Director |
| | Grameen Capital Management | Director |
| | Grameen Health Care Trust | Director |
| | Grameen Fabrics & Fashions Ltd. | Director |
| | Grameen Credit Agricole Microfinance Foundation | Director |
| | Grameen Distribution Ltd. | Director |
| | Grameen Employment Services Limited (GES) | Director |
| | Grameen Knitwear Ltd. | Director |
| | Grameen Shamogree Purbanchal Ltd. | Director |
| | Grameen Shamogree Uttaranchal Ltd. | Director |

Certain information with respect to our directors is set out below:

Mr. Sigve Brekke was appointed to the Board on September 1, 2008. He succeeded Mr. Arve Johansen, who served on the Board beginning from June 26, 2006. Mr. Brekke has held a number of positions in the Telenor Group. He joined Telenor Asia PTE Ltd. in 1999 as Manager of Business Development, and later became Managing Director. He served as the co-CEO of Total Access Communication PLC (“DTAC”) from 2002 to 2005, and became the sole CEO from 2005 till September 1, 2008. In July 2008, he was appointed as Head of Telenor Asia. Prior to joining Telenor, Mr. Brekke served as the Deputy Minister (State Secretary) of Defence in Norway in 1993 and was also an associate research fellow at the John F. Kennedy School of Government, Harvard University. Mr. Brekke holds a Master of Public Administration from John F. Kennedy School of Government, Harvard University.

Mr. Per Erik Hylland was appointed to the Board on June 25, 2007. He currently serves as Senior Vice President, Corporate Development, of Telenor Asia. Mr. Hylland has professional experience in the banking, information technology and telecommunications industries. He joined Telenor in 1994 and since then has held several senior management positions. During the past nine years, he has lived and worked in nine countries as a Telenor representative for Central and Eastern Europe, North Africa and Asia. During the same period, Mr. Hylland acted as a director for Telenor companies in Austria, the Czech Republic, Hungary and Slovakia. He is an information technology engineer educated in the Norwegian Ministry of Defence.

Mr. Snorre Corneliussen was appointed to the Board on the March 23, 2009. In January 2009 he joined the Telenor Asia office, and from 2005 he was serving as Senior Advisor at the Telenor Global Coordination in Norway. Mr. Corneliussen started in Telenor in 2003 as Operations Manager responsible for the operations of the fixed, mobile and data networks in Norway, Sweden and Denmark. Before he began working for Telenor, Mr. Corneliussen held several positions in Ericsson. He started working as a researcher in 1997 then became a project leader and led several of the early 3G and IP related development projects. In 2000, Mr. Corneliussen

became a Product Manager before he moved to Sweden in 2001 and worked as project office manager at the Ericsson head office in Stockholm. He is currently a board member at DTAC in Thailand. Mr. Corneliussen holds a Master of Business Administration degree from the Norwegian School of Economics and Business Administration (NHH). He holds a Master of Science degree in telecommunication from the Norwegian School of Technology (NTH) and he has additional education in Social Economy from the University in Oslo (UiO). Mr. Corneliussen has also studied leadership development at Harvard Business School.

Mr. Dipal Chandra Barua was appointed to the Board on June 26, 2006. He currently serves as the Deputy Managing Director of Grameen Bank and Managing Director of Grameen Shakti in Bangladesh. He is one of the core builders of the Nobel Peace Prize winning organization Grameen Bank. In addition, he serves as a director of seventeen Grameen sister organizations. Mr. Dipal has extensive experience in the fields of poverty alleviation, microcredit, rural development and people's participation as a result of his affiliation with Grameen Bank. He started his work with Nobel Laureate Professor Muhammad Yunus from his own village, Jobra, in Bangladesh and became an active participant in his works from the beginning; he has continued working with him ever since. As a microcredit expert, he has worked with Grameen replication projects based in China, Myanmar, South Africa, Egypt, Turkey and Namibia. He holds a Bachelor of Arts (Honours) and a Master of Arts in Economics from the University of Chittagong.

Mr. M. Shahjahan was appointed to the Board on June 26, 2006, and is also chairman of our Treasury Committee. He currently serves as the General Manager and Head of the Accounts, Finance, Planning, Monitoring and Evaluation Division of Grameen Bank. Prior to joining us, he served in several executive management positions in Grameen Bank, including Chief of the Audit Department and Zonal Manager. Mr. Shahjahan is a member of the board of directors of several Grameen peer companies that work in the fields of agriculture, welfare, renewable energy, telecommunications, venture capital financing and merchant banking. He obtained, from the University of Dhaka, a Bachelor of Commerce (Honours) in Accounting in 1976, as well as a Masters degree in Accounting in 1977 and a Masters degree in Finance in 1981.

All directors are required to comply with the DSE's Code of Best Practice for directors of listed companies.

Neither we nor any of our directors or shareholders who hold 5.0% or more shares of our paid-up capital is a loan defaulter in terms of the Credit Information Bureau Report of Bangladesh Bank.

Our Committees

Treasury Committee. Our Board of Directors has established a Treasury Committee, which consists of three members: Mr. Knut Borgen and Mr. M. Shahjahan, who are appointed by TMC and GTC, and Mr. Md. Arif Al Islam, our Deputy Chief Executive Officer and Chief Financial Officer. All significant financial matters which concern our Board of Directors are discussed in this committee in detail. The issues are ultimately forwarded to our Board of Directors for its final review and approval.

Audit Committee. Our Board of Directors has established an Audit Committee, which consists of two members: Mr. Per Erik Hylland and Mr. Dipal Chandra Barua, who are appointed by TMC and GTC. The Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit are permanent invitees to the Audit Committee meetings. The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to internal control, financial reporting, risk management, auditing matters and Grameenphone's process of monitoring compliance with applicable legal and regulatory requirements and the Code of Conduct.

Our Executive Officers

Certain information with respect to our executive officers is set out below:

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Education</u> | <u>Date of joining</u> | <u>Name of organization(s) worked at for past five years (other than Grameenphone)</u> |
|---------------------|------------|--------------------------------|---|------------------------|--|
| Mr. Oddvar Hesjedal | 58 | Chief Executive Officer | Masters, Computer Science | June 3, 2008 | Kyivstar GSM Telenor ASA |
| Mr. Laszlo Barta | 40 | Acting Chief Marketing Officer | Bachelors, Business Administration; Bachelors, Accounting; Bachelors, Engineering | September 1, 2005 | Telenor ASA Pannon GSM Telecommunications Plc. |

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Education</u> | <u>Date of joining</u> | <u>Name of organization(s) worked at for past five years (other than Grameenphone)</u> |
|--------------------|------------|---|---|------------------------|--|
| Mr. Frode Stoldal | 38 | Chief Technology Officer | Masters, Technology Management; Masters, Economics and Business Administration | November 1, 2007 | Telenor Invest Telenor ASA |
| Ms. Rubaba Dowla | 37 | Chief Communications Officer | Masters, Business Administration | May 3, 1998 | N/A |
| Mr. Raihan Shamsi | 36 | Chief Corporate Affairs Officer, Acting Chief Financial Officer and Company Secretary | Fellow, Institute of Chartered Accountants (Bangladesh) Bachelors, Commerce | September 10, 2001 | N/A |
| Mr. Arnfinn Groven | 52 | Chief Human Resource Officer | Degree, Psychology | August 1, 2007 | Telenor ASA |

Mr. Oddvar Hesjedal was appointed as our Chief Executive Officer effective November 10, 2008 after joining us as Chief Technical Officer in June 2008. He was a Senior Vice President of Telenor, and has held senior management positions within the Telenor Group over the last 15 years. He was Chief Technical Officer and Chief Operating Officer of Kyivstar GSM, Ukraine from 2004 to 2006, Head of Corporate Strategy of Telenor AS from 2001 to 2003, Head of Corporate Research & Development of Telenor AS from 1995 to 2001 and Chief Information Officer of Telenor AS from 1993-1995. He previously headed the International Broadband Initiative within the Telenor Group, in 2005. He has been a member of numerous boards of companies within and outside Telenor. Before joining Telenor, he was the Chief Executive Officer of software and consultancy companies in Norway and Sweden. He has a Masters degree in computer science from the University of Oslo.

Mr. Laszlo Barta has been our Deputy Chief Marketing Officer since January 2009 and is currently also Acting Chief Marketing Officer. He joined us as the Head of Small & Medium Enterprises in August 2005. Previously also the project manager of our Business Solutions department, he was appointed in 2007 as Head of Sales under our Commercial Division. As of January 2008, he was appointed as Director of Sales and from May 2009 he became Director of Marketing. He has 10 years' experience in the telecommunications industry through working with Ericsson, Pannon, and Telenor. He also has several years of experience working with fast moving consumer goods marketing, distribution and retail management. He holds a Bachelors degree in Business Administration from Buckinghamshire Chilterns University, England, a Bachelors degree from the College of Finance and Public Accountancy, Budapest and an engineering degree from the faculty of Landscape Architecture, Protection and Development, University of Budapest.

Mr. Frode Stoldal was appointed as our Chief Technology Officer, effective January 19, 2009. He joined us as Chief Information Officer in November 2007 and is on secondment from Telenor. Prior to that, he was with Telenor for approximately seven years in a number of senior positions, including Project Director for Global Coordination, Strategy Adviser for Group CIO and Head of CRM solutions for Telenor Norway. Prior to joining Telenor, he worked for four years in the consulting and internet industry, for PricewaterhouseCoopers and Infostream. He holds a Masters degree in Technology Management from NTNU/Massachusetts Institute of Technology, Sloan School of Management, Boston, specializing in Business Value of IT. He also holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics and

Business Administration and he has a Business degree specialized in Managing Networked Businesses from Harvard Business School.

Ms. Rubaba Dowla was appointed as our Chief Communications Officer, effective January 19, 2009. She previously held the position of Director of Marketing, in 2008. She has been working with us for more than ten years. She headed our Marketing Division in 2006, and headed our Brands and Customer Service division in 2007 as Deputy Director, Commercial Division. She also led our Market Research & Development team. She has been the architect behind the development of our Products and Value Added Services & Strategy Departments in the Marketing Division. She has worked with Telenor and its affiliates on many projects, and has experience in the international telecommunications industry. She has a Masters in Business Administration from the University of Dhaka, where she majored in marketing. She has also completed an executive management course with the Stockholm School of Economics and London Business School.

Mr. Raihan Shamsi was appointed as our Chief Corporate Affairs Officer, effective January 19, 2009, and is currently also our Acting Chief Financial Officer. He also remains as Company Secretary, a position he has held since 2005. He was previously our Director of Financial Management and, before that, Head of Internal Audit. Prior to joining us in late 2001, he worked in a number of multinational organizations, including Shell, Unilever and KPMG Bangladesh. He is a Fellow of the Institute of Chartered Accountants of Bangladesh and has been working in financial management and internal control functions for around ten years. He holds a Bachelors degree in Commerce from the University of Chittagong, Bangladesh.

Mr. Arnfinn Groven was appointed as our Chief Human Resource Officer, effective January 19, 2009. He was previously Director of Customer Services. He joined us as Senior Advisor in the Customer Management Division in August 2007. He started his career in 1984 at the Work Research Institute in Oslo as a Scientific Assistant. For the next 12 years, he developed his expertise in human resource management and career counseling in different reputable organizations in Norway. In 1996, he joined the Telenor Consumer Customer Service. In 2000, he became the Operational Director of Telenor Customer Service in Oslo. He is currently on secondment from Telenor. He holds a degree in Psychology from the University of Oslo and an executive degree on the Telenor International Management Program from the Stockholm School of Economics.

There is no family relationship between any of our directors and executive officers.

INVOLVEMENT OF DIRECTORS AND OFFICERS IN CERTAIN LEGAL PROCEEDINGS

None of our directors or officers was involved in any of the following types of legal proceedings in the last ten years:

(a) Any bankruptcy petition filed by or against any company of which any of our officers or directors filing the prospectus was a director, officer or partner at the time of the bankruptcy.

(b) Any conviction of a director or officer in a criminal proceeding or any criminal proceeding pending against him excluding pending criminal cases against our employees as described below:

(i) On January 30, 2008, the BTRC sent us a show cause notice noting that we had allegedly participated in illegal VoIP business and asking us to show cause why our license should not be cancelled or suspended. We duly replied to the show cause notice on February 27, 2008. On August 14, 2008, we entered into a settlement agreement with the BTRC, under which we agreed to pay a fine of Taka 2,500 million. We completed payment of the fine on October 29, 2008. Upon payment of the fine, the BTRC will not take any further legal action against these officers.

(ii) The Government filed a complaint of illegal trespass against one of our employees, Mr. Zahirul Islam, a superintendent engineer, based on the installation of one of our base stations on its alleged property. The employee is currently out on bail, and the case is now pending.

(iii) A criminal case dated July 15, 2000 was filed at Khulna Police Station under sections 420, 406, 511 and 109 of the Penal Code against our former Managing Director Ola Ree and two former officers, former employees Naila Chowdhury (Director) and Biddut Kumar (Assistant General Manager), based on a billing dispute over some international calls. We filed an Criminal Miscellaneous Case No (4540/2000) in the High Court Division and the court issued a rule and stayed the proceedings of the lower court until disposal of the rule. In connection with the same case, we filed a Criminal Miscellaneous Case No (4376/2000) in the High Court Division and the court issued a rule and granted bail. The stay of proceedings remains in effect.

(iv) In July 2008, 14 former drivers filed cases naming our former Chief Executive Officer Anders Jensen as the accused and alleging a violation of a court order. These cases relate to a court order of status quo issued by the Labor Court in June 2008 with regard to the conditions of service for our drivers. These 14 drivers are alleging that we have violated the court order by discontinuing their service. We moved the cases before the High Court Division, which issued a ruling on August 11, 2008 as to why the proceedings should not be quashed, as well as a three-month stay of the lower court proceedings. The stay order was later extended for a further six months. Later on, the High Court made the stay order absolute. Thus, as per the court order, our former Chief Executive Officer was not in violation of the court order. One of the drivers has filed an appeal in the Appellate Division of the Supreme Court of Bangladesh and the appeal is now pending.

(v) One complaint petition was filed against our former Managing Director Ola Ree and former employee Mehbub Chowdhury (Director) in Jessore Magistrate's Court under section 406/420 of the Penal Code on the grounds that our network was always busy. We filed a Criminal Miscellaneous Case No (5008/2000) in the High Court Division and the court issued a rule and granted bail. Later on bail was extended until disposal of the rule. In connection with the same case, we filed a Criminal Miscellaneous Case No (6359/2000) in the High Court Division and the court issued a rule and granted bail. Later on bail was extended until disposal of the rule.

(c) Any order, judgment or decree of any court of competent jurisdiction against any director or officer permanently or temporarily enjoining, suspending, barring or otherwise limiting the involvement of any director or officer in any type of business, securities or banking activities.

Presently, two civil cases are pending before the lower court, involving our cancellation of our contracts with two distributors. The court issued an injunction order against our former Chief Executive Officer Anders Jensen, our then Director of Sales Laszlo Barta, our Head of Distribution Yasir Azman, and our Head of Region Sajjad Alam. We challenged the injunction and it was vacated by the Court of District Judge, Dhaka. One petitioner has withdrawn its case and the other case is still pending.

(d) Any order of the Securities and Exchange Commission, or other regulatory authority or foreign financial regulatory authority, suspending or otherwise limiting the involvement of any director or officer in any type of business, securities or banking activity.

There can be no assurance that the proceedings described above will not have a material adverse effect on our business, financial condition, results of operations or liquidity.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We enter into transactions from time to time with certain related parties in the ordinary course of business.

We entered into transactions with GTC for the Village Phone Program in March 1997. Our transactions are at arms-length, with prepaid settlement.

We have a number of employees on secondment from the Telenor Group under consulting agreements between us and Telenor Consult. As of September 30, 2008, there were 12 Telenor Group employees on such arrangements, including our Chief Executive Officer, our Director of Sales, and our Director of Customer Services.

We also enter into arrangements with Telenor Consult for ongoing work on our network development and maintenance.

Telenor has informally granted us the right to use the “Telenor device” trademark in Bangladesh in relation to the marking and sale of our products and services and as part of our company logo. Djuiice AS, a subsidiary of TMC, has informally granted us the right to use the “djuice” trademarks in Bangladesh for our “djuice” products. The terms of the granted licenses, however, are not agreed. We and Telenor are in the process of formalizing the detailed license terms. Please see Note 44 of our financial statements as of and for the years ended December 31, 2005, 2006 and 2007, and Note 47 of our financial statements as of, and for the year ended, December 31, 2008, included in Appendix D, for further information regarding our related party transactions. Though NORAD is identified as related to the Telenor Group under Note 44 (Related party disclosures) of our financial statements as of and for the years ended December 31, 2005, 2006 and 2007, NORAD is not part of the Telenor Group. NORAD is a directorate under the Norwegian Ministry of Foreign Affairs, which is part of the Government of Norway. NORAD is related to the Telenor Group only in that the Government of Norway is the main shareholder in Telenor.

Our directors enjoy no interests or facilities except for allowances and travel expenses for attending meetings.

We have no proposed transactions nor have we had any transactions during the last two years with the following related parties:

- Any of our directors or executive officers;
- Any director or executive officer;
- Any person owning 5.0% or more of our outstanding share capital;
- Any member of the immediate family (including spouse, parents, brothers, sisters, children and in-laws) of any of the above persons;
- Any transaction or arrangement entered into by us or our subsidiaries for a person who is currently a director or in any way connected with a director or a director of any of our subsidiaries, holding companies or associate concerns, or who was one of our directors or connected in any way with one of our directors at any time during the last three years prior to the publication of the Prospectus;
- Any loans either taken from or given to any director or any person connected with the director;
- Any director holding any position, apart from being one of our directors, in any company, society, trust, organization, or proprietorship or partnership firm; or
- All interests and facilities enjoyed by a director, whether pecuniary or non-pecuniary,

except as disclosed in the Prospectus. Please see Note 44 of our financial statements as of and for the years ended December 31, 2005, 2006 and 2007, and Note 47 of our financial statements as of, and for the year ended, December 31, 2008, included in Appendix D, for further information regarding our related party transactions.

**Note 44 of Financial Statements As Of, and For The Years Ended, December 31, 2005, 2006 and 2007:
Related Party Disclosures**

44.1 Related party transactions

| <u>Name of related parties</u> | <u>Nature</u> | <u>Transaction</u> | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|--|---------------|--|----------------------------|----------------------------|
| Telenor Mobile Communications AS | Shareholder | Dividend payment for previous year | 904,089,250 | 678,067,518 |
| Nye Telenor Mobile Communications II AS | Shareholder | -do- | 258 | — |
| Nye Telenor Mobile Communications III AS | Shareholder | -do- | 258 | — |
| Telenor Asia Pte. Ltd. | Shareholder | -do- | 258 | — |
| Grameen Telecom | Shareholder | Revenue | 3,283,766,459 | 7,888,762,484 |
| | | Bill received | 4,830,795,105 | 8,008,243,397 |
| | | Dividend payment for previous year | 554,119,680 | 392,501,477 |
| Grameen Kalyan | Shareholder | -do- | 26 | — |
| Grameen Shakti | Shareholder | -do- | 26 | — |
| NORAD | Telenor Group | Payment of loans and borrowings (principal and interest) | 98,295,390 | 349,714,327 |

44.2 Related party receivable/(payable)

| <u>Name of related parties</u> | <u>Nature</u> | <u>Transaction</u> | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|--------------------------------|---------------|----------------------|----------------------------|----------------------------|
| Grameen Telecom | Shareholder | Accounts receivable | 583,143,603 | 2,130,172,251 |
| NORAD | Telenor Group | Loans and borrowings | (321,263,630) | (349,714,327) |

Note 47 of Financial Statements As Of, and For The Year Ended, December 31, 2008: Related Party Disclosures

47.1: Related Party Transactions

| <u>Name of related parties</u> | <u>Nature</u> | <u>Nature of transactions</u> | <u>For the Year Ended</u> <u>31 Dec 2008</u> <u>Taka</u> | <u>31 Dec 2007</u> <u>Taka</u> |
|--|---------------|--|--|-----------------------------------|
| Telenor Mobile Communications AS | Shareholder | Dividend payment for previous year | 934,225,557 | 904,089,250 |
| Nye Telenor Mobile Communications II AS | Shareholder | -do- | 267 | 258 |
| Nye Telenor Mobile Communications III AS | Shareholder | -do- | 267 | 258 |
| Telenor Asia Pte. Ltd. | Shareholder | -do- | 267 | 258 |
| Grameen Telecom | Shareholder | Revenue | 1,183,020,136 | 3,283,766,459 |
| | | Revenue received | 605,480,077 | 4,830,795,105 |
| | | Commission expense | 90,631,360 | - |
| | | Dividend payment for previous year | 572,590,336 | 554,119,680 |
| Grameen Kalyan | Shareholder | Dividend payment for previous year | 27 | 26 |
| Grameen Shakti | Shareholder | Dividend payment for previous year | 27 | 26 |
| Telenor ASA | Group entity | Sharing of Microsoft license fee | 144,698,303 | 105,930,027 |
| | | Consultancy service fee | 344,429,369 | 273,152,665 |
| Telenor Consult AS | Group entity | Consultancy and professional service fee | 422,526,851 | 258,081,728 |
| Telenor Asia Pte. Ltd. | Group entity | Consultancy service fee | 36,839,032 | — |
| Digi Telecommunication | Group entity | Roaming revenue | 1,080,011 | 1,417,557 |
| | | Roaming expenses | 1,665,849 | 1,826,128 |

| Name of related parties | Nature | Nature of transactions | For the Year Ended | 31 Dec 2007 |
|---|--------------|------------------------|--------------------|-------------|
| | | | 31 Dec 2008 | |
| | | | Taka | Taka |
| Kyivstar GSM—Ukraine | Group entity | Roaming revenue | 74,486 | 115,505 |
| | | Roaming expenses | 56,768 | 94,794 |
| Telenor d.o.o (YUGMT) | Group entity | Roaming revenue | 51,570 | 6,131 |
| | | Roaming expenses | 8,322 | 39,903 |
| Pannon — GSM | Group entity | Roaming revenue | 77,163 | 35,235 |
| | | Roaming expenses | 154,359 | 61,390 |
| Sonofone | Group entity | Roaming revenue | 1,230,992 | 880,791 |
| | | Roaming expenses | 476,208 | 374,514 |
| Telenor Mobil AS | Group entity | Roaming revenue | 3,555,610 | 3,694,974 |
| | | Roaming expenses | 682,197 | 702,178 |
| Telenor Pakistan | Group entity | Roaming revenue | 126,878 | 174,784 |
| | | Roaming expenses | 554,647 | 487,991 |
| TAC(Total Access Communication) | Group entity | Roaming revenue | 2,610,916 | 1,555,330 |
| | | Roaming expenses | 9,743,626 | 12,026,482 |
| Telenor Sverige (Europolitan AB) | Group entity | Roaming revenue | 969,500 | 578,224 |
| | | Roaming expenses | 576,067 | 532,086 |
| ProMonte GSM, Serbia and Montenegro YUGPM | Group entity | Roaming revenue | 16,714 | 13,981 |
| | | Roaming expenses | 116,641 | — |

47.2: Receivables/(Payables) with Related Parties

| Name of related parties | Nature | Nature of transactions | For the Year Ended | 31 Dec 2007 |
|---|--------------|------------------------|--------------------|-------------|
| | | | 31 Dec 2008 | |
| | | | Taka | Taka |
| Grameen Telecom | Shareholder | Accounts receivable | 118,998,837 | 115,953,550 |
| | | Accounts payable | 65,420,997 | |
| Telenor ASA | Group entity | Accounts payable | 793,790,123 | 738,072,998 |
| | | Accounts Receivable | 3,048,714 | |
| Telenor Consult AS | Group entity | Accounts payable | 374,881,157 | |
| | | Accounts receivable | 62,195,912 | |
| Telenor Asia Pte. Ltd. | Shareholder | Accounts payable | 31,727,426 | 31,909,372 |
| | | Accounts receivable | 633,882 | |
| Digi Telecommunication | Group entity | Accounts payable | 834,778 | 581,468 |
| | | Accounts receivable | 281,954 | 302,424 |
| Kyivstar GSM — Ukraine | Group entity | Accounts payable | 9,510 | 36,105 |
| | | Accounts receivable | 23,938 | 28,210 |
| Telenor d.o.o (YUGMT) | Group entity | Accounts payable | 9,263 | 941 |
| | | Accounts receivable | 43,029 | 692 |
| Pannon — GSM | Group entity | Accounts payable | 48,580 | 35,662 |
| | | Accounts receivable | 46,625 | 23,495 |
| Sonofone | Group entity | Accounts payable | 216,730 | 57,860 |
| | | Accounts receivable | 197,767 | 432,140 |
| Telenor Mobil AS | Group entity | Accounts payable | 464,736 | 477,345 |
| | | Accounts receivable | 1,322,895 | 2,772,821 |
| Telenor Pakistan | Group entity | Accounts payable | 326,921 | 148,929 |
| | | Accounts receivable | 171,480 | 160,089 |
| TAC(Total Access Communication) | Group entity | Accounts payable | 3,302,916 | 4,470,218 |
| | | Accounts receivable | 1,944,090 | 547,308 |
| Telenor Sverige (Europolitan AB) | Group entity | Accounts payable | 72,485 | 211,625 |
| | | Accounts receivable | 647,683 | 245,751 |
| ProMonte GSM, Serbia and Montenegro YUGPM | Group entity | Accounts payable | 31,092 | 159 |
| | | Accounts receivable | 12,529 | 7,519 |

EXECUTIVE COMPENSATION

The total remuneration paid to our top five salaried officers in the last accounting year (year ended December 31, 2007) is as follows:

| | Name of Person | Designation | Total Remuneration paid for the year ended December 31, 2007 (Taka) |
|----|-------------------------|-----------------------------------|--|
| 1. | Erik Aas | Managing Director (Former) | 33,691,053 |
| 2. | Stein Naevdal | Chief Marketing Officer (Former) | 28,039,314 |
| 3. | Petter Russ | Director, CHQ | 18,291,647 |
| 4. | Frank Fodstad | Deputy Managing Director (Former) | 16,423,722 |
| 5. | Laszlo Barta | Director Sales | 15,814,609 |

Note: These compensation figures are on an accrual basis in accordance with their employment contracts and tax assessments. The expatriate compensation is paid in accordance with regulatory approvals from BOI and Bangladesh Bank. In addition to the above, there are also taxes and costs borne on account of the above expatriate employees, which are in accordance with the requirements of the laws of the countries of origin.

The aggregate amount of remuneration paid to our directors and officers during the last accounting year is as follows:

| | Year Ended December 31, 2007 (Taka) |
|------------------------------|--|
| Board of Directors | 0 |
| Officers | 2,398,161,233 |

The total remuneration paid to our top five salaried officers for the nine months ended September 30, 2008 is as follows:

| | Name of Person | Designation | Total Remuneration paid for the nine months ended September 30, 2008 (Taka) |
|----|-------------------------------|---|--|
| 1. | Anders Ytrup Jensen | Chief Executive Officer (Former) | 32,859,758 |
| 2. | Knut Kjennerud | Deputy Director, Supply Chain Management | 14,582,900 |
| 3. | Arnfinn Groven | Chief Human Resource Officer | 14,296,253 |
| 4. | Petter Russ | Director, CHQ | 13,920,886 |
| 5. | Frode Stoldal | Chief Technology Officer | 12,837,975 |

Note: These compensation figures are on an accrual basis in accordance with their employment contracts and tax assessments. The expatriate compensation is paid in accordance with regulatory approvals from BOI and Bangladesh Bank. In addition to the above, there are also taxes and costs borne on account of the above expatriate employees, which are in accordance with the requirements of the laws of the countries of origin.

The aggregate amount of remuneration paid to our directors and officers for the nine months ended September 30, 2008 is as follows:

| | Nine Months Ended September 30, 2008 (Taka) |
|------------------------------|--|
| Board of Directors | 0 |
| Officers | 2,089,960,351 |

We did not pay any remuneration to any director who was not an officer during the last accounting year and the nine months ended September 30, 2008.

We have no contract with any director or officer providing for the payment of any future compensation.

Except for normal annual increments and allowances, we have no plan to substantially increase the remuneration we pay to our officers and directors in the current year.

OPTIONS GRANTED TO DIRECTORS, OFFICERS AND EMPLOYEES

We have not granted any option for issue of shares to any of our directors, salaried officers, all other officers as a group or other employees or to any other person involved with us.

TRANSACTIONS WITH THE DIRECTORS AND SUBSCRIBERS TO THE MEMORANDUM

Our directors did not receive anything of value directly or indirectly from us in the last five years.

No assets were acquired or to be acquired from any of our directors or the subscribers to our Memorandum of Association.

Our directors are nominated by our shareholders which are their respective organizations. The deposits from our shareholders appearing in our audited financial statements as of and for the year ended December 31, 2007 represents the balance of share money deposited by their respective organizations which has not been used for the issuance of share capital. The deposits from our shareholders in Taka as of December 31, 2007 are as follows:

| | |
|------------|------------------|
| TMC..... | 1,882,968 |
| GTC..... | 28 |
| Total..... | <u>1,882,996</u> |

Our shareholders receive dividends as and when declared by the board of directors.

| <u>Name of the Shareholders</u> | <u>Total Dividends Amount (Taka)</u> |
|---------------------------------|--|
|---------------------------------|--|

Dividends for the year 2002

| | |
|--|---------------------------|
| Telenor Mobile Communications AS | 130,812,828 |
| Grameen Telecom | 89,773,512 |
| Marubeni Corporation | 24,367,096 |
| Gonofone Development Corp. | 11,542,308 |
| | <u>256,495,744</u> |
| International Finance Corporation**..... | 213,746,454 |
| Asian Development Bank**..... | 213,746,454 |
| South Asian Regional Fund** | 213,746,452 |
| | <u>641,239,360</u> |
| Sub-Total Dividends..... | <u>897,735,104</u> |

Dividends for the year 2003

| | |
|--|-----------------------------|
| Telenor Mobile Communications AS | 332,929,627 |
| Grameen Telecom | 228,481,130 |
| Marubeni Corporation | 62,016,304 |
| Gonofone Development Corp. | 29,376,144 |
| | <u>652,803,204</u> |
| International Finance Corporation**..... | 213,746,454 |
| Asian Development Bank**..... | 213,746,454 |
| South Asian Regional Fund** | 213,746,453 |
| | <u>641,239,360</u> |
| Sub-Total Dividends..... | <u>1,294,042,564</u> |

Dividends for the year 2004

| | |
|--|-----------------------------|
| Telenor Mobile Communications AS | 1,715,318,125 |
| Grameen Telecom | 1,051,324,030 |
| Sub-Total Dividends..... | <u>2,766,642,155</u> |

Dividend for the year 2005

| | |
|--|-----------------------------|
| Telenor Mobile Communications AS | 753,408,353 |
| Grameen Telecom | 461,766,444 |
| Sub-Total Dividends..... | <u>1,215,174,797</u> |

Dividends for the year 2006

| | |
|---|-----------------------------|
| Telenor Mobile Communications AS | 904,089,250 |
| Grameen Telecom | 554,119,680 |
| Telenor Mobile Communications II AS | 258 |
| Telenor Asia Pte. Ltd. | 258 |
| Telenor Mobile Communications III AS..... | 258 |
| Grameen Kalyan | 26 |
| Grameen Shakti | 26 |
| Sub-Total Dividends..... | <u>1,458,209,756</u> |

| <u>Name of the Shareholders</u> | <u>Total Dividends</u> <u>Amount (Taka)</u> |
|--|--|
| <u>Dividends for the year 2007</u> | |
| Telenor Mobile Communications AS | 934,225,557 |
| Grameen Telecom | 572,590,336 |
| Telenor Mobile Communications II AS | 267 |
| Telenor Asia Pte. Ltd. | 267 |
| Telenor Mobile Communications III AS | 267 |
| Grameen Kalyan | 27 |
| Grameen Shakti | 27 |
| Sub-Total Dividends | <u>1,506,816,748</u> |
| Total Dividends | <u>9,138,621,124</u> |

** The preference shares of these senior lenders were transferred to the sponsor shareholders on December 19, 2003 subsequent to the payment of interim dividend to these senior lenders on November 16, 2003.

Note: The base currency of dividend distribution is always in Taka.

Please see Note 44 of our financial statements as of and for the years ended December 31, 2005, 2006 and 2007, and Note 46 of our financial statements as of, and for the nine months ended, September 30, 2008, for further information regarding our related party transactions. Though NORAD is identified as related to the Telenor Group under Note 44 (Related party disclosures) of our financial statements as of and for the years ended December 31, 2005, 2006 and 2007, NORAD is not part of the Telenor Group. NORAD is a directorate under the Norwegian Ministry of Foreign Affairs, which is part of the Government of Norway. NORAD is related to the Telenor Group only in that the Government of Norway is the main shareholder in Telenor.

TANGIBLE ASSETS PER SHARE

Auditors' certificate regarding net tangible asset per ordinary share

We have examined the following calculation of net tangible assets per ordinary share of Grameenphone Ltd. for the nine-month period ended 30 September 2008 and for the years ended 31 December 2007, 2006, 2005, 2004 and 2003.

Based on our examination, we certify that these have been correctly prepared on the basis of audited financial statements of the company for the nine-month period ended 30 September 2008 and for the years ended 31 December 2007, 2006, 2005, 2004 and 2003.

| | <u>30-Sep-08</u> | <u>31-Dec-07</u> | <u>31-Dec-06</u> | <u>31-Dec-05</u> | <u>31-Dec-04</u> | <u>31-Dec-03</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Total net tangible assets (Taka) | 22,874,109,406 | 24,477,692,925 | 23,175,051,110 | 16,927,461,298 | 12,597,181,282 | 7,840,148,431 |
| Number of ordinary shares of Taka 43 each | — | 56,519,758 | 56,519,758 | 56,519,758 | 56,519,758 | 51,432,979 |
| Number of ordinary shares of Taka 1 each | 12,151,747,970 | — | — | — | — | — |
| Net tangible asset per ordinary share of Taka 43 each | — | 433.08 | 410.03 | 299.50 | 222.88 | 152.43 |
| Net tangible asset per ordinary share of Taka 1 each | 1.88 | — | — | — | — | — |

Dhaka,

Date: 1 December 2008

Sd/-
(Rahman Rahman Huq)
Chartered Accountants

A certificate from our auditors regarding net tangible assets per share as of December 31, 2008 is included in Appendix D.

OWNERSHIP OF THE COMPANY'S SECURITIES

We have an authorized share capital consisting of 4,000,000,000 shares of par value Taka 10.00 each, of which 1,215,174,822 shares were issued and outstanding immediately prior to the closing of the Offering. The table below sets forth the shareholding structure as of the date of this Prospectus and following the completion of the Offering:

| <u>Name and Address</u> | <u>Number of Ordinary Shares Held</u> | <u>% of Total Outstanding Shares Pre- Offering</u> | <u>% of Outstanding Shares Post- Offering</u> |
|---|---|--|---|
| Telenor Mobile Communications AS Snaroyveien 30, N-1331, Fornebu, Norway | 753,407,724 | 62.00% | 55.80% |
| Nye Telenor Mobile Communications II AS Snaroyveien 30, N-1331, Fornebu, Norway | 215 | 0.00% | 0.00% |
| Nye Telenor Mobile Communications III AS Snaroyveien 30, N-1331, Fornebu, Norway | 215 | 0.00% | 0.00% |
| Telenor Asia PTE Ltd. No. 24-02, Fuji Xerox Tower, 80 Anson Road, Singapore 079907 . . | 215 | 0.00% | 0.00% |
| Grameen Telecom Grameen Bank Complex, Mirpur-2, Dhaka-1216, Bangladesh | 461,766,409 | 38.00% | 34.20% |
| Grameen Kalyan Grameen Bank Complex, Mirpur-2, Dhaka-1216, Bangladesh | 22 | 0.00% | 0.00% |
| Grameen Shakti Grameen Bank Complex, Mirpur-2, Dhaka-1216, Bangladesh | 22 | 0.00% | 0.00% |
| Total | <u>1,215,174,822</u> | <u>100.00%</u> | <u>90.00%</u> |

Telenor

TMC, a company organized under the laws of the Kingdom of Norway, seeks to develop and invest in telecommunications solutions through direct and indirect ownership of companies and to enter into national and international alliances relating to telecommunications. It is a subsidiary of Telenor Mobile Holding AS and an affiliate of Telenor. Its headquarters are located at Snaroyveien 30, N-1331, Fornebu, Norway.

Nye Telenor Mobile Communications II AS, a company organized under the laws of the Kingdom of Norway, seeks to invest in telecommunications solutions through direct and indirect ownership of companies. It is a subsidiary of Telenor Mobile Holding AS and an affiliate of Telenor. Its headquarters are located at Snaroyveien 30, N-1331, Fornebu, Norway.

Nye Telenor Mobile Communications III AS, a company organized under the laws of the Kingdom of Norway, seeks to invest in telecommunications solutions through direct and indirect ownership of companies. It is a subsidiary of Telenor Mobile Holding AS and an affiliate of Telenor. Its headquarters are located at Snaroyveien 30, N-1331, Fornebu, Norway.

Telenor Asia PTE Ltd, a company organized under the laws of Singapore, seeks to invest in telecommunications companies in Asia and to provide services and support to the subsidiaries and affiliates of TMC in Asia. It is a subsidiary of TMC and an affiliate of Telenor. Its registered office address is at No. 24-02, Fuji Xerox Tower, 80 Anson Road, Singapore 079907.

Grameen Telecom

GTC, a not-for-profit company organized under the laws of Bangladesh, was established in 1995 for improving the standard of living and eradication of poverty from rural Bangladesh. GTC owns 38.0% of our shares prior to the Offering and is dedicated for development of information and communications technology in rural Bangladesh. The headquarters of GTC are located at Grameen Bank Complex, Mirpur-2, Dhaka-1216, Bangladesh.

GTC works in close collaboration with 2006 Nobel Laureates Professor Muhammad Yunus and Grameen Bank. GTC's mandate is to provide easy access to GSM cellular services in rural Bangladesh and to create new opportunities for income generation through self-employment by providing villagers, mostly poor rural women, with access to modern information and communication-based technologies.

With the help of Grameen Bank, GTC, with its field network, administers the Village Phone Program, through which we provide our services to Grameen Bank's fast growing rural customers. GTC trains the operators, supplies them with handsets and handles all service-related issues.

Grameen Kalyan, a not-for-profit company organized under the laws of Bangladesh, is an affiliate of GTC. It was established in 1996 for improving health services in rural Bangladesh, and has established a comprehensive rural health program as a vital component of GTC's poverty alleviation agenda. Its headquarters are located at Grameen Bank Complex, Mirpur-2, Dhaka-1216, Bangladesh.

Grameen Shakti, a not-for-profit company organized under the laws of Bangladesh, is an affiliate of GTC. It was established in 1996 to provide cost-effective access to renewable energy technology in Bangladesh. Its headquarters are located at Grameen Bank Complex, Mirpur-2, Dhaka-1216, Bangladesh.

Shareholders' Agreement

TMC, Nye Telenor Mobile Communications II AS, Nye Telenor Communications III AS, Telenor Asia PTE Ltd., GTC, Grameen Kalyan and Grameen Shakti (together, the "Existing Shareholders") are party to a shareholders' agreement (the "Shareholders' Agreement").

The Shareholders' Agreement establishes corporate governance measures for us, including terms relating to third-party financing, shareholder meetings, meetings of our Board of Directors, the formation of a management team, and the auditing of our accounts, which terms have been incorporated into our Articles of Association. The Existing Shareholders have agreed to keep a minimum equity requirement of 35.0% of our total capitalization.

The Existing Shareholders have the right to purchase a fixed number of ordinary shares prior to the offering of shares to the public or to outside investors other than lending institutions who may be offered shares in association with their lending. Under the Shareholders' Agreement, TMC has the right to purchase 1,387,500 shares and GTC has the right to purchase 1,750,000 shares. (These numbers of shares have not been adjusted for the share split and the issuance of bonus shares that we completed in 2008.) In the case of a public offering, these rights must be exercised no later than six months prior to the offering. Neither shareholder exercised these rights prior to the Offering.

The Existing Shareholders' ability to transfer their shares in us are also subject to certain restrictions. An Existing Shareholder may freely transfer its shares in us to one of its affiliates, provided the affiliate accepts the terms and provisions of the Shareholders' Agreement and the selling shareholder guarantees that all its obligations under the Shareholders' Agreement have been transferred to the affiliate. An Existing Shareholder who wishes to transfer its shares to a non-affiliate third party must promptly inform the other Existing Shareholders of its intention in writing, including the identity of the third party and the price offered. After the listing of our shares is completed, our shares will be subject to applicable listing regulations in Bangladesh, including regulations regarding the free transferability of our shares.

During the term of the Shareholders' Agreement and for a period of two years after the Existing Shareholder ceases to be a party to it, no Existing Shareholder may hold an interest in any other company providing mobile telephone services in Bangladesh.

The Shareholders Agreement terminates if our shares are listed on any recognized stock exchange. However, on July 12, 2009, the Existing Shareholders adopted an amendment to the Shareholders Agreement. Under this amendment, the Shareholders Agreement will not terminate if certain conditions are met, including if the Securities and Exchange Commission approves the listing of our shares.

See also "Risk Factors and Management's Perception About the Risks—Operational Risks—Any dispute among our existing shareholders, or any resulting change of control, could materially depress our share price or have an adverse effect on our business, operations, strategy, management quality, reputation or financial condition" for risks relating to the Shareholders' Agreement.

Strategic Investors

We have recently conducted an offering for the sale of our shares to certain strategic institutional investors as well as certain of our employees and have entered into agreements with them through execution of subscription

agreements for the sale of our shares. The final allocation and settlement of our shares to these investors is conditional upon the successful closing of the Public Offering and certain customary provisions. These investors will be subject to a one-year lock-in.

As part of this Placement, we conducted a placement of our shares with the Grameen Bank Borrowers' Investment Trust (the "Grameen Bank Borrowers Trust"). The final allocation and settlement of our shares to the Grameen Bank Borrowers Trust is conditional upon the successful closing of the Public Offering.

The Grameen Bank Borrowers Trust is a trust set up by Grameen Bank, the settler, with the intent of creating investment products for the benefit of Grameen Bank borrowers and shareholders. Grameen Bank provided the initial funding for the Grameen Bank Borrowers Trust. Any income or gains obtained from investments made by the Grameen Bank Borrowers Trust, including the investment in our shares, will become part of the monies held in trust by the Grameen Bank Borrowers Trust for the benefit of Grameen Bank borrowers and shareholders.

There are five members on the board of trustees of the Grameen Bank Borrowers Trust. Each member of the board of trustees shall be an employee or member of the board of directors of Grameen Bank. The first Chairman of the board of trustees is Nobel Laureate and Grameen Bank Managing Director Professor Muhammad Yunus; the other members of the board of trustees will serve three year terms. At least one member of the board, who must also be a member of the board of directors of Grameen Bank, will be the representative of the Grameen Bank borrowers.

Grameen Bank provides microcredit to the poorest of the poor in rural Bangladesh, without any collateral.

We also placed our shares with our employees. Any employee who completed six months of service by November 30, 2008 was eligible to participate in the Placement. Citigroup Global Markets Bangladesh Private Limited did not advise us in relation to the employee offering.

The following are the details of the abovementioned offering:

| <u>Name</u> | <u>Number of Shares Subscribed</u> | <u>% of Outstanding Shares Post-Offering</u> |
|--|--|--|
| AB Bank Limited — Portfolio A/C | 6,519,600.00 | 0.48% |
| IDLC Finance Ltd. — Portfolio A/C | 6,157,800.00 | 0.46% |
| IFIC Bank Limited | 3,684,900.00 | 0.27% |
| United Commercial Bank Ltd. | 2,096,700.00 | 0.16% |
| LankaBangla Finance Limited — Portfolio A/C | 1,914,600.00 | 0.14% |
| Grameen Capital Management Ltd. — Investors' Account | 1,669,700.00 | 0.12% |
| Rupali Bank Ltd. | 1,283,800.00 | 0.10% |
| Popular Life Insurance Co. Ltd. | 1,234,400.00 | 0.09% |
| Prime Bank Ltd. — Portfolio A/C | 1,142,900.00 | 0.08% |
| Union Capital Ltd. — Investors A/C | 1,041,600.00 | 0.08% |
| The City Bank Ltd. | 975,600.00 | 0.07% |
| Trust Bank Ltd. | 894,300.00 | 0.07% |
| Trust Bank Ltd. — NRB A/C | 891,800.00 | 0.07% |
| Grameen One: Scheme Two | 872,800.00 | 0.06% |
| Peoples Leasing and Financial Services Ltd. | 799,700.00 | 0.06% |
| National Bank Limited. | 644,600.00 | 0.05% |
| Trust Bank Ltd. — Investors A/C | 588,300.00 | 0.04% |
| Pioneer Insurance Co. Ltd. | 573,100.00 | 0.04% |
| Uttara Finance and Investments Ltd. | 531,700.00 | 0.04% |
| First Capital Securities Ltd. | 479,800.00 | 0.04% |
| Mercantile Securities Ltd. | 461,800.00 | 0.03% |
| Eastern Bank Limited | 364,200.00 | 0.03% |
| Grameen Mutual Fund One | 358,300.00 | 0.03% |
| AIMS First Guaranteed Mutual Fund | 328,400.00 | 0.02% |
| AIMS of Bangladesh Limited | 298,200.00 | 0.02% |
| Phoenix Finance & Investments Limited | 278,400.00 | 0.02% |
| Green Delta Insurance Company Limited | 265,800.00 | 0.02% |
| Latif Securities Ltd. | 227,300.00 | 0.02% |
| Reliance Insurance Limited | 214,300.00 | 0.02% |
| Prime Finance & Investment Limited | 211,100.00 | 0.02% |

| <u>Name</u> | <u>Number of Shares Subscribed</u> | <u>% of Outstanding Shares Post-Offering</u> |
|---|--|--|
| Royal Green Securities Ltd. | 195,800.00 | 0.01% |
| Uttara Finance and Investments Ltd — Investors' Portfolio A/C | 146,800.00 | 0.01% |
| Rose Securities Ltd. | 143,500.00 | 0.01% |
| Union Capital Ltd. | 117,800.00 | 0.01% |
| IDLC Finance Limited | 113,600.00 | 0.01% |
| Phoenix Insurance Company Ltd. | 83,400.00 | 0.01% |
| Sharp Securities Ltd. | 82,800.00 | 0.01% |
| M-Rahman Securities Ltd. | 80,700.00 | 0.01% |
| Continental Insurance Ltd. | 71,000.00 | 0.01% |
| Swadesh Investment Management Limited | 69,900.00 | 0.01% |
| Rupali Insurance Co. Ltd. | 66,000.00 | * |
| Homeland Life Insurance Co. Ltd. | 59,800.00 | * |
| Pragati Insurance Ltd. | 48,500.00 | * |
| Golden Life Insurance Ltd. | 45,500.00 | * |
| Saad Securities Ltd. | 40,500.00 | * |
| Expo Traders Ltd. | 30,300.00 | * |
| Grameen Bank Borrowers' Investment Trust | 11,037,221.00 | 0.82% |
| GP employees | <u>16,247,179.00</u> | <u>1.20%</u> |
| Total | <u>65,685,800.00</u> | <u>4.86%</u> |

* Less than 0.01%.

- (1) The full list of our employees who participated in the Offering was not included in the Prospectus as 3,948 of them participated, and inclusion of their details would substantially increase the size of the Prospectus. However, the list of participating employees and their respective subscribed shares is available for public viewing at our website at www.grameenphone.com.

The final allocation and settlement of our shares to these investors is conditional upon the successful closing of the Public Offering and certain customary provisions.

DETERMINATION OF THE PUBLIC OFFERING PRICE

The information contained in this section relating to, among other things, valuation, earnings and mobile penetration rates of comparable companies has been obtained from publicly available information, market research and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information is not guaranteed. While we believe these sources of information to be reliable, we have not independently verified this information and neither we, the Issue Manager nor the Underwriters make any representation as to the accuracy of this information.

The projections included herein have been prepared solely by us and are based on a variety of assumptions and predictions, including past performance and future trends. These projections are forward-looking statements that involve inherent risks and uncertainties. A number of factors, including without limitation, change of market condition, regulatory policy, economic environment, political developments and regional and global economic trends and any other factors, events or circumstances including relating to us specifically, could cause actual results or outcomes relating to us to differ materially from those set forth in these projections. See “Risk Factors—Risks Relating to Ownership of Our Shares—The projections included in this Prospectus involve inherent risks and uncertainties.” These projections have been included here in accordance with the Securities and Exchange Commission (Public Issue) Rules, 2006.

The numbers used in this section are based on the following par values—(1) Par values of Taka 1.00 per share; and (2) Par values of Taka 10.00 per share, post our 10 for 1 reverse share split but without the related issuance of 250 bonus shares, which were completed in July 2009. See “Summary—Recent Developments—Reverse Share Split.” Accordingly, based on a new par value of Taka 10.00 per share, the offering price in the Public Offering will be Taka 70.00 per share.

The information contained in this section and elsewhere in the Prospectus should not be considered a recommendation by us, the Underwriters or the Issue Manager that any investor should purchase our shares. It is possible that the price of our shares will decrease. Furthermore, investment in our shares may not be appropriate for all investors and investors should consult their own advisors as to whether such an investment is appropriate for them and their circumstances. Each investor should make its own determination as to the merits of the Public Offering, including the public offering price, and whether or not to invest.

The public offering price of our shares has been determined by applying a discount to the median enterprise value (“Enterprise Value”) to EBITDA (as defined in the notes to the table below) for the last twelve months (“LTM EBITDA”) ratio of comparable listed mobile telecommunications operators in Asia (excluding Japan) and then calculating a resulting market capitalization and value per share of our shares, as set out in the second table below.

The ratio of Enterprise Value to EBITDA is a methodology commonly considered by financial analysts and investors in assessing the valuation of publicly traded companies, particularly in the mobile telecommunications sector.

For the comparable listed mobile telecommunications operators identified in the table below, we have calculated Enterprise Value as market capitalization as of the close of trading on May 8, 2009, plus interest bearing debt, finance leases and minority interests, less cash and equivalents and less the value of any investments in unconsolidated affiliates as reflected in the latest publicly available consolidated balance sheet data (which may not be comparable as between the companies). The table below provides the Enterprise Value to LTM EBITDA ratios at the close of trading on May 8, 2009 for such listed mobile telecommunication operators.

| Company | Country | Enterprise Value / LTM ⁽¹⁾ |
|---|-------------|---------------------------------------|
| China Mobile | China | 5.4x |
| China Unicom | China | 3.2 |
| Bharti | India | 10.1 |
| Reliance | India | 7.4 |
| Idea Cellular | India | 7.8 |
| PT Telkom | Indonesia | 5.3 |
| Indosat | Indonesia | 4.8 |
| Excelcomindo | Indonesia | 5.2 |
| Digi.Com | Malaysia | 7.8 |
| PLDT | Philippines | 5.0 |
| Globe Telecom | Philippines | 3.7 |
| Sri Lanka Telecom | Sri Lanka | 3.4 |
| Dialog Telekom | Sri Lanka | 7.8 |
| AIS | Thailand | 5.6 |
| DTAC | Thailand | 3.8 |
| True Corp | Thailand | 4.8 |
| Median | | 5.3x |
| <i>Discount (%)</i> | | <i>37.5%</i> |
| EBITDA Multiple applicable in GP Valuation | | 3.3x |

(1) All EBITDA figures are for the 12 months ended December 31, 2008 except those of Bharti and Idea Cellular, which are for the 12 months ended March 31, 2009. For the companies named in the table above, we have taken headline EBITDA figures as reported in the relevant company's financial statements or results presentations or, in cases where EBITDA is not reported, we define EBITDA as the relevant company's earnings before interest, tax, depreciation and amortization. This definition of EBITDA may differ from the definition of EBITDA used by the companies named in the table above or the definition of EBITDA used by other companies.

Based on the Enterprise Value to LTM EBITDA ratios shown above, the Public Offering price represents a discount of approximately 37.5% to the median of the multiples of the comparable companies analyzed above. The LTM EBITDA multiple used for our valuation (3.3x) compares favourably to the median multiple. As shown in the table below, this yields an offering price for our shares of Taka 7.00 per share, and represents a discount of 5.4% to the price of Taka 7.40 per share in the Placement. After effecting the change in par value from Taka 1.00 to Taka 10.00, our offering price has been revised to Taka 70.00 per share, still representing a discount of 5.4% to the placement price.

| | Taka in Millions | |
|---|-------------------------|------------------------|
| | Before Par Value Change | After Par Value Change |
| Enterprise Value to LTM EBITDA ratio ⁽¹⁾ | 3.3x | 3.3x |
| LTM EBITDA ⁽²⁾ | 30,795 | 30,795 |
| Resulting Enterprise Value (a) | 101,058 | 101,058 |
| Cash and Cash Equivalents ⁽³⁾⁽⁴⁾ | 7,021 | 7,021 |
| Investments in Unconsolidated Affiliates ⁽³⁾ | 4 | 4 |
| Additions (b) | 7,025 | 7,025 |
| Minority Interests ⁽³⁾ | 0 | 0 |
| Debt ⁽³⁾⁽⁴⁾ | 12,676 | 12,676 |
| Finance lease ⁽³⁾ | 6,208 | 6,208 |
| Advance against PPO ⁽³⁾ | 4,137 | 4,137 |
| Subtractions (c) | 23,021 | 23,021 |
| Grameenphone Market Capitalisation (a+b-c) | 85,062 | 85,062 |
| No. of shares outstanding (in millions) ⁽³⁾ | 12,152 | 1,215 |
| Price per share in the Public Offering (in Taka)⁽⁵⁾ | 7.00 | 70.00 |
| Price per share in the Placement (in Taka) | 7.40 | 74.00 |

(1) Enterprise Value to LTM EBITDA ratio is calculated by applying a discount of 37.5% to the median Enterprise Value to LTM EBITDA ratio for certain listed mobile telecommunications operators in Asia (excluding Japan), as identified in the previous table above.

(2) EBITDA for the 12 months ended December 31, 2008. We define EBITDA as our net profit (loss) before net finance costs, income tax expenses, depreciation and amortization, compensation to the BTRC, provision for any potential claim by the BTRC relating to unregulated international call termination using VoIP, loss (gain) on disposal of property, plant and equipment and excluding our share of X-Net's profit and any other extraordinary and non-recurring items. You should not consider EBITDA as an alternative to net profit as an indicator of our operating performance, or as an alternative to cash flow from operations as a measure of liquidity. We believe that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, we have disclosed this information to permit a more complete comparative analysis of our operating performance relative to other companies in the industry. However, our definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show trends related to the following items: depreciation and amortization; interest income and expense; and income taxes.

(3) As per our audited financial statements as of December 31, 2008.

(4) Cash and cash equivalents as of December 31, 2008 includes Taka 4,111.6 million received for Placement deposited with Citibank N.A. Debt includes loans and borrowings of Taka 3,313.6 million, local interest bearing short-term borrowings of Taka 4,992.3 million, bond obligation of Taka 4,216.4 million and interest payable on loans and borrowings of Taka 153.9 million.

(5) Market capitalization divided by the number of shares outstanding.

As our offering price of Taka 70.00 share is at a premium to the par value per share of Taka 10.00 per share, four alternative methods for valuing our shares will be presented here to provide a comparison to the share price we determined using the Enterprise Value to LTM EBITDA method: (1) net asset value per share, (2) bookbuilding, (3) historical earnings per share and (4) projected earnings per share.

Method 1: Share Price Based On Net Asset Value (NAV) Per Share

We set out below our shareholders' equity and net asset value per share as of December 31, 2008:

| | <i>Taka in Millions</i> | |
|--|--------------------------------|-------------------------------|
| | <i>Before Par Value Change</i> | <i>After Par Value Change</i> |
| No. of shares outstanding (in millions) | 12,152 | 1,215 |
| Par value per share (Taka) | 1 | 10 |
| Paid up capital (par value) (a)⁽¹⁾ | 12,152 | 12,152 |
| Share premium ⁽¹⁾ | 14 | 14 |
| Retained earnings ⁽¹⁾ | 13,267 | 13,267 |
| Capital reserve ⁽¹⁾ | 14 | 14 |
| Deposits from shareholders ⁽¹⁾ | 2 | 2 |
| General reserve ⁽¹⁾ | 2,140 | 2,140 |
| Total (b) | 15,436 | 15,436 |
| Shareholders' equity (c = a+b)⁽¹⁾ | 27,588 | 27,588 |
| Less intangible and deferred cost of connection revenue ⁽¹⁾ | (8,554) | (8,554) |
| Net tangible assets (d) | 19,034 | 19,034 |
| No. of shares outstanding (e) | 12,152 | 1,215 |
| Net tangible assets per share of Taka 1 each (d ÷ e) | 1.57 | 15.66 |
| Net asset value per share (c ÷ e) | 2.27 | 22.70 |

(1) Based on our audited financial statements as of December 31, 2008.

We believe our NAV per share number fails to capture a significant part of our true value by underestimating the intrinsic value of some of our key intangible assets, which are often our key competitive strengths.

We have a very strong brand equity, whose true value is much higher than that reflected in the value of intangibles in the financial statements. The strength of our brand is derived from our leadership position in Bangladesh, with 47.0% subscriber market share as of December 31, 2008, strong distribution channels & customer service, professional employee base, state-of the-art technologies, early-entrant benefits and also our internationally acclaimed programs like Village Phone, HealthLine service, etc.

GP brand has consistently been ranked very high, both locally and globally. Below we highlight certain rankings related to GP's brand value, from surveys run by well-recognized and specialized local and international research and marketing organizations. We believe that the positive recognition from such reputed external parties serve as testament to the value of our brand equity.

The key attributes of our "Grameenphone" brand are laid down below:

Leadership in product development—We have consistently sought to develop and market innovative products and services to meet our subscribers' needs, and we believe our innovation allows us to attract and retain subscribers. We were one of the first companies in Bangladesh to offer our subscribers mobile to mobile service, GSM, EDGE, prepaid service, voice SMS and "over-the-air" top-ups. In addition, in January 2008, we became the first mobile operator in Bangladesh to offer BlackBerry™ services. It may be worth mentioning here that around half of Bangladeshi mobile subscribers are willing to pay a much higher premium to avail Grameenphone products & services, amongst offerings from five other Telecom Operators.

Superior network and technology platforms—Our network is EDGE/GPRS enabled, allowing our customers to gain access to high-speed Internet and data services from anywhere within our coverage area. During the three months ended December 31, 2008, approximately 1.2 million of our subscribers browsed the Internet via their handsets, making us one of the largest providers of Internet access in the country. If the BTRC introduces licensing for new services which we are eligible to operate, such as 3G services, we intend to seek the necessary licenses and offer such services.

Our economies of scale—It allows us to realize significant benefits in many aspects of our operations, such as equipment procurement, sales and marketing, billing and customer service.

Shareholders with strong operational capabilities—We have derived significant benefit from our shareholders' commitment to our business. Telenor's experience in deploying mobile networks and business operations across multiple emerging markets and GTC's understanding of the Bangladesh market, its leadership in

developing the Village Phone Program and its contribution of the “Grameen” brand have supported our business growth over the years.

In addition, the NAV undervalues assets like telecom license and spectrum, which are operationally critical to a telecom business and are scarce in Bangladesh, are much more valuable than their value as represented in the audited financial statements.

Method 2: Share Price Based On Bookbuilding Method

We conducted a book building process, followed in other international markets, with institutional investors in the financial sector of Bangladesh for the price discovery of our shares. It may be noted that at the end of this process, a total of 47 institutional investors including Grameen Bank Borrowers Trust and 3,948 of our employees have already participated in the Offering. They have paid Taka 7.40 per share for approximately 553.8 million shares, for a total of Taka 4,097.8 million. However, in consideration of the interests of general investors, we are offering such investors a price of Taka 7.00 per share in the Public Offering, which, represents a discount of 5.4% to the share price in the Placement. Investors in the Placement agreed to subscribe for shares in December 2008, subject to the terms of a subscription agreement.

Subsequent to effecting a change in the par value from Taka 1.00 to Taka 10.00 per share, the offer price in the Placement has been revised to Taka 74.00 per share. The public offering price has been similarly changed to Taka 70.00 per share, still representing a discount of 5.4% to the placement price.

Additionally, after the Government promulgated a tax savings of 10% for publicly-listed mobile telecommunications operators with a minimum free float of 10% of the outstanding shares and clarified that pre public offer tranches would qualify towards this free float (subject to such tranches not exceeding 50% of the free float), we decided to increase the size of the Placement to 65.7 million shares for gross proceeds of Taka 4,860.7 million.

Method 3: Share Price Based On Historical Earnings Per Share

Earnings-based valuation methodologies are more appropriate for mature telecom operators that have achieved their long term “steady state” capex and depreciation profile, thereby achieving a level of “steady state” earnings, rather than for growth telecom operators that have high levels of capex and depreciation in their developmental stages, but nevertheless have higher growth and the potential to deliver greater value to the investors.

We set out below the calculation of our five-year historical average Earnings per Share (EPS) as of December 31, 2008:

| | Before Change in Par Value (Taka) | After Change in Par Value (Taka) |
|--|--------------------------------------|-------------------------------------|
| 2004 Net Income | 6,743,507,113 | 6,743,507,113 |
| 2005 Net Income | 6,912,877,346 | 6,912,877,346 |
| 2006 Net Income | 7,483,956,952 | 7,483,956,952 |
| 2007 Net Income | 3,059,840,018 | 3,059,840,018 |
| 2008 Net Income | 2,983,866,587 | 2,983,866,587 |
| Average Net Income for 2004-2008 | 5,436,809,603 | 5,436,809,603 |
| <i>Current Shares Outstanding (Million Shares)</i> | <u>12,152</u> | <u>1,215</u> |
| Average Earnings per Share (EPS) | TK. 0.45 | TK. 4.47 |

The average price to earnings ratio (P/E) for all companies listed on the Dhaka Stock Exchange during the same five-year period from 2004 to 2008 was 16.03x, as we illustrate in the calculations below:

| Market P/E (Month-end) | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| January | 8.42 | 16.94 | 13.26 | 16.29 | 23.36 |
| February | 8.59 | 16.81 | 12.73 | 16.28 | 23.48 |
| March | 8.7 | 17.54 | 13.27 | 15.67 | 23.07 |
| April | 9.23 | 13.97 | 12.73 | 15.03 | 23.94 |
| May | 10.73 | 15.43 | 11.06 | 16.4 | 24.75 |
| June | 11.5 | 15.51 | 10.66 | 17.28 | 22.8 |
| July | 10.07 | 13.32 | 11.37 | 18.95 | 19.78 |
| August | 13.35 | 14.11 | 13.32 | 19.87 | 19.96 |
| September | 15.02 | 14.36 | 13.78 | 19.79 | 20.65 |
| October | 16.05 | 14.24 | 13.25 | 22.7 | 18.72 |
| November | 17.15 | 14.03 | 13.6 | 23.29 | 17.06 |
| December | 18.4 | 13.85 | 14.51 | 23.58 | 18.42 |
| Average (yearly) | 12.27 | 15.01 | 12.80 | 18.76 | 21.33 |
| 5-year Average | | | | | 16.03 |

Source: DSE Monthly Review

An implied offer price, based on our five-year historical average EPS of Taka 0.45 and five-year average Dhaka Stock Exchange P/E ratio of 16.03x, works out to Taka 7.17 per share:

Offer price = 5 years historical average EPS multiplied by DSE P/E Ratio
= 0.45 X 16.03
= 7.17

Our offering price of Taka 7.00 per share is at a discount to this implied price.

After the subsequent change in the par value from Taka 1.00 to Taka 10.00 per share, an implied offer price based on our five-year historical average EPS of Taka 4.47 and five-year average Dhaka Stock Exchange P/E ratio of 16.03x, works out to Taka 71.73 per share:

Offer price = 5 years historical average EPS multiplied by DSE P/E Ratio
= 4.47 X 16.03
= 71.73

Our offering price of Taka 70.00 per share is at a discount to this implied price.

Method 4: Share Price Based On Projected Earnings Per Share

Another valuation methodology is to determine our share price based on projected earnings per share. The projections included herein have been prepared solely by us and are based on a variety of assumptions and predictions, including past performance and future trends. These projections are forward-looking statements that involve inherent risks and uncertainties. A number of factors, including without limitation, change of market condition, regulatory policy, economic environment, political developments and regional and global economic trends and any other factors, events or circumstances including relating to us specifically, could cause actual results or outcomes relating to us to differ materially from those set forth in these projections. These projections should not be considered a recommendation by any of us, the Underwriters or the Issue Manager that any investor should purchase our shares. See “Risk Factors—Risks Relating to Ownership of Our Shares—The projections included in this Prospectus involve inherent risks and uncertainties.” These projections have been included here in accordance with the Securities and Exchange Commission (Public Issue) Rules, 2006.

For the pricing of the Public Offering, we have considered our future outlook and business performance and its possible effect on our financial performance. We expect our financial performance to improve for various reasons including, but not limited to:

- Continued growth in our subscriber base, with a focus on high value customers and greater revenues from non-voice services
- Non-occurrence of the extraordinary events that affected our 2007 and 2008 financial performance

The following table shows our projections of selected financial results for the three-year period from 2009 to 2011:

| | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|---|-------------|-------------|
| | <i>All figures in Million Taka, unless otherwise stated</i> | | |
| Revenue | 61,723 | 64,812 | 67,401 |
| Total Expenses | 49,600 | 56,630 | 58,883 |
| Net Profit After Taxes | 12,124 | 8,182 | 8,519 |
| Earning Per Share (in Taka) | 0.898 | 0.606 | 0.631 |
| Pro Forma Earnings Per Share (in Taka) ⁽¹⁾ | 8.979 | 6.060 | 6.309 |

(1) Based on 1,215,174,797 shares outstanding prior to the closing of the Offering, which have a par value of Taka 10.00 per share. However, the calculation of pro forma earnings per shares, at par value Taka 10.00 per share basis, was not part of the projected financial information examined by our auditors.

The above table is an extract from prospective financial information on which our auditors have reported as follows, edited for inclusion here:

**Report on the Projected Financial Information of
Grameenphone Ltd. in connection with proposed Initial Public Offering**

To the Board of Directors of
Grameenphone Ltd.

We have examined certain projected financial information of Grameenphone Ltd. (GP/the company) as at and for the years ending 31 December 2009, 2010 and 2011 in accordance with relevant International Standards which we considered applicable to the examination of prospective financial information. Management is responsible for the projection including the assumptions on which it is based; we did not assess the reasonableness of the assumptions. This projection has been prepared for the purpose of proposed initial public offering of the company. The projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that this projection may not be appropriate for purposes other than that described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projection, assuming that the assumptions made by management are to take place. Further, in our opinion the projection is properly prepared on the basis of the assumptions.

Even if the events anticipated under the assumptions described above occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and variation may be material.

Dhaka, 29 July 2009

Applying a Price to Earnings (P/E) multiple of 18.27, which is the average P/E multiple for Dhaka Stock Exchange (DSE) for latest 12 months ^{Note 1}, to the average projected three-year EPS of Taka 0.71, we arrive at an implied offer price of Taka 13.00 per share.

The average price to earnings ratio (P/E) of all companies listed on the Dhaka Stock Exchange during last 12 months (June 2008 to May 2009) was 18.27x, as we illustrate in the calculations below:

| Market P/E (Month-end) | 2008 | 2009 |
|------------------------|-------|--------------|
| January | | 17.24 |
| February | | 16.78 |
| March | | 15.55 |
| April | | 16.31 |
| May | | 15.96 |
| June | 22.80 | |
| July | 19.78 | |
| August | 19.96 | |
| September | 20.65 | |
| October | 18.72 | |
| November | 17.06 | |
| December | 18.42 | |
| Average | | 18.27 |

Source: DSE Monthly Review

Average DSE PE Ratio for last 12 Months (Jun 2008 to May 2009). 18.27

After the subsequent change in the par value from Taka 1.00 to Taka 10.00 per share and applying a price to earnings (P/E) multiple of 18.27, which is the average P/E multiple for all companies listed on the Dhaka Stock Exchange (DSE) for latest 12 months, to our average projected three-year EPS of Taka 7.12, we arrive at an implied offer price of Taka 130.01 per share.

Average Price Calculation

As recommended by the SEC, we calculated a simple average of the share price resulting from all four methods used above. An implied offer price based on the average of the various valuation methodologies as prescribed under the Public Issue Rules 2006, works out to Taka 7.46 per share, as shown below:

| (Amount in BDT) | Before Change in Par Value | After Change in Par Value |
|---|----------------------------|---------------------------|
| Method 1: Net Asset Value per Share | 2.27 | 22.70 |
| Method 2: Price Discovery through Book Building | 7.40 | 74.00 |
| Method 3: 5-Yrs Historical EPS (2004-08) X 5-Yrs Average DSE PE Ratio (2004 -08). | 7.17 | 71.73 |
| Method 4: 3-Yrs Projected EPS (2009-11) X Average DSE PE Ratio for last 12 months (Jun 08 to May 08). | 13.00 | 130.01 |
| Average Price | 7.46 | 74.61 |

So, the price based on the average of the four methods utilized, Net Asset Value (Taka 2.27 per share), PPO Price Discovery (Taka 7.40 per share), five-year historical EPS and five-year average DSE P/E multiple (Taka 7.17 per share) and three-year projected EPS and average DSE P/E (Taka 13.00 per share), is Taka 7.46 per share. Our offering price of Taka 7.00 per share is at a discount to this average price

After effecting change in the par value of shares from Taka 1.00 to Taka 10.00, the price per share determined based on the average of the four methods utilized, Net Asset Value (Taka 22.70 per share), Price Discovery (Taka 74.00 per share), five-year historical EPS and five-year average DSE P/E multiple (Taka 71.73 per share) and three-year projected EPS and average DSE P/E (Taka 130.01 per share), is Taka 74.61 per share. Our offering price of Taka 70.00 per share is at a discount to this average price.

MARKET FOR THE SECURITIES BEING OFFERED

We shall apply to the DSE and the CSE within seven working days from the date of consent accorded by the Securities and Exchange Commission to issue the Prospectus.

“Declaration about Listing of Shares with the Stock Exchange(s):

None of the stock exchange(s), if for any reason, grants listing within 75 days from the closure of subscription, any allotment in terms of this prospectus shall be void and the company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchanges, or from the date of expiry of the said 75 (seventy five) days, as the case may be.

In case of non-refund of the subscription money within the aforesaid fifteen days, the company directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (two percent) per month above the bank rate, to the subscribers concerned.

The issue Manager, in addition to the issuer company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within seven days of expiry of the aforesaid fifteen days time period allowed for refund of the subscription money.”

DESCRIPTION OF SECURITIES OUTSTANDING OR BEING OFFERED

The following is a summary of some of the provisions contained in, and is qualified in its entirety by, our Memorandum and Articles of Association, the Companies Act, the Securities and Exchange Ordinance, 1969, and the Securities and Exchange Commission (Public Issue) Rules, 2006. Prospective investors are urged to read our Memorandum and Articles of Association carefully, which are available at our registered office during normal office hours, and consult with their advisers, as our Memorandum and Articles of Association and applicable Bangladeshi law, and not this summary, govern the rights of the shares. Each prospective purchaser is also advised to consult its advisors about the particular consequences to it of an investment in the shares.

General

We are governed by our Memorandum and Articles of Association and the provisions of the Companies Act. We were incorporated as a private limited company on October 10, 1996 and we converted into a public limited company on June 25, 2007.

Share Capital

We have an authorized share capital of Taka 40,000,000,000. Prior to the Public Offering, our issued, subscribed, called up and paid-up capital is Taka 12,151,748,220, consisting of 1,215,174,822 shares of Taka 10.00 each. In July 2008, in connection with our preparation for the Offering, our Board of Directors and our shareholders approved an increase in our authorized share capital to Taka 40,000,000,000 from Taka 5,399,000,000 and a 43:1 share split to reduce the par value of our ordinary shares to Taka 1.00 from Taka 43.00. Further, to capitalize our retained earnings, our Board of Directors and our shareholders approved an issuance of bonus shares, whereby four newly-issued ordinary shares were issued for each existing outstanding share. The increase in our authorized capital was approved by the Registrar of Joint Stock Companies and Firms and the issuance of bonus shares was approved by the Securities and Exchange Commission. On July 2, 2009, our Board of Directors and our shareholders approved an issuance of 250 new ordinary shares to our shareholders to avoid any fractional shares resulting from a planned reverse share split to change the par value of shares, and a 10 for 1 reverse share split to increase the par value of our ordinary shares to Taka 10.00 per share from Taka 1.00 per share. The issuance of new shares was approved by the Securities and Exchange Commission and the increase in our par value per share was approved by the Registrar of Joint Stock Companies and Firms.

All issued shares which are fully paid and in registered form, are recorded in our share register book maintained by our Company Secretary. In connection with the Public Offering, we will submit an application for the listing on the DSE and the CSE of all of our shares including the shares offered by us in the Offering within seven working days from the date of consent of the SEC.

Prior to the Public Offering, we have no preferred shares outstanding.

Certificates

Every person whose name is entered as a shareholder in our register of members ("Register") is, without payment, entitled to receive one certificate under our seal (the "Seal") which represents the aggregate number of shares held by such person and the amount paid up thereon, *provided that*, in respect of a share or shares held jointly by several persons, we will not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders will be sufficient delivery to all.

Share certificates are issued under the Seal and signed by two directors or by one director and our Company Secretary or some other person duly appointed by our directors to sign on behalf of us. Every share certificate specifies the number and the denoting numbers of the shares in respect of which it is issued and the amount paid up thereon. Except to the extent permitted by Section 58 of the Companies Act, no part of our funds may be employed in the purchase of, or in loans upon the security of, our shares. If a share certificate is defaced, lost or destroyed, it may be reissued on payment of such fee and on such terms, if any, as to evidence and indemnity as our directors may from time to time think fit.

The Depository Act establishes a scheme for depositories to record ownership details of shareholders of listed companies in book entry or fungible form, such that there will be no distinctive numbers or any certificate numbers for shares. It is not compulsory for shareholders to switch to the depository system but investors are given that option. A shareholder or an allottee in a fresh issue shall have the option either to receive share certificates or hold shares with the depository by opening a beneficiary owner account with a depository participant ("DP"), through which the purchase and transfer of the shares shall be carried out. Where a person opts to hold his security with the depository, we shall inform the DP of the details of the allotment of shares. On receipt of such information,

the DP shall enter in its records the name of the allottee as the beneficial owner of such shares. Section 21 of the Depository Act provides that any account or sub-account of a DP or any matter included in the registry thereof shall, on the basis of the certificate given by the concerned DP, be admissible in court as prima facie evidence of the ownership of the shares under the depository system.

However, once our shares are listed for trading, under Bangladeshi law they must be in dematerialized form. The relevant provisions of the Depository Act and regulations made thereunder will thereupon also be applicable to our shares.

Absolute Owner

We are entitled to treat the registered holder of any share as the absolute owner thereof and are not bound to recognize any equitable or other claim to, or interest in, such share on the part of any other persons, save as provided in our Articles of Association.

Lien

Subject to the provisions of our Articles of Association, we have a paramount lien on every share not being a fully-paid share for all moneys whether presently payable or not, called or payable at a fixed time in respect of that share, and we must also have a lien on all shares other than fully-paid shares for all moneys presently payable by the holder of such shares to us. Our directors may at any time declare any share to be wholly or in part exempt from the provisions of our Articles of Association. Our lien, if any, on a share will extend to all dividends payable thereon.

Sale of Shares under Lien

We may sell, in such manner as our directors think fit, any shares on which we have a lien, but no such sale is authorized to be made unless the sum in respect of which the lien exists is presently payable, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share.

The sale proceeds must be applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue must, subject to a like lien for sums not presently payable as existed upon the shares prior to the sale, be paid to the person entitled to the shares at the date of the sale. The purchaser must be registered as the holder of the shares, and he will not be entitled to see to the application of the purchase money, nor will his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Calls on Shares

Our directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid on their shares, and each shareholder must, subject to receiving at least 14 working days notice specifying the time or times of payment, pay to us at the time or times so specified the amount called on his shares.

The joint holders of a share may be jointly and severally liable to pay all calls in respect thereof.

If a sum called in respect of a share is not paid on or before the day appointed for payment thereof, the person from whom the sum is due must pay interest upon the sum at the rate of 20.0% per annum from the day appointed for the payment thereof to the time of actual payment, but our directors will be at liberty to waive payment of that interest wholly or in part.

The provisions of our Articles of Association as to payment of interest will apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time whether on account of share or by way of premium as if the same had become payable by virtue of a call duly made and notified.

Our directors may, if they think fit, receive from any shareholder willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him; and may, upon receipt of all or any of the moneys so advanced until the same would, but for such advance, become presently payable, pay interest at such rate not exceeding 20.0%, as may be agreed upon between the shareholder paying the sum in advance and our directors.

Transfers of Shares

The instrument of transfer of any of our shares must be executed both by the transferor and the transferee, and the transferor is deemed to remain holder of the share until the name of the transferee is entered in the Register in respect thereof. The transfer of dematerialized shares must be carried out in accordance with the provisions of the Depository Act and regulations made thereunder.

Our shares may be transferred in any usual or common form, such method to be approved by our directors.

Our directors may at their discretion decline to register or acknowledge any transfer of shares other than fully paid-up shares upon which we do not have a lien or while any shareholder executing the transfer is either alone or jointly with any other person or persons indebted to us on any account whatsoever or whilst any money or any of the shares intended to be transferred remain unpaid. Such refusal will not be affected by the fact that the proposed transferee is already a shareholder. The registration of a transfer will be conclusive evidence of our directors' approval of the transfer. Our directors may suspend the registration of transfers of shares during such period or periods as may be permitted or required by law.

Every instrument of transfer must be left at our registered office for registration accompanied by the certificate of the shares to be transferred and such other evidence as our directors may require to prove the title of the transferor or his right to transfer the shares, and upon payment of the proper fee, the transferee will, subject to our directors' right to decline to register the transfer, be registered as a "Member" in respect of such shares, and we will retain the original instrument of transfer. Our directors may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction. A fee to be decided from time to time by our directors may be charged for each transfer and will, if required by our directors, be paid before the registration of such transfer.

Forfeiture of Shares

If a shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, our directors may, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on the shareholder requiring payment of so much of the call or installment as is unpaid (a "Payment Notice"), together with any interest which may have accrued.

The Payment Notice will name a further day, not earlier than the expiration of 14 days from the date of the notice, on or before which the payment required by the Payment Notice is to be made, and will further state that in the event of non-payment at or before the specified time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any Payment Notice as aforesaid are not complied with, any share in respect of which the Payment Notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board of Directors to that effect.

A forfeited share may be sold or otherwise disposed of on such terms and in such manner as our directors think fit, and at any time before a sale or disposition of the share the forfeiture may be cancelled on such terms as our directors think fit.

A person whose shares have been forfeited will cease to be a Member in respect of the forfeited shares, but will nevertheless remain liable to pay to us all moneys which, at the date of forfeiture, were presently payable by him to us in respect of the shares. This liability will cease if and when we receive payment in full of all such moneys, being the nominal amount of the shares.

A duly verified declaration in writing stating that the declarant is one of our directors, and that our shares have been duly forfeited on the date stated in the declaration, will be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares, and that declaration and our receipt for the consideration, if any, given for the share on the sale or disposition thereof, will constitute a good title to the share, and the person to whom the share is sold or disposed of will be duly entered on the Register as the holder of the share and will not be bound to see to the application of the purchase money, if any, nor will his title to the share be affected by an irregularity or invalidity in the forfeiture proceedings set out in the Articles or in the sale or disposal of the share.

The forfeiture provisions will apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable of a fixed time, whether on account of the amounts of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Alteration of Share Capital

All new shares shall, before issue, be offered to such persons, as at the date of the offer are entitled to receive notices of our general meetings, in proportion, as nearly as circumstances permit, to the number of shares they are holding at the time. Such an offer shall be made by a notice specifying the number of shares offered and fixing a reasonable time limit within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, our directors may dispose of the same in such manner as they think most beneficial to us. Except so far as otherwise provided by the conditions of issue or by our Articles of Association, any capital raised by the creation of new shares will be considered part of the original capital and will be subject to the provisions herein

contained with reference to the subscription, payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting, and otherwise.

The new shares will rank equally with and be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares issued and existing prior to the creation and issue of such new shares.

We may, by a special resolution passed in any general meeting, alter the conditions of our Memorandum of Association by:

- Consolidating and dividing all or any of our share capital into larger amounts than our existing shares;
- Sub-dividing our shares or any part of our share capital into shares of smaller amounts than is fixed by our Memorandum of Association;
- Creating new classes of shares;
- Cancelling any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person; and
- Increasing our share capital by the issue of new shares of such amount as we think expedient.

If at any time our share capital is divided into different classes of shares, the rights attached to any such class may be varied with the consent in writing of the holders of three fourths or any other proportion of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of that class.

Reduction of Capital

Subject to the Companies Act, we may, by special resolution, reduce our share capital in any manner and subject to any consent required by law, and, in particular, we may, as part of this general power:

- extinguish or reduce the liability on any of its shares in respect of share capital that is not paid-up;
- either with or without extinguishing or reducing liability on any of its shares, cancel any paid-up share capital which is lost or presented by available assets;
- either with or without extinguishing or reducing liability on any of its shares, pay off any paid-up share capital which is in excess of our needs; and
- so far as is necessary, alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.

General Meetings of the Shareholders

There are two types of general meetings of the shareholders:

- (i) annual general meetings; and
- (ii) extraordinary general meetings.

Under general companies law, we must hold annual general meetings at least once every calendar year and no later than nine months of the expiry of our financial year, at such time and place as may be determined by our directors. Such general meetings are called “Annual General Meetings” (“AGMs”) and all of our other general meetings are called “Extraordinary General Meetings” (“EGMs”).

Upon listing, we will be required to hold our AGMs within six months of the close of our financial year. As our financial year ends on December 31 of each year, AGMs are to be held by June 30 of each year. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Companies Act, 1994.”

Our directors prepare an annual list of Members and a summary of our share capital and forward the same to the Registrar of Joint Stock Companies and Firms in accordance with of the Companies Act. Subsequently, our directors, on the requisition of the holders of not less than one tenth of our issued share capital upon which all calls of other sums then due have been paid, proceed to call an EGM.

Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at our registered office. The requisition may consist of several documents in like form, each signed by one or more requisitionists. In the case of joint holders of shares, all such holders must sign the requisition.

If our directors do not proceed (within 21 days from the date on which the requisition was deposited) to cause an EGM to be called, the requisitionists or a majority of them in value may themselves call the meeting but in neither case any EGM so called will be held within three months from the date of the deposit of the requisition. Any EGM called under our Articles of Association by the requisitionists will be called in the same manner as nearly as possible as the AGMs called by our directors.

An AGM may be called with 14 days' notice in writing in the manner provided by the Companies Act and our Articles of Association, and a general meeting other than an AGM or a general meeting for passing a special resolution may be called with 21 days' notice in writing. Any such notice will specify the date, hour and place of the general meeting, provide a statement of the business to be transacted at the general meeting, and if it is proposed to pass an extraordinary resolution or a special resolution, as the case may be, the intention to propose such resolution as an extraordinary resolution or special resolution, as the case may be.

A resolution shall be an extraordinary resolution when it has been passed by a majority of not less than three fourths of such members entitled to vote as are present in person or by proxy, where proxies are allowed, at a general meeting of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given. A resolution shall be a special resolution when it has been passed by such majority as is required for the passing of an extraordinary resolution and the intention to propose the resolution as a special resolution has been duly given.

Where it is proposed to pass a special resolution or to hold a general meeting other than an AGM, a 21 day notice specifying the intention to propose the resolution as a special resolution or to hold a general meeting other than an AGM and specifying the date, hour and place of the general meeting and the nature of the business will be given to the persons entitled under, and in the manner provided by, the Companies Act and our Articles of Association. With the consent of all shareholders entitled to receive notice of and vote at such general meetings or to attend and vote at any such general meeting, a general meeting may be convened by shorter notice in any manner as the shareholders entitled to receive notice of, and vote at, such meetings think fit.

A director or shareholder will be deemed to have been properly notified if the notice is sent to his address registered with us.

Any accidental omission to give notice to, or non-receipt thereof by, any shareholder entitled to receive such notice shall not invalidate proceedings or any resolution passed at any such general meeting if the shareholder is present or consents in writing to the action taken. All business that is transacted at an EGM and at an AGM will be deemed special, with the exception of the sanctioning of a dividend, the consideration of the our accounts, balance sheets and the ordinary report of our directors and auditors, the election of directors and other officers in the place of those retiring by rotation, and the fixing of the remuneration of the auditors.

No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the general meeting proceeds to business. The meeting will have a quorum when Members holding more than two-thirds of our shares are present.

The Chairman of our Board of Directors will preside as Chairman at every general meeting. If a poll is duly demanded, it will be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which poll was demanded.

In the case of any equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the general meeting directs.

Voting Rights

A shareholder is entitled to one vote for each share held by it. Subject to the provisions of the Companies Act, all resolutions will be passed by a simple majority of votes cast, but only after efforts have been made to reach consensus among the shareholders entitled to vote thereon.

Notwithstanding any other provision of our Articles of Association, the following decisions will require a majority of at least 75.0% of the votes of all issued and outstanding shares:

- Amending our Articles of Association.
- Increasing or reducing our share capital.

- Changing the rights attached to a class of our shares.
- Matters relating to our consolidation, mergers, divestitures, liquidation or winding-up, or our transformation into another corporate form.
- Matters relating to our acquisition of another corporation or other business entity, or entering into any joint venture, partnership or similar arrangements.
- Acceptance of, and any amendment or addition to the licence issued by the Government for the installation, operation and maintenance of a digital cellular mobile radio telecommunications network throughout Bangladesh by us.
- Selling the abovementioned licence.
- Selling all or substantially all of our assets.
- Borrowing funds in excess of 10.0% of our total capitalisation.
- Filing for bankruptcy or any other similar procedure for bringing our affairs to an end.
- Our recapitalization.

On a show of hands, every Member present in person will have one vote. On a poll, every Member is entitled to have one vote in respect of each share held by him. On a poll, votes may be given either personally or by proxy.

In the case of joint-holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint-holders; and, for this purpose, seniority will be determined by the order in which the names stand in the Register.

A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on poll, by his committee or other legal guardian, and any such committee or guardian may vote by proxy.

A representative of a corporate body that is a Member duly authorized by a resolution of the directors of such corporate body in accordance with the provisions of the Companies Act may vote on a show of hands and on poll as if he were a shareholder entitled to vote at such a general meeting. The production at the meeting of a copy of such resolution duly signed by one director of such corporate body under its common seal and certified by him as being a true copy of the resolution will be accepted by us as sufficient evidence of the validity of his appointment.

Subject to the provisions of the Companies Act, no Member will be entitled to be presented or to vote at any general meeting where such Member would, but for the reasons set out in Article 59 of our Articles of Association, be entitled to be present or vote at such general meeting, either personally or by proxy or as proxy for any other member or be reckoned in a quorum whilst any call or other sum shall be due and payable to us in respect of any of the shares of such Member.

The parties to the Shareholders' Agreement, including shareholders who accede to it, are bound by the provisions thereof and any exercise of their voting or other rights which is inconsistent with the provisions of the Shareholders' Agreement is null and void under the terms of the Shareholders' Agreement.

Any person to whom our shares are to be transferred or to whom shares have been transferred but who has not been entered on the Register as the registered holder of such shares, will be entitled to vote at general meetings in respect thereof as if he were the registered holder of such shares *provided that* at least 72 hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposed to vote, he shall satisfy our directors of his right to have his name entered on the Register as the registered holder of such shares unless our directors shall have previously acknowledged his right to vote at such meeting in respect thereof.

Votes may be given either personally or by attorney or by proxy through any Member or Members or in the case of a corporate body also by a representative duly authorized as described in our Articles of Association.

The instrument appointing a proxy will be in writing under the hand of the appointor or his attorney. If such appointor is a company or corporation then the appointed will be made under the common seal of that company or under the hand of a person duly authorized by such company or corporation to act in such capacity.

No person shall be entitled to act as a proxy unless the instrument of his appointment and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority will have been deposited at our office at least 72 hours before the time for holding the meeting at which the person named in the instrument of proxy proposes to vote. If such procedure is not followed the instrument appointing the proxy and the intended appointment of the proxy shall not be treated as valid.

If any such instrument of appointment has as its sole purpose the appointment of a proxy or a substitute for voting at our meetings, it shall remain permanently or for such time as our directors may determine, in our custody, and if such instrument has purposes other than, and in addition to, those referred to in our Articles of Association, a copy thereof, examined and compared with the original, shall be delivered to us and shall remain in our custody.

Every instrument of proxy whether for a specified meeting or otherwise may be in the form as laid out in our Articles or in any other form which our directors may from time to time, approve.

Dividends and Reserve and Limitations on Payment of Dividends

Under our Articles of Association, we pay dividends upon a recommendation by our Board of Directors and approval by our shareholders at the annual general meeting of the shareholders. The general meetings will annually determine the amount of profit out of the distributable reserves available for actual distribution (dividend) to our shareholders. No dividends will be paid out to shareholders until there have been two years of positive accumulated cash flow, net of debt services. At a general meeting, the shareholders may declare dividends, but no dividends will exceed the amount recommended by our directors.

Dividends may be declared and paid to any or all classes of shareholders in a year if so recommended by our Board of Directors, at a rate or amount to be determined by our Board of Directors, which rate or amount may be different for different classes of shareholders, as may be decided by our Board of Directors, notwithstanding anything contained in the provisions of our Articles of Association.

Our directors may from time to time pay to the shareholders such interim dividends as appears to our directors to be justified by our profits. No dividends will be paid to shareholders other than from the profits of the year or any other undistributed profits. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid on the shares.

Our directors may, before recommending any dividend, set aside out of our profits such sums as they think proper as a reserve or reserves which shall, at the discretion of our directors, be applicable for meeting contingencies, for equalising dividends, or for any other purpose to which our profits may be properly applied and, pending such application may, at the like discretion, either be employed in our business or be invested in such investments (other than our shares) as our directors may from time to time think fit. Our directors may also without placing the same to reserve carry forward any profits which they may think prudent not to distribute.

Any general meeting may upon the recommendation of our directors resolve that any money, investment or other assets forming part of our undistributed profits standing to the credit of any reserve fund or profit and loss account or otherwise available for distribution (or representing premium received on the issued shares and standing to the credit of the share premium account) be capitalized and distributed among such Members as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such Members either towards paying up any amounts for the time being unpaid on any shares held by such Members or paying in full any unissued shares, debentures or debenture stock, or partly in one way and partly in the other as aforesaid, and that such distribution or payment will be accepted by such Members in full satisfaction of their interests in the said capitalized sum, and our directors shall give effect to such resolution.

Notice of any dividend that may have been declared shall be given in the manner hereinafter mentioned to the persons entitled to participate therein. If several persons are registered as joint-holders of any shares, any one of them may give effectual receipts for any dividend payable on the share. If a dividend has not been claimed for three years after the passing of either the resolution passed at a general meeting declaring the dividend or the resolution of our director providing for payment for that dividend, our directors may invest the dividend or use it in some other way for our benefit until the dividend is claimed. No dividend shall bear interest against us.

Limitations

So long as there is any indebtedness outstanding under our long-term borrowings, unless each of those lenders otherwise agrees in writing, we may not declare or pay any dividends unless certain conditions set forth in the loan agreements are met, including ensuring that our net long-term debt to shareholders' equity ratio is no more than 1.5, our debt service coverage ratio is no less than 1.5, there is no continuing event of default under the loan agreements, and that the dividends are paid out of our profits. The loan agreements for our long-term borrowings set out a common set of 18 events of default. For a further description of these loans and the events of default, see "Plan of Operation and Discussion of Financial Condition—Liquidity and Capital Resources—Long-Term Borrowings." There are no further limitations on the payment of dividends to our shareholders, other than those disclosed herein.

Dividends Paid to Date

For our 2007 fiscal year, we paid an aggregate dividend of Taka 1,506.8 million, or Taka 0.12 per share (as adjusted for our share split and bonus issuance of July 2008), while for our 2006 fiscal year, we paid an aggregate dividend of Taka 1,458.2 million, or Taka 0.12 per share (as adjusted for our share split and bonus issuance of July 2008). The foregoing dividend per share amounts are calculated based on the 12,151,747,970 ordinary shares outstanding as of December 31, 2008 and do not reflect our 10 for 1 reverse share split and related issuance of 250 bonus shares, which were completed in July 2009. See “Summary—Recent Developments—Reverse Share Split.”

Since our inception, we have paid total cash dividends of Taka 9,138.6 million. Earnings before distribution at September 30, 2008 were Taka 31,662.6 million, implying that 29.0% of total earnings has been distributed while 71.0% has been reinvested in our business. Out of this reinvestment, Taka 9,721.4 million or 43.1% was capitalized through bonus shares, Taka 2,139.7 million or 9.5% transferred to our general reserve and the rest became retained earnings. A portion of the dividends has also been deducted as withholding tax and paid to the National Exchequer.

The following table shows all dividends we have paid on our ordinary shares, whether in cash or in shares:

| For the Year | Dividend Rate | Dividend Per Share (Taka) | Par Value Per Share (Taka) | Dividend Type | AGM / EGM Date |
|------------------------------|----------------------|--------------------------------------|---------------------------------------|----------------------|-----------------------|
| 2002 | 10.54% | 4.53 | 43.00 | Cash | September 30, 2003 |
| 2003 | 24.42% | 10.50 | 43.00 | Cash | July 6, 2004 |
| 2004 | 103.49% | 44.50 | 43.00 | Cash | April 22, 2005 |
| 2005 | 50.00% | 21.50 | 43.00 | Cash | June 27, 2006 |
| 2006 | 60.00% | 25.80 | 43.00 | Cash | June 25, 2007 |
| 2007 | 62.00% | 26.66 | 43.00 | Cash | March 25, 2008 |
| 2008 | 13.00% | 0.13 | 1.00 | Cash | March 23, 2009 |
| In 2008 ⁽¹⁾ | 400% | — | — | Bonus Shares | July 15, 2008 |

(1) In 2008, we capitalized a portion of our retained earnings through the issuance of bonus shares. The issuance was approved by our shareholders at the Extra-Ordinary General Meeting of Shareholders on July 15, 2008 and subsequently by the SEC.

Future dividends will depend on our revenue, cash flows, financial condition (including capital position), expected capital expenditures and other factors. The dividend amounts we paid in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Borrowing Power

Subject to the provisions of our Articles of Association, our directors may from time to time at their discretion direct us to borrow any sum of money from sources located in Bangladesh or abroad. Our directors may direct us to raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respect as they think fit and, in particular, by the issue of bonds, perpetual or redeemable debentures or debenture stocks or charge or other security on the undertaking or the whole or any part of our property, both present and future, including its uncalled capital for the time being.

Any credit facility, bonds, debentures, debenture stocks or other securities issued or to be issued by us shall be under the control of our directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider beneficial to us. Debentures, debenture stocks, bonds or other securities may be made assignable free from any equities between us and the person to whom the same may be issued. Any bonds, debentures, debenture stocks or other securities may be issued at a discount, premium, or otherwise and with any special privileges as to redemption, surrender, drawing, allotment of shares, attending and voting at our general meetings, and otherwise.

If any of our uncalled capital is included in or charged by any mortgage or other security, our directors may authorize the person (or any other person in trust for him) in whose favour such mortgage or security is executed to make calls on the shareholders in respect of such uncalled capital. The provisions hereinbefore contained with regard to calls shall apply *mutatis mutandis* to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally, presently or contingently and either to the exclusion or otherwise of our directors' power and shall be assignable if so expressed to be.

If our directors or any of them or any other person will become personally liable for the payment of any sum due primarily from us, our directors will execute or cause to be executed any mortgage, charge or security over, or

affecting, the whole or any part of our assets by way of Indemnity to secure our directors or person so becoming liable as aforesaid from any loss in respect of such liability.

Our directors shall cause a proper register to be kept in accordance with the provisions of the Companies Act with regard to mortgages, debentures and charges specifically affecting our property and shall cause the requirements of the provisions under the Companies Act to be duly complied with so far as they fall to be complied with by us.

Financial Statements

Our auditors will be appointed at a general meeting for a period of one year at a time.

Our Chief Executive Officer and his immediate subordinates (our “Management Team”) will, under the supervision of our Board of Directors, keep and maintain complete and accurate books of accounts in which each and every transaction of ours will be entered fully and accurately. Such books shall be maintained, and relevant financial statements shall be prepared, as required by law and in accordance with applicable accounting standards, generally accepted accounting principles, and the IAS, as appropriate, and may from time to time be necessary, and shall at all times be maintained at our registered office. The audited annual accounts shall be prepared in English.

We will provide such financial information to our sponsor shareholders, see “Ownership of the Company’s Securities,” as is necessary for them to comply with their local accounting requirements. A sponsor shareholder may obtain access to our accounts, books and records for the purpose of inspection.

Within 30 days after the end of each quarter, an unaudited quarterly financial statement, including a profit and loss statement, balance sheet, capital expenditure plan and a cash flow statement shall be provided to our Board of Directors.

Our directors will, in accordance with the provision of the Companies Act, cause to be prepared and to be laid before the shareholders in general meeting at some date not later than 18 months after our incorporation and subsequently at least once in every calendar year, such profit and loss accounts, capital expenditure accounts, balance sheets, cash flow statements and reports as are referred to in those Sections.

The profit and loss accounts shall, in addition to the matters referred to in the Companies Act, show arranged under the most convenient headings, the amount of gross income, distinguishing the several sources from which it has been derived, and the amount of gross expenditure distinguishing the expenses of the establishment, salaries and other like matters. Every item of expenditure fairly chargeable against the year’s income shall be brought into account, so that a balance of profit and loss may be laid before the general meeting, and in cash where any item of expenditure which may in fairness be distributed over several years has been incurred in any one year, the whole amount of such item will be stated, with reasons stated as to why only a portion of such expenditure is charged against the income of the year.

Our Board of Directors will have prepared and laid before our shareholders in general meeting a balance sheet together with a profit and loss account made up for the period beginning with the date immediately after the last account and ending on a date not more than nine months before such meeting. The balance sheet will be accompanied by a report of our Board of Directors as to the state of our affairs, and the amount, if any, which our Board of Directors may propose to carry to a reserve fund. A copy of our balance sheet and report will, 14 days before the meeting, be sent to the persons entitled to receive notices of general meeting in the manner in which notices are to be given under our Articles of Association. Our directors will in all respects comply with the provisions of the Companies Act, or any statutory modification thereof for the time being in force.

Audit

Our financial year is the calendar year. The appointment of auditors and their duties are regulated in accordance with the Companies Act, or any statutory modification thereof for the time being in force.

Notice

We may give notice to our shareholders or our directors either personally or through registered post to their registered addresses. The notice may be served by confirmed telex or facsimile to numbers provided by our directors and the shareholders to us for the giving of notices to them. Where a notice is sent by registered post, service of the notice will be deemed to be effected by properly addressing, prepaying, registering and posting a registered letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.

Winding-Up

On a winding up, our surplus assets remaining after payment of our liabilities will be divided among the shareholders rateably in proportion to the amount paid up on such shares.

If such assets are insufficient to repay the whole of the paid up capital, such assets will be distributed so that, as nearly as may be, the losses will be borne by the shareholders in proportion to their capital or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively. And if, in a winding up, the assets available for distribution among the shareholders will be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the surplus will be distributed as nearly as may be possible, to the shareholders in proportion to their shareholdings. But this clause is to be without prejudice to the holders of shares issued upon special terms and conditions.

In case we are wound up, whether voluntarily or otherwise, the liquidators may, with the sanction of an extraordinary resolution, divide amongst the shareholders, in specie or kind, any part of our assets and may, with the like sanction, vest any part of our assets in trustees upon such trusts for the benefit of the shareholders or any of them, as the liquidators, with the like sanction, think fit.

If any shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may, within ten days after the passing of the special resolution by providing notice in writing, direct the liquidators to sell his proportion and pay him the net proceeds and the liquidators will, if practicable, act accordingly.

Indemnity

Each director, member of our Management Team, agent, auditor, and officer shall be indemnified out of our assets against any liability incurred by such person in defending any proceedings, whether civil or criminal, in which judgement is given in such person's favour, or in which such person is acquitted, or in connection with any application under the provisions of the Companies Act, in which relief is granted to such person by a court.

DEBT SECURITIES

On November 11, 2008, we issued unsecured, non-convertible and freely transferable coupon bearing bonds in an aggregate principal amount of Taka 4,250 million, with each bond denominated at Taka 10 million, to domestic investors. One tranche has a 540 day term and the other tranche has a 720 day term, and the maturity dates are May 4, 2010 and October 31, 2010, respectively. The bonds have an interest rate of 14.5% per annum, payable semi-annually. The interest rate will be reviewed every six months based on market conditions. The proceeds from the issue were used to restructure the maturity profile of our existing debt by repaying certain of our existing short-term debt, and also to fund capital expenditures in the remainder of 2008 and in 2009. The bond is fully subscribed and all proceeds have been received.

We may opt to redeem the bonds earlier at any time, at the rate of 100.2% of the principal plus accrued and unpaid interest. Additionally, if a situation arises whereby Telenor or its affiliates beneficially own less than 50.1% of our voting stock, we will be required to make an unconditional offer to purchase all outstanding bonds at the rate of 100.2% of the principal plus accrued and unpaid interest.

The bonds will rank at least *pari passu* with the claims of our other unsecured and unsubordinated creditors, except as Bangladeshi law otherwise requires. However, the bonds will be effectively subordinated to any of our secured obligations to the extent of our assets serving as security therefor. There are no sinking fund requirements for the bonds.

The bonds have been issued under a trust deed entered into between us and Eastern Bank Limited, as trustee. Under this trust deed, we are required to ensure that:

- The ratio of our net long-term debt to our shareholders' equity shall not exceed 1.5:1;
- The debt service coverage ratio shall not be less than 1.5:1;
- The ratio of our net long-term debt to our annualized EBITDA shall not exceed 2.0:1; and
- The ratio of our financial indebtedness to our shareholders' equity shall not exceed 2.0:1.

If we default on payments, the trustee may declare the principal, interest and all other amount payable on a series of bonds due and payable; if we breach a covenant or undergo a cross-default or judgment against us, the trustee may, by written notice to us, declare the principal, interest and all other amounts payable on the relevant series of bonds due and payable immediately. Once a series of bonds become due and payable, the trustee may take such proceedings against us as it may think fit to enforce repayment and the provisions of the trust deed; it shall not be bound to take any such proceedings unless requested in writing by the holders of not less than 66⅔% of the relevant series of bonds.

LOCK-IN PROVISION

All our issued shares at the time of the granting of consent by the Securities and Exchange Commission will be subject to a lock-in period of three years from the date of issuance of the Prospectus or commercial operation, whichever comes later, provided that the persons, other than our directors and those who hold 5.0% or more of our shares, who have subscribed to our shares within the immediately preceding two years of the granting of consent, will be subject to a lock-in period of only one year from the date of the issuance of the Prospectus or commercial operation, whichever comes later.

The following table indicates our shareholders and their respective shareholdings. These shares will be locked in for three years from the date of issuance of the Prospectus.

| <u>Name</u> | <u>Number of ordinary shares held</u> | <u>Amount (Taka)</u> | <u>% of total outstanding shares pre-Offering</u> |
|---|---|--------------------------|---|
| Telenor Mobile Communications AS | 753,407,724 | 7,534,077,240 | 62.00% |
| Nye Telenor Mobile Communications II AS . . . | 215 | 2,150 | 0.00% |
| Nye Telenor Mobile Communications III AS . . | 215 | 2,150 | 0.00% |
| Telenor Asia PTE Ltd. | 215 | 2,150 | 0.00% |
| Grameen Telecom | 461,766,409 | 4,617,664,090 | 38.00% |
| Grameen Kalyan | 22 | 220 | 0.00% |
| Grameen Shakti | 22 | 220 | 0.00% |
| Total: | <u>1,215,174,822</u> | <u>12,151,748,220</u> | <u>100.00%</u> |

Pursuant to the Placement, we expect to sell 65,685,800 shares to the following institutions and persons. The closing of such sale will occur at the same time as, and is conditional upon, the closing of the Public Offering. These shares will be locked in for one year from the date of allotment of the shares.

| <u>Name</u> | <u>No. of Shares Subscribed</u> | <u>Amount (Taka)</u> | <u>% of Total Outstanding Shares Post-Offering</u> |
|--|-------------------------------------|----------------------|--|
| AB Bank Limited — Portfolio A/C | 6,519,600.00 | 482,450,400.00 | 0.48% |
| IDLC Finance Ltd. — Portfolio A/C | 6,157,800.00 | 455,677,200.00 | 0.46% |
| IFIC Bank Limited | 3,684,900.00 | 272,682,600.00 | 0.27% |
| United Commercial Bank Ltd. | 2,096,700.00 | 155,155,800.00 | 0.16% |
| LankaBangla Finance Limited — Portfolio A/C | 1,914,600.00 | 141,680,400.00 | 0.14% |
| Grameen Capital Management Ltd. — Investors' Account . . | 1,669,700.00 | 123,557,800.00 | 0.12% |
| Rupali Bank Ltd. | 1,283,800.00 | 95,001,200.00 | 0.10% |
| Popular Life Insurance Co. Ltd. | 1,234,400.00 | 91,345,600.00 | 0.09% |
| Prime Bank Ltd. — Portfolio A/C | 1,142,900.00 | 84,574,600.00 | 0.08% |
| Union Capital Ltd. — Investors A/C | 1,041,600.00 | 77,078,400.00 | 0.08% |
| The City Bank Ltd. | 975,600.00 | 72,194,400.00 | 0.07% |
| Trust Bank Ltd. | 894,300.00 | 66,178,200.00 | 0.07% |
| Trust Bank Ltd. — NRB A/C | 891,800.00 | 65,993,200.00 | 0.07% |
| Grameen One: Scheme Two | 872,800.00 | 64,587,200.00 | 0.06% |
| Peoples Leasing and Financial Services Ltd. | 799,700.00 | 59,177,800.00 | 0.06% |
| National Bank Limited | 644,600.00 | 47,700,400.00 | 0.05% |
| Trust Bank Ltd. — Investors A/C | 588,300.00 | 43,534,200.00 | 0.04% |
| Pioneer Insurance Co. Ltd. | 573,100.00 | 42,409,400.00 | 0.04% |
| Uttara Finance and Investments Ltd | 531,700.00 | 39,345,800.00 | 0.04% |
| First Capital Securities Ltd. | 479,800.00 | 35,505,200.00 | 0.04% |
| Mercantile Securities Ltd. | 461,800.00 | 34,173,200.00 | 0.03% |
| Eastern Bank Limited | 364,200.00 | 26,950,800.00 | 0.03% |
| Grameen Mutual Fund One | 358,300.00 | 26,514,200.00 | 0.03% |
| AIMS First Guaranteed Mutual Fund | 328,400.00 | 24,301,600.00 | 0.02% |
| AIMS of Bangladesh Limited | 298,200.00 | 22,066,800.00 | 0.02% |

| <u>Name</u> | <u>No. of Shares Subscribed</u> | <u>Amount (Taka)</u> | <u>% of Total Outstanding Shares Post-Offering</u> |
|---|-------------------------------------|--------------------------------|--|
| Phoenix Finance & Investments Limited. | 278,400.00 | 20,601,600.00 | 0.02% |
| Green Delta Insurance Company Limited | 265,800.00 | 19,669,200.00 | 0.02% |
| Latif Securities Ltd. | 227,300.00 | 16,820,200.00 | 0.02% |
| Reliance Insurance Limited | 214,300.00 | 15,858,200.00 | 0.02% |
| Prime Finance & Investment Limited | 211,100.00 | 15,621,400.00 | 0.02% |
| Royal Green Securities Ltd. | 195,800.00 | 14,489,200.00 | 0.01% |
| Uttara Finance and Investments Ltd — Investors' Portfolio A/C. | 146,800.00 | 10,863,200.00 | 0.01% |
| Rose Securities Ltd. | 143,500.00 | 10,619,000.00 | 0.01% |
| Union Capital Ltd. | 117,800.00 | 8,717,200.00 | 0.01% |
| IDLC Finance Limited. | 113,600.00 | 8,406,400.00 | 0.01% |
| Phoenix Insurance Company Ltd | 83,400.00 | 6,171,600.00 | 0.01% |
| Sharp Securities Ltd. | 82,800.00 | 6,127,200.00 | 0.01% |
| M-Rahman Securities Ltd. | 80,700.00 | 5,971,800.00 | 0.01% |
| Continental Insurance Ltd. | 71,000.00 | 5,254,000.00 | 0.01% |
| Swadesh Investment Management Limited | 69,900.00 | 5,172,600.00 | 0.01% |
| Rupali Insurance Co. Ltd. | 66,000.00 | 4,884,000.00 | * |
| Homeland Life Insurance Co. Ltd. | 59,800.00 | 4,425,200.00 | * |
| Pragati Insurance Ltd. | 48,500.00 | 3,589,000.00 | * |
| Golden Life Insurance Ltd. | 45,500.00 | 3,367,000.00 | * |
| Saad Securities Ltd. | 40,500.00 | 2,997,000.00 | * |
| Expo Traders Ltd. | 30,300.00 | 2,242,200.00 | * |
| Grameen Bank Borrowers' Investment Trust. | 11,037,221.00 | 816,754,354.00 | 0.82% |
| GP employees | 16,247,179.00 | 1,202,291,246.00 | 1.20% |
| Total. | <u>65,685,800.00</u> | <u>4,860,749,200.00</u> | <u>4.86%</u> |

* Less than 0.01%.

The shares of the Sponsor, Directors and Promoters (if in paper format) shall be handed over to the securities custodian bank registered with SEC and shall remain with such bank until the expiration of the lock-in period. The name and branch of the security custodian bank shall be furnished to the commission jointly by the issuer and the issue manager, together with a confirmation thereof from the custodian bank, within one week of listing of the shares with the stock exchange(s). In the alternative, the shares of the Sponsor, Directors and Promoters can be demated and will remain locked in under the CDBL system. The issuer will submit a dematerialization confirmation report generated by the CDBL system and attested to by the Chief Executive Officer of the company, together with a lock-in confirmation, to the SEC within one week of listing of the shares with the stock exchange(s). The issuer will ensure that share that do not belong to the Sponsor, Directors and Promoters will be locked-in and submit a statement to this effect to the SEC.

REFUND OF SUBSCRIPTION MONEY

In the case of non-allotment of securities, if the applicants' bank accounts as mentioned in their application forms are maintained with the Bankers to the Issue as mentioned below, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their application forms.

| | |
|--------------------------------------|--------------------------------|
| Citibank, N.A. | Mercantile Bank Limited |
| Bank Asia Limited | National Bank Limited |
| BRAC Bank Limited | One Bank Limited |
| Dutch-Bangla Bank Limited | Premier Bank Limited |
| Eastern Bank Limited | Standard Chartered Bank |
| EXIM Bank | The City Bank Limited |
| IFIC Bank Limited | Trust Bank Limited |
| Investment Corporation of Bangladesh | United Commercial Bank Limited |

Otherwise, refund will be made only through "Account Payee" cheque(s)/refund warrants with bank account number and name of bank branch as mentioned in the application payable at Dhaka, Chittagong, Khulna, Barisal, Rajshahi or Sylhet, as the case may be.

For this purpose the number of the bank account along with name of bank and branch shall be indicated in the securities application form.

SUBSCRIPTION BY AND REFUND TO NON-RESIDENT BANGLADESHIS

A Non-Resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of a foreign currency deposit account maintained in Bangladesh or in Taka, supported by a foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through a crossed bank cheque marked “account payee only.”

The value of the securities applied for by such person may be paid in Taka, U.S. dollars, United Kingdom pound sterling or euros at the rate of exchange mentioned in the securities application form.

Refunds against over-subscription shall be made in the currency in which the value of securities was paid for by the applicant through an account payee bank cheque payable at Dhaka with bank account number, bank’s name and branch as indicated in the securities application form. If the applicant’s bank accounts as mentioned in their application forms are maintained with the Bankers to the Issue and other bank as mentioned above, refund amount of those applicants will be directly credited into the respective bank accounts as mentioned in their application forms.

AVAILABILITY OF SECURITIES

- The Public Offering will be for 69,439,400 shares at Taka 70.00 each totaling Taka 4,860,758,000. As per the Securities and Exchange Commission (Public Issue) Rules, 2006, 10% of the total Public Offering shall be reserved for non-resident Bangladeshi (NRB) and 10% for mutual funds and collective investment schemes registered with the commission and remaining 80% shall be open for subscription by the general public. The position is thus as follows:

| | | Taka |
|----|--|---------------|
| A) | 10.0% of the issue i.e. 6,943,940 ordinary shares at Taka 70.00 each shall be reserved for NRBS | 486,075,800 |
| B) | 10.0% of the issue i.e. 6,943,940 ordinary shares at Taka 70.00 each shall be reserved for mutual funds and collective investment schemes registered with the Securities and Exchange Commission | 486,075,800 |
| C) | The remaining 80.0% i.e. 55,551,520 ordinary shares at Taka 70.00 each shall be open for subscription by the general public | 3,888,606,400 |
| | Total | 4,860,758,000 |

- All securities as stated in paragraph 1 shall be offered for subscription and subsequent allotment by the Issuer, subject to any restriction, which may be imposed, from time to time, by the Securities and Exchange Commission.
- In case of over-subscription under any of the categories mentioned in paragraph 1, the Issuer and the Issue Manager shall jointly conduct an open lottery of all the applications received under each category separately in accordance with the letter of consent issued by the Securities and Exchange Commission.
- In case of under subscription under any of the 10% categories mentioned in paragraphs 1(A) and 1(B), the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the Issuer and the Issue Manager shall jointly conduct an open lottery of all the applications added together.
- In case of under subscription of the Public Offering, the unsubscribed portion of securities shall be taken up by the underwriters.
- The lottery as stated in paragraphs 3 and 4 shall be conducted in the presence of representatives from the Issuer, the stock exchanges, and the applicants, if there be any.

Financial Structure

| Particulars | Premium in Taka | Capital in Taka |
|---|-----------------|-----------------|
| Authorized Capital: 4,000,000,000 shares of par value Taka 10.00 each | | 40,000,000,000 |
| Issued and Fully Paid up Capital prior to the closing of the Offering: At present the issued share capital is of Taka 12,151,748,220 divided into 1,215,174,822 shares of Taka 10.00 each | 13,748,237 | 12,151,748,220 |
| Placement: 65,685,800 shares at Taka 74.00 each (including a premium of Taka 64.00 per share) | 4,203,891,200 | 656,858,000 |
| Public Offering: 69,439,400 shares at Taka 70.00 each (including a premium of Taka 60.00 per share) | 4,166,364,000 | 694,394,000 |
| After the Offering: | 8,384,003,437 | 13,503,000,220 |

Allotment

We shall issue share allotment letters to all successful applicants within five weeks from the date of the subscription closing date. At that time, we will make refunds to the unsuccessful applicants in the currency in which the value of securities was paid for by those applicants without any interest, through account payee cheque/refund

warrants with the bank account number, bank's name and branch as indicated in the securities application forms payable at Dhaka or Chittagong, as the case may be. A compliance report in this regard shall be submitted to the Securities and Exchange Commission within seven weeks from the date of closure of subscription.

Disclosures in Respect of Issuance of Security in Demat Form

As per the provisions of the Depository Act, 1999 and regulations made thereunder, the shares will only be issued in dematerialized condition. Please mention your BO account number in the application form. If you do not mention your valid BO account number, your application will be treated as invalid.

Application for Subscription for Resident Bangladeshis

1. As per the provisions of the Depository Act, 1999 and regulations made thereunder, the shares will only be issued in dematerialized condition. Please mention your BO account number in Item No. 3 of the application form. If you do not mention your valid BO account number, your application will be treated as invalid.
2. All information must be typed or written in full (in block letters) in English or in Bengali and must not be abbreviated.
3. Applications must be made on the Company's printed form/photocopy or on typed copy/hand written form thereof.
4. Applications must not be for less than 200 ordinary shares and must be for a multiple of 200 ordinary shares. Any application not meeting these criteria will not be considered for allotment purposes.
5. Remittance for the full amount of the shares must accompany each application and must be forwarded to any of the bankers to the issue. Remittance should be in the form of cash/cheque/bank draft/pay order payable to one of the bankers to the issue favoring "Grameenphone Ltd." and crossed "A/C Payee only" and must be drawn on a bank in the same town as the bank to which the application form has been sent.
6. In the case of a joint application form, the allotment letter will be dispatched to the person whose name appears first on this application form and where any amount is refundable in whole or in part the same will be refunded by Account Payee cheque by post/courier service to the person named first on this application form in the manner prescribed in the Prospectus.
7. Joint application forms for more than two persons will not be accepted. In case of joint applications, each party must sign the application form.
8. Applications must be in the full name of individuals or companies or societies or trusts and not in the name of firms, minors or persons of unsound mind. Applications from financial and market intermediary companies must be accompanied by their respective Memorandum of Association, Articles of Associations and Certificate of Incorporation.
- 9. An applicant shall not submit more than two applications, one in his/her own name and another jointly with another person. In the event an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purposes. In addition, part or the whole of the application money may be forfeited by the Securities and Exchange Commission.**
10. No receipt will be issued for the payments made with the applications, but the bankers to the issue may issue a provisional acknowledgement to the issue for applications lodged with them.
11. In the case of non-allotment of the ordinary shares, if the applicants' bank accounts as mentioned in their application forms are maintained with the bankers to the issue, the amount refunded to those applicants will be directly credited into their respective bank accounts as mentioned in their application forms. Otherwise, refunds will be made only through "Account Payee" cheque(s)/refund warrants with the bank account number and name of bank branch as mentioned in the application form, payable at Dhaka, Chittagong, Khulna, Barisal, Rajshahi or Sylhet, as the case may be.
12. Allotments shall be made solely in accordance with the instructions of the Securities and Exchange Commission.
13. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information shall make the application liable to rejection and subject to forfeiture of application money and/or forfeiture of the ordinary shares before or after the issuance of the same by the issuer. The said forfeited application money or ordinary shares will be disposed of in the manner as may be specified by the

Securities and Exchange Commission. This may be in addition to any other penalties as may be provided for by the law.

14. Applications which do not meet the above requirements or are incomplete shall not be considered for allotment purposes.

15. The bankers to the issue shall be obliged to receive the Account Payee cheque(s) on the closing day of the subscription.

16. No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until 25 days after the Prospectus has been published.

Application for Subscription for Non-Resident Bangladeshis

1. As per the provisions of the Depository Act, 1999 and regulations made thereunder, the shares will only be issued in dematerialized condition. Please mention your BO account number in Item No. 4 of the application form. If you do not mention your valid BO account number, your application will be treated as invalid.

2. All information must be written or typed in block letters in English and must not be abbreviated.

3. An application must not be for less than 200 ordinary shares and must be for a multiple of 200 ordinary shares. Any application not meeting this criteria will not be considered for allotment purposes.

4. An application must be accompanied by a foreign demand draft drawn on a scheduled bank payable at Dhaka or cheque drawn on a non-resident foreign currency deposit account maintained in Bangladesh for the full value of shares, favoring "Grameenphone Ltd." and crossed "Account Payee only."

5. An application shall be sent by the applicant directly to the Company by October 8, 2009 so as to reach the Company by October 18, 2009. Applications received by the Company after October 18, 2009 will not be considered for allotment purposes.

6. Refunds shall be made in the currency in which the subscription money was paid for by the applicant at the same rate as stated on the application form, through an Account Payee cheque payable at Dhaka through the bank account indicated in the application form.

7. In the case of over-subscription, allotment shall be made by lottery solely in accordance with the instructions of the Securities and Exchange Commission.

8. Money receipt on clearance of draft or cheque, as the case may be, shall be sent by post to the applicant by the Company.

9. Joint applications by two persons are acceptable. In such a case, allotments or refunds shall be made by post to the first applicant. Note that a NRB applicant cannot submit more than two applications, one in his or her own name and another jointly with another person by one cheque/DD/PO by US\$/UK Pound Sterling/EURO/Taka (supported by a foreign currency encashment certificate). More than two applications by one cheque/DD/PO by US\$/UK Pound Sterling/EURO/Taka (supported by a foreign currency encashment certificate) will not be allowed.

10. Applications must be made by an individual, a corporation or company, a trust or a society and not a firm, a minor or persons of unsound mind.

11. Making any false statement in the application form or supplying incorrect information therein or suppressing any relevant information in the application shall make the application liable to rejection and subject to forfeiture of subscription money and/or forfeiture of the shares before or after issuance of the same by the issuer, as the case may be. The said forfeited application money or shares will be disposed of in the manner as may be specified by the Securities and Exchange Commission. This may be in addition to any other penalties as may be provided for by the law.

12. The applicants shall deposit the share subscription money by a US\$/UK Pound Sterling/EURO demand draft drawn on any bank and payable in Dhaka, Bangladesh, or through a nominee paying out of a non-resident foreign currency deposit account maintained in Bangladesh or in Taka, supported by a foreign currency encashment certificate issued by the bank concerned, for the price of the ordinary shares applied for, through a crossed bank

cheque marked “Account Payee only,” such that the issuer’s collecting bank can clear the proceeds and deposit the same into the issuer’s account in time. The share subscription money collected from NRBs in U.S. dollars, UK Pound Sterling or Euros will be deposited into three foreign currency accounts opened by us for the purposes of the Public Offering:

| <u>GP Account</u> | <u>Account Number</u> | <u>Currency</u> |
|---------------------------------------|-----------------------|-----------------|
| IPO-NRB Subscription Account. | G010000200154193 | USD |
| IPO-NRB Subscription Account. | G010000200154207 | EUR |
| IPO-NRB Subscription Account. | G010000200154215 | GBP |

The share subscription money collected from NRBs in Taka shall be deposited in the following account opened by us for the purposes of the Public Offering:

| <u>GP Account</u> | <u>Account Number</u> | <u>Currency</u> |
|---------------------------------------|-----------------------|-----------------|
| IPO-NRB Subscription Account. | G010000200154223 | BDT |

In the event of over-subscription by the NRB applicants, we shall make any refunds due from the aforesaid accounts. We shall close these accounts after refund of any over-subscriptions, if any.

13. The spot buying rate (TT Clean) in US\$, UK Pound Sterling and EURO of Sonali Bank at the day of subscription opening will be applicable for the applicants.

14. The applicant shall furnish photocopies of relevant pages of valid passports in support of his being a Non-Resident Bangladeshi (“NRB”), evidence of dual citizenship or of his/her foreign passport bearing an endorsement from the Bangladeshi Embassy concerned to the effect that no visa is required for him to travel to Bangladesh.

15. In case of a joint application, the joint applicant shall also submit supporting papers/documents in support of his being an NRB as mentioned in paragraph 14.

16. An applicant shall not submit more than two applications, one in his/her own name and another jointly with another person. In the event an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purposes. In addition, part or the whole of the application money may be forfeited by the Securities and Exchange Commission.

17. No issue of ordinary shares shall be made nor shall any money be taken from any person, in connection with such issue and subscription, until 25 days after the Prospectus has been published.

18. In the case of non-allotment of the ordinary shares, if the applicants’ bank accounts as mentioned in their application forms are maintained with any of the bankers to the issue, the amount refunded to those applicants will be directly credited into their ordinary respective bank accounts as mentioned in their the application forms. Otherwise, refunds will be made only through “Account Payee” cheque(s) with the bank account number and name of bank branch as mentioned in the application form, payable at Dhaka, Chittagong, Khulna, Barisal, Rajshahi or Sylhet, as the case may be.

19. The application along with the foreign currency draft, as above, is to be issued in favour of “Grameenphone Ltd.” and submitted to the Company’s corporate office: A.K.M. Anwarul Kabir, Additional General Manager, Capital Markets Department, Grameenphone Ltd., Celebration Point, Plot #3 & 5, Road #113/A, Gulshan-2, Dhaka-1212, Bangladesh, directly within the stipulated time mentioned in paragraph 5.

20. The acceptance of applications is subject to the Company’s determination of whether such acceptance would be allowed under the laws of the jurisdiction where the applicant is located. The Company’s decision on this issue is final and not appealable.

UNDERWRITING OF SHARES

Underwriters' Obligations

If and to the extent that the shares offered to the public through a Prospectus authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, we shall within ten days of the closure of subscription call upon the Underwriters in writing with a copy of the said writing to the Securities and Exchange Commission, to subscribe the shares not so subscribed within the closing date of the Public Offering and to pay for in cash in full inclusive of any premium, if applicable for such unsubscribed shares within 15 days after being called upon to do so. Said amount will be credited into the securities subscription account within the said period. If payment is made by cheque/bank draft by the Underwriters, it will be deemed that the Underwriters have not fulfilled their obligations towards the underwriting commitment under this agreement until such time as the cheque/bank draft has been encashed and our account credited in any case within seven days after expiry of the aforementioned 15 days. We shall send proof of the subscription and payment by the Underwriters to the Securities and Exchange Commission within seven days after expiration of the aforementioned 15 days. In the case of failure by the Underwriters to pay for the shares under the terms mentioned above, the said Underwriters will not be eligible to underwrite any issue until such time as they fulfill their underwriting commitment under the underwriting agreement and also other penalties as may be determined by the Securities and Exchange Commission.

In accordance with the Securities and Exchange Commission's guidelines, only 50.0% of the Public Offering shares will be underwritten. The Underwriters' obligations are as follows:

| Underwriter | Address | Maximum number of Public Offer shares that may be underwritten | Maximum amount underwritten (Taka) |
|--|--|---|---|
| Citigroup Global Markets Bangladesh Private Ltd. | 109, Gulshan Avenue Dhaka-1212 | 3,203,570 | 224,249,900 |
| Eastern Bank Limited | Jiban Bima Tower, 10, Dilkusha CA Dhaka-1000 | 9,082,525 | 635,776,750 |
| Green Delta Insurance Co. Ltd. | Hadi Mansion (4th Floor), 2, Dilkusha C/A Dhaka-1000 | 3,471,970 | 243,037,900 |
| IDLC Finance Limited | Bay's Galleria (1st Floor), 57 Gulshan Avenue, Gulshan 1 Dhaka-1212 | 3,203,570 | 224,249,900 |
| IFIC Bank Limited | Head Office, BSB Building, 8, Rajuk Avenue Dhaka-1000 | 3,471,970 | 243,037,900 |
| The City Bank Limited | Jiban Bima Tower, 10, Dilkusha CA Dhaka-1000 | 3,203,570 | 224,249,900 |
| Trust Bank Limited | Head Office, Peoples Insurance Bhaban, 36, Dilkusha C/A (12th floor) Dhaka-1000 | 9,082,525 | 635,776,750 |
| Total: | | 34,719,700 | 2,430,379,000 |

The Underwriters and the Issue Manager may have lending or other relationships with us and our affiliates, including for which they are compensated, that may give rise to interests that conflict with yours. As a result of such relationships, they may also have access to confidential, non-public and other information which may not be made available to you.

FINANCIAL STATEMENTS

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**Auditors' Report
to the Board of Directors of
Grameenphone Ltd.**

We have audited the accompanying balance sheets of Grameenphone Ltd. as at 31 December 2007, 2006 and 2005 and the related profit and loss accounts, cash flow statements and statements of changes in equity for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as applicable in Bangladesh. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards and Bangladesh Financial Reporting Standards and Bangladesh Accounting Standards give a true and fair view of the state of the company's affairs as at 31 December 2007, 2006 and 2005 and of the results of its operations and its cash flow for the years then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- (c) the company's balance sheets and profit and loss accounts dealt with by the report are in agreement with the books of account.

We carried out statutory audits of Grameenphone Ltd. for the years ended 31 December 2007, 2006 and 2005 on which we issued our audit reports dated 13 March 2008, 25 June 2007 and 1 June 2006 respectively. The accompanying financial statements have been prepared specifically for inclusion in the Prospectus and Private Placement Memorandum to be circulated in relation to the proposed issue of ordinary shares by Grameenphone Ltd.

Dhaka
Date: 21 July 2008

Sd/-
(Rahman Rahman Huq)
Chartered Accountants

Grameenphone Ltd.
Balance Sheet
as at 31 December

| <u>Assets:</u> | <u>Notes</u> | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> <u>(Restated)</u> | <u>2005</u> <u>Taka</u> |
|---|--------------|----------------------------|---|----------------------------|
| Non current assets: | | | | |
| Property, plant and equipment, net | 4 | 80,318,189,542 | 55,413,497,505 | 41,650,318,351 |
| Intangible assets | 5 | 1,275,733,440 | 888,407,038 | 901,469,433 |
| Investment in shares of X-Net Ltd. | 6 | 4,467,968 | 1,876,551 | - |
| Long-term receivables and deposits | 7 | 11,596,466 | 10,683,812 | 11,112,325 |
| | | 81,609,987,416 | 56,314,464,906 | 42,562,900,109 |
| Current assets: | | | | |
| Inventories | 8 | 843,646,147 | 990,627,520 | 413,449,442 |
| Deferred cost of connection revenue | 9 | 357,679,797 | 446,017,752 | 341,489,041 |
| Accounts receivable, net | 10 | 2,725,726,115 | 4,265,169,238 | 3,684,706,012 |
| Advances, deposits and prepayments | 11 | 2,119,366,225 | 1,896,650,746 | 902,353,971 |
| Cash and cash equivalents | 12 | 804,635,376 | 2,843,727,395 | 1,631,765,287 |
| | | 6,851,053,660 | 10,442,192,651 | 6,973,763,753 |
| Total assets | | <u>88,461,041,076</u> | <u>66,756,657,557</u> | <u>49,536,663,862</u> |
| Equity and Liabilities: | | | | |
| Shareholders' equity: | | | | |
| Share capital | 13 | 2,430,349,594 | 2,430,349,594 | 2,430,349,594 |
| Share premium | | 13,743,987 | 13,743,987 | 13,743,987 |
| Capital reserve | 14 | 14,446,452 | 14,446,452 | 14,446,452 |
| Deposits from shareholders | 15 | 1,882,996 | 1,882,996 | 1,882,996 |
| Tax holiday reserve | | - | 206,312,859 | 509,073,440 |
| General reserve | 16 | 2,139,729,365 | 1,933,416,506 | 1,424,343,066 |
| Retained earnings | | 21,510,953,768 | 19,909,323,506 | 13,846,854,210 |
| | | 26,111,106,162 | 24,509,475,900 | 18,240,693,745 |
| Non-current liabilities: | | | | |
| Loans and borrowings, net of current portion | 17 | 3,367,620,384 | 2,448,451,682 | 3,278,370,313 |
| Deposit from agents and subscribers | 18 | 557,317,602 | 794,669,186 | 591,258,247 |
| Finance lease obligations, net of current portion | 19 | 5,315,559,235 | 4,229,277,472 | 4,562,858,362 |
| Deferred tax liabilities | 20 | 16,510,153,280 | 11,097,312,666 | 6,205,084,317 |
| Long term payables and provisions | 21 | 145,694,461 | 96,568,275 | 66,553,254 |
| Employee benefits – provision for gratuity | | 8,933,591 | 13,330,270 | - |
| | | 25,905,278,553 | 18,679,609,551 | 14,704,124,493 |
| Current liabilities: | | | | |
| Accounts payable | 22 | 8,135,600,956 | 4,785,508,575 | 5,217,516,786 |
| Payable to government and autonomous bodies and other operators | 23 | 5,849,623,774 | 3,966,033,492 | 3,620,151,318 |
| Provision for tax (income tax payable) | 24 | 8,350,371,941 | 5,987,861,425 | 2,256,003,086 |
| Unearned revenue | 25 | 1,294,707,151 | 2,210,715,005 | 977,716,337 |
| VAT payable | 26 | 2,335,718,147 | 1,666,953,009 | 648,561,462 |
| Loans and borrowings – current portion | 17 | 1,108,679,811 | 966,942,871 | 938,263,887 |
| Finance lease obligations – current portion | 19 | 1,485,227,318 | 195,538,056 | 189,853,846 |
| Deferred connection revenue | 27 | 617,220,271 | 885,519,464 | 791,345,936 |
| Interest payable on loans and borrowings | | 197,615,312 | 28,757,002 | 68,317,574 |
| Local bank borrowings | 28 | 4,908,835,153 | - | - |
| Provision for expenses | 29 | 2,161,056,527 | 2,873,743,207 | 1,884,115,392 |
| | | 36,444,656,361 | 23,567,572,106 | 16,591,845,624 |
| Total equity and liabilities | | <u>88,461,041,076</u> | <u>66,756,657,557</u> | <u>49,536,663,862</u> |

The annexed notes 1 to 47 and Annexure 1 form an integral part of these financial statements.

Sd/-
Director

Sd/-
Director

Sd/-
Chief Executive Officer

Sd/-
Company Secretary

As per our report of same date.

Dhaka,

Sd/-
Auditors

**Grameenphone Ltd.
Profit and Loss Account
for the year ended 31 December**

| | | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> (Restated) | <u>2005</u> <u>Taka</u> |
|---|--------------|----------------------------|--|----------------------------|
| | <u>Notes</u> | | | |
| Revenue | 30 | 54,303,145,932 | 45,640,414,657 | 29,473,131,020 |
| Cost of network operations: | | | | |
| Direct cost of network revenue | 31 | (12,792,565,946) | (10,072,243,598) | (6,705,017,991) |
| Network operation and maintenance expenses | 32 | (2,442,553,456) | (2,105,686,831) | (1,428,488,721) |
| Depreciation and amortisation | 33 | (9,122,173,137) | (6,500,491,581) | (4,056,790,891) |
| | | (24,357,292,539) | (18,678,422,010) | (12,190,297,603) |
| Gross profit | | 29,945,853,393 | 26,961,992,647 | 17,282,833,417 |
| Other income, net | 34 | 38,156,456 | 102,285,422 | 113,770,222 |
| Operating expenses: | | | | |
| General and administrative expenses | 35 | (5,627,679,561) | (3,915,211,993) | (2,279,155,778) |
| Selling and distribution expenses | 36 | (6,660,418,402) | (3,944,291,096) | (2,056,829,475) |
| Bad debt expense | 37 | (135,290,267) | (41,641,457) | (150,767,503) |
| Depreciation and amortisation | 33 | (1,273,650,776) | (967,858,879) | (308,129,869) |
| | | (13,697,039,006) | (8,869,003,425) | (4,794,882,625) |
| Operating profit | | 16,286,970,843 | 18,195,274,644 | 12,601,721,014 |
| Finance costs, net | 38 | (968,503,056) | (918,824,301) | (740,819,037) |
| Loss on disposal of property, plant and equipment | 39 | (101,962,955) | (258,821,164) | (99,412,299) |
| Compensation to BTRC | 40 | (1,684,242,956) | - | - |
| Share of profit of X-Net Ltd. | 41 | 2,591,417 | 1,876,551 | - |
| Profit before tax | | 13,534,853,293 | 17,019,505,730 | 11,761,489,678 |
| Income tax expenses | 42 | (10,475,013,275) | (9,535,548,778) | (4,848,612,332) |
| Profit for the year | | 3,059,840,018 | 7,483,956,952 | 6,912,877,346 |

The annexed notes 1 to 47 and Annexure 1 form an integral part of these financial statements.

Sd/-
Director

Sd/-
Director

Sd/-
Chief Executive Officer

Sd/-
Company Secretary

As per our report of same date.

Dhaka,

Sd/-
Auditors

Grameenphone Ltd.

**Statement of Changes in Equity
for the year ended 31 December**

| | Share capital Taka | Share premium Taka | Capital reserve Taka | Deposit from shareholders Taka | Tax holiday reserve Taka | General reserve Taka | Retained earnings Taka | Total Taka |
|---|--------------------------|--------------------------|----------------------------|---|--------------------------------|----------------------------|------------------------------|-----------------------|
| Balance as at 1 January 2005 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 562,020,278 | 862,322,788 | 9,556,889,253 | 13,441,655,348 |
| Profit for the year 2005 | - | - | - | - | - | - | 6,912,877,346 | 6,912,877,346 |
| Final dividend for the year 2004 | - | - | - | - | - | - | (1,921,671,772) | (1,921,671,772) |
| Dividend distribution tax on final dividend for the year 2004 | - | - | - | - | - | - | (192,167,177) | (192,167,177) |
| Transfer to tax holiday reserve | - | - | - | - | 509,073,440 | - | (509,073,440) | - |
| Transferred from tax holiday reserve to general reserve | - | - | - | - | (562,020,278) | 562,020,278 | - | - |
| Balance as at 31 December 2005 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 509,073,440 | 1,424,343,066 | 13,846,854,210 | 18,240,693,745 |
| Net profit for the year 2006 | - | - | - | - | - | - | 9,504,022,631 | 9,504,022,631 |
| Final dividend for the year 2005 | - | - | - | - | - | - | (1,215,174,797) | (1,215,174,797) |
| Transfer from retained earnings to tax holiday reserve | - | - | - | - | 206,312,859 | - | (206,312,859) | - |
| Transfer from tax holiday reserve to general reserve | - | - | - | - | (509,073,440) | 509,073,440 | - | - |
| Balance as at 31 December 2006 as reported previously | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 206,312,859 | 1,933,416,506 | 21,929,389,185 | 26,529,541,579 |
| Adjustment due to rectification of income tax expense | - | - | - | - | - | - | (2,020,065,679) | (2,020,065,679) |
| Balance as at 31 December 2006 (restated) | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 206,312,859 | 1,933,416,506 | 19,909,323,506 | 24,509,475,900 |
| Net profit for the year 2007 | - | - | - | - | - | - | 3,059,840,018 | 3,059,840,018 |
| Final dividend for the year 2006 | - | - | - | - | - | - | (1,458,209,756) | (1,458,209,756) |
| Transfer from tax holiday reserve to general reserve | - | - | - | - | (206,312,859) | 206,312,859 | - | - |
| Balance as at 31 December 2007 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | - | 2,139,729,365 | 21,510,953,768 | 26,111,106,162 |

Net profit for the year 2006 has been reduced and restated by Tk 2,020,065,679 (current tax expenses by Tk 404,013,136 and deferred tax expenses by Tk 1,616,052,543) due to rectification of 2006 current tax and deferred tax expenses.

Grameenphone Ltd.
Cash Flow Statement
for the year ended 31 December

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> (Restated) | <u>2005</u> <u>Taka</u> |
|--|--------------------------------|--|--------------------------------|
| Cash flows from investing activities: | | | |
| <i>Cash receipts from sales or for the performance of services</i> | 54,561,148,197 | 46,449,516,592 | 29,284,902,777 |
| <i>Payments to Suppliers and Employee:</i> | | | |
| Payroll and other payments to employees | (2,551,623,847) | (2,136,350,338) | (1,092,599,848) |
| Payments to suppliers and contractors | (24,441,719,182) | (16,287,370,630) | (9,280,150,632) |
| Tax paid | (2,699,662,145) | (911,462,090) | (1,157,192,328) |
| Net Finance costs paid | (732,549,366) | (951,176,028) | (705,328,086) |
| | (30,425,554,540) | (20,286,359,086) | (12,235,270,894) |
| Net Cash flows from operating activities | <u>24,135,593,657</u> | <u>26,163,157,506</u> | <u>17,049,631,883</u> |
| Cash flows from investing activities: | | | |
| Payment for acquisition of property, plant and equipment | (29,904,914,019) | (22,365,229,849) | (15,934,600,988) |
| Proceeds from sale of property, plant and equipment | 62,813,546 | 17,011,192 | 2,363,813 |
| Payment for acquisition of intangible assets (software & PCM) | (627,943,642) | (261,047,177) | (478,701,095) |
| Net cash used in investing activities | <u>(30,470,044,115)</u> | <u>(22,609,265,834)</u> | <u>(16,410,938,270)</u> |
| Cash flows from financing activities: | | | |
| Receipt of long term loan | - | - | 2,221,875,000 |
| Local bank borrowings | 4,908,835,153 | - | - |
| Syndicated long term local loan | 2,000,000,000 | - | - |
| Payment of long term borrowings | (957,737,839) | (964,545,364) | (526,096,599) |
| Payment of finance lease obligation | (197,529,119) | (162,209,403) | (159,351,676) |
| Payment of dividend | (1,458,209,756) | (1,215,174,797) | (2,515,129,232) |
| Dividend distribution tax | - | - | (251,512,924) |
| Net cash used in financing activities | <u>4,295,358,439</u> | <u>(2,341,929,564)</u> | <u>(1,230,215,431)</u> |
| Net changes in cash and cash equivalents | (2,039,092,019) | 1,211,962,108 | (591,521,818) |
| Cash and cash equivalents at beginning | <u>2,843,727,395</u> | <u>1,631,765,287</u> | <u>2,223,287,105</u> |
| Cash and cash equivalents at closing | <u>804,635,376</u> | <u>2,843,727,395</u> | <u>1,631,765,287</u> |

Grameenphone Ltd.
Notes to the financial statements
as at and for the year ended 31 December 2007

1. Reporting entity

1.1 Company profile

Grameenphone Ltd. is a public limited company incorporated in Bangladesh under the Companies Act 1994 initially with an authorized capital of Tk 1,075,000,000 divided into 25,000,000 ordinary shares of Tk 43.00 each. Subsequently the authorized capital has been increased to Tk 5,399,000,000 divided into 120,000,000 ordinary shares of Tk 43.00 each and 5,213,787 preference shares of Tk 45.84 each. Grameenphone Ltd. was incorporated as a private limited company in 1996 and subsequently converted into public limited company on 25 June 2007.

1.2 Nature of business

Grameenphone Ltd. (hereinafter referred to as “GP”/“Grameenphone”/“the company”) is a telecommunication service provider in Bangladesh. The company also provides international roaming services through international roaming agreements with various mobile operators across different countries around the world.

The company obtained radio system operating licence from the Ministry of Posts and Telecommunications (MOPT), Government of Bangladesh, which is valid for a period of 15 years commencing from 11 November 1996. The operating licence is subject to renewal upon fulfilment of terms and conditions specified in the licence agreement.

The company launched commercial operation on 26 March 1997.

The company’s network covers six divisional towns (Dhaka, Chittagong, Khulna, Rajshahi, Barisal and Sylhet) and 61 different districts around the country.

2. Basis of preparation

2.1 Statement of compliance

Except as detailed below, the financial statements have been prepared in accordance with Bangladesh Accounting Standards (BAS), Bangladesh Financial Reporting Standards (BFRS), International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Companies Act 1994 and other applicable laws in Bangladesh.

Foreign currency exchange differences arising on foreign currency denominated loans and borrowings taken by the company has been capitalised and included in the carrying amount of property, plant and equipment as required under the provision of section 185, Part-I, Schedule XI of the Companies Act, 1994. BAS/IAS 21: “The Effects of Changes in Foreign Exchange Rates”, however requires that exchange losses be recognised as expense in the relevant year. The difference of Tk 65,761,788 arising from capitalisation of foreign exchange loss following Companies Act 1994, is however not considered material by management.

In the following areas, the recognition and measurement principles of IFRSs are significantly different from those of BASs/BFRSs and Companies Act 1994. However the estimated resulting differences would not be material for these financial statements. These immaterial differences with BAS/Companies Act 1994 primarily result from non-application of following IASs/IFRSs in Bangladesh:

IAS 32 Financial Instruments: Presentation

IAS 39 Financial Instruments: Recognition and Measurement

IFRS 7 Financial Instruments: Disclosure

Additionally the company has adopted BAS 25: “Accounting for Investments” for recognition and measurement of investments in X-Net Ltd. (see note 6). However the corresponding IAS has been superseded. The estimated resulting differences would not be material for these financial statements.

2.2 Basis of measurement

The financial statements have been prepared on a going concern basis under historical cost convention except for the following:

- (a) Employee benefits measured based on actuarial valuation.
- (b) Capitalisation of the lease of Bangladesh Railway (BR) Fibre Optic Network (FON) was valued at present value of minimum lease payments as fair value of such lease was not determinable.
- (c) Asset retirement obligations (ARO) are measured at present value of expected expenditure.

2.3 Functional and presentation currency

The financial statements are expressed in Bangladesh taka which is both functional currency and presentation currency of the company. The figures of financial statements have been rounded off to the nearest taka.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 19 : Finance lease obligation
- Note 20 : Deferred tax liabilities
- Note 21 : Long term payable and provisions
- Note 29 : Provision for expenses
- Note 30 : Revenue
- Note 33 : Depreciation and amortization
- Note 42 : Income tax expenses

2.5 Reporting period

The financial statements of the company consistently cover one calendar year from 1 January to 31 December for all reported periods.

3. Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Certain comparative figures have been rearranged to conform to the current year's presentation.

3.1 Property, plant and equipment

- (a) Recognition and measurement

Items of property, plant and equipment, excluding freehold lands, are measured at cost less accumulated depreciation and impairment losses, if any. Freehold land is measured at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The costs of obligations for dismantling, removing the item and restoring the site (generally called "asset retirement obligation") are recognised and

measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of transaction. Any related exchange gain/(loss) is however capitalised for compliance with Companies Act 1994.

(b) Subsequent costs

The cost of replacing or upgrading part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day to day servicing of the property, plant and equipment are recognised in the profit and loss account as incurred.

(c) Depreciation

No depreciation is charged on freehold land and capital work in progress.

Depreciation on the other items of property, plant and equipment is provided on a straight-line method over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. For addition to property, plant and equipment, depreciation is charged from the date of capitalisation up to the month immediately preceding the month of disposal. Depreciation method, useful lives and residual values are reassessed at the reporting date. The estimated useful lives for current and comparative periods are as follows:

| | 2007 | 2006 | 2005 |
|---|------------|------------|------------|
| Building | 20 years | 20 years | 20 years |
| Base station | 3-30 years | 3-30 years | 3-10 years |
| Transmission equipment | 5-10 years | 5-10 years | 3-10 years |
| Computers | 4 years | 4 years | 3 years |
| Furniture and fixtures (including office equipment) | 3 years | 3 years | 5 years |
| Vehicles | 4 years | 4 years | 5 years |

Depreciation estimates remained unchanged and no revision or reclassification has been made for tangible assets in 2007 other than for fibre optic network and packet switching and routing. Life of packet switching and routing was changed to 7 years from 5 years as recommended in Group Common Information Module (GCIM) and fibre optic network from 8 years to 20 years.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised net within "other income" in the profit and loss account. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(d) Capital work-in-progress

Capital work in progress consists of acquisition costs of network plant and machinery, capital components and related installation cost till the date placed in service. In case of import of components, capital work in progress is recognised when their shipment is confirmed by the supplier.

(e) Capitalisation of borrowing costs

Borrowing costs are capitalised as per allowed alternative treatment of BAS/IAS 23: "Borrowing Costs". The company has both foreign and local long term interest bearing borrowings. Foreign lenders are IFC, ADB, Norfund, NORAD and Eksportfinans. Local borrowing is from a syndicate of local banks led by Standard Chartered Bank. The financing arrangements were utilised for network expansion. For the purpose of BAS/IAS 23, core network and access platform equipment have been treated as qualifying assets.

3.2 Intangible assets

(a) Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any. Intangible asset is recognised when all the conditions as per BAS/IAS 38 for recognition are met. The cost of the intangible assets comprises its purchase price, including import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

Intangible assets which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of transaction.

(b) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit and loss account when incurred.

(c) Amortisation

Amortisation is recognised in the profit and loss account on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are as follows :

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|-------------|-------------|-------------|
| Operational software | 3 years | 3 years | 3 years |
| Billing software | 5 years | 5 years | 5 years |
| Network management software | 10 years | 10 years | 10 years |
| Licence fees for Pulse Code Modulation (PCM) | 5 years | 5 years | 5 years |

3.3 Inventories

Inventories consisting of mobile handsets, scratch cards and SIM cards are valued at lower of cost and net realizable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of inventories is determined by using the weighted average cost formula. Net realizable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Accounts receivable

(a) Recognition and measurement

Accounts receivable consists of unpaid bills receivable from subscribers and unbilled revenue recognised at the balance sheet date and are stated net of bad debts provision.

(b) Provision for bad debts

According to the bad debt policy, 100% provision is made over the amount outstanding (after considering security deposits) from the churned subscribers. As per the policy of the company a subscriber is considered as churned when the bill is outstanding for three months.

(c) Bad debts written off:

The above provision for bad debts is written off as bad debts after one year from the year of its recognition.

(d) Recovery of bad debts:

Any recovery of previously written off bad debt is adjusted with bad debt expenses in the year of recovery.

3.5 Leases

(a) Finance lease

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The interest rate implicit in the lease has been used to calculate the present value of minimum lease payments.

(b) Operating Lease

All leases other than those which meet the definition of finance lease are treated as operating lease and are not recognized on the balance sheet.

(c) Sub-lease

Rental income from sublease of optical fibre network is recognised as per the arrangements provided in the relevant agreements on accrual basis.

3.6 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date whenever there is any indication of impairment. For this review Grameenphone is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any such indication exists, the assets' recoverable amount will be estimated. As at 31 December 2007 the assessment of indicators of impairment reveals that impairment testing is not required for Grameenphone Ltd .

3.7 Employment benefits

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is being determined according to the terms and conditions set in the respective deeds as approved by the National Board of Revenue (NBR).

(a) Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the company provides benefits for one or more employees. The recognised Employees' Provident Fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognises contribution to defined contribution plan as an expense when an employee has rendered services in exchange for those contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

(b) Defined benefit plan (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and/or years of service. The recognised Employees' Gratuity Fund is being considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to current and former employees as per condition of the fund.

Present value of defined benefit obligation and the fair value of the plan assets were determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables were used. The difference between fair value of the plan assets and present value of obligation is recognised as a liability or an asset in the balance sheet.

The rate used to discount post employment benefit obligations is determined by reference to market yields at the balance sheet date on treasury bills. The expected return on plan assets is based on market expectation and is one of the component of expenses recognised in the profit and loss account. Total expenses recognised in the profit and loss account comprise of current service cost, interest cost and expected return on plan assets.

(c) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Provision is created for the amount of annual leave encashment based on the latest basic salary.

3.8 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The tax rate used for the income years ended 31 December 2007, 2006 and 2005 are as follows:

| <u>Years</u> | <u>Tax rate (%)</u> |
|--------------|---------------------|
| 2007 | 45% |
| 2006 | 40% |
| 2005 | 40% |

(b) Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Loans and borrowings

Principal amounts of the loans and borrowings are stated at their outstanding amount. Borrowings repayable after twelve months from the balance sheet date are classified as non-current liabilities whereas the portion of borrowings repayable within twelve months after the balance sheet date, unpaid interest and other charges are classified as current liabilities.

3.10 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

(a) Asset retirement obligation (ARO)

Asset retirement obligation (ARO) is recognised when there is a legal or constructive obligation for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located. The company measures ARO on Base Transceiver Station (BTS) roof top and office space based on the present value of expected expenditures required to settle the obligation.

3.11 Revenue recognition

Revenues are measured at fair value of the consideration received or receivable, net of discount and sales related taxes (VAT). Revenues are reported gross with separate recording of expenses to vendors of products or services. However, when Grameenphone Ltd. only acts as an agent or broker on behalf of suppliers of products or services, revenues are reported on a net basis. Revenues of Grameenphone comprise:

(i) Rendering of services: traffic fees, subscription and connection fees, interconnection fees, various customer support revenues and other value added service revenues.

(ii) Sale of goods: mobile handsets

(a) Traffic revenue -Post-paid

Post-paid revenue is recognised on accrual basis and recorded as income (exclusive of VAT) as services are rendered.

(b) Traffic revenue -Prepaid

Prepaid revenue is recognised (exclusive of VAT) as per the usage recorded in the network from the prepaid cards and electronic recharge system (ERS). The unused portion of the prepaid cards and ERS remains as unearned revenue (exclusive of VAT) and reported as liability.

(c) Subscription revenue

Subscription revenue represents fixed line rent charged to post-paid customers. It is billed in advance and recognised evenly over the subscription period.

(d) Connection revenue:

Connection revenue represents the revenue arising from sale of connection to the subscribers which is recognised over the estimated period of customer relationship. The estimated period of customer relationship is based on past history of churn, and expected development based on recent development or experience from other group companies.

(e) Roaming revenue

International roaming revenue is recognised on accrual basis as services are rendered.

(f) Interconnection revenue-mobile operators

Interconnection revenue from other mobile operators are recognised when the services are rendered.

(g) Other operating revenue

Other operating revenue comprises customers support revenue, VAS, SMS, MMS and other revenue from content providers and is recognised same as prepaid traffic revenue and post-paid traffic revenue recognition policy respectively.

(h) Village pay phone

Village pay phone is a post paid service. Revenue from village pay phone is included in post paid revenues, recognised on accrual basis and recorded as income (exclusive of VAT) when the services are rendered.

3.12 Deferred connection revenue

Deferred connection revenue represents the portion of connection revenue which is deferred over the remaining period of estimated customer relationship.

3.13 Deferred cost of connection revenue

Deferred cost of connection revenue represents the costs directly related to the acquisition of subscribers. Connection costs in excess of connection revenue is charged as expenses when incurred. Connection costs up to connection revenue are deferred and amortised over the period of estimated customer relationship.

3.14 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

3.15 Foreign currency transactions

Transactions in foreign currencies are recorded in the books at the rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Bangladesh taka at the rate of exchange prevailing at the balance sheet date. All exchange differences are recognized in the profit and loss account except for the exchange differences arising on foreign currency denominated loans and borrowings that have been used for the acquisition of property, plant and equipment, which have been included in the costs of the relevant item of property, plant and equipment as per requirements of the Companies Act 1994.

3.16 Restatement of financial statements

As per BAS/ 8: "Accounting Policies, Changes in Accounting Estimates and Errors", Grameenphone has restated tax liability for 2006 to rectify an error in the deferred tax calculation and reclassified upfront payment to Bangladesh Railway for optical fibre network from Intangible assets to tangible assets under finance lease, which have been reflected in the financial statements.

4 Property, plant and equipment

| Name of assets | Cost | | | Depreciation | | | Written Down Value | | |
|-------------------------------------|----------------------|--------------------------|--------------------------------------|------------------------|-------------------------|---------------------------|------------------------|------------------------|------------------------|
| | As at 1 January 2007 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2007 | Charged during the year | Disposals during the year | As at 31 December 2007 | As at 31 December 2006 | As at 31 December 2005 |
| Land | 773,711,855 | 37,837,872 | - | 811,549,727 | - | - | 811,549,727 | 773,711,855 | 723,095,607 |
| Building | 39,495,738 | - | - | 39,495,738 | 1,974,894 | - | 32,191,884 | 34,166,778 | 36,141,658 |
| Base station | 49,702,184,844 | 25,915,420,957 | (158,236,897) | 75,459,368,904 | 6,594,957,383 | (97,911,626) | 57,618,765,098 | 38,358,626,795 | 26,617,639,114 |
| Transmission equipment | 9,960,053,332 | 11,027,142,170 | (22,376,953) | 20,964,818,549 | 2,445,380,106 | (15,334,712) | 15,692,054,253 | 7,117,334,429 | 9,441,331,108 |
| Computers | 1,432,974,015 | 1,087,056,424 | (5,517,816) | 2,514,512,623 | 415,654,560 | (5,047,425) | 1,490,595,801 | 819,664,329 | 620,156,538 |
| Furniture and fixtures | 1,109,159,775 | 807,011,806 | (28,541,228) | 1,887,630,353 | 428,932,587 | (27,442,925) | 869,866,985 | 492,886,069 | 458,770,696 |
| (including office equipment) | | | | | | | | | |
| Vehicles | 591,066,216 | 157,408,356 | (25,079,827) | 723,394,745 | 126,278,210 | (19,235,802) | 399,913,428 | 374,627,307 | 286,707,585 |
| Capital work in progress (Note 4.2) | 63,608,645,775 | 39,031,877,585 | (239,752,721) | 102,400,770,639 | 10,013,177,740 | (164,972,490) | 76,914,937,176 | 47,971,017,562 | 38,183,842,306 |
| | 7,442,479,943 | 32,508,113,075 | (36,547,340,652) | 3,403,252,366 | - | - | 3,403,252,366 | 7,442,479,943 | 3,466,476,045 |
| | 71,051,125,718 | 71,539,990,660 | (36,787,093,373) | 105,804,023,005 | 10,013,177,740 | (164,972,490) | 80,318,189,542 | 55,413,497,505 | 41,650,318,351 |

4.1 Property, plant and equipment capitalised under finance lease

| | | | | | | | | | |
|---------------------|---------------|---------------|--------------|---------------|-------------|-------------|---------------|---------------|---------------|
| Fibre optic network | 5,004,476,919 | 2,573,500,143 | - | 7,577,977,062 | 829,438,851 | 360,495,726 | 6,388,042,485 | 4,167,234,585 | 4,646,151,061 |
| Vehicles | 51,356,057 | - | (11,942,875) | 39,413,182 | 46,514,179 | 3,729,107 | 1,112,771 | 4,841,878 | 19,822,644 |
| | 5,055,832,976 | 2,573,500,143 | (11,942,875) | 7,617,390,244 | 875,953,030 | 364,224,833 | 6,389,155,256 | 4,172,076,463 | 4,665,973,705 |

4.2 Capital work in progress

4.2.1 Capital work in progress - transferred

This represents mainly network equipment and corporate headquarters of Grameenphone under installation/construction. The components of network equipment are procured mostly from Ericsson and Siemens. The work in progress completed and transferred during the year to the related items of property plant and equipment was as follows:

| <u>Name of assets</u> | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|----------------------------------|----------------------------|----------------------------|----------------------------|
| Land | 37,837,872 | 37,941,852 | - |
| Base station | 23,341,920,814 | 13,899,512,177 | 9,214,766,765 |
| Transmission equipment | 11,027,142,170 | 1,784,063,140 | 5,042,017,641 |
| Computers | 1,087,056,424 | 382,451,281 | - |
| Furniture and fixtures | 807,011,806 | 208,736,536 | - |
| Vehicles | 157,408,356 | 212,677,221 | - |
| | <u>36,458,377,442</u> | <u>16,525,382,207</u> | <u>14,256,784,406</u> |
| Write downs of capital inventory | <u>88,963,210</u> | <u>3,684,558</u> | <u>4,872,242</u> |
| | <u>36,547,340,652</u> | <u>16,529,066,765</u> | <u>14,261,656,648</u> |

4.2.2 An amount of Tk 147,231,058 is included in the CWIP closing balance of 2007 which relates to construction of corporate headquarters (2006: Tk 594,818,525).

4.2.3 An amount of Tk 99,941,082 has been reclassified as intangible capital in process which was reported under tangible capital work in progress in 2006.

4.2.4 In 2005 property plant and equipment which were not related to base station and transmission equipments were directly added to property, plant and equipments rather than going through the capital work in progress.

4.3 Capitalisation of exchange loss/(gain) fluctuation on long term debt

In accordance with the provision of section 185 and Part-1 of schedule XI of the Companies Act 1994, the effect of exchange (gain) / loss on foreign currency denominated loans taken by the company has been capitalized and included in the carrying amount of the property, plant and equipment. Exchange (gain)/ loss of Tk. 65,761,788, Tk. 133,497,418 and Tk. 340,984,897 were capitalized in 2007, 2006 and 2005 respectively. Had the exchange fluctuation loss (net) been recognized as expenses in the relevant years, profit for the year would have been reduced by Tk. 65,736,050, Tk. 117,429,022 and Tk. 325,884,158 respectively.

4.4 Depreciation for the year charged to:

| | | | |
|---------------------------|-----------------------|----------------------|----------------------|
| Cost of network operation | 9,101,623,190 | 6,490,688,435 | 3,787,825,424 |
| Operating expenses | <u>911,554,550</u> | <u>593,951,799</u> | <u>290,507,863</u> |
| | <u>10,013,177,740</u> | <u>7,084,640,234</u> | <u>4,078,333,287</u> |

4.5 Land represents freehold lands acquired for office premises and base stations.

4.6 Security

Assets with a carrying amount of Tk. 7,651,230,000 are subject to a mortgage registered with Registrar of Joint Stock Companies (RJSC) against the loans and borrowings obtained from senior lenders.

4.7 Change in estimates

During the year 2007, Grameenphone conducted an operational efficiency review of it's property plant and equipment, which resulted in changes in the expected useful lives of certain items of property plant and equipment. The effect of the changes of expected useful lives on the financial statements is summarized below:

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> |
|--|----------------------------|----------------------------|
| Increase in depreciation | (75,100,375) | (23,732,182) |
| Decrease in income tax expense | <u>4,540,961</u> | <u>9,492,873</u> |
| Decrease in profit | <u>(70,559,414)</u> | <u>(14,239,309)</u> |
| Decrease in property, plant and equipment, net | (75,100,375) | (23,732,182.00) |
| Decrease in deferred tax liability | <u>4,540,961</u> | <u>9,492,873.00</u> |
| Decrease in equity | <u>(70,559,414)</u> | <u>(14,239,309)</u> |

There was no such change in estimates during the year ended 31 December 2005.

5. Intangible assets

| Name of assets | Cost | | | Amortisation | | | Written Down Value | | | |
|--|----------------------|--------------------------|-------------------------------------|------------------------|----------------------|-------------------------|---------------------------|------------------------|------------------------|------------------------|
| | As at 1 January 2007 | Addition during the year | Disposal/Adjustment during the year | As at 31 December 2007 | As at 1 January 2007 | Charged during the year | Disposals during the year | As at 31 December 2007 | As at 31 December 2006 | As at 31 December 2005 |
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |
| Pulse Code Modulation (PCM) | 39,269,000 | 24,461,000 | - | 63,730,000 | 25,500,806 | 8,807,378 | - | 34,308,184 | 29,421,816 | 13,768,194 |
| Software and others | 1,692,723,445 | 443,378,144 | - | 2,136,101,589 | 918,025,683 | 373,838,795 | - | 1,291,864,478 | 844,237,111 | 774,697,762 |
| | 1,731,992,445 | 467,839,144 | - | 2,199,831,589 | 943,526,489 | 382,646,173 | - | 1,326,172,662 | 873,658,927 | 788,465,956 |
| Intangible capital in process (Note 5.3) | 99,941,082 | 769,972,575 | (467,839,144) | 402,074,513 | - | - | - | 402,074,513 | 99,941,082 | - |
| | 1,831,933,527 | 1,237,811,719 | (467,839,144) | 2,601,906,102 | 943,526,489 | 382,646,173 | - | 1,326,172,662 | 1,275,733,440 | 888,407,038 |
| | | | | | | | | | 901,469,433 | 901,469,433 |

5.1 Software

Software includes business software and network management software. Business software includes mainly billing software, budgeting software, oracle financial software and other business softwares. Network management software represents PPS, Pasolink, minilink etc.

5.2 Pulse Code Modulation (PCM)

This represents licence fee for new channels with Bangladesh Telegraph and Telephone Board (BTTB).

5.3 Intangible capital in process (CIP)

Intangible CIP includes software under testing phase awaiting user's acceptance.

5.4 Amortisation during the year charged to:

| | 2007 | 2006 | 2005 |
|---------------------------|-------------|-------------|-------------|
| | Taka | Taka | Taka |
| Cost of network operation | 20,549,947 | 9,803,146 | 262,965,467 |
| Operating expenses | 362,096,226 | 373,907,080 | 17,622,006 |
| | 382,646,173 | 383,710,226 | 280,587,473 |

6 Investment in shares of X - Net Ltd.

Investment in shares of X-Net Ltd. has been accounted for under the cost method in accordance with BAS 25. Previously X-net was considered an associate and the investment was accounted for under the equity method in accordance with BAS/IAS 28.

7 Long-term receivables and deposits

| | 2007 Taka | 2006 Taka | 2005 Taka |
|-------------------------------|-------------------|-------------------|-------------------|
| Receivable from X-Net Ltd. | 2,226,000 | 2,226,000 | 3,975,000 |
| Long term deposits (Note 7.1) | 9,370,466 | 8,457,812 | 7,137,325 |
| | <u>11,596,466</u> | <u>10,683,812</u> | <u>11,112,325</u> |

7.1 Long term deposits

Long-term deposit account is maintained with Southeast Bank as lien against bank guarantee provided in favour of Ministry of Posts and Telecommunications, Government of Bangladesh and Bangladesh Railway for telecom license and lease of optical fibre network respectively. This amount is refundable upon cancellation of guarantee.

8 Inventories

| | | | |
|----------------------|--------------------|--------------------|--------------------|
| Handsets | 52,753,143 | 40,756,244 | 33,970,799 |
| SIM cards (Note 8.1) | 528,663,602 | 409,179,899 | 192,844,878 |
| Scratch cards | 262,229,402 | 540,691,377 | 186,633,765 |
| | <u>843,646,147</u> | <u>990,627,520</u> | <u>413,449,442</u> |

8.1 SIM cards

As at 31 December 2007 Grameenphone Ltd had 1,220,569 number of SIM cards to offer new connection to subscribers. Each new connection requires Tk 800 to be paid to Govt Exchequer as Value Added Tax and Supplementary Duty.

9 Deferred cost of connection revenue

| | | | |
|------------------------------|--------------------|--------------------|--------------------|
| Opening balance | 446,017,752 | 341,489,041 | 141,118,255 |
| Addition during the year | 96,397,612 | 1,368,483,368 | 256,637,669 |
| | 542,415,364 | 1,709,972,409 | 397,755,924 |
| Amortisation during the year | (184,735,567) | (1,263,954,657) | (56,266,883) |
| | <u>357,679,797</u> | <u>446,017,752</u> | <u>341,489,041</u> |

10 Accounts receivable, net

| | | | |
|--|----------------------|----------------------|----------------------|
| Receivables for mobile revenues (Note 10.1) | 2,710,029,239 | 4,240,327,835 | 3,654,864,644 |
| Receivables for sub lease of optical fibre network (Note 10.2) | 15,170,151 | 24,838,405 | 29,841,368 |
| PDB bills pay receivable (Note 10.3) | 526,725 | 2,998 | - |
| | <u>2,725,726,115</u> | <u>4,265,169,238</u> | <u>3,684,706,012</u> |

10.1 Receivables for mobile revenues

| | | | |
|------------------------------|----------------------|----------------------|----------------------|
| Accounts receivable | 2,855,864,315 | 4,292,940,400 | 3,812,339,157 |
| Provision for doubtful debts | (145,835,076) | (52,612,565) | (157,474,513) |
| | <u>2,710,029,239</u> | <u>4,240,327,835</u> | <u>3,654,864,644</u> |

Accounts receivable includes receivables from Telenor, its subsidiaries and affiliates.

10.2 Receivables for sub lease of optical fibre network

| | | | |
|------------------------------------|-------------------|-------------------|-------------------|
| Opening balance | 24,838,405 | 29,841,368 | 22,841,364 |
| Addition during the year | 190,016,691 | 198,540,905 | 181,069,125 |
| | 214,855,096 | 228,382,273 | 203,910,489 |
| Receipt/adjustment during the year | (199,684,945) | (203,543,868) | (174,069,121) |
| | <u>15,170,151</u> | <u>24,838,405</u> | <u>29,841,368</u> |

This represents amount receivable from several parties against sub-lease of optical fibre network.

10.3 PDB bills pay receivable

GP and Power Development Board (PDB) jointly launched a unique service for PDB customers in the port city of Chittagong to pay their bills electronically at GP authorised bill pay centres. As per agreement, the applicable rate charged by GP in 2007 was Tk 8 against payment of each electricity bill.

10.4 Aging schedule - Accounts receivable

The aging schedule of accounts receivable is stated as follows:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|----------------------|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Less than 30 days | 1,647,077,993 | 2,092,135,054 | 1,807,408,377 |
| Later than 30 days but less than 60 days | 238,663,417 | 531,943,454 | 459,549,231.04 |
| Later than 60 days but less than 90 days | 269,068,835 | 467,111,348 | 403,540,374.51 |
| Later than 90 days but less than 180 days | 336,414,586 | 712,679,251 | 615,688,000.92 |
| Later than 180 days but less than 365 days | 143,281,317 | 285,157,410 | 246,349,245.15 |
| Later than 365 days | 91,219,966 | 176,142,721 | 152,170,783.39 |
| | <u>2,725,726,115</u> | <u>4,265,169,238</u> | <u>3,684,706,012</u> |

The aging schedule of accounts receivable for the year 2005 represents an approximation based on experience in 2006.

11 Advances, deposits and prepayments

Advances :

| | | | |
|---|--------------------|----------------------|--------------------|
| Advance to employees (Note 11.1) | 24,861,285 | 119,034,703 | 223,647,506 |
| Advance to Bangladesh Railway | 2,705,743 | 2,693,094 | 2,063,912 |
| Advance for long term financing | - | 51,317,963 | 52,280,050 |
| Advance for capital expenditure (Note 11.2) | 824,204,919 | 896,108,942 | - |
| | <u>851,771,947</u> | <u>1,069,154,702</u> | <u>277,991,468</u> |

Deposits:

| | | | |
|--|------------|------------|------------|
| Security deposits for utilities and services | 35,380,290 | 33,412,736 | 36,619,131 |
|--|------------|------------|------------|

Prepayment and other receivables:

| | | | |
|---|----------------------|----------------------|--------------------|
| Prepayment against rent (Note 11.3) | 335,519,870 | 315,089,630 | 157,546,417 |
| Prepayment against PCM rent to BTTB (Note 11.4) | 12,081,193 | 2,380,754 | 1,521,763 |
| Prepayment against expenses | 359,351,779 | 304,772,315 | 216,825,048 |
| Receivables from Ericsson | 445,549,984 | 101,556,703 | 159,372,053 |
| Other receivables (Note 11.5) | 79,711,162 | 70,283,906 | 52,478,091 |
| | <u>1,232,213,988</u> | <u>794,083,308</u> | <u>587,743,372</u> |
| | <u>2,119,366,225</u> | <u>1,896,650,746</u> | <u>902,353,971</u> |

11.1 Advance to employees relates to travel, training, procurement of land and payment of pre-registration cost of land, advance payment of bonus, electricity bills and other office running expenses etc.

11.2 Advance for capital expenditure represents partial payment to the vendors against running bills for civil works and towers of various sites and also for corporate headquarters of Grameenphone Ltd.

11.3 Prepayment against rent represents advance payment of rent for base station locations and office buildings of head office and other regional offices.

11.4 Prepayment against expenses represents advance payment of insurance premium, BTRC licence fee and BTTB levy and frequency charges.

11.5 Other receivables include discounts receivable on marine insurance contracts, reimbursable cost on customs clearing and forwarding charges, accrued interest on STD accounts and reimbursable expenditure of Telenor made by Grameenphone Ltd. as well as other inter-company receivables.

12 Cash and cash equivalents

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|---|----------------------------|----------------------------|----------------------------|
| Cash in hand | 36,944,201 | 8,364,532 | 7,527,541 |
| Cash at bank : | | | |
| Southeast Bank Limited | 13,751,580 | 64,793,501 | 92,190,379 |
| Standard Chartered Bank | 20,041,085 | 264,784,191 | 101,113,991 |
| Sonali Bank | 20,790,132 | 22,622,483 | 24,420,749 |
| IFIC Bank Limited | 1,271,315 | 12,429,701 | 14,083,924 |
| Commercial Bank of Ceylon Limited | 460 | 38,991,559 | 56,644,789 |
| EXIM Bank Limited | 1,016,137 | 19,420,270 | 17,401,572 |
| Citibank, N.A. | 533,768,147 | 1,431,118,590 | 625,069,193 |
| Dhaka Bank Limited | 1,136,658 | 9,025,105 | 12,183,030 |
| Islami Bank Bangladesh Limited | 15,899,437 | 13,203,163 | 13,494,681 |
| One Bank Limited | 24,088,036 | 335,565,180 | 335,595,761 |
| HSBC | 45,130 | 59,071,602 | 41,508,944 |
| Prime Bank Limited | 18,729,676 | 111,466,757 | 10,298,873 |
| Dutch Bangla Bank Limited | 16,490,570 | 25,035,748 | 37,483,961 |
| Eastern Bank Limited | 71,870,150 | 337,248,569 | 101,034,122 |
| National Bank Limited | 4,159,249 | 2,323,028 | 3,802,493 |
| Brac Bank Limited | 2,519,643 | - | - |
| The City Bank Limited | 3,042,672 | 21,068,592 | 44,688,390 |
| Trust Bank Limited | 582,558 | 14,231,500 | 6,406,932 |
| Bank Asia Limited | 348,612 | 9,070,562 | 7,848,402 |
| Mercantile Bank Limited | 576,707 | 7,642,946 | 11,861,496 |
| United Commercial Bank Ltd. | 633,911 | 7,652,590 | 8,935,557 |
| Jamuna Bank Limited | 452,358 | 5,059,731 | 3,288,202 |
| Agrani Bank | 743,658 | 2,403,578 | 10,076,115 |
| Shahjalal Bank Ltd. | 637,741 | 922,168 | - |
| PDB Bill Collection A/C with Citibank, N.A. | 6,996,653 | 5,600,749 | - |
| Collection account with other banks (Note 12.1) | 8,098,900 | 14,611,000 | 44,806,190 |
| | <u>767,691,175</u> | <u>2,835,362,863</u> | <u>1,624,237,746</u> |
| | <u>804,635,376</u> | <u>2,843,727,395</u> | <u>1,631,765,287</u> |

12.1 Collection account with other banks

This includes Tk. 8,098,900 (in 2006 Tk. 14,611,000 and in 2005 Tk. 39,660,365) which was in transit at the balance sheet date.

13 Share capital

Authorised :

| | | | |
|---|----------------------|----------------------|----------------------|
| 120,000,000 ordinary shares of Tk. 43 each | 5,160,000,000 | 5,160,000,000 | 5,160,000,000 |
| 5,213,787 preference shares of Tk. 45.84 each | <u>239,000,000</u> | <u>239,000,000</u> | <u>239,000,000</u> |
| | <u>5,399,000,000</u> | <u>5,399,000,000</u> | <u>5,399,000,000</u> |

Issued, subscribed, called up and paid-up :

| | | | |
|--|----------------------|----------------------|----------------------|
| 56,519,758 ordinary shares of Tk 43 each | <u>2,430,349,594</u> | <u>2,430,349,594</u> | <u>2,430,349,594</u> |
| | <u>2,430,349,594</u> | <u>2,430,349,594</u> | <u>2,430,349,594</u> |

Shareholding position of the company at the period end was as follows:

| | <u>Number of shares</u> | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|---|-----------------------------|----------------------------|----------------------------|----------------------------|
| Ordinary shares: | | | | |
| Telenor Mobile Communications AS, Norway | 35,042,219 | 1,506,815,417 | 1,506,816,707 | 1,506,816,707 |
| Nye Telenor Mobile Communications II AS, Norway | 10 | 430 | - | - |
| Nye Telenor Mobile Communications III AS, Norway | 10 | 430 | - | - |
| Telenor Asia Pte Ltd, Singapore | 10 | 430 | - | - |
| Grameen Telecom, Bangladesh | 21,477,507 | 923,532,801 | 923,532,887 | 923,532,887 |
| Grameen Kalyan, Bangladesh | 1 | 43 | - | - |
| Grameen Shakti, Bangladesh | 1 | 43 | - | - |
| | <u>56,519,758</u> | <u>2,430,349,594</u> | <u>2,430,349,594</u> | <u>2,430,349,594</u> |

14 Capital reserve

In 2004, the holders of preference shares converted their preference shares to ordinary shares as per clause 41 to 44 of Memorandum and Articles of Association. Preference shares of Tk 45.84 per share has been converted to ordinary shares of Tk 43.00 per share and the balance Tk 2.84 per share has been transferred to capital reserve account. This amount is not distributable as dividend as per Companies Act 1994.

15 Deposit from shareholders

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Telenor Mobile Communications AS, Norway | 1,882,968 | 1,882,968 | 1,882,968 |
| Grameen Telecom, Bangladesh | 28 | 28 | 28 |
| | <u>1,882,996</u> | <u>1,882,996</u> | <u>1,882,996</u> |

Deposit from shareholders represents balance of the share money remittance which has not been used for issuance of share capital.

16 General reserve

This reserve represents the amount invested in the acquisition of property, plant and equipment in the old unit from the accumulated tax holiday reserve of 2nd Phase Expansion Unit-1. The tax holiday reserve has been transferred to general reserve upon fulfillment of necessary conditions as per Income Tax Ordinance 1984.

17 Loans and borrowings, net of current portion

| | | | |
|------------------------------------|----------------------|----------------------|----------------------|
| IFC (Note 17.1) | 1,022,524,515 | 1,435,389,328 | 1,804,289,279 |
| ADB (Note 17.1) | 697,204,691 | 972,677,499 | 1,218,840,400 |
| NORFUND (Note 17.1) | 344,675,436 | 482,756,242 | 606,185,093 |
| Eksportfinans ASA (Note 17.2) | 160,631,803 | 174,857,157 | 195,773,139 |
| NORAD (Note 17.3) | 321,263,630 | 349,714,327 | 391,546,289 |
| Local syndicated loan (Note 17.4) | <u>1,930,000,120</u> | <u>-</u> | <u>-</u> |
| | 4,476,300,195 | 3,415,394,553 | 4,216,634,200 |
| Less : Current portion (Note 17.6) | <u>1,108,679,811</u> | <u>966,942,871</u> | <u>938,263,887</u> |
| | <u>3,367,620,384</u> | <u>2,448,451,682</u> | <u>3,278,370,313</u> |

For details please refer to Annexure 1

17.1 Loan from IFC, ADB and NORFUND

In 2004 Grameenphone Ltd. entered into loan agreements with IFC, ADB and NORFUND for a total amount of U.S.D 60 million which was financed in proportion of 3:2:1 respectively. GP drew U.S.D 25 million (U.S.D 12.5 million from IFC, U.S.D 8.33 million from ADB and U.S.D 4.17 million from NORFUND) as the first installment on 26 August 2004. The second and third installments amounting to U.S.D 15 million and U.S.D 20 million received on 29 March and 26 April 2005 respectively.

The loans are repayable in 10 half yearly installments starting from 15 December 2005 with the interest rate as follows:

If net debt : EBITDA ≥ 1 ; LIBOR + 3.5% per annum.

If net debt : EBITDA < 1 and ≥ 0.5 ; LIBOR + 3.25% per annum.

If net debt : EBITDA < 0.5 ; LIBOR + 3.0% per annum.

17.2 Loan from Eksportfinans ASA

Grameenphone Ltd. borrowed NOK 25 million in December 2000 from Eksportfinans ASA, Norway with interest to be paid at the rate of 6 months NIBOR (the rate appearing on page NIBOR on the Reuters money rate service) plus 30 basis points per annum. The loan is repayable in 14 equal semi-annual installments started from 29 June 2004.

17.3 Loan from Norwegian Agency For Development Cooperation (NORAD)

Grameenphone Ltd. entered into an agreement with Norwegian Agency for Development Cooperation (NORAD), to obtain loan of NOK 50 million and guarantee in favor of Grameenphone to borrow another NOK 25 million from Eksportfinans. According to the terms of the contract, interest at 3.4% per annum is to be paid on drawdown amount. The interest is payable semi-annually in arrears with the first payment to be made from 6 months after the first drawdown date which will be repayable in 14 installments with the first installment falling due from 42 months after the last drawdown date.

17.4 Local syndicated loan

Grameenphone Ltd. signed a Tk 2,000,000,000 syndicated loan agreement with 16 local financial institutions. Standard Chartered Bank was the lead arranger for the syndicated loan. The loan is being financed by Agrani Bank, Bank Asia, Citibank N.A., IDCOL, IFIC Bank, Jamuna Bank, National Bank, Pubali Bank, SABINCO, Sonali Bank, Standard Bank, Standard Chartered Bank, Trust Bank, The City Bank, United Commercial Bank and Uttara Bank. The loan agreement was signed on 17 September 2007. The loan bears interest at 13.50% per annum, which is calculated on the amount outstanding on a daily basis and payable at the end of each quarter. The repayment will start on 15 November 2008. The first drawdown has been effected on 8 October 2007. 5.8824% of the total Taka Loan, principal must be repaid on a quarterly basis which will run for 17 quarters.

All the above loans are secured by a first priority floating charge on the company's undertaking, property and assets, present and future including goodwill and monies held to the credit of the company's bank accounts to the extent of Tk 5,651,230,000. Additional charge for Tk 2,000,000,000 has been created in favour of the new Local Syndicate Lenders. Total value of the charge created is Tk 7,651,230,000.

17.5 Tenure of repayment of loans and borrowings

The tenures of repayment as per the agreements are as follows:

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|------------------------------------|------------------------------------|------------------------------------|
| | <u>% of principal to be repaid</u> | <u>% of principal to be repaid</u> | <u>% of principal to be repaid</u> |
| Payable not later than 1 year | 25% | 28% | 22% |
| Payable later than 1 year but not later than 5 years | 75% | 72% | 78% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> |

17.6 Loans and borrowings - current portion

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-----------------------|----------------------|--------------------|--------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| IFC | 411,307,134 | 415,002,361 | 408,055,166 |
| ADB | 280,448,302 | 281,222,280 | 275,650,988 |
| NORFUND | 138,644,564 | 139,575,358 | 137,093,847 |
| Eksportfinans ASA | 53,543,934 | 43,714,289 | 39,154,628 |
| NORAD | 107,087,877 | 87,428,583 | 78,309,258 |
| Local syndicated loan | 117,648,000 | - | - |
| | <u>1,108,679,811</u> | <u>966,942,871</u> | <u>938,263,887</u> |

In determination of current portion of long term loan, the installments which are becoming due within next twelve months from the balance sheet date have been considered.

18 Deposit from agents and subscribers

| | | | |
|---|--------------------|--------------------|--------------------|
| Security deposits from subscribers (Note 18.1) | 476,561,490 | 718,963,074 | 534,567,135 |
| Security deposits from dealers and agents (Note 18.2) | 80,756,112 | 75,706,112 | 56,691,112 |
| | <u>557,317,602</u> | <u>794,669,186</u> | <u>591,258,247</u> |

18.1 The amount of security deposits from subscribers represents security money retained from subscribers as safeguard against default in payment of bills for mobile usage. This amount may be applied to all or any portion thereof for adjustment of any outstanding amount from subscribers upon termination / mutual consent.

18.2 This amount of security deposits from dealers and agents represents security money retained from our channel partners (i.e. dealer, distributor, outlet agent) as safeguard of GP's investment in terms of merchandising materials, if any. This amount may be applied to all or any portion thereof in adjustment of any outstanding amount due from the channel partner. This deposit is refunded to channel partners as per their request of withdrawal at the time of separation of business with GP.

19 Finance lease obligations

Obligation under finance lease has been recognised as liability in the balance sheet at amount equal to the present value of minimum lease payments. GP's incremental borrowing rate, which was 15% at the inception of the lease, was used to calculate the present value of minimum lease payments, as it was impracticable to determine implicit interest rate at that time.

| | | | |
|--|----------------------|----------------------|----------------------|
| Finance lease for fibre optic network with Bangladesh Railway (BR) | 6,800,786,553 | 4,419,093,195 | 4,735,189,313 |
| Finance lease for vehicle with IDLC Finance Ltd. | - | 5,722,333 | 17,522,895 |
| | <u>6,800,786,553</u> | <u>4,424,815,528</u> | <u>4,752,712,208</u> |
| Less: Current portion of finance lease | <u>1,485,227,318</u> | <u>195,538,056</u> | <u>189,853,846</u> |
| | <u>5,315,559,235</u> | <u>4,229,277,472</u> | <u>4,562,858,362</u> |

The principal amount of lease obligations payable after the balance sheet date are as follows:

| | <u>Lease payment</u> | <u>Present value</u> | | |
|--|-----------------------|----------------------|----------------------|----------------------|
| | <u>Taka</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
| | | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| (i) Not later than one year, | 2,722,130,758 | 1,485,227,318 | 195,538,056 | 189,853,846 |
| (ii) Later than one year but not later than five years | 3,129,144,112 | 29,791,239 | 1,508,455,281 | 1,028,172,168 |
| (iii) Later than five years | 14,087,910,072 | 5,285,767,996 | 2,720,822,191 | 3,534,686,194 |
| | <u>19,939,184,942</u> | <u>6,800,786,553</u> | <u>4,424,815,528</u> | <u>4,752,712,208</u> |

GP signed an agreement with BR for the exclusive right to use the optical fibre network with its ancillary facilities in 1997. Initially, this agreement was treated as operating lease. From 1 January 2005, it has been treated as finance lease subsequent to an amendment made to the agreement in 2004.

The GP-BR lease agreement was amended again on 13 June 2007 with revised Guaranteed Annual Rent (GAR) and extension of lease term for a further period of 10 years up to June 2027. Considering the revised tenure and Guaranteed Annual Rent (GAR), the leased asset and obligation has been adjusted with the amount equal to the difference between the present value of the future minimum lease payments and the current balance of lease obligation.

20 Deferred tax liabilities

Deferred tax liabilities has been recognised in accordance with the provision of BAS/IAS 12, based on taxable temporary difference arising due to difference in the carrying amount of the assets and its tax base. Related tax expenses has been disclosed in note 42.

Deferred tax liabilities are arrived at as follows:

| | Carrying amount on balance sheet date Taka | Tax base Taka | Taxable/(deductible) temporary difference Taka |
|--|---|------------------|--|
| Year : 2007 | | | |
| Property plant and equipment (excluding land and capital work in progress) | 69,714,232,193 | 32,229,523,923 | 37,484,708,270 |
| Property plant and equipment under finance lease | 6,389,155,256 | - | 6,389,155,256 |
| Permanent difference for reclassification | (59,972,229) | - | (59,972,229) |
| Permanent difference for vehicle | (93,087,373) | - | (93,087,373) |
| | 75,950,327,847 | 32,229,523,923 | 43,720,803,924 |
| Bad debt provision | 2,725,726,115 | 2,819,374,925 | (93,648,810) |
| Finance lease obligation | (6,901,177,719) | | (6,901,177,719) |
| Assets retirement obligation | (36,747,882) | | (36,747,882) |
| Taxable temporary difference | | | 36,689,229,513 |
| Applicable tax rate | | | 45% |
| Deferred tax liability | | | 16,510,153,280 |
| Year : 2006 | | | |
| Property plant and equipment (excluding land and capital work in progress) | 43,025,229,244 | 14,941,162,535 | 28,084,066,709 |
| Permanent difference for reclassification | (64,273,973) | - | (64,273,973) |
| Property plant and equipment under finance lease | 4,172,076,463 | - | 4,172,076,463 |
| | 47,133,031,734 | 14,941,162,535 | 32,191,869,199 |
| Finance lease obligation | (4,424,815,528) | - | (4,424,815,528) |
| Assets retirement obligation | (23,772,001) | | (23,772,001) |
| Taxable temporary difference | | | 27,743,281,670 |
| Applicable tax rate | | | 40% |
| Deferred tax liability | | | 11,097,312,666 |

Deferred tax expense and deferred tax liability for 2006 have been restated due to rectification of an error in calculation. This has an impact of increase in deferred tax liability in 2007 by Tk 1,616,052,543.

Year: 2005

| | | | |
|---|-----------------|----------------|-----------------|
| Property Plant and Equipment | 36,772,791,124 | 16,683,644,456 | 20,089,146,669 |
| Finance Lease Obligation | (4,752,712,208) | | (4,752,712,208) |
| Carrying amount Assets Retirement Obligation | (14,425,728) | | (14,425,728) |
| Taxable Temporary Difference | | | 15,322,008,733 |
| Applicable Tax Rate | | | 40% |
| Deferred tax liability for old unit (A) | | | 6,128,803,493 |
| Expansion Unit -1 | | | |
| Property Plant and Equipment (Tax Holiday Unit) | 617,681,602 | 426,979,542 | 190,702,060 |
| Applicable Tax Rate | | | 40% |
| Deferred tax liability for Tax Holiday Unit (B) | | | 76,280,824 |
| Deferred tax liability as at 31st December 2005 | (A+B) | | 6,205,084,317 |

21 Long term payables and provisions

| | 2007 Taka | 2006 Taka | 2005 Taka |
|--|--------------|--------------|--------------|
| Payable to Bangladesh Railway for X-Net Ltd. | 4,882,500 | 4,882,500 | 4,882,500 |
| Asset retirement obligations (Note 21.1) | 129,419,461 | 80,293,275 | 50,278,254 |
| Deferred revenue from X – Net Ltd. | 11,392,500 | 11,392,500 | 11,392,500 |
| | 145,694,461 | 96,568,275 | 66,553,254 |

21.1 Asset retirement obligations

| | 2007 Taka | 2006 Taka | 2005 Taka |
|--------------------------------|--------------|--------------|--------------|
| Opening balance | 80,293,275 | 50,278,254 | - |
| Provision made during the year | 54,355,259 | 41,601,051 | 50,278,254 |
| | 134,648,534 | 91,879,305 | 50,278,254 |
| Adjustment during the year | (5,307,374) | (11,586,030) | - |
| Closing balance | 129,341,160 | 80,293,275 | 50,278,254 |

Grameenphone Ltd. recognised ARO on roof top BTS and office space based on the present value of expected expenditure required to settle the obligation. Initial recognition of the estimate has been added to property, plant and equipment and unwinding of the discount has been charged as financial expenses.

22 Accounts payable

| | | | |
|---|---------------|---------------|---------------|
| Liability for capital expenditure | 7,061,913,455 | 3,529,179,213 | 4,567,600,616 |
| Payable for expenses: | | | |
| International roaming services | 39,546,477 | 5,045,432 | 18,641,140 |
| Training and travel expenses | 57,178,975 | 44,463,241 | 3,444,869 |
| Sales and promotional expenses | 101,524,340 | 137,657,835 | 59,557,466 |
| Consultancy and professional fees | 333,458,307 | 257,906,626 | 66,796,806 |
| Office and general expenses | 200,327,944 | 637,609,696 | 66,056,548 |
| Network operations and maintenance | 126,962,362 | 37,071,204 | 34,511,926 |
| | 858,998,405 | 1,119,754,034 | 249,008,755 |
| Payable for others: | | | |
| Bank guarantee for SIM and scratch card | 2,099,434 | 3,089,065 | 3,089,065 |
| Tax deducted at source from suppliers | 124,536,047 | 70,569,184 | 81,618,946 |
| VAT deduction at source from suppliers | 42,705,720 | 20,480,461 | 31,441,218 |
| Retention money from suppliers | 45,347,895 | 42,436,618 | 284,758,186 |
| | 214,689,096 | 136,575,328 | 400,907,415 |
| | 8,135,600,956 | 4,785,508,575 | 5,217,516,786 |

Payable for expenses includes payable to Telenor, its subsidiaries and affiliates

23 Payable to government, autonomous bodies and other operators

Bangladesh Telecommunication Regulatory Commission (BTRC)

| | | | |
|--|---------------|---------------|---------------|
| Frequency and spectrum charges (note 23.1) | 652,616,699 | 389,127,754 | 262,843,521 |
| Revenue sharing | 832,232,261 | 593,855,150 | 658,770,423 |
| | 1,484,848,960 | 982,982,904 | 921,613,944 |
| Bangladesh Telegraph and Telephone Board (BTTB) | | | |
| Interconnection charges (note 23.2) | 825,509,168 | 985,393,831 | 591,701,135 |
| PCM related expenses | 24,602,776 | 36,026,087 | 12,468,017 |
| | 850,111,944 | 1,021,419,918 | 604,169,152 |
| Revenue sharing with content providers | 39,888,787 | 33,811,002 | 95,470,833 |
| Supplementary duty on SIM payable to National Board of Revenue (NBR) | 2,709,621,363 | 1,538,445,279 | 1,573,516,057 |
| Share of sub-lease rent payable to Bangladesh Railway | 13,557,714 | 23,654,130 | 29,152,246 |
| Interconnection charges payable to other operators | 751,595,006 | 365,720,259 | 396,229,086 |
| | 3,514,662,870 | 1,961,630,670 | 2,094,368,222 |
| | 5,849,623,774 | 3,966,033,492 | 3,620,151,318 |

23.1 Frequency charges to BTRC

This relates to frequency / spectrum charges, and roaming line rent

23.2 Interconnection charges

This represents provision for interconnection charges for Local, NWD and ISD calls for the months of November and December 2007.

23.3 PCM related expenses

This represents outstanding expenses due to BTTB for PCM (Pulse Code Modulation) related expenses.

24 Provision for tax

| | | | |
|---|-----------------|---------------|-----------------|
| Opening balance | 5,987,861,425 | 2,256,003,086 | 2,022,871,028 |
| Provision made during the year | 5,062,172,661 | 4,643,320,429 | 1,390,324,387 |
| | 11,050,034,086 | 6,899,323,515 | 3,413,195,415 |
| Paid during the year (including tax deducted at source) | (2,699,662,145) | (911,462,090) | (1,157,192,329) |
| | 8,350,371,941 | 5,987,861,425 | 2,256,003,086 |

25 Unearned revenue

This includes mainly the unused portion of scratch cards, FlexiLoad and advance received against post paid bills for which revenue has not yet been recognised.

26 VAT payable

This represents service VAT arisen due to providing various services by the company.

27 Deferred connection revenue

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|-----------------------------|----------------------------|----------------------------|----------------------------|
| Deferred connection revenue | 617,206,217 | 883,043,177 | 791,345,936 |
| Unearned revenue - sublease | 14,054 | 2,476,287 | - |
| | <u>617,220,271</u> | <u>885,519,464</u> | <u>791,345,936</u> |

The movement of deferred connection revenue is as under:

| | | | |
|---------------------------------------|--------------------|--------------------|--------------------|
| Opening balance | 885,519,464 | 791,345,936 | 550,287,856 |
| Addition during the year | <u>224,439,324</u> | <u>813,001,121</u> | <u>551,262,126</u> |
| | 1,109,958,788 | 1,604,347,057 | 1,101,549,982 |
| Recognized as revenue during the year | <u>492,738,517</u> | <u>718,827,593</u> | <u>310,204,046</u> |
| | <u>617,220,271</u> | <u>885,519,464</u> | <u>791,345,936</u> |

28 Local bank borrowings

Grameenphone entered into loan agreement with 10 local banks for providing short term working capital facility for Tk. 13,020 million. Out of this limit Tk. 6,085 million can be used for overdraft facility, short term loan and import loan. All the facilities are sanctioned for a period of one year with the option of yearly renewal. The interest rate on this facility varies from bank to bank between the range from 11.50% to 13.50%.

28.1 Credit facility from Standard Chartered Bank

- (a) Letter of credit Tk 2,050 million (Tk 1,558 million in 2006 and Tk 1,330 million in 2005).
- (b) Overdraft / Short term loan facility for Tk 750 million (inner limit of LC Tk 2,050 million) (Tk 1,230 million in 2006 and Tk 900 million in 2005).

28.2 Credit facility from Commercial Bank of Ceylon Ltd.

- (a) Letter of credit facility for Tk 550 million (in 2006 & 2005: Tk 470 million).
- (b) Overdraft / Short term loan facility for Tk 210 million (inner limit of LC Tk 550 million) (in 2006 Tk 470 million & 2005: Tk 210 million).

28.3 Credit facility from Citibank, N.A.

- (a) Sight/Usance letter of credit up to Tk 2,800 million (in 2006 Tk 1,750 million & in 2005: 1,550 million).
- (b) Short term loan up to Tk 2,100 million (inner limit of LC Tk 2,800 million) (in 2006 Tk 1,500 million & in 2005: Tk 600 million).
- (c) Overdraft facility for Tk 2,100 million (inner limit of LC Tk 2,800 million) (in 2006 & 2005 Tk 100 million).

The Short Term Loan and the Overdraft limits are interchangeable. Total funded exposure will not exceed Tk 2,100 million at any point of time.

28.4 Credit facility from HSBC

- (a) Sight/Usance letter of credit up to Tk1,620 million (in 2006 Tk 1,060 million & in 2005 Tk 960 million).
- (b) Short term loan up to Tk 500 million (inner limit of LC Tk 1,620 million) (in 2006 Tk 500 million & in 2005: Tk 550 million).
- (c) Overdraft facility for Tk 100 million (inner limit of LC Tk 1,620 million) (in 2006 and 2005: Tk 100 million).
- (d) One Off Short term loan up to Tk 250 million.

Combined funded exposure among facility (b) & (c) will not exceed Tk 500 million at any point of time.

28.5 Credit facility from Prime Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk 1,500 million (in 2006 Tk 1,100 million).
- (b) Overdraft/LTR facility for Tk 600 million (inner limit of LC Tk 1,500 million) (in 2006 Tk 470 million).

28.6 Credit facility from Eastern Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk 1,250 million (in 2006 Tk 980 million).
- (b) Short Term Loan/LTR facility for Tk 540 million (inner limit of LC Tk 1,250 million) (in 2006 Tk 420 million).
- (c) Overdraft facility for Tk 100 million (inner limit of LC Tk 1,250 million) (in 2006 Tk 100 million).
- (d) Bank Guarantee limit up to Tk 70 million. (inner limit of LC Tk 1,250 million) (in 2006 Tk 70 million)

Combined funded exposure among facility (b) & (c) will not exceed Tk 540 million at any point of time.

28.7 Credit facility from One Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk 660 million (in 2006 Tk 235 million and in 2005 Tk 250 million).
- (b) Overdraft/LTR facility for Tk 280 million (inner limit of LC Tk 660 million) (in 2006 Tk 193 million and in 2005 Tk 100 million).
- (c) Bank Guarantee limit up to Tk 10 million. (inner limit of LC Tk 660 million).

28.8 Credit facility from BRAC Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk 990 million.
- (b) Overdraft/Short Term Loan facility for Tk 420 million (inner limit of LC Tk 990 million).

28.9 Credit facility from Dhaka Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk 1,000 million.
- (b) Short Term Loan/LTR facility for Tk 435 million (inner limit of LC Tk 1,000 million).

28.10 Credit facility from Dutch Bangla Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk 600 million (in 2006 Tk 500 million)

28.11 Facility from other banks

- (a) Other banks include Shahjalal, Islami, Jamuna, Mercantile, National, Trust, IFIC, Southeast, Sonali, UCBL, Agrani, City, EXIM, & Bank Asia which are mainly used for collection purposes.
- (b) Facilities with all the banks are free of any charges.

28.12 The short term credit facilities are availed on an unsecured basis and are backed by standard charge documents of individual banks.

28.13 The credit facility from the above banks together (Note 12.3 to 12.12) however is limited to a maximum outstanding limit of U.S.\$140 million equivalent as required by approval from Grameenphone Board of Directors and/or debt to shareholders' equity ratio being <2, whichever is lower.

29 Provision for expenses

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| International roaming services | 30,521,099 | 14,714,008 | 12,696,189 |
| Personnel expenses | 588,072,056 | 315,187,969 | 347,622,007 |
| Pension obligation for employees Provident Fund | 11,626,153 | 7,158,797 | 3,614,180 |
| Training and travel expenses | 47,681,771 | 38,069,830 | 19,991,718 |
| Sales and promotional expenses | 324,456,423 | 240,540,324 | 257,127,498 |
| Consultancy and professional fees | 222,852,718 | 122,803,465 | 35,266,765 |
| Network operations and maintenance | 270,371,826 | 168,334,640 | 80,869,518 |
| Provision for capital expenditure | 636,225,088 | 1,692,508,839 | 1,117,171,197 |
| Office and general expenses (Note 29.1) | 26,749,394 | 271,550,336 | 6,954,842 |
| Operating lease rent payable to Power Grid Company of Bangladesh Ltd. | 2,499,999 | 2,874,999 | 2,801,478 |
| | <u>2,161,056,527</u> | <u>2,873,743,207</u> | <u>1,884,115,392</u> |

Payable for expenses includes payable to Telenor, its subsidiaries and affiliates.

29.1 Provision for office and general expenses relates to vehicle running expenses, stationery, utility, communication expenses etc.

30 Revenue

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--|-----------------------|-----------------------|-----------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Traffic revenue | 6,890,485,179 | 11,051,292,319 | 9,610,467,620 |
| -Postpaid | 39,794,262,265 | 28,033,992,265 | 15,986,414,540 |
| -Prepaid | 46,684,747,444 | 39,085,284,584 | 25,596,882,160 |
| Subscription revenue | 448,536,521 | 489,853,607 | 558,185,406 |
| -Postpaid | - | - | - |
| -Prepaid | 448,536,521 | 489,853,607 | 558,185,406 |
| Connection revenue | 132,298,916 | 189,177,660 | 178,254,399 |
| -Postpaid | 252,361,082 | 298,033,280 | 129,625,991 |
| -Prepaid | 384,659,998 | 487,210,940 | 307,880,390 |
| Roaming revenue | 158,652,029 | 190,849,178 | 218,184,194 |
| -Inbound | 228,281,038 | 160,545,701 | 143,150,734 |
| -Outbound | 386,933,067 | 351,394,879 | 361,334,928 |
| Interconnection revenue - mobile operators | 234,336,488 | 353,128,422 | 309,181,081 |
| -Postpaid | 4,371,041,250 | 3,462,437,571 | 1,556,876,209 |
| -Prepaid | 4,605,377,738 | 3,815,565,993 | 1,866,057,290 |
| Other operating revenue | 10,690,264 | 13,879,705 | 13,525,820 |
| -Customer support revenue | 1,744,370,057 | 1,382,899,216 | 735,601,676 |
| -VAS revenue (Note 30.1) | 1,755,060,321 | 1,396,778,921 | 749,127,496 |
| Other non- mobile revenue | 4,957,356 | 14,322,824 | 33,663,350 |
| - Sale of handsets | 31,822,515 | - | - |
| - Channel fees | 1,050,972 | 2,909 | - |
| - Bills pay - PDB | 37,830,843 | 14,325,733 | 33,663,350 |
| | <u>54,303,145,932</u> | <u>45,640,414,657</u> | <u>29,473,131,020</u> |

30.1 VAS revenue includes revenue from SMS/MMS services, internet facilities (EDGE/GPRS), medical services and music download services.

31 Direct cost of network revenue

| | | | |
|---|-----------------------|-----------------------|----------------------|
| Cost of interconnection (Note 31.1) | 5,512,358,769 | 3,919,640,962 | 2,612,660,475 |
| Cost of SIM card, scratch card and handsets | 938,145,964 | 1,163,134,609 | 1,029,254,273 |
| International roaming costs (Note 31.2) | 205,398,758 | 152,605,276 | 129,415,328 |
| BTRC licence fee (Note 31.3) | 2,774,547,021 | 2,066,794,637 | 809,023,635 |
| Revenue sharing with content providers | 2,867,197 | 10,239,598 | 11,428,269 |
| Dealers and agency commission | 3,359,248,237 | 2,759,828,516 | 2,113,236,011 |
| | <u>12,792,565,946</u> | <u>10,072,243,598</u> | <u>6,705,017,991</u> |

31.1 Cost of interconnection

According to the terms of the operational agreement with BTTB for local, nationwide and overseas calls generated from GP and terminated in BTTB's network, GP has to pay BTTB access charges as per BTTB's prevailing tariff rates. However, charges for all incoming calls, originated from BTTB and terminated in Grameenphone's network are retained by BTTB.

Cost of interconnection is recorded on the basis of traffic to other operators which are regulated and settled through interconnection agreements between Grameenphone and other operators.

31.2 International roaming costs

GP is required to pay roaming charges to the roaming partners when the GP subscribers use their network, based on roaming agreement between the parties.

31.3 BTRC licence fee

As per amendment of the operating licence agreement (clause 3.3) dated 16 April 2006, GP is required to pay 5.5% of the collected rent and call charges to BTRC with effect from 1 July 2005. Before this amendment, GP was required to pay 1% of the call charges to Bangladesh Telecom Regulatory Commission (BTRC).

32 Network operation and maintenance expenses

| | 2007 Taka | 2006 Taka | 2005 Taka |
|---|----------------------|----------------------|----------------------|
| Rent (Note 32.1) | 325,074,013 | 213,474,354 | 133,747,234 |
| Electricity charges (Note 32.2) | 830,772,051 | 575,359,272 | 312,310,694 |
| Operation and maintenance - base station | 735,090,341 | 291,582,644 | 211,659,083 |
| Operation and maintenance - switch | (120,599,372) | 187,874,892 | 429,468,026 |
| Operation and maintenance - optical fibre network | 23,567,191 | 46,729,357 | (2,424,300) |
| Network quality maintenance expenses (Note 32.3) | 610,849,956 | 759,573,333 | 339,107,074 |
| PCM operation and maintenance (Note 32.4) | 37,799,276 | 31,092,979 | 4,620,910 |
| | <u>2,442,553,456</u> | <u>2,105,686,831</u> | <u>1,428,488,721</u> |

32.1 Rent includes location rent for base station , switch, and selected buildings of Bangladesh Railway.

32.2 Electricity charges include electricity charges for running base station, switches and selected offices of Bangladesh Railway.

32.3 Network quality maintenance expenses includes consultants' expenses and network operational services and maintenance fees.

32.4 PCM operation and maintenance includes rental charges of PCM, maintenance charges of PCM and microwave link.

33 Depreciation and amortisation

| | 2007 Taka | 2006 Taka | 2005 Taka |
|--|-----------------------|----------------------|----------------------|
| Cost of network operation: | | | |
| Depreciation on property, plant and equipment | 9,101,623,190 | 6,490,688,435 | 3,793,825,424 |
| Amortisation of network system software | 10,478,393 | 2,202,963 | 262,965,467 |
| Amortisation of non-telecommunication licences | 10,071,554 | 7,600,183 | - |
| | <u>20,549,947</u> | <u>9,803,146</u> | <u>262,965,467</u> |
| | 9,122,173,137 | 6,500,491,581 | 4,056,790,891 |
| Operating expenses: | | | |
| Depreciation on property, plant and equipment | 911,554,550 | 593,951,799 | 290,507,863 |
| Amortisation of business system software | 362,096,226 | 373,907,080 | 17,622,006 |
| | <u>1,273,650,776</u> | <u>967,858,879</u> | <u>308,129,869</u> |
| | <u>10,395,823,913</u> | <u>7,468,350,460</u> | <u>4,364,920,760</u> |

34 Other income, net

| | | | |
|--|-------------------|--------------------|--------------------|
| Sub-lease rental income from optical fibre network | 138,129,714 | 164,308,338 | 154,817,844 |
| Franchisee Fee | 4,501,192 | - | - |
| Sub lease cost | (104,474,450) | (62,022,916) | (41,047,622) |
| | <u>38,156,456</u> | <u>102,285,422</u> | <u>113,770,222</u> |

35 General and administrative expenses

| | | | |
|---|----------------------|----------------------|----------------------|
| Personnel expenses (Note 35.1) | 2,784,789,505 | 1,986,351,175 | 1,125,224,673 |
| Employee training and ancillary expenses | 132,743,408 | 163,176,041 | 94,265,628 |
| Rent (Note 35.2) | 353,248,518 | 227,416,060 | 81,209,003 |
| Office maintenance and running expenses | 732,574,142 | 337,441,052 | 182,931,031 |
| Traveling expenses | 114,715,671 | 139,662,884 | 60,855,521 |
| Vehicle running expenses | 300,991,542 | 284,261,830 | 161,147,690 |
| Telephone and communication | 107,832,446 | 112,462,757 | 63,249,839 |
| Printing, postage and stationery | 195,025,462 | 108,173,866 | 145,120,212 |
| Legal and professional fees | 16,760,734 | 37,865,230 | 21,800,073 |
| Audit fees | 1,300,000 | 1,150,000 | 800,000 |
| Licence fees and spectrum charges (Note 35.3) | 813,218,201 | 466,782,849 | 315,336,812 |
| Meeting expenses (Note 35.4) | 32,357,312 | 23,587,252 | 8,793,974 |
| Entertainment expenses | 42,122,620 | 26,880,997 | 18,421,322 |
| | <u>5,627,679,561</u> | <u>3,915,211,993</u> | <u>2,279,155,778</u> |

- 35.1** Personnel expenses include Tk 994,739 relating to share based payment to key management personnel with respect to entitlement of parent company's shares. The vesting period for such entitlement is three years. The policy on share based payment including the underlying valuation method is guided by group policy.
- 35.2** Rent includes rent for office, warehouse, GPC, GPSD, GPDC, GPCF info-center and guest houses.
- 35.3** According to licence agreement with MOPT and BTTB, Grameenphone is required to pay these fees to Government of Bangladesh. The amount includes operating licence fee, spectrum fee and roaming line rent charges.
- 35.4** Meeting expenses include expenses incurred for Board of Directors and members of operational committee for attending the board meetings and operational committee meeting respectively. No fees were paid to the members for attending the meetings.

36 Selling and distribution expenses

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Advertisements | 1,051,696,324 | 859,940,251 | 272,400,269 |
| Business development and promotional expenses | 447,590,843 | 233,445,809 | 547,883,238 |
| Sales, marketing and representation costs | 5,161,131,235 | 2,850,905,036 | 1,236,545,968 |
| | <u>6,660,418,402</u> | <u>3,944,291,096</u> | <u>2,056,829,475</u> |

37 Bad debt expense

| | | | |
|--|--------------------|-------------------|--------------------|
| Provision made during the year (Note 37.1) | 145,835,076 | 52,612,665 | 157,474,513 |
| Recovery of bad debt during the year | (10,544,809) | (10,971,208) | (6,707,010) |
| Bad debt expense | <u>135,290,267</u> | <u>41,641,457</u> | <u>150,767,503</u> |

Provision for doubtful debts has been made as per policy of the company mentioned in note 3.4.

37.1 Provision for doubtful debts

| | | | |
|--------------------------------|--------------------|-------------------|--------------------|
| Balance at opening | 41,641,457 | 150,767,503 | 233,947,022 |
| Provision made during the year | 145,835,076 | 52,612,665 | 157,474,513 |
| Written off during the year | (41,641,457) | (150,767,503) | 233,947,022 |
| Closing balance | <u>145,835,076</u> | <u>52,612,665</u> | <u>157,474,513</u> |

38 Finance costs, net

| | | | |
|--|----------------------|----------------------|--------------------|
| Interest on long term loans | 245,236,902 | 235,716,925 | 26,507,324 |
| Interest and service charge on short-term debt | 179,184,471 | 4,084,675 | 37,987,389 |
| Foreign exchange (gain)/loss - IR receivable | 73,838,813 | (468,120) | - |
| Finance charge - lease | 494,203,734 | 693,513,669 | 690,377,149 |
| Interest (Accretion) on ARO | 12,975,881 | 9,346,274 | 4,218,227 |
| Financial charges | <u>82,511,025</u> | <u>67,834,444</u> | <u>34,019,577</u> |
| | <u>1,087,950,826</u> | <u>1,010,027,867</u> | <u>793,109,666</u> |
| Financial income | (139,465,142) | (116,795,729) | (89,934,950) |
| Revenue collection charges | <u>20,017,372</u> | <u>25,592,163</u> | <u>37,644,321</u> |
| | <u>968,503,056</u> | <u>918,824,301</u> | <u>740,819,037</u> |

39 Loss on disposal of property, plant and equipment

| | | | |
|---------------------------------------|--------------------|--------------------|-------------------|
| Sale proceeds | (62,813,546) | (17,011,192) | (2,363,813) |
| Written down value of the assets sold | 74,780,231 | 272,147,798 | 96,903,870 |
| Cost of CWIP written off | <u>89,996,270</u> | <u>3,684,558</u> | <u>4,872,242</u> |
| | <u>101,962,955</u> | <u>258,821,164</u> | <u>99,412,299</u> |

40 Compensation to Bangladesh Telecommunication Regulatory Commission (BTRC)

This relates to the payment made by the company to BTRC in connection with the misuse of GP's network by some of its subscribers for doing unregulated international call termination during September 2005 to February 2007.

41 Share of profit of X - Net Ltd.

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|--------------------------|------------------|------------------|-------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| Share of profit / (loss) | 2,591,417 | 1,876,551 | - |
| | <u>2,591,417</u> | <u>1,876,551</u> | <u>-</u> |

42 Income tax expenses

| | | | |
|--|-----------------------|----------------------|----------------------|
| Current tax expense (Note 42.1) | 5,062,172,661 | 4,643,320,429 | 1,390,324,387 |
| Deferred tax expense (Notes 42.1 and 42.2) | 5,412,840,614 | 4,892,228,349 | 3,458,287,945 |
| | <u>10,475,013,275</u> | <u>9,535,548,778</u> | <u>4,848,612,332</u> |

42.1 Current tax and deferred tax expenses for 2006 were restated in 2007, which were reported Tk. 4,239,307,293 and Tk. 3,276,175,806 respectively in 2006.

42.2 Deferred tax has been recognised to account for the tax consequence of transactions and other events recognised in the financial statements. Deferred tax expenses arise mainly due to difference in the carrying amount of the assets that will result in taxable amount in determining taxable profit or loss of future periods when the carrying amount of the asset would be recovered or settled.

43 Future lease rent for operating leases

| | | | |
|--|----------------------|----------------------|----------------------|
| (i) Not later than one year | 313,729,917 | 958,217,075 | 560,995,779 |
| (ii) Later than one year but not later than five years | 1,329,368,247 | 1,701,422,194 | 805,019,711 |
| (iii) Later than five years | 3,758,469,980 | 1,323,212,554 | 294,157,229 |
| | <u>5,401,568,144</u> | <u>3,982,851,823</u> | <u>1,660,172,719</u> |

44 Related party disclosures

44.1 Related party transactions

| <u>Name of related parties</u> | <u>Nature</u> | <u>Transaction</u> | <u>2007</u> | <u>2006</u> |
|--|---------------|--|---------------|---------------|
| | | | <u>Taka</u> | <u>Taka</u> |
| Telenor Mobile Communications AS | Shareholder | Dividend payment for previous year | 904,089,250 | 678,067,518 |
| Nye Telenor Mobile Communications II AS | Shareholder | -do- | 258 | - |
| Nye Telenor Mobile Communications III AS | Shareholder | -do- | 258 | - |
| Telenor Asia Pte. Ltd. | Shareholder | -do- | 258 | - |
| Grameen Telecom | Shareholder | Revenue | 3,283,766,459 | 7,888,762,484 |
| | | Bill received | 4,830,795,105 | 8,008,243,397 |
| | | Dividend payment for previous year | 554,119,680 | 392,501,477 |
| Grameen Kalyan | Shareholder | -do- | 26 | - |
| Grameen Shakti | Shareholder | -do- | 26 | - |
| NORAD | Telenor Group | Payment of loans and borrowings (principal and interest) | 98,295,390 | 349,714,327 |

44.2 Related party receivable/(payable)

| <u>Name of related parties</u> | <u>Nature</u> | <u>Transaction</u> | <u>2007</u> | <u>2006</u> |
|--------------------------------|---------------|----------------------|---------------|---------------|
| | | | <u>Taka</u> | <u>Taka</u> |
| Grameen Telecom | Shareholder | Accounts receivable | 583,143,603 | 2,130,172,251 |
| NORAD | Telenor Group | Loans and borrowings | (321,263,630) | (349,714,327) |

45 Other disclosures**45.1**

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|-------------|
| Number of regular employees receiving remuneration of Tk. 36,000 or above per annum | 2,203 | 1,647 | 1,273 |

45.2 C&F cost of imports:

| | <u>2007</u> <u>Taka</u> | <u>2006</u> <u>Taka</u> | <u>2005</u> <u>Taka</u> |
|------------------------------|----------------------------|----------------------------|----------------------------|
| SIM and scratch card | 3,701,284 | 6,131,514 | 1,149,677 |
| Telecommunication equipments | 109,393,532 | 48,466,438 | 47,703,717 |

45.3 Expenditure in foreign currency during the year

| | | | |
|-----------------------------|-------------|-------------|-------------|
| Consultancy fee | 330,533,370 | 377,324,624 | 49,037,544 |
| Consultancy fee- expatriate | 250,045,179 | 234,097,201 | 272,316,120 |
| Other fee (training) | 77,367,061 | 84,509,932 | 71,995,519 |
| Technical Assistance | 250,719,905 | 137,718,890 | 444,897,262 |
| Technical know how | 86,578,434 | 93,060,183 | 19,975,441 |
| International roaming cost | 205,398,758 | 152,605,276 | 129,415,000 |

45.4 Foreign earnings

| | | | |
|-------------------------------|-------------|-------------|-------------|
| Revenue from roaming partners | 158,652,029 | 190,849,178 | 226,955,570 |
|-------------------------------|-------------|-------------|-------------|

45.5 Financing of operation

As at the balance sheet date the total current liability exceeded the total current assets by Tk. 29,593,602,701 (2006: Tk. 13,125,379,455 and 2005: Tk. 9,618,081,871). The current liability, however, included deferred revenue and unearned revenue of Tk. 1,911,927,422 (2006: Tk. 3,096,234,469 and 2005: Tk. 1,769,062,273)

46 Capital commitments

The capital commitments for purchase of network equipment and other services mainly from Siemens and Ericsson were as follows .:

| | | | |
|--------------------|----------------|---------------|---------------|
| Capital commitment | 18,711,007,834 | 7,031,633,856 | 4,237,752,141 |
|--------------------|----------------|---------------|---------------|

47 Contingent liability**47.1 Contingent liability arising from banks**

| | | | |
|-----------------------------------|----------------------|--------------------|--------------------|
| Outstanding letter of credit | 1,323,854,787 | 321,065,581 | 198,128,934 |
| Outstanding bank guarantee margin | | | |
| Eastern Bank Ltd. | 25,265,505 | 21,522,840 | 21,522,840 |
| Southeast Bank Ltd. | 6,500,000 | 6,500,000 | 6,500,000 |
| | <u>1,355,620,292</u> | <u>349,088,421</u> | <u>226,151,774</u> |

47.2 As a follow up of the issue mentioned in note 41, a follow-up investigation was carried out by BTRC with a view to find out whether there was any additional irregularity with regard to unregulated international call termination during the same period. A show cause notice had been served which was duly replied by the company.

Grameenphone Ltd.

Loans and borrowings as at 31 December 2007

In respect of interest bearing liabilities, the following tables indicate their average effective interest rates at the reporting date and the period in which they mature.

Year : 2007

| | Average effective interest rate | Date of Maturity | Total | 2008 | 2009 | 2010 | 2011 | After 2011 |
|--|---------------------------------|------------------|----------------|---------------|---------------|--------------|--------------|---------------|
| Finance lease obligations | 15.00% | 31.03.27 | 6,800,786,553 | 1,485,227,318 | 239,778,538 | (88,731,890) | (70,936,830) | 5,235,449,417 |
| Loans and borrowings: | | | | | | | | |
| IFC | 8.33% | 15.06.10 | 1,022,524,515 | 411,307,134 | 407,478,253 | 203,739,128 | - | - |
| ADB | 8.33% | 15.06.10 | 697,204,691 | 280,448,302 | 277,837,593 | 138,918,796 | - | - |
| NORFUND | 8.33% | 15.06.10 | 344,675,436 | 138,644,564 | 137,533,913 | 68,676,959 | - | - |
| Eksporthans ASA | 6.28% | 29.12.10 | 160,631,803 | 53,543,935 | 53,543,935 | 53,543,934 | - | - |
| NORAD | 3.40% | 30.12.10 | 321,263,630 | 107,087,877 | 142,783,834 | 71,391,919 | - | - |
| Local syndicated Loan | 13.50% | 15.11.12 | 1,930,000,120 | 117,648,000 | 453,088,030 | 453,088,030 | - | 453,088,030 |
| Total loans and borrowings | | | 4,476,300,195 | 1,108,679,811 | 1,472,085,558 | 989,358,766 | 453,088,030 | 453,088,030 |
| Total finance lease and loans and borrowings | | | 11,277,086,748 | 2,593,907,129 | 1,711,864,096 | 900,626,876 | 382,151,200 | 5,688,537,447 |

Year : 2006

| | Average effective interest rate | Date of Maturity | Total | 2007 | 2008 | 2009 | 2010 | After 2010 |
|--|---------------------------------|------------------|---------------|---------------|---------------|---------------|-------------|---------------|
| Finance lease obligations | 15.00% | 31.03.17 | 4,424,815,529 | 195,538,056 | 219,929,805 | 254,821,760 | 295,249,338 | 3,459,276,570 |
| Loans and borrowings: | | | | | | | | |
| IFC | 8.92% | 15.06.10 | 1,435,389,328 | 415,002,361 | 415,002,361 | 415,002,361 | 190,382,244 | - |
| ADB | 8.92% | 15.06.10 | 972,677,499 | 281,222,280 | 281,222,280 | 281,222,280 | 129,010,659 | - |
| NORFUND | 8.92% | 15.06.10 | 482,756,242 | 139,575,358 | 139,575,358 | 139,575,358 | 64,030,166 | - |
| Eksporthans ASA | 3.48% | 29.12.10 | 174,857,157 | 43,714,289 | 43,714,289 | 43,714,289 | 43,714,289 | - |
| NORAD | 3.40% | 30.12.10 | 349,714,327 | 87,428,582 | 87,428,582 | 87,428,582 | 87,428,582 | - |
| Total loans and borrowings | | | 3,415,394,553 | 966,942,871 | 966,942,871 | 966,942,871 | 514,565,940 | - |
| Total finance lease and loans and borrowings | | | 7,840,210,082 | 1,162,480,927 | 1,186,872,676 | 1,221,764,631 | 809,815,278 | 3,459,276,570 |

Year : 2005

| | Average effective interest rate | | Total | 2006 | 2007 | 2008 | 2009 | After 2009 |
|--|---------------------------------|----------|---------------|---------------|---------------|---------------|---------------|---------------|
| Particulars | | | Taka | Taka | Taka | Taka | Taka | Taka |
| Finance lease obligations | 15% | 31.03.17 | 4,752,712,208 | 189,854,000 | 210,483,000 | 235,475,000 | 270,797,000 | 3,846,103,208 |
| Loans and borrowings: | | | | | | | | |
| IFC | 7.12% | 15.06.10 | 1,804,289,279 | 408,055,166 | 408,055,166 | 408,055,166 | 408,055,166 | 172,068,617 |
| ADB | 7.12% | 15.06.10 | 1,218,840,400 | 275,650,988 | 275,650,988 | 275,650,988 | 275,650,988 | 116,236,451 |
| NORFUND | 7.12% | 15.06.10 | 606,185,093 | 137,093,847 | 137,093,847 | 137,093,847 | 137,093,847 | 57,809,705 |
| Eksporthans ASA | 2.51% | 29.12.10 | 195,773,139 | 39,154,628 | 39,154,628 | 39,154,628 | 39,154,628 | 39,154,628 |
| NORAD | 3.40% | 30.12.10 | 391,546,289 | 78,309,258 | 78,309,258 | 78,309,258 | 78,309,258 | 78,309,258 |
| Total loans and borrowings | | | 4,216,634,200 | 938,263,886 | 938,263,886 | 938,263,886 | 938,263,886 | 463,578,658 |
| Total finance lease and loans and borrowings | | | 8,969,346,408 | 1,128,117,887 | 1,148,746,886 | 1,173,738,886 | 1,209,060,886 | 4,309,681,866 |

**Auditors' Report
to the shareholders of
Grameenphone Ltd.**

We have audited the accompanying balance sheet of Grameenphone Ltd. as at 30 September 2008 and the related profit and loss account, statement of changes in equity and cash flow statement for the nine-month period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

The accompanying financial statements have been prepared specifically for inclusion in the Prospectus to be circulated in relation to the proposed issue of ordinary shares by Grameenphone Ltd

We conducted our audit in accordance with International Standards on Auditing as applicable in Bangladesh. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 30 September 2008 and of the results of its operations and its cash flow for the nine-month period then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account; and
- (d) the expenditures incurred were for the purposes of the company's business.

Dhaka,

Date: 30 November 2008

Sd/-
(Rahman Rahman Huq)
Chartered Accountants

Grameenphone Ltd.
Balance Sheet
as at 30 September 2008

| | | As at 30 Sep 2008 | As at 31 Dec 2007 |
|---|--------------|-----------------------|-----------------------|
| | | <u>Taka</u> | <u>Taka</u> |
| Assets: | Notes | | |
| <i>Non current assets :</i> | | | |
| Property, plant and equipment, net | 4 | 83,252,922,989 | 80,318,189,542 |
| Intangible assets | 5 | 1,779,797,095 | 1,275,733,440 |
| Investment in shares of X-Net Ltd. | 6 | 4,467,968 | 4,467,968 |
| Long-term receivables and deposits | 7 | 12,201,939 | 11,596,466 |
| | | 85,049,389,991 | 81,609,987,416 |
| <i>Current assets:</i> | | | |
| Inventories | 8 | 560,925,595 | 843,646,147 |
| Deferred cost of connection revenue | 9 | 330,471,516 | 357,679,797 |
| Accounts receivable, net | 10 | 2,220,218,594 | 2,725,726,115 |
| Advances, deposits and prepayments | 11 | 2,678,320,513 | 2,119,366,225 |
| Cash and cash equivalents | 12 | 2,956,500,397 | 804,635,376 |
| | | 8,746,436,615 | 6,851,053,660 |
| Total assets | | <u>93,795,826,606</u> | <u>88,461,041,076</u> |
| Equity and Liabilities: | | | |
| <i>Shareholders' equity:</i> | | | |
| Share capital | 13 | 12,151,747,970 | 2,430,349,594 |
| Share premium | | 13,743,987 | 13,743,987 |
| Capital reserve | 14 | 14,446,452 | 14,446,452 |
| Deposit from shareholders | 15 | 1,882,996 | 1,882,996 |
| General reserve | 16 | 2,139,729,365 | 2,139,729,365 |
| Retained earnings | | 10,662,827,247 | 21,510,953,768 |
| | | 24,984,378,017 | 26,111,106,162 |
| <i>Non-current liabilities:</i> | | | |
| Loans and borrowings, net of current portion | 17 | 2,452,936,102 | 3,367,620,384 |
| Deposit from agents and subscribers | 18 | 503,900,428 | 557,317,602 |
| Finance lease obligations, net of current portion | 19 | 5,444,865,490 | 5,315,559,235 |
| Deferred tax liabilities | 20 | 17,175,556,290 | 16,510,153,280 |
| Long term payables and provisions | 21 | 160,161,722 | 145,694,461 |
| Employee benefits – provision for gratuity | | 41,029,726 | 8,933,591 |
| | | 25,778,449,759 | 25,905,278,553 |
| <i>Current liabilities:</i> | | | |
| Accounts payable | 22 | 3,800,198,272 | 8,135,600,956 |
| Payable to government and autonomous bodies and other operators | 23 | 7,678,020,090 | 5,849,623,774 |
| Income tax payable | 24 | 9,684,215,164 | 8,350,371,941 |
| Unearned revenue | 25 | 2,338,669,856 | 1,294,707,151 |
| VAT payable | 26 | 2,189,042,840 | 2,335,718,147 |
| Loans and borrowings – current portion | 17 | 1,489,954,854 | 1,108,679,811 |
| Finance lease obligations – current portion | 19 | 481,380,633 | 1,485,227,318 |
| Deferred connection revenue | 27 | 464,899,620 | 617,220,271 |
| Interest payable on loans and borrowings | | 99,423,908 | 197,615,312 |
| Local interest bearing short-term borrowings | 28 | 8,386,810,686 | 4,908,835,153 |
| Provision for expenses | 29 | 5,376,850,579 | 2,161,056,527 |
| Advance against employee share | 30 | 1,043,532,329 | - |
| | | 43,032,998,830 | 36,444,656,361 |
| Total equity and liabilities | | <u>93,795,826,606</u> | <u>88,461,041,076</u> |

The annexed notes 1 to 50 form an integral part of these financial statements.

Sd/-
Director

Sd/-
Director

Sd/-
Chief Executive Officer

Sd/-
Company Secretary

Dhaka

As per our report of same date.

Sd/-
Auditors

Grameenphone Ltd.
Profit and Loss Account
for the nine-month period ended 30 September 2008

| | Notes | Nine-month period ended | |
|--|-------|-------------------------|------------------|
| | | 30 Sep 2008 | 30 Sep 2007 |
| | | Taka | Taka |
| Revenue | 31 | 44,561,016,676 | 39,993,484,258 |
| Cost of network operations: | | | |
| Direct cost of network revenue | 32 | (10,503,438,356) | (9,522,164,362) |
| Network operation and maintenance expenses | 33 | (3,368,230,515) | (1,832,879,035) |
| Depreciation and amortisation | 34 | (9,723,354,113) | (6,369,839,838) |
| | | (23,595,022,984) | (17,724,883,235) |
| Gross profit | | 20,965,993,692 | 22,268,601,023 |
| Other income, net | 35 | 9,165,016 | 43,959,150 |
| Operating expenses: | | | |
| General and administrative expenses | 36 | (4,522,785,034) | (3,909,191,733) |
| Selling and distribution expenses | 37 | (5,320,496,421) | (4,937,831,850) |
| Bad debt expense | 38 | (140,375,747) | (33,213,644) |
| Depreciation and amortisation | 34 | (1,250,110,420) | (878,441,466) |
| | | (11,233,767,622) | (9,758,678,693) |
| Operating profit | | 9,741,391,086 | 12,553,881,480 |
| Finance costs, net | 39 | (1,345,277,184) | (488,891,603) |
| Gain/(loss) on disposal of property, plant and equipment | 40 | 33,293,536 | (21,058,629) |
| Compensation and contribution to BTRC | 41 | (2,230,765,302) | (1,684,242,956) |
| Share of profit of X-Net Ltd. | 42 | - | 2,591,417 |
| Profit before tax | | 6,198,642,136 | 10,362,279,709 |
| Income tax expenses | 43 | (5,818,553,533) | (8,517,398,624) |
| Profit for the period | | 380,088,603 | 1,844,881,085 |

The annexed notes 1 to 50 form an integral part of these financial statements.

Sd/-
Director

Sd/-
Director

Sd/-
Chief Executive Officer

Sd/-
Company Secretary

Dhaka

As per our report of same date.

Sd/-
Auditors

Grameenphone Ltd.
Statement of Changes in Equity
for the nine-month period ended 30 September 2008

| | Share capital Taka | Share premium Taka | Capital reserve Taka | Deposit from shareholders Taka | Tax holiday reserve Taka | General reserve Taka | Retained earnings Taka | Total Taka |
|--|-----------------------|-----------------------|-------------------------|-----------------------------------|-----------------------------|-------------------------|---------------------------|-----------------------|
| Balance as at 31 December 2006 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 206,312,859 | 1,933,416,506 | 19,909,323,506 | 24,509,475,900 |
| Net profit for the period up to September 2007 | - | - | - | - | - | - | 1,844,881,085 | 1,844,881,085 |
| Final dividend for the year 2006 | - | - | - | - | - | - | (1,458,209,756) | (1,458,209,756) |
| Balance as at 30 September 2007 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 206,312,859 | 1,933,416,506 | 20,295,994,835 | 24,896,147,229 |
| Balance as at 31 December 2007 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | - | 2,139,729,365 | 21,510,953,768 | 26,111,106,162 |
| Net profit for the period up to September 2008 | - | - | - | - | - | - | 380,088,603 | 380,088,603 |
| Final dividend for the year 2007 | - | - | - | - | - | - | (1,506,816,748) | (1,506,816,748) |
| Bonus issue in 2008 | 9,721,398,376 | - | - | - | - | - | (9,721,398,376) | - |
| Balance as at 30 September 2008 | 12,151,747,970 | 13,743,987 | 14,446,452 | 1,882,996 | - | 2,139,729,365 | 10,662,827,247 | 24,984,378,017 |

Grameenphone Ltd.
Cash Flow Statement
for the nine-month period ended 30 September 2008

| | Nine-month period ended | |
|---|-------------------------|-------------------------|
| | 30 Sep 2008 | 30 Sep 2007 |
| | <u>Taka</u> | <u>Taka</u> |
| Cash flows from operating activities: | | |
| Cash receipts from sales or for the performance of services | 45,829,550,398 | 39,611,273,637 |
| Payroll and other payments to employees | (1,744,361,394) | (1,398,401,951) |
| Payments to suppliers and contractors | (20,114,444,721) | (16,578,477,389) |
| Finance income received | 19,341,884 | 109,421,887 |
| Finance costs paid | (1,532,572,097) | (585,519,733) |
| Income tax paid | (3,819,307,300) | (2,157,153,066) |
| | (27,191,343,628) | (20,610,130,252) |
| Net cash flow from operating activities | 18,638,206,770 | 19,001,143,385 |
| Cash flows from investing activities: | | |
| Payment for acquisition of property, plant and equipment | (16,174,726,493) | (23,913,306,457) |
| Proceeds from sale of property, plant and equipment | 71,223,379 | 53,606,182 |
| Payment for acquisition of intangible assets (software & PCM) | (991,601,751) | (341,087,758) |
| Net cash used in investing activities | (17,095,104,865) | (24,200,788,033) |
| Cash flows from financing activities: | | |
| Local interest bearing short-term borrowings | 3,477,975,533 | 4,100,680,155 |
| Payment of long term borrowings | (487,855,239) | (477,363,295) |
| Payment of finance lease obligation | (874,540,430) | (96,442,665) |
| Payment of dividend | (1,506,816,748) | - |
| Net cash flow from financing activities | 608,763,116 | 3,526,874,195 |
| Net changes in cash and cash equivalents | 2,151,865,021 | (1,672,770,453) |
| Cash and cash equivalents at beginning | 804,635,376 | 2,843,727,395 |
| Cash and cash equivalents at closing | 2,956,500,397 | 1,170,956,942 |

Grameenphone Ltd.
Notes to the financial statements
as at and for the nine-month period ended 30 September 2008

1. Reporting entity

1.1 Company profile

Grameenphone Ltd. is a public limited company incorporated in Bangladesh in 1996 under the Companies Act 1994 initially registered with an authorised capital of Tk 1,075,000,000 divided into 25,000,000 ordinary shares of Tk 43.00 each. Subsequently the authorised capital was increased to Tk 5,399,000,000 divided into 120,000,000 ordinary shares of Tk 43.00 each and 5,213,787 preference shares of Tk 45.84 each. On 25 June 2007 Grameenphone Ltd. was converted into public limited company. In 2008, the authorised capital of the company was increased from Tk. 5,399,000,000 divided into 120,000,000 ordinary shares of Tk 43.00 each and 5,213,787 preference shares of Tk. 45.84 each to Tk. 40,000,000,000 divided into 40,000,000,000 ordinary shares of Tk. 1.00 each.

1.2 Nature of business

Grameenphone Ltd. (hereinafter referred to as “GP”/“Grameenphone”/“the company”) is a telecommunication service provider in Bangladesh. The company also provides international roaming services through international roaming agreements with various mobile operators across different countries around the world.

The company obtained a radio system operating licence from the Ministry of Posts and Telecommunications (MOPT), Government of Bangladesh, valid for a period of 15 years commencing from 11 November 1996. The operating licence is subject to renewal upon fulfillment of terms and conditions specified in the licence agreement.

The company launched commercial operation on 26 March 1997.

The company’s network covers six divisional towns (Dhaka, Chittagong, Khulna, Rajshahi, Barisal and Sylhet) and all 64 districts of the country.

2. Basis of preparation

2.1 Statement of compliance

Except as detailed below, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994 and other applicable laws in Bangladesh.

Foreign currency exchange differences arising on foreign currency denominated loans and borrowings taken by the company have been capitalised and included in the carrying amount of property, plant and equipment as required under the provision of section 185, Part-I, Schedule XI of the Companies Act, 1994 because the loans were used to acquire those assets. IAS/BAS 21: *The Effects of Changes in Foreign Exchange Rates*, however requires that exchange losses be recognised as expenses in the relevant period. The difference of Tk 76,240,122 arising from capitalisation of foreign exchange gain in accordance with the requirements of the Companies Act 1994, is however not considered material by management.

In the following areas, the recognition and measurement principles of IFRS are significantly different from those of BAS and BFRS and the Companies Act 1994. However the estimated resulting differences would not be material for these financial statements. These immaterial differences with BAS/Companies Act 1994 primarily result from non-application of following IFRS in Bangladesh:

- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 7 Financial Instruments: Disclosure

Additionally the company has adopted BAS 25: *Accounting for Investments* for recognition and measurement of investments in X-Net Ltd. (see note 6). However the corresponding IAS has been superseded by IAS 39: *Financial Instruments: Recognition and Measurement* and IAS 40: *Investment Property*. Had the investment been recognised and measured in accordance with the requirements of IAS 39, it would have been classified as “available for sale” financial asset and would have been measured at fair value. Management considers the estimated resulting difference immaterial for these financial statements.

2.2 Basis of measurement

The financial statements have been prepared on a going concern basis under historical cost convention except for the following:

- (a) Employee benefits plan was measured based on actuarial valuation.
- (b) Capitalisation of the lease of Bangladesh Railway (BR) Fibre Optic Network (FON) was valued at present value of minimum lease payments as fair value of such lease was not determinable.
- (c) Asset retirement obligations (ARO) were measured at present value of expected future expenditure.

2.3 Functional and presentation currency

The financial statements are presented in Bangladesh taka (Taka/Tk) which is both functional currency and presentation currency of the company. The figures of financial statements have been rounded off to the nearest taka.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 19 : Finance lease obligation
- Note 20 : Deferred tax liabilities
- Note 21 : Long term payables and provisions
- Note 29 : Provision for expenses
- Note 31 : Revenue
- Note 34 : Depreciation and amortisation
- Note 43 : Income tax expenses

3. Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Property, plant and equipment

- (a) Recognition and measurement

Items of property, plant and equipment, excluding freehold land, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is measured at cost. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The costs of obligations for dismantling, removing the item and restoring the site (generally called 'asset retirement obligation') are recognised and measured in accordance with IAS/BAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of property, plant and equipment which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of the transaction. Any related exchange gain/(loss) is capitalised for compliance with The Companies Act 1994.

(b) Subsequent costs

The cost of replacing or upgrading part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of the property, plant and equipment are recognised in the profit and loss account as incurred.

(c) Depreciation

No depreciation is charged on freehold land and capital work in progress.

Depreciation on the other items of property, plant and equipment is provided on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. For addition to property, plant and equipment, depreciation is charged from the date of capitalisation up to the month immediately preceding the month of disposal. Depreciation method, useful lives and residual values are reassessed at the reporting date. The estimated useful lives for current and comparative period are as follows:

| | 2008 | 2007 |
|---|------------|------------|
| Building | 20 years | 20 years |
| Base station | 3-30 years | 3-30 years |
| Transmission equipment | 5-10 years | 5-10 years |
| Computers | 4 years | 4 years |
| Furniture and fixtures (including office equipment) | 3 years | 3 years |
| Vehicles | 4 years | 4 years |

Estimated useful lives of property, plant and equipment other than installation accessories remained unchanged in 2008. In 2006, GP changed the estimated useful life of cable, cable ducts and other related installation accessories from 10 years to 30 years as per GCIM (Group Common Information Module). However, management subsequently considered that useful lives of cables and accessories needed to be reassessed and accordingly an exercise was performed in first quarter of 2008. GP Finance and Technical team reviewed the useful life and revised this from 30 years to 7 years.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amounts and are recognised net.

(d) Capital work-in-progress

Capital work in progress consists of acquisition costs of network plant and machinery, capital components and related installation cost until the date placed in service. In case of import of components, capital work in progress is recognised when their shipment is confirmed by the supplier.

(e) Capitalisation of borrowing costs

Borrowing costs are capitalised as per allowed alternative treatment of IAS/BAS 23: *Borrowing Costs*. The company has both foreign and local long term interest bearing borrowings. Foreign lenders include IFC, ADB, Norfund, NORAD and Eksportfinans. Local borrowing is from a syndicate of local banks led by Standard Chartered Bank. The financing arrangements were utilised for network expansion. For the purpose of IAS/BAS 23; core network and access platform equipments have been treated as qualifying assets.

3.2 Intangible assets

(a) Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any. Intangible asset is recognised when all the conditions for recognition as per IAS/BAS 38: *Intangible assets* are met. The cost of the intangible assets comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

Intangible assets which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of the transaction. Any exchange gain or loss is capitalised as per the requirements of the Companies Act 1994.

(b) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the profit and loss account when incurred.

(c) Amortisation

Amortisation is recognised in the profit and loss account on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are as follows :

| | 2008 | 2007 |
|--|----------|----------|
| Operational software | 3 years | 3 years |
| Billing software | 5 years | 5 years |
| Network management software | 10 years | 10 years |
| Licence fees for Pulse Code Modulation (PCM) | 5 years | 5 years |

3.3 Inventories

Inventories consisting of mobile handsets, scratch cards and SIM cards are valued at lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of inventories is determined by using the weighted average cost formula. Net realisable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Accounts receivable

(a) Recognition and measurement

Accounts receivable consists of unpaid bills receivable from subscribers and unbilled revenue recognised at the balance sheet date and are stated net of bad debts provision.

(b) Provision for doubtful debts

According to the bad debt policy, 100% provision is made over the amount outstanding (after considering security deposits) from the churned subscribers. As per the policy of the company, a post paid subscriber is barred if his usage exceeds approved credit limit or any non payment of invoice. A subscriber is considered churned after three months of barring.

(c) Bad debts written off:

The above provision for doubtful debts is written off as bad debts after one year from the date of recognition.

(d) Recovery of bad debts:

Any recovery of previously written off bad debt is adjusted with bad debt expenses in the year of recovery.

3.5 Leases

(a) Finance lease

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Incremental borrowing rate has been used to calculate the present value of minimum lease payments.

(b) Operating Lease

All leases other than those which meet the definition of finance lease are treated as operating lease and are not recognised in the balance sheet.

(c) Sub-lease

Rental income from sublease of optical fibre network is recognised as per the arrangements provided in the relevant agreements on accrual basis.

3.6 Impairment

At each balance sheet date indications of impairment are reviewed. For this review Grameenphone is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any such indication exists, the assets' recoverable amount will need to be estimated. As at 30 September 2008 the assessment of indicators of impairment reveals that impairment testing is not required for Grameenphone Ltd.

3.7 Employee benefits

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds as approved by the National Board of Revenue (NBR).

(a) Defined contribution plan (provident fund)

Defined contribution plan is a post-employment benefit plan. The recognised Employees' Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognises contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

(b) Defined benefit plan (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and years of service. The recognised Employees' Gratuity Fund is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to current and former employees as per condition of the fund.

Present value of defined benefit obligation and the fair value of the plan assets were determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables were used. The difference between fair value of the plan assets and present value of obligation is recognised as a liability or an asset in the balance sheet.

The rate used to discount post employment benefit obligations is determined by reference to market yields at the balance sheet date on treasury bills. The expected return on plan assets is based on market expectation and is one of the component of expenses recognised in the profit and loss account. Total expenses recognised in the profit and loss account comprise of current service cost, interest cost and expected return on plan assets.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Provision is created for the amount of annual leave encashment based on the latest basic salary.

3.8 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The tax rate used for the income periods ended 30 September 2008 and 31 December 2007 are as follows:

| <u>Period/Years</u> | <u>Tax rate</u> |
|------------------------------------|-----------------|
| Nine-month ended 30 September 2008 | 45% |
| Year ended 31 December 2007 | 45% |

(b) Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Loans and borrowings

Principal amounts of the loans and borrowings are stated at their outstanding amount. Borrowings repayable after twelve months from the balance sheet date are classified as non-current liabilities whereas the portion of borrowings repayable within twelve months from the balance sheet date, unpaid interest and other charges are classified as current liabilities.

3.10 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

(a) Asset retirement obligation (ARO)

Asset retirement obligation (ARO) is recognised when there is a legal or constructive obligation for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located. The company recognises ARO in respect of roof-top Base Transceiver Station (BTS) and office space based on the present value of expected expenditures required to settle the obligation.

3.11 Revenue recognition

Revenues are measured at fair value of the consideration received or receivable, net of discount and sales related taxes (VAT). Revenues are reported gross with separate recording of expenses to vendors of products or services. However, when Grameenphone Ltd. only acts as an agent or broker on behalf of suppliers of products or services, revenues are reported on a net basis. Revenues of Grameenphone comprise:

- (i) Rendering of services: traffic fees, subscription and connection fees, interconnection fees, various customer support revenues and other value added service revenues.
- (ii) Sale of goods: mobile handsets
- (a) Traffic revenue -Post-paid

Post-paid revenue is recognised on accrual basis and recorded as income (exclusive of VAT) as services are rendered.

- (b) Traffic revenue -Prepaid

Prepaid revenue is recognised (exclusive of VAT) as per the usage recorded in the network from the prepaid cards and electronic recharge system (ERS). The unused portion of the prepaid cards and ERS remains as unearned revenue (exclusive of VAT) and is reported as liability.

- (c) Subscription revenue

Subscription revenue represents fixed line rent charged to post-paid customers. It is billed in advance and recognised evenly over the subscription period.

- (d) Connection revenue:

Connection revenue represents the revenue arising from sale of connection to the subscribers through new SIM which is recognised over the estimated period of customer relationship. The estimated period of customer relationship is based on past history of churn and expected development. Expected development reflects the recent development in customer churn in the industry as well as in other group entities.

- (e) Roaming revenue

International roaming revenue is recognised on accrual basis as services are rendered.

- (f) Interconnection revenue

Interconnection revenue from other operators are recognised when GP subscribers receive calls from other operators' subscribers. Interconnection revenue from international incoming calls is recognised based on data provided by "International Gateways". From December 2008 onwards, interconnection revenue will be recognised based on data provided by interconnection exchange (ICX) and international gateways (IGW).

- (g) Other operating revenue

Other operating revenue comprises customers support revenue, VAS, SMS, MMS and other revenue from content providers and is recognised in the same manner as corresponding prepaid traffic revenue and post-paid traffic revenue recognition policy.

- (h) Village pay phone

Village pay phone is a pre paid service. Revenue from village pay phone was included in post-paid revenues until February 2008. Thereafter it was included in prepaid revenue following migration of VPP subscribers from post paid to prepaid. Prepaid revenue- VPP is recognised (exclusive of VAT) as per the usage recorded in the network from the prepaid cards and electronic recharge system (ERS). The unused portion of the prepaid cards and ERS remains as unearned revenue (exclusive of VAT) and is reported as liability.

(i) Other non mobile revenue

Other non mobile revenue represents revenue earned from various services like sale of handset, channel fees and bill payment services. Revenue is recognised when service is rendered.

3.12 Deferred connection revenue

Deferred connection revenue represents the portion of connection revenue which is deferred over the remaining period of estimated customer relationship.

3.13 Deferred cost of connection revenue

Deferred cost of connection revenue represents the costs directly related to the acquisition of subscribers. Connection costs in excess of connection revenue is charged as expenses when incurred. Connection costs up to connection revenue are deferred and amortised over the period of estimated customer relationship.

3.14 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

3.15 Foreign currency transactions

Transactions in foreign currencies are recorded in the books at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Bangladesh taka at the rate of exchange prevailing at the balance sheet date. All exchange differences are recognised in the profit and loss account except for the exchange differences arising on foreign currency denominated loans and borrowings that have been used for the acquisition of property, plant and equipment, which have been included in the costs of the relevant item of property, plant and equipment as per requirements of the Companies Act 1994.

4 Property, plant and equipment

| Name of assets | Cost | | | Depreciation | | | Carrying amount | |
|---|----------------------|----------------------------|--|-------------------------|---------------------------|-----------------------------|-------------------------|------------------------|
| | As at 1 January 2008 | Addition during the period | Disposal/ Adjustment during the period | As at 30 September 2008 | Charged during the period | Disposals during the period | As at 30 September 2008 | As at 31 December 2007 |
| Land | 811,549,727 | - | - | 811,549,727 | - | - | 811,549,727 | 811,549,727 |
| Building | 39,495,738 | - | - | 39,495,738 | 1,478,468 | - | 30,713,416 | 32,191,884 |
| Base station | 75,459,368,904 | 8,254,655,732 | (42,136,810) | 83,671,887,826 | 7,049,475,884 | (36,683,549) | 24,853,396,141 | 57,618,765,098 |
| Transmission equipment | 20,964,818,549 | 2,617,593,422 | (4,803,147) | 23,577,608,824 | 2,561,254,298 | (3,685,170) | 15,747,275,400 | 15,692,054,253 |
| Computers | 2,514,512,623 | 182,622,942 | (4,897,033) | 2,692,238,532 | 438,020,633 | (3,641,149) | 1,233,942,226 | 1,490,595,801 |
| Furniture and fixtures (including office equipment) | 1,887,630,353 | 108,580,441 | (49,435,001) | 1,946,775,793 | 356,190,759 | (34,081,345) | 606,903,011 | 869,866,985 |
| Vehicles | 723,394,745 | 97,264,800 | (24,785,295) | 795,874,250 | 98,303,411 | (10,045,503) | 384,135,025 | 399,913,428 |
| Capital work in progress (Note 4.2) | 102,400,770,639 | 11,260,717,337 | (126,057,286) | 113,535,430,690 | 10,504,723,453 | (88,136,716) | 77,633,010,490 | 76,914,937,176 |
| | 3,403,252,366 | 13,381,518,728 | (11,164,858,595) | 5,619,912,499 | - | - | 5,619,912,499 | 3,403,252,366 |
| | 105,804,023,005 | 24,642,236,065 | (11,290,915,881) | 119,155,343,189 | 10,504,723,453 | (88,136,716) | 83,252,922,989 | 80,318,189,542 |

4.1 Property, plant and equipment capitalised under finance leases

| | | | | | | | | | |
|---------------------|---------------|---|---|---------------|-------------|---|---------------|---------------|---------------|
| Fibre Optic Network | 7,577,977,062 | - | - | 7,577,977,062 | 246,154,811 | - | 1,436,089,388 | 6,141,887,674 | 6,388,042,485 |
| | 7,577,977,062 | - | - | 7,577,977,062 | 246,154,811 | - | 1,436,089,388 | 6,141,887,674 | 6,388,042,485 |

4.2 Capital work in progress

This represents primarily the cost of corporate headquarters and network equipments under installation/construction. The components of network equipments are procured mostly from Ericsson and Siemens.

4.2.1 Capital work in progress - transferred

The work in progress completed and transferred during the year to the corresponding items of property plant and equipment was as follows:

| <u>Name of assets</u> | <u>As at 30 Sep 2008 Taka</u> | <u>As at 31 Dec 2007 Taka</u> |
|----------------------------------|---------------------------------------|---------------------------------------|
| Land | - | 37,837,872 |
| Base station | 8,162,529,486 | 23,341,920,814 |
| Transmission equipment | 2,617,593,422 | 11,027,142,170 |
| Computers | 182,622,942 | 1,087,056,424 |
| Furniture and fixtures | 104,847,945 | 807,011,806 |
| Vehicles | 97,264,800 | 157,408,356 |
| | <u>11,164,858,595</u> | <u>36,458,377,442</u> |
| Write downs of capital inventory | - | 88,963,210 |
| | <u>11,164,858,595</u> | <u>36,547,340,652</u> |

4.2.2 Capital work in progress - components

Capital work in progress consists of capital inventory of Tk. 2,381,487,579 and work-in-progress including corporate headquarters (CHQ) of Tk. 3,238,424,920.

4.2.3 An amount of Tk 900,462,201 is included in the CWIP closing balance of 30 September 2008 which relates to construction of corporate headquarters (CHQ) (2007: Tk147,231,058).

4.3 Capitalisation of exchange loss/(gain) fluctuation on long term debt

In accordance with the provision of section 185 and Part -1 of schedule XI of the Companies Act 1994, the effect of exchange (gain) / loss on foreign currency denominated loans taken by the company has been capitalized and included in the carrying amount of the property, plant and equipment. Exchange (gain)/ loss of (Tk. 76,240,122) and Tk. 65,761,788 were capitalized in nine months ended 30 September 2008 and 2007 respectively. Had the exchange fluctuation (gain)/loss been recognised as income/expenses in the relevant period, profit for the period would have been increased by Tk. 76,240,122 in 2008 and would have been reduced by Tk. 65,736,050 in 2007.

4.4 Depreciation for the period charged to

| | <u>Period ended 30 Sep 2008 Taka</u> | <u>Period ended 30 Sep 2007 Taka</u> |
|---------------------------|--|--|
| Cost of network operation | 9,652,043,851 | 6,353,213,490 |
| Operating expenses | 852,679,602 | 624,059,914 |
| | <u>10,504,723,453</u> | <u>6,977,273,404</u> |

4.5 Land represents freehold lands acquired for office premises and base stations.

4.6 Security

Assets with a carrying amount of Tk.7,402,600,000 are subject to a mortgage registered with the Registrar of Joint Stock Companies (RJSC) against the loans and borrowings obtained from senior lenders.

4.7 Change in estimates

Useful lives of property, plant and equipment other than installation accessories remained unchanged in 2008. In 2006, GP changed the estimated useful life of cable, cable ducts and other related installation accessories from 10 years to 30 years as per GCIM. Management reassessed the useful life of cables and accessories in the first quarter of 2008 and changed this from 30 years to 7 years. The effect of this change in useful life on the financial statements is summarised below:

| | <u>2011 Taka</u> | <u>2010 Taka</u> | <u>2009 Taka</u> |
|--|----------------------|----------------------|----------------------|
| Increase in depreciation | (951,730,992) | (951,730,992) | (951,730,992) |
| Decrease in income tax expense | 428,278,946 | 428,278,946 | 428,278,946 |
| Decrease in profit | <u>(523,452,046)</u> | <u>(523,452,046)</u> | <u>(951,730,992)</u> |
| Decrease in property, plant and equipment, net | (951,730,992) | (951,730,992) | (951,730,992) |
| Decrease in deferred tax liability | 428,278,946 | 428,278,946 | 428,278,946 |
| Decrease in equity | <u>(523,452,046)</u> | <u>(523,452,046)</u> | <u>(523,452,046)</u> |

5. Intangible assets

| Name of assets | Cost | | | Amortisation | | | | Carrying amount | |
|--|----------------------|----------------------------|--|-------------------------|----------------------|---------------------------|-----------------------------|-------------------------|------------------------|
| | As at 1 January 2008 | Addition during the period | Disposal/ Adjustment during the period | As at 30 September 2008 | As at 1 January 2008 | Charged during the period | Disposals during the period | As at 30 September 2008 | As at 31 December 2007 |
| Pulse Code Modulation (PCM) | 63,730,000 | - | - | 63,730,000 | 34,308,184 | 7,050,829 | - | 22,370,987 | 29,421,816 |
| Software and others | 2,136,101,589 | 836,535,822 | (186,000) | 2,972,451,411 | 1,291,864,478 | 461,690,251 | (176,727) | 1,753,378,002 | 844,237,111 |
| | 2,199,831,589 | 836,535,822 | (186,000) | 3,036,181,411 | 1,326,172,662 | 468,741,080 | (176,727) | 1,241,444,396 | 873,658,927 |
| Intangible capital in process (Note 5.3) | 402,074,513 | 972,814,008 | (836,535,822) | 538,352,699 | - | - | - | 538,352,699 | 402,074,513 |
| | 2,601,906,102 | 1,809,349,830 | (836,721,822) | 3,574,534,110 | 1,326,172,662 | 468,741,080 | (176,727) | 1,779,797,095 | 1,275,733,440 |

5.1 Software

Software includes business software and network management software. Business software includes mainly billing software, budgeting software, oracle financial software and other business software. Network management software represents PPS, Pasolink, minilink etc.

5.2 Pulse Code Modulation (PCM)

This represents licence fee for new channels with BTCL (formerly Bangladesh Telegraph and Telephone Board - BTTB).

5.3 Intangible capital in process (CIP)

Intangible CIP includes software under testing phase awaiting user's acceptance.

5.4 Amortisation during the period charged to:

| | For the nine-month period ended 30 September 2008 | For the year ended 31 December 2007 |
|---------------------------|---|-------------------------------------|
| | Taka | Taka |
| Cost of network operation | 71,310,262 | 20,549,947 |
| Operating expenses | 397,430,818 | 362,096,226 |
| | <u>468,741,080</u> | <u>382,646,173</u> |

6 Investment in shares of X - Net Ltd.

As per the requirements of BAS 28: *Investments in Associates*, investment in X-Net Ltd. was accounted for under the “Equity Method” as long as Grameenphone had ‘significant influence’ over the investee. In 2007, management of Grameenphone Ltd. concluded that they had ceased to have significant influence over X-Net Ltd. As per BAS 28 (Para 18-19), when any investor ceases to have significant influence over the investee, such investment shall no longer be accounted for under the ‘Equity Method’; Investment in X-Net Ltd. has since been accounted for under the “Cost Method” as per the requirement of BAS 25: *Accounting for Investments*.

7 Long-term receivables and deposits

| | As at 30 Sep 2008 | As at 31 Dec 2007 |
|-------------------------------|----------------------|----------------------|
| | Taka | Taka |
| Receivable from X-Net Ltd. | 2,226,000 | 2,226,000 |
| Long term deposits (Note 7.1) | 9,975,939 | 9,370,466 |
| | <u>12,201,939</u> | <u>11,596,466</u> |

7.1 Long term deposits

Long-term deposit account is maintained with Southeast Bank as lien against bank guarantee provided in favour of Ministry of Posts and Telecommunications, Government of Bangladesh and Bangladesh Railway for telecom licence and lease of optical fibre network respectively. This amount is refundable upon cancellation of guarantee.

8 Inventories

| | | |
|----------------------|--------------------|--------------------|
| Handsets | 23,460,947 | 52,753,143 |
| SIM cards (Note 8.1) | 143,650,274 | 528,663,602 |
| Scratch cards | 393,814,374 | 262,229,402 |
| | <u>560,925,595</u> | <u>843,646,147</u> |

8.1 SIM cards

As at 30 September 2008 Grameenphone Ltd had 6,249,400 SIM cards out of which 1,190,774 SIM cards were ready to be offered as new connection to subscribers. Each new connection requires Tk 800 to be paid to Govt. exchequer as Value Added Tax and Supplementary Duty.

9 Deferred cost of connection revenue

| | | |
|--------------------------------|----------------------|----------------------|
| Opening balance | 357,679,797 | 446,017,752 |
| Addition during the period | <u>126,161,800</u> | <u>96,397,612</u> |
| | 483,841,597 | 542,415,364 |
| Amortisation during the period | <u>(153,370,081)</u> | <u>(184,735,567)</u> |
| | <u>330,471,516</u> | <u>357,679,797</u> |

10 Accounts receivable, net

| | | |
|--|----------------------|----------------------|
| Receivables for mobile revenues (Note 10.1) | 2,447,901,409 | 2,855,864,315 |
| Receivables for sub lease of optical fibre network (Note 10.2) | 23,116,246 | 17,978,861 |
| PDB bills pay receivable (Note 10.3) | <u>1,528,627</u> | <u>526,725</u> |
| | 2,472,546,282 | 2,874,369,901 |
| Provision for doubtful debt | <u>(252,327,688)</u> | <u>(148,643,786)</u> |
| | <u>2,220,218,594</u> | <u>2,725,726,115</u> |

Accounts receivable includes receivables from Telenor, its subsidiaries and affiliates.

10.1 Receivables for mobile revenues

| | | |
|------------------------------|----------------------|----------------------|
| Accounts receivable | 2,447,901,409 | 2,891,826,221 |
| Provision for doubtful debts | <u>(252,327,688)</u> | <u>(145,835,076)</u> |
| | <u>2,195,573,721</u> | <u>2,745,991,145</u> |

10.2 Receivables for sub lease of optical fibre network

| | As at 30 Sep 2008 | As at 31 Dec 2007 |
|------------------------------------|----------------------|----------------------|
| | Taka | Taka |
| Opening balance | 15,170,151 | 24,838,405 |
| Addition during the year | 70,439,468 | 192,825,401 |
| | 85,609,619 | 217,663,806 |
| Receipt/adjustment during the year | (62,493,373) | (199,684,945) |
| | 23,116,246 | 17,978,861 |
| Provision for doubtful debt | - | (2,808,710) |
| Receivable for sub lease | 23,116,246 | 15,170,151 |

This represents amount receivable from several parties against sub-lease of optical fibre network.

10.3 PDB bills pay receivable

Grameenphone (GP) and Power Development Board (PDB) jointly launched a unique service for PDB customers in the port city of Chittagong to pay their bills electronically at GP authorised bill pay centres. As per agreement, the applicable rate charged by GP in 2008 is Tk 8 against payment of each electricity bill.

10.4 Provision for doubtful debts

| | | |
|--------------------------------------|--------------|--------------|
| Opening balance | 148,643,786 | 41,641,457 |
| Net provision made during the period | 148,377,276 | 148,643,786 |
| Written off during the period | (44,693,374) | (41,641,457) |
| Closing balance | 252,327,688 | 148,643,786 |

10.5 Accounts receivable-security, related parties etc.

| | | |
|--|---------------|---------------|
| Good and secured | 1,179,077,971 | 1,267,702,973 |
| Good and having no security other than personal security | 1,041,140,623 | 1,458,023,142 |
| Doubtful and bad | 252,327,688 | 148,643,786 |
| Gross accounts receivable | 2,472,546,282 | 2,874,369,901 |
| Less. Provision for bad and doubtful debts | (252,327,688) | (148,643,786) |
| Net accounts receivable | 2,220,218,594 | 2,725,726,115 |

As at 30 September 2008, Grameenphone Ltd. had no receivable from:

- (a) the directors and other officers of the company;
- (b) firms or private limited companies respectively in which any director of Grameenphone Ltd. is a partner, director or member, other than the receivable from Grameen Telecom as disclosed in note 46; and
- (c) companies under the same management.

10.6 Ageing schedule - Accounts receivable

The ageing schedule of accounts receivable is stated as follows:

| | | |
|--|---------------|---------------|
| Less than 30 days | 1,850,987,033 | 1,650,657,213 |
| Later than 30 days but less than 60 days | 97,675,931 | 269,490,542 |
| Later than 60 days but less than 90 days | 64,658,798 | 269,928,431 |
| Later than 90 days but less than 180 days | 125,320,368 | 426,573,073 |
| Later than 180 days but less than 365 days | 164,588,034 | 171,464,778 |
| Later than 365 days | 169,316,119 | 86,255,864 |
| | 2,472,546,283 | 2,874,369,901 |

11 Advances, deposits and prepayments

| | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|--|-------------------------------------|-------------------------------------|
| Advances : | | |
| Advance to employees (Note 11.1) | 36,714,868 | 24,861,285 |
| Advance to Bangladesh Railway | 4,503,538 | 2,705,743 |
| Advance for long term financing | 365,745 | - |
| Advance for capital expenditure (Note 11.2) | 908,032,767 | 824,204,919 |
| | <u>949,616,918</u> | <u>851,771,947</u> |
| Deposits: | | |
| Security deposits for utilities and services | 53,810,559 | 35,380,290 |
| Prepayment and other receivables: | | |
| Prepayment against rent (Note 11.3) | 344,655,742 | 335,519,870 |
| Prepayment against PCM rent to BTCL | 5,582,635 | 12,081,193 |
| Prepayment against expenses (Note 11.4) | 502,317,140 | 359,351,779 |
| Receivables from Ericsson | 604,329,033 | 445,549,984 |
| Other receivables (Note 11.5) | 218,008,486 | 79,711,162 |
| | <u>1,674,893,036</u> | <u>1,232,213,988</u> |
| | <u><u>2,678,320,513</u></u> | <u><u>2,119,366,225</u></u> |

11.1 Advance to employees relates to travel, training, procurement of land and payment of pre-registration cost of land, advance payment of bonus, electricity bills and other office running expenses etc.

11.2 Advance for capital expenditure represents partial payment to the vendors against running bills for civil works and towers of various sites and also for corporate headquarters of Grameenphone Ltd.

11.3 Prepayment against rent represents advance payment of rent for base station locations and office buildings of head office and other regional offices.

11.4 Prepayment against expenses represents advance payment of insurance premium, BTRC licence fee and BTCL levy and frequency charges.

11.5 Other receivables include discounts receivable on marine insurance contracts, reimbursable cost on customs clearing and forwarding charges, accrued interest on STD accounts and reimbursable expenditure incurred on behalf of Telenor made by Grameenphone as well as other inter-company receivables. This also includes accrued interest of Taka 519,490 against employee share purchase account.

11.6 Advance to employees- security, related parties etc.

| | | |
|--|---------------------------|---------------------------|
| Good and secured | 949,616,918 | 826,910,662 |
| Good and having no security other than personal security | | 24,861,285 |
| Doubtful and bad | - | - |
| Total advance deposits and prepayments | <u>949,616,918</u> | <u>851,771,947</u> |
| Provision for bad and doubtful amount | - | - |
| Advance deposits and prepayments, net | <u><u>949,616,918</u></u> | <u><u>851,771,947</u></u> |

As at 30 September 2008, Grameenphone Ltd. had Tk 36,714,868 (2007: Tk 24,861,285) as advance to the employees. Other than those, Grameenphone Ltd. had no loans or advances to:

- Directors of the company;
- Firms or private limited companies respectively in which any director of Grameenphone Ltd. is a partner, director or member; and
- Companies under the same management.

12 Cash and cash equivalents

| | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|---|-------------------------------------|-------------------------------------|
| Cash in hand | 41,521,732 | 36,944,201 |
| Cash at bank : | | |
| Southeast Bank Limited | 23,593,766 | 13,751,580 |
| Standard Chartered Bank | 166,589,053 | 20,041,085 |
| Sonali Bank | 11,341,478 | 20,790,132 |
| IFIC Bank Limited | 15,336,188 | 1,271,315 |
| Commercial Bank of Ceylon Limited | - | 460 |
| EXIM Bank Limited | 3,371,365 | 1,016,137 |
| Citibank, N.A. | 983,212,904 | 533,768,147 |
| Dhaka Bank Limited | 8,513,717 | 1,136,658 |
| Islami Bank Bangladesh Limited | 7,194,531 | 15,899,437 |
| One Bank Limited | 288,523,209 | 24,088,036 |
| HSBC | - | 45,130 |
| Prime Bank Limited | 6,762,809 | 18,729,676 |
| Dutch Bangla Bank Limited | 69,223,170 | 16,490,570 |
| Eastern Bank Limited | 244,339,052 | 71,870,150 |
| National Bank Limited | 7,201,492 | 4,159,249 |
| BRAC Bank Limited | 522,079,629 | 2,519,643 |
| The City Bank Limited | 526,371,625 | 3,042,672 |
| Trust Bank Limited | 2,831,424 | 582,558 |
| Bank Asia Limited | 2,629,008 | 348,612 |
| Mercantile Bank Limited | 827,155 | 576,707 |
| United Commercial Bank Ltd. | 2,343,769 | 633,911 |
| Jamuna Bank Limited | 2,576,230 | 452,358 |
| Agrani Bank | 1,337,491 | 743,658 |
| Shahjalal Bank Ltd. | 909,968 | 637,741 |
| PDB Bill Collection A/C with Citibank, N.A. | 10,442,653 | 6,996,653 |
| Collection account with other banks (Note 12.1) | 7,426,979 | 8,098,900 |
| | <u>2,914,978,665</u> | <u>767,691,175</u> |
| | <u>2,956,500,397</u> | <u>804,635,376</u> |

12.1 Collection account with other banks

This represents the amount which was in transit at the balance sheet date.

12.2 Cash and cash equivalents include Tk. 1,043,012,839 received from employees for Private Placement Offering (PPO) purpose which is deposited with BRAC Bank Ltd and The City Bank Ltd.

13 Share capital

| | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|---|-------------------------------------|-------------------------------------|
| Authorised: | | |
| 40,000,000,000 ordinary shares of Tk. 1 each | 40,000,000,000 | - |
| 120,000,000 ordinary shares of Tk. 43 each | - | 5,160,000,000 |
| 5,213,787 preference shares of Tk. 45.84 each | - | 239,000,000 |
| | <u>40,000,000,000</u> | <u>5,399,000,000</u> |
| Issued, subscribed, called up and paid-up: | | |
| 12,151,747,970 ordinary shares of Tk. 1 each | 12,151,747,970 | - |
| 56,519,758 ordinary shares of Tk. 43 each | - | 2,430,349,594 |
| | <u>12,151,747,970</u> | <u>2,430,349,594</u> |

Shareholding position of the company at the period end was as follows:

| | Number of shares | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|--|-----------------------|-------------------------------------|-------------------------------------|
| Ordinary shares: | | | |
| Telenor Mobile Communications AS, Norway | 7,534,077,085 | 7,534,077,085 | 1,506,815,417 |
| Nye Telenor Mobile Communications II AS, Norway | 2,150 | 2,150 | 430 |
| Nye Telenor Mobile Communications III AS, Norway | 2,150 | 2,150 | 430 |
| Telenor Asia Pte Ltd, Singapore | 2,150 | 2,150 | 430 |
| Grameen Telecom, Bangladesh | 4,617,664,005 | 4,617,664,005 | 923,532,801 |
| Grameen Kalyan, Bangladesh | 215 | 215 | 43 |
| Grameen Shakti, Bangladesh | 215 | 215 | 43 |
| | <u>12,151,747,970</u> | <u>12,151,747,970</u> | <u>2,430,349,594</u> |

During 2008, the authorised share capital of the company has been increased from Tk. 5,399,000,000 divided into 120,000,000 ordinary shares of Tk. 43.00 each and 5,213,787 preference shares of Tk. 45.84 each to Tk. 40,000,000,000 divided into 40,000,000,000 ordinary shares of Tk. 1.00 each.

At the 16th EGM (Extra-ordinary general meeting) held on 15 July 2008, GP issued bonus shares @ 400% of the paid-up capital amounting to BDT 9,721,398,376 i.e. 4 bonus shares of Tk. 1.00 each for every share of Tk. 1.00 each held by each shareholder. Paid-up capital before this issue of bonus share was Tk. 2,430,349,594.

14 Capital reserve

In 2004, the holders of preference shares converted their preference shares to ordinary shares as per clauses 41 to 44 of Memorandum and Articles of Association. Preference shares of Tk 45.84 each were converted into ordinary shares of Tk 43.00 each and the balance Tk 2.84 per share was transferred to capital reserve account. This amount is not distributable as dividend as per the Companies Act 1994.

15 Deposit from shareholders

| | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|--|-------------------------------------|-------------------------------------|
| Telenor Mobile Communications AS, Norway | 1,882,968 | 1,882,968 |
| Grameen Telecom, Bangladesh | 28 | 28 |
| | <u>1,882,996</u> | <u>1,882,996</u> |

Deposit from shareholders represents balance of the share money remittance which has not been used for issuance of share capital.

16 General reserve

This reserve represents the amount invested in the acquisition of property, plant and equipment in the old unit from the accumulated tax holiday reserve of 2nd Phase Expansion Unit-1. The tax holiday reserve has been transferred to general reserve upon fulfillment of necessary conditions as per Income Tax Ordinance 1984.

17 Loans and borrowings, net of current portion

| | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|------------------------------------|-------------------------------------|-------------------------------------|
| IFC (Note 17.1) | 818,335,726 | 1,022,524,515 |
| ADB (Note 17.1) | 560,905,859 | 697,204,691 |
| NORFUND (Note 17.1) | 276,266,562 | 344,675,436 |
| Eksportfinans ASA (Note 17.2) | 113,000,015 | 160,631,803 |
| NORAD (Note 17.3) | 226,000,057 | 321,263,630 |
| Local syndicated loan (Note 17.4) | <u>1,948,382,737</u> | <u>1,930,000,120</u> |
| | 3,942,890,956 | 4,476,300,195 |
| Less : Current portion (Note 17.6) | <u>1,489,954,854</u> | <u>1,108,679,811</u> |
| | <u>2,452,936,102</u> | <u>3,367,620,384</u> |

17.1 Loan from IFC, ADB and NORFUND

In 2004, Grameenphone Ltd. entered into loan agreements with IFC, ADB and NORFUND for a total amount of USD 60 million, which was financed in proportion of 3:2:1 respectively. GP drew USD 25 million (USD 12.5 million from IFC, USD 8.33 million from ADB and USD 4.17 million from NORFUND) as the first instalment on 26 August 2004. The second and third instalments amounting to USD 15 million and USD 20 million respectively were received on 29 March 2005 and on 26 April 2005 respectively.

The loans are repayable in 10 half yearly instalments starting from 15 December 2005 with the following interest rates:

If net debt : EBITDA \geq 1; LIBOR + 3.5% per annum.

If net debt : EBITDA < 1 and ≥ 0.5 ; LIBOR + 3.25% per annum.

If net debt : EBITDA < 0.5 ; LIBOR + 3.0% per annum.

17.2 Loan from Eksportfinans ASA

Grameenphone Ltd. borrowed NOK 25 million in December 2000 from Eksportfinans ASA, Norway with interest to be paid at the rate of 6 months NIBOR (the rate appearing on page NIBOR on the Reuters money rate service) plus 30 basis points per annum. The loan is repayable in 14 equal semi-annual instalments starting from 29 June 2004.

17.3 Loan from Norwegian Agency For Development Cooperation (NORAD)

Grameenphone Ltd. entered into an agreement with Norwegian Agency for Development Cooperation (NORAD) to obtain loan of NOK 50 million and to obtain guarantee in its favour to borrow another NOK 25 million from Eksportfinans. According to the terms of the contract, interest at 3.4% per annum is to be paid on drawdown amount. The interest is payable semi-annually in arrears with the first payment to be made from 6 months after the first drawdown date which will be repayable in 14 instalments with the first instalment falling due from 42 months after the last drawdown date. GP received the loan in two instalments; one on 30 December 1997 (NOK 35 million) and another on 3 January 2001 (NOK 15 million).

17.4 Local syndicated loan

Grameenphone Ltd. signed a Tk 2,000,000,000 syndicated loan agreement with 16 local financial institutions. Standard Chartered Bank was the lead arranger for the syndicated loan. The loan is being financed by Agrani Bank, Bank Asia, Citibank N.A., IDCOL, IFIC Bank, Jamuna Bank, National Bank, Pubali Bank, SABINCO, Sonali Bank, Standard Bank, Standard Chartered Bank, Trust Bank, The City Bank, United Commercial Bank and Uttara Bank. The loan agreement was signed on 17 September 2007. The loan bears interest at 13.50% per annum, which is calculated on the amount outstanding on a daily outstanding amount basis and payable at the end of each quarter. The repayment will start on 15 November 2008. The first drawdown has been effected on 8 October 2007. 5.8824% of the total taka loan, principal must be repaid on a quarterly basis which will run for 17 quarters.

All the above loans are secured by a first priority floating charge on the company's undertaking, property and assets, present and future including goodwill and money held to the credit of the company's bank accounts to the extent of Tk 5,651,230,000. Additional charge of Tk 2,000,000,000 has been created in favour of the new Local Syndicate Lenders. Total value of the charge created is Tk 7,402,600,000.

17.5 Tenure of repayment of loans and borrowings

The tenures of repayment as per the agreements are as follows:

| | As at 30 Sep 2008 % of principal to be repaid | As at 31 Dec 2007 % of principal to be repaid |
|--|--|--|
| Payable not later than 1 year | 38 | 25 |
| Payable later than 1 year but not later than 5 years | 62 | 75 |
| | <u>100</u> | <u>100</u> |

17.6 Loans and borrowings - current portion

| | As at 30 Sep 2008 Taka | As at 31 Dec 2007 Taka |
|-----------------------|------------------------------|------------------------------|
| IFC | 409,342,885 | 411,307,134 |
| ADB | 280,572,894 | 280,448,302 |
| NORFUND | 138,192,368 | 138,644,564 |
| Eksportfinans ASA | 67,800,009 | 53,543,934 |
| NORAD | 135,600,034 | 107,087,877 |
| Local syndicated loan | 458,446,664 | 117,648,000 |
| | <u>1,489,954,854</u> | <u>1,108,679,811</u> |

In determination of current portion of long term loan, the principal amount which will become due within twelve months from the balance sheet date has been considered.

18 Deposit from agents and subscribers

| | | |
|---|--------------------|--------------------|
| Security deposits from subscribers (Note 18.1) | 429,335,428 | 476,561,490 |
| Security deposits from dealers and agents (Note 18.2) | <u>74,565,000</u> | <u>80,756,112</u> |
| | <u>503,900,428</u> | <u>557,317,602</u> |

18.1 The amount of security deposits from subscribers represents security money obtained from subscribers. This amount can be used in full or in part to adjust any amount due from subscribers. The amount is refundable to subscribers on their termination of relationship with GP.

18.2 This amount of security deposits from dealers and agents represents security money obtained from channel partners (i.e. dealer, distributor, outlet agent). This amount can be used in full or in part to adjust any amount due from channel partners. The amount is refundable to channel partners on their termination of business relationship with GP.

19 Finance lease obligation

Obligation under finance lease has been recognized as liability in the balance sheet at an amount equal to the present value of minimum lease payments. GP's incremental borrowing rate, which was 15% at the inception of the lease, was used to calculate the present value of minimum lease payments, as it was impracticable to determine the implicit interest rate at that time.

| | As at 30 Sep 2008 | As at 31 Dec 2007 |
|--|----------------------|----------------------|
| | Taka | Taka |
| Finance lease of optical fibre network with Bangladesh Railway(BR) | 5,926,246,123 | 6,800,786,553 |
| Less: Current portion of finance lease | 481,380,633 | 1,485,227,318 |
| | <u>5,444,865,490</u> | <u>5,315,559,235</u> |

The principal amount of lease obligation payable from the balance sheet date is as follows:

| | Lease payment | Present value | |
|--|-----------------------|----------------------|----------------------|
| | | As at 30 Sep 2008 | As at 31 Dec 2007 |
| | Taka | Taka | Taka |
| (i) Not later than one year | 1,264,311,006 | 481,380,633 | 1,485,227,318 |
| (ii) Later than one year but not later than five years | 3,653,816,249 | - | 29,791,239 |
| (iii) Later than five years | 12,724,320,915 | 5,444,865,490 | 5,285,767,996 |
| | <u>17,642,448,170</u> | <u>5,926,246,123</u> | <u>6,800,786,553</u> |

Grameenphone entered into a lease agreement with Bangladesh Railway (BR) in 1997 for the right to use the optical fibre network along with its ancillary facilities. The lease was treated as operating lease until the end of 2004. Following an amendment to the lease agreement in 2004, it has been reclassified as finance lease and has been treated as such since 1 January 2005.

The lease agreement was further amended on 13 June 2007 with Guaranteed Annual Rental (GAR) being revised and lease term being extended by 10 more years to June 2027. Considering the extended tenure and revised GAR, the leased asset and obligation have been adjusted with the amount equal to the difference between the present value of the revised minimum lease payments and the carrying amount of lease obligation.

20 Deferred tax liabilities

Deferred tax assets and liabilities have been recognised and measured in accordance with the provision of IAS/BAS 12: *Income Taxes*. Related deferred tax expense/income have been disclosed in note 43. Deferred tax assets and liabilities are attributable to the following:

| | Carrying amount at the balance sheet date <u>Taka</u> | <u>Tax base</u> <u>Taka</u> | Taxable/(deductible) temporary difference <u>Taka</u> |
|---|--|--------------------------------|---|
| As at 30 September 2008 | | | |
| Property, plant and equipment (excluding land and capital work in progress) | 70,679,573,089 | 32,276,401,795 | 38,403,171,294 |
| Property, plant and equipment under finance lease | 6,141,887,674 | - | 6,141,887,674 |
| Permanent difference for reclassification | (57,655,701) | | (57,655,701) |
| Permanent difference for vehicle | (93,087,373) | | (93,087,373) |
| | 76,670,717,689 | 32,276,401,795 | 44,394,315,894 |
| Provision for doubtful debt | 2,220,218,000 | 2,472,546,000 | (252,328,000) |
| Finance lease obligation | (5,926,246,123) | | (5,926,246,123) |
| Asset retirement obligation | (47,838,904) | | (47,838,904) |
| Net taxable temporary difference | | | 38,167,902,867 |
| Applicable tax rate | | | 45% |
| Deferred tax liabilities | | | 17,175,556,290 |
| As at 31 December 2007 | | | |
| Property, plant and equipment (excluding land and capital work in progress) | 69,714,232,193 | 32,229,523,923 | 37,484,708,270 |
| Property, plant and equipment under finance lease | 6,389,155,256 | - | 6,389,155,256 |
| Permanent difference for reclassification | (59,972,229) | - | (59,972,229) |
| Permanent difference for vehicle | (93,087,373) | - | (93,087,373) |
| | 75,950,327,847 | 32,229,523,923 | 43,720,803,924 |
| Provision for doubtful debt | 2,725,726,115 | 2,819,374,925 | (93,648,810) |
| Finance lease obligation | (6,901,177,719) | | (6,901,177,719) |
| Asset retirement obligation | (36,747,882) | | (36,747,882) |
| Net taxable temporary difference | | | 36,689,229,513 |
| Applicable tax rate | | | 45% |
| Deferred tax liabilities | | | 16,510,153,280 |

21 Long term payables and provisions

| | As at 30 Sep 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|--|-------------------------------------|-------------------------------------|
| Payable to Bangladesh Railway for X-Net Ltd. | 4,882,500 | 4,882,500 |
| Asset retirement obligations (Note 21.1) | 143,886,722 | 129,419,461 |
| Deferred revenue from X-Net Ltd. | 11,392,500 | 11,392,500 |
| | 160,161,722 | 145,694,461 |

21.1 Asset retirement obligation (ARO)

| | As at 30 Sep 2008 Taka | As at 31 Dec 2007 Taka |
|--------------------------------|------------------------------|------------------------------|
| Opening balance | 129,341,160 | 80,293,275 |
| Provision made during the year | 19,747,422 | 54,355,259 |
| | 149,088,582 | 134,648,534 |
| Adjustment during the year | (5,280,161) | (5,307,374) |
| Closing balance | 143,808,421 | 129,341,160 |

Grameenphone Ltd. recognises ARO in respect of roof-top BTS and office space based on the present value of expected expenditure to be required to settle the obligation. Initial estimate of ARO is added to property, plant and equipment and unwinding of the discount is charged as financial expense.

22 Accounts payable

| | As at 30 Sep 2008 Taka | As at 31 Dec 2007 Taka |
|---|------------------------------|------------------------------|
| Liability for capital expenditure | 2,575,713,131 | 7,061,913,455 |
| Payable for expenses: | | |
| International roaming services | 76,381,352 | 39,546,477 |
| Training and travel expenses | 41,216,656 | 57,178,975 |
| Sales and promotional expenses | 126,000,266 | 101,524,340 |
| Consultancy and professional fees | 462,963,971 | 333,458,307 |
| Office and general expenses | 260,855,084 | 200,327,944 |
| Network operations and maintenance | 85,087,764 | 126,962,362 |
| | 1,052,505,093 | 858,998,405 |
| Payable for others: | | |
| Bank guarantee for SIM and scratch card | 2,099,434 | 2,099,434 |
| Tax deducted at source from suppliers | 111,650,661 | 124,536,047 |
| VAT deducted at source from suppliers | 19,856,583 | 42,705,720 |
| Retention money from suppliers | 38,373,370 | 45,347,895 |
| | 171,980,048 | 214,689,096 |
| | 3,800,198,272 | 8,135,600,956 |

Payable for expenses include payable to Telenor, its subsidiaries and affiliates

23 Payable to government, autonomous bodies and other operators

| | | |
|--|---------------|---------------|
| Bangladesh Telecommunication Regulatory Commission (BTRC) | | |
| Frequency and spectrum charges (note 23.1) | 1,154,460,720 | 652,616,699 |
| Revenue sharing | 770,671,797 | 832,232,261 |
| | 1,925,132,517 | 1,484,848,960 |
| Bangladesh Telecommunications Company Limited (BTCL) | | |
| Interconnection charges (note 23.2) | 2,611,991,831 | 825,509,168 |
| PCM related expenses (note 23.3) | 29,608,730 | 24,602,776 |
| | 2,641,600,561 | 850,111,944 |
| Revenue sharing with content providers | 39,778,146 | 39,888,787 |
| Supplementary duty on SIM payable to National Board of Revenue (NBR) | 2,392,545,600 | 2,709,621,363 |
| Share of sub-lease rent payable to Bangladesh Railway | 5,602,075 | 13,557,714 |
| Interconnection charges payable to other operators | 673,361,191 | 751,595,006 |
| | 3,111,287,012 | 3,514,662,870 |
| | 7,678,020,090 | 5,849,623,774 |

23.1 Frequency charges to BTRC

This relates to frequency / spectrum charges and roaming line rent.

23.2 Interconnection charges

This represents provision for interconnection charges in respect of Local, NWD and ISD calls. According to the latest policy promulgated by BTRC, each operator including BTCL (formerly BTTB) is liable to pay interconnection charge for outgoing calls to other operators.

23.3 PCM related expenses

This represents amount due to BTCL (formerly BTTB) for PCM (Pulse Code Modulation) related expenses.

24 Income tax payable

| | As at 30 Sep 2008 Taka | As at 31 Dec 2007 Taka |
|---|------------------------------|------------------------------|
| Opening balance | 8,350,371,941 | 5,987,861,425 |
| Provision made during the period | 5,153,150,523 | 5,062,172,661 |
| | 13,503,522,464 | 11,050,034,086 |
| Paid during the period (including tax deducted at source) | (3,819,307,300) | (2,699,662,145) |
| | 9,684,215,164 | 8,350,371,941 |

25 Unearned revenue

This includes mainly the unused portion of scratch cards, FlexiLoad and advance post-paid bills received for which revenue has not been recognised yet.

26 VAT payable

This represents VAT amount payable to NBR arising from provision of services by the company that are subject to VAT.

27 Deferred connection revenue

| | | |
|-----------------------------|-------------|-------------|
| Deferred connection revenue | 464,899,620 | 617,206,217 |
| Unearned revenue - sublease | - | 14,054 |
| | 464,899,620 | 617,220,271 |

Movement of deferred connection revenue

| | | |
|---|---------------|---------------|
| Opening balance | 617,220,271 | 885,519,464 |
| Addition during the period | 132,991,649 | 224,439,324 |
| | 750,211,920 | 1,109,958,788 |
| Recognised as revenue during the period | (285,312,300) | (492,738,517) |
| Closing balance | 464,899,620 | 617,220,271 |

28 Local interest bearing short-term borrowings

Grameenphone has entered into credit facilities with 19 local banks for short-term working capital facility and loan agreements with 4 financial institutions for short-term loans. The aggregate amount of the working capital facility and the short term loans is Tk. 22,922.85 million. The facilities have a non-funded limit of Tk. 19,622.20 million and a funded limit of Tk. 10,790.65 million. The non-funded facilities include Letter of Credit, Letter of Guarantees and FX Forward. The funded facilities include overdraft facility, short-term loan and import loan.

28.1 Credit facility from Standard Chartered Bank

- (a) Letter of credit (L/C) facility for Tk. 2,333 million (in 2007 Tk. 2,050 million).
- (b) Overdraft / short term loan facility for Tk. 950 million (in 2007 Tk. 750 million).

28.2 Credit facility from Commercial Bank of Ceylon Ltd.

- (a) Letter of credit facility for Tk. 550 million (in 2007 Tk. 550 million).
- (b) Overdraft / short term loan facility for Tk. 210 million (inner limit of LC Tk. 550 million) (in 2007 Tk. 210 million).
- (c) Foreign Exchange Forward arrangement for Tk. 550 million.

28.3 Credit facility from Citibank N.A

- (a) Sight/usance letter of credit up to Tk. 2,800 million (in 2007 Tk. 2,800 million).
- (b) Short term loan up to Tk. 2,100 million (inner limit of LC Tk. 2,800 million) (in 2007 Tk. 2,100 million).
- (c) Overdraft facility for Tk. 2,100 million (inner limit of LC Tk. 2,800 million) (in 2007 Tk. 2,100 million).

The short term loan and the overdraft limits are interchangeable. Total funded exposure under the short-term loan and the overdraft facility may not exceed Tk. 2,100 million at any point of time.

28.4 Credit facility from HSBC

- (a) Sight/usance letter of credit up to Tk. 2,300 million (in 2007 Tk. 1,620 million).
- (b) Short-term loan up to Tk. 700 million (inner limit of LC Tk. 2,300 million) (in 2007 Tk. 500 million).
- (c) Overdraft facility for Tk. 150 million (inner limit of LC Tk. 2,300 million) (in 2007 Tk. 100 million).
- (d) Foreign Exchange line up to Tk. 10 million (in 2007 Tk. 30 million).

Combined funded exposure will not exceed Tk. 700 million at any point of time.

28.5 Credit facility from Prime Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,500 million (in 2007 Tk. 1,500 million).
- (b) Overdraft/LTR facility for Tk. 950 million (inner limit of LC Tk. 1,500 million) (in 2007 Tk. 600 million).

28.6 Credit facility from Eastern Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,400 million (in 2007 Tk. 1,250 million).
- (b) Short-term loan/LTR facility for Tk. 600 million (inner limit of LC Tk. 1,400 million) (in 2007 Tk. 540 million).
- (c) Overdraft facility for Tk. 100 million (inner limit of LC Tk. 1,400 million) (in 2007 Tk. 100 million).
- (d) Bank Guarantee limit up to Tk. 150 million. (inner limit of LC Tk. 1,400 million) (in 2007 Tk. 70 million).

Combined funded exposure will not exceed Tk. 600 million at any point of time.

28.7 Credit facility from One Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk. 660 million (in 2007 Tk. 660 million).
- (b) Overdraft/LTR/ Time loan facility for Tk. 280 million (inner limit of LC Tk. 660 million) (in 2007 Tk. 280 million).
- (c) Bank guarantee limit up to Tk. 10 million (inner limit of LC Tk. 660 million) (in 2007 Tk. 10 million).

28.8 Credit facility from BRAC Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,300 million (in 2007 Tk. 990 million).
- (b) Overdraft/short term loan facility for Tk. 550 million (inner limit of L/C Tk. 990 million) (in 2007 Tk. 420 million).

28.9 Credit facility from Dhaka Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,000 million (in 2007 Tk. 1,000 million).
- (b) Short term Loan/LTR facility for Tk. 435 million (inner limit of LC Tk. 1,000 million) (in 2007 Tk. 435 million).

28.10 Credit facility from Dutch Bangla Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 930 million (in 2007 Tk. 600 million).
- (b) Short term loan/LTR/overdraft facility for Tk. 390 million (inner limit of LC Tk. 930 million).

28.11 Credit facility from Woori Bank

- (a) Sight/usance letter of credit up to Tk. 274.20 million.
- (b) Overdraft facility for Tk. 205.65 million.

28.12 Credit facility from Shahjalal Islami Bank Ltd.

- (a) Sight/usance Murabaha letter of credit up to Tk. 980 million.
- (b) Mubaraha Post Import TR/ Bai Muajjal Comm. facility for Tk. 430 million (inner limit of Murabaha Letter of Credit Tk. 980 million).
- (c) Bank guarantee facility for Tk. 100 million (inner limit of Murabaha Letter of Credit Tk. 980 million).

28.13 Credit facility from The City Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 590 million.
- (b) Overdraft/ short term loan facility for Tk. 370 million.
- (c) Bank guarantee facility for Tk. 590 million (inner limit of L/C Tk. 590 million).

28.14 Credit facility from Jamuna Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 580 million.
- (b) Overdraft/LTR facility for Tk. 230 million. (inner limit of L/C Tk. 580 million).

28.15 Credit facility from Trust Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 400 million.
- (b) Overdraft facility for Tk. 280 million.

28.16 Credit facility from Premier Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 910 million.
- (b) Overdraft facility for Tk. 390 million. (inner limit of L/C Tk. 910 million).
- (c) Bank guarantee facility for Tk. 910 million (inner limit of L/C Tk. 910 million).

28.17 Credit facility from Bank Asia Ltd.

- (a) Sight/usance letter of credit up to Tk. 280 million.
- (b) Overdraft facility for Tk. 270 million.

28.18 Credit facility from EXIM Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 300 million.
- (b) Bai Muajjal (cash credit) facility for Tk. 225 million.

28.19 Credit facility from Bank Alfalah Ltd.

- (a) Sight/usance letter of credit up to Tk. 525 million.
- (b) Cash finance facility for Tk. 225 million. (inner limit of L/C Tk. 525 million).
- (c) Bank guarantee facility for Tk. 300 million (inner limit of L/C Tk. 525 million).

28.20 Short term loan facility from Uttara Finance and Investment Ltd.

Short term loan for Tk. 500 million.

28.21 Short term loan facility from United Leasing Company Ltd.

Short term loan for Tk. 150 million.

28.22 Short term loan facility from National Housing Finance and Investments Ltd.

Short term loan for Tk. 150 million.

28.23 Short term loan facility from IDLC

Short term loan for Tk. 200 million.

28.24 Credit facility from Other Banks

- (a) Other banks include Islami Bank, Mercantile Bank, National Bank, IFIC Bank, Southeast Bank, Sonali Bank, UCBL Bank and Agrani Bank, which are mainly used for collection purpose.
- (b) Facilities with all the banks are free of any charge.

The short-term credit facilities are availed on an unsecured basis and are backed by standard charge documents of individual banks and financial institutions.

As per GP Board of Directors' approval, the total amount of short-term credit facilities from the above banks is limited to a maximum outstanding limit of US\$ 210 million equivalent. However, the ratio of financial indebtedness to shareholders' equity may not exceed 2:1 as per the financial covenants under our long-term loans and borrowings.

28.25 Outstanding balances of local bank borrowings

| Name of banks | As at 30 Sep 2008 | As at 31 Dec 2007 |
|---|----------------------|----------------------|
| | Taka | Taka |
| Standard Chartered Bank | 750,000,000 | 752,355,943 |
| Citibank, N.A. | 781,003,367 | 1,183,021,434 |
| HSBC | 502,514,057 | 727,216,334 |
| Commercial Bank of Ceylon Limited | 202,263,351 | 198,847,673 |
| BRAC Bank Limited | 538,285,100 | 408,555,991 |
| Eastern Bank Limited | 540,000,000 | 540,000,000 |
| One Bank Limited | 277,842,676 | 282,093,700 |
| Prime Bank Limited | 948,768,454 | 616,744,078 |
| Dhaka Bank Limited | 435,000,000 | 200,000,000 |
| Trust Bank Limited | 277,520,670 | - |
| The City Bank Limited | 367,436,520 | - |
| Woori Bank Limited | 200,116,775 | - |
| Dutch Bangla Bank Limited | 386,445,914 | - |
| Shahjalal Islami Bank Limited | 300,000,000 | - |
| Jamuna Bank Limited | 227,153,817 | - |
| Premier Bank Limited | 384,614,312 | - |
| Bank Asia Limited | 267,845,673 | - |
| Uttara Finance and Investments Limited | 500,000,000 | - |
| United Leasing Company Limited | 150,000,000 | - |
| National Housing Finance and Investment Limited | 150,000,000 | - |
| IDLC Finance Limited | 200,000,000 | - |
| | <u>8,386,810,686</u> | <u>4,908,835,153</u> |

29 Provision for expenses

| | | |
|---|----------------------|----------------------|
| International roaming services | 34,310,867 | 30,521,099 |
| Personnel expenses | 1,029,529,975 | 588,072,056 |
| Obligation in respect of employees Provident Fund | 18,075,705 | 11,626,153 |
| Training and travel expenses | 51,599,384 | 47,681,771 |
| Sales and promotional expenses | 404,390,164 | 324,456,423 |
| Consultancy and professional fees | 429,280,590 | 222,852,718 |
| Network operations and maintenance | 899,843,604 | 270,371,826 |
| Provision for capital expenditure | 2,468,277,482 | 636,225,088 |
| Office and general expenses (Note 29.1) | 37,567,810 | 26,749,394 |
| Operating lease rent payable to Power Grid Company of Bangladesh Ltd. | 3,974,998 | 2,499,999 |
| | <u>5,376,850,579</u> | <u>2,161,056,527</u> |

Provision for expenses include provision for payable to Telenor, its subsidiaries and affiliates.

29.1 Provision for office and general expenses relates to vehicle running expenses, stationery, utility, communication expenses etc.

30 Advance against employee share

This represents amount received from employees for the purpose of issuing ordinary shares to them and interest accrued on that amount.

31 Revenue

| | Nine-month period ended | |
|---------------------------|-------------------------|-----------------------|
| | 30 Sep 2008 | 30 Sep 2007 |
| | Taka | Taka |
| Traffic revenue | | |
| -Postpaid | 2,774,377,577 | 5,330,487,946 |
| -Prepaid | 35,418,630,175 | 28,922,046,667 |
| | 38,193,007,752 | 34,252,534,613 |
| Subscription revenue | | |
| -Postpaid | 393,859,285 | 318,241,691 |
| -Prepaid | - | - |
| | 393,859,285 | 318,241,691 |
| Connection revenue | | |
| -Postpaid | 47,206,381 | 101,519,109 |
| -Prepaid | 226,018,652 | 187,049,160 |
| | 273,225,033 | 288,568,269 |
| Roaming revenue | | |
| -Inbound | 131,085,188 | 112,632,157 |
| -Outbound | 169,676,454 | 158,504,409 |
| | 300,761,642 | 271,136,566 |
| Interconnection revenue | | |
| -Postpaid | 98,120,444 | 195,787,700 |
| -Prepaid | 3,674,070,912 | 3,404,585,716 |
| | 3,772,191,356 | 3,600,373,416 |
| Other operating revenue | | |
| -Customer support revenue | 9,580,698 | 7,093,582 |
| -VAS revenue (Note 31.1) | 1,539,510,425 | 1,246,441,510 |
| | 1,549,091,123 | 1,253,535,092 |
| Other non- mobile revenue | | |
| - Sale of handsets | 26,443,493 | 8,536,231 |
| - Channel fees | 50,003,006 | - |
| - Bills pay - PDB | 2,433,986 | 558,380 |
| | 78,880,485 | 9,094,611 |
| | <u>44,561,016,676</u> | <u>39,993,484,258</u> |

31.1 VAS revenue includes revenue from SMS/MMS services, internet facilities (EDGE/GPRS), medical services and music download services.

32 Direct cost of network revenue

| | | |
|---|-----------------------|----------------------|
| Cost of interconnection (Note 32.1) | 4,512,241,641 | 4,098,289,304 |
| Cost of SIM card, scratch card and handsets | 631,916,693 | 715,227,110 |
| International roaming costs (Note 32.2) | 157,160,936 | 148,617,907 |
| Revenue sharing with BTRC (Note 32.3) | 2,190,899,478 | 2,068,732,637 |
| Revenue sharing with content providers | 930,137 | 2,836,316 |
| Dealers and agency commission | 3,010,289,471 | 2,488,461,088 |
| | <u>10,503,438,356</u> | <u>9,522,164,362</u> |

32.1 Cost of interconnection

As per the latest policy promulgated by BTRC, each operator along with BTCL (formerly BTTB) is liable to pay interconnection charges for outgoing calls to other operators based on data provided by interconnection exchange (ICX) and international gateway (IGW).

Cost of interconnection is recorded on the basis of traffic to other operators, which is regulated and settled through interconnection agreements between Grameenphone and other operators.

32.2 International roaming costs

GP is required to pay roaming charges to the roaming partners when GP subscribers use their network, based on roaming agreement between the parties.

32.3 Revenue sharing with BTRC

As per the amendment of the operating licence agreement (clause 3.3) dated 16 April 2006, GP is required to pay 5.5 % of the collected rent and call charges to BTRC with effect from 1 July 2005. Before this amendment, GP was required to pay 1% of the call charges to Bangladesh Telecommunication Regulatory Commission (BTRC).

33 Network operation and maintenance expenses

| | Nine-month period ended | |
|---|-------------------------|----------------------|
| | 30 Sep 2008 | 30 Sep 2007 |
| | <u>Taka</u> | <u>Taka</u> |
| Rent (Note 33.1) | 314,937,670 | 228,590,042 |
| Electricity charges (Note 33.2) | 754,967,888 | 583,634,030 |
| Operation and maintenance - base station | 830,034,915 | 453,246,648 |
| Operation and maintenance - switch | 641,955,751 | 77,832,543 |
| Operation and maintenance - optical fibre network | 91,973,249 | 18,525,631 |
| Network quality maintenance expenses (Note 33.3) | 710,167,562 | 443,391,408 |
| PCM operation and maintenance (Note 33.4) | 24,193,480 | 27,658,733 |
| | <u>3,368,230,515</u> | <u>1,832,879,035</u> |

33.1 Rent includes location rent for base stations, switch, and selected buildings of Bangladesh Railway.

33.2 Electricity charges include electricity charges for running base stations, switches and selected offices of Bangladesh Railway.

33.3 Network quality maintenance expenses include consultants' expenses and network operational services and maintenance fees.

33.4 PCM operation and maintenance includes rental charges of PCM, maintenance charges of PCM and microwave link.

34 Depreciation and amortisation

| | Nine-month period ended | |
|--|-------------------------|----------------------|
| | 30 Sep 2008 | 30 Sep 2007 |
| | Taka | Taka |
| Cost of network operation: | | |
| Depreciation of property, plant and equipment | 9,652,043,851 | 6,353,213,490 |
| Amortisation of network system software | 44,027,226 | 4,780,422 |
| Amortisation of non-telecommunication licences | 27,283,036 | 11,845,926 |
| | <u>71,310,262</u> | <u>16,626,348</u> |
| | 9,723,354,113 | 6,369,839,838 |
| Operating expenses: | | |
| Depreciation of property, plant and equipment | 852,679,602 | 624,059,914 |
| Amortisation of business system software | 397,430,818 | 254,381,552 |
| | <u>1,250,110,420</u> | <u>878,441,466</u> |
| | <u>10,973,464,533</u> | <u>7,248,281,304</u> |

35 Other income, net

| | | |
|--|---------------------|---------------------|
| Sub-lease rental income from optical fibre network | 55,087,607 | 111,836,510 |
| Franchisee Fee | 3,898,348 | - |
| Sub lease cost | <u>(49,820,939)</u> | <u>(67,877,360)</u> |
| | <u>9,165,016</u> | <u>43,959,150</u> |

36 General and administrative expenses

| | | |
|---|----------------------|----------------------|
| Personnel expenses (Note 36.1) | 2,739,553,621 | 2,057,082,883 |
| Employee training and ancillary expenses | 32,803,248 | 110,215,772 |
| Rent (Note 36.2) | 279,634,342 | 260,087,309 |
| Office maintenance and running expenses | 451,854,850 | 544,724,530 |
| Travelling expenses | 69,628,983 | 104,612,917 |
| Vehicle running expenses | 263,595,431 | 205,216,342 |
| Telephone and communication | 79,907,236 | 80,568,727 |
| Printing, postage and stationery | 105,913,412 | 157,556,922 |
| Legal and professional fees | 16,817,564 | 6,269,283 |
| Audit fees | 31,110,945 | 7,775,384 |
| Licence fees and spectrum charges (Note 36.3) | 407,523,824 | 303,702,017 |
| Meeting expenses (Note 36.4) | 9,967,353 | 29,448,956 |
| Entertainment expenses | 16,144,526 | 28,160,203 |
| Revenue collection charges | 18,329,699 | 13,770,488 |
| | <u>4,522,785,034</u> | <u>3,909,191,733</u> |

36.1 Personnel expenses include Tk 4,086,432 relating to share based payment to key management personnel with respect to entitlement of parent company's shares. The vesting period for such entitlement is three years. The policy on share based payment including the underlying valuation method is guided by group policy.

36.2 Rent includes rent for office, warehouse, GPC, GPSD, GPDC, GPCF info-center and guest houses.

36.3 According to licence agreement, Grameenphone is required to pay these fees to BTRC. The amount includes operating licence fee, spectrum fee and roaming line rent charges.

36.4 Meeting expenses include expenses incurred for Board of Directors and members of operational committee for attending the board meetings and operational committee meetings respectively. No fees were paid to the members for attending the meetings.

37 Selling and distribution expenses

| | Nine-month period ended | |
|---|-------------------------|----------------------|
| | 30 Sep 2008 | 30 Sep 2007 |
| | <u>Taka</u> | <u>Taka</u> |
| Advertisements | 663,473,358 | 883,287,165 |
| Business development and promotional expenses | 260,869,157 | 307,544,776 |
| Sales, marketing and representation costs | 4,396,153,906 | 3,746,999,909 |
| | <u>5,320,496,421</u> | <u>4,937,831,850</u> |

38 Bad debt expense

| | | |
|--|--------------------|---------------------|
| Gross provision made during the period | 148,377,276 | 44,693,374 |
| Recovery of bad debt during the period | <u>(8,001,529)</u> | <u>(11,479,730)</u> |
| Bad debt expense | <u>140,375,747</u> | <u>33,213,644</u> |

Provision for doubtful debts has been made as per policy of the company mentioned in note 3.4.

39 Finance costs, net

| | | |
|--|----------------------|----------------------|
| Interest on long term loans | 248,177,844 | 142,038,900 |
| Interest and service charge on short-term debt | 673,245,518 | 76,170,648 |
| Foreign exchange (gain)/loss - IR receivable | (138,633,990) | (1,680,759) |
| Finance charge - lease | 519,722,374 | 330,075,011 |
| Interest (accretion) on ARO | 11,091,022 | 9,461,129 |
| Finance charges | <u>68,750,676</u> | <u>54,618,716</u> |
| | 1,382,353,444 | 610,683,645 |
| Finance income | <u>(37,076,260)</u> | <u>(121,792,042)</u> |
| | <u>1,345,277,184</u> | <u>488,891,603</u> |

40 Loss on disposal of property, plant and equipment

| | | |
|---------------------------------------|-------------------|---------------------|
| Sale proceeds | 71,223,379 | 53,606,182 |
| Written down value of the assets sold | (37,929,843) | (40,061,155) |
| Cost of CWIP written off | - | (34,603,656) |
| | <u>33,293,536</u> | <u>(21,058,629)</u> |

41 Compensation & Contribution to Bangladesh Telecommunication Regulatory Commission (BTRC)

| | Nine-month period ended | |
|----------------------------------|-------------------------|----------------------|
| | 30 Sep 2008 | 30 Sep 2007 |
| | Taka | Taka |
| Contribution to BTRC (Note 41.1) | 230,765,302 | - |
| Compensation to BTRC (Note 41.2) | 2,000,000,000 | 1,684,242,956 |
| | <u>2,230,765,302</u> | <u>1,684,242,956</u> |

41.1 Contribution to BTRC

In 2008 BTRC has initiated a project “Lawful Interception Compliance (LIC)” compulsorily to be financed by all the mobile operators. Accordingly, Grameenphone paid it’s share of cost of BDT 230,765,302 in May 2008.

41.2 Compensation to BTRC

This relates to the part of provision of BDT 2,500,000,000 as per the settlement agreement with Grameenphone and BTRC on 14 August 2008 to pay a fine for Grameenphone’s involvement in unregulated international call termination business through VoIP prior to February 2007. In December 2007, Grameenphone took a provision for BDT 500,000,000 in this regard. As per the agreement, Grameenphone paid BDT 1,500,000,000 by 30 September 2008 and rest of the amount of BDT 1,000,000,000 has been paid on 29 October 2008.

42 Share of profit of X - Net Ltd.

| | | |
|------------------------|----------|------------------|
| Share of profit/(loss) | - | 2,591,417 |
| | <u>-</u> | <u>2,591,417</u> |

43 Income tax expenses

| | | |
|-----------------------------------|----------------------|----------------------|
| Current tax expense | 5,153,150,523 | 5,547,813,807 |
| Deferred tax expense (Notes 43.1) | 665,403,010 | 2,969,584,817 |
| | <u>5,818,553,533</u> | <u>8,517,398,624</u> |

43.1 Deferred tax has been recognised to account for the tax consequence of transactions and other events recognised in the financial statements. Deferred tax expenses arise mainly due to difference in the carrying amount of the assets that will result in taxable amount in determining taxable profit or loss of future periods when the carrying amount of the asset would be recovered or settled.

44 Future lease rent for operating leases

| | | |
|--|----------------------|----------------------|
| (i) Not later than one year | 384,565,312 | 313,729,917 |
| (ii) Later than one year but not later than five years | 1,616,286,674 | 1,329,368,247 |
| (iii) Later than five years | 4,110,972,012 | 3,758,469,980 |
| | <u>6,111,823,999</u> | <u>5,401,568,144</u> |

45 Financing of operation

As at the balance sheet date total current liabilities exceeded total current assets by Tk. 34,286,562,215 (2007: Tk. 29,593,602,701). Current liabilities, however, include deferred revenue and unearned revenue of Tk. 2,803,569,476.

46 Related party disclosures

46.1 Related party transactions

| <u>Name of related parties</u> | <u>Nature</u> | <u>Nature of transactions</u> | Nine-month period ended <u>30 Sep 2008</u> | For the year ended <u>31 Dec 2007</u> |
|--|---------------|--|--|---|
| | | | <u>Taka</u> | <u>Taka</u> |
| Telenor Mobile Communications AS | Shareholder | Dividend payment for previous year | 934,225,557 | 904,089,250 |
| Nye Telenor Mobile Communications II AS | Shareholder | -do- | 267 | 258 |
| Nye Telenor Mobile Communications III AS | Shareholder | -do- | 267 | 258 |
| Telenor Asia Pte. Ltd. | Shareholder | -do- | 267 | 258 |
| Grameen Telecom | Shareholder | Revenue | 824,103,716 | 3,283,766,459 |
| | | Bill received | 660,987,591 | 4,830,795,105 |
| | | Dividend payment for previous year | 572,590,336 | 554,119,680 |
| Grameen Kalyan | Shareholder | -do- | 27 | 26 |
| Grameen Shakti | Shareholder | -do- | 27 | 26 |
| Telenor ASA | Group entity | Sharing of licence fee | 99,140,387 | 105,930,027 |
| | | Consultancy service fee | 281,208,033 | 273,152,665 |
| Telenor Consult AS | Group entity | Consultancy and professional service fee | 314,458,378 | 258,081,728 |

46.2 Receivables/(payables) with related parties

| <u>Name of related parties</u> | <u>Nature</u> | <u>Nature of transactions</u> | As at 30 September <u>2008</u> | As at 31 December <u>2007</u> |
|--------------------------------|---------------|-------------------------------|--------------------------------------|-------------------------------------|
| | | | <u>Taka</u> | <u>Taka</u> |
| Grameen Telecom | Shareholder | Accounts receivable | 115,953,550 | 583,143,603 |
| Telenor ASA | Group entity | Accounts payable | 738,072,998 | 468,241,398 |
| Telenor Asia Pte. Ltd. | Shareholder | Accounts payable | 31,909,372 | |

47 Expenses and revenue in foreign currency

| | Nine-month period ended 30 Sep 2008 | For the year ended 31 Dec 2007 |
|--|---|--------------------------------------|
| | <u>Taka</u> | <u>Taka</u> |
| C&F cost of imports: | | |
| SIM and scratch card | 895,572 | 3,701,284 |
| Telecommunication equipments | 31,633,338 | 109,393,532 |
| Expenditure in foreign currency during the year: | | |
| Consultancy fee | 372,162,535 | 330,533,370 |
| Consultancy fee-expatriate | 362,462,323 | 250,045,179 |
| Other fee (training) | 37,224,956 | 77,367,061 |
| Technical know how | 180,395,045 | 337,298,340 |
| International roaming cost | 153,016,017 | 205,398,758 |
| Foreign earnings: | | |
| Revenue from roaming partners | 131,085,188 | 112,632,157 |

CIF value of SIM & scratch card and telecommunication equipment for the nine-month period ended 30 September 2008 were Tk. 146,019,390 and Tk. 8,946,531,359 respectively.

48 Capital commitments

Capital commitments for purchase of network equipments and other services mainly from Siemens and Ericsson were as follows:

| | As at 30 Sep 2008 | As at 31 Dec 2007 |
|---------------------|----------------------|----------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Capital commitments | 5,085,126,905 | 18,711,007,834 |

49 Contingent liabilities**49.1 Contingent liabilities arising from letters of credit**

| | | |
|-------------------------------|---------------|---------------|
| Outstanding letters of credit | 2,889,625,478 | 1,323,854,787 |
|-------------------------------|---------------|---------------|

49.2 Outstanding bank guarantee margin

| | | |
|------------------------|--------------------|-------------------|
| Premier Bank Limited | 191,678,207 | - |
| One Bank Limited | 45,145,236 | - |
| Eastern Bank Limited | 181,839,989 | 25,265,505 |
| Southeast Bank Limited | 6,500,000 | 6,500,000 |
| | <u>425,163,432</u> | <u>31,765,505</u> |

50 Other disclosures

50.1 Number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 2,532 as at 30 September 2008 and was 2,203 as at 31 December 2007.

50.2 Comparative figures have been rearranged wherever considered necessary to conform to the current year's presentation.

50.3 Events after the balance sheet date

Bangladesh Telecommunication Regulatory Commission (BTRC) has assigned additional 7.4 MHz spectrum to GP for Tk. 800 million per MHz. This assignment is for eighteen years starting from October 2008 after 25% down payment of the total amount is made. GP will have to pay remaining 75% of total amount by June 2009.

AUDITORS' REPORT PURSUANT TO THE COMPANIES ACT

Auditors' report under section 135(1) and Para 24(1) of Part-II of Schedule III of the Companies Act 1994

We, as the auditors of Grameenphone Ltd., examined the following statements of assets and liabilities and statements of operating results for the nine-month period ended 30 September 2008 and for the years ended 31 December 2007, 2006, 2005, 2004 and 2003 prepared by management of the company and certify pursuant to section 135(1) and paragraph 24(1) of Part-II of Schedule-III of the Companies Act 1994 that:

1. The company was incorporated on 10 October 1996.
2. The following statements of assets and liabilities and statements of operating results have been correctly extracted from the audited accounts of the respective period and years.

A. Statements of assets and liabilities

| | <u>30-Sep-08</u> | <u>31-Dec-07</u> | <u>31-Dec-06</u> <u>(Restated)</u> | <u>31-Dec-05</u> | <u>31-Dec-04</u> | <u>31-Dec-03</u> |
|---|------------------------------|------------------------------|---------------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| ASSETS | | | | | | |
| Non-current assets: | | | | | | |
| Property, plant and equipment, net | 83,252,922,989 | 80,318,189,542 | 55,413,497,505 | 41,650,318,351 | 20,159,279,342 | 10,982,425,048 |
| Intangible assets | 1,779,797,095 | 1,275,733,440 | 888,407,038 | 901,469,433 | 703,355,811 | 131,109,108 |
| Investment in shares of X-Net Ltd. | 4,467,968 | 4,467,968 | 1,876,551 | - | - | - |
| Long-term receivables and deposits | 12,201,939 | 11,596,466 | 10,683,812 | 11,112,325 | 11,112,325 | 11,146,443 |
| | <u>85,049,389,991</u> | <u>81,609,987,416</u> | <u>56,314,464,906</u> | <u>42,562,900,109</u> | <u>20,873,747,478</u> | <u>11,124,680,599</u> |
| Current assets: | | | | | | |
| Inventories | 560,925,595 | 843,646,147 | 990,627,520 | 413,449,442 | 248,157,740 | 59,950,946 |
| Deferred cost of connection revenue | 330,471,516 | 357,679,797 | 446,017,752 | 341,489,041 | 141,118,255 | 37,135,125 |
| Accounts receivable, net | 2,220,218,594 | 2,725,726,115 | 4,265,169,238 | 3,684,706,012 | 2,783,373,671 | 2,279,262,237 |
| Advances, deposits and prepayments | 2,678,320,513 | 2,119,366,225 | 1,896,650,746 | 902,353,971 | 753,685,136 | 301,201,141 |
| Cash and cash equivalents | 2,956,500,397 | 804,635,376 | 2,843,727,395 | 1,631,765,287 | 2,223,287,105 | 3,461,635,539 |
| | <u>8,746,436,615</u> | <u>6,851,053,660</u> | <u>10,442,192,651</u> | <u>6,973,763,753</u> | <u>6,149,621,907</u> | <u>6,139,184,988</u> |
| Total assets | <u>93,795,826,606</u> | <u>88,461,041,076</u> | <u>66,756,657,557</u> | <u>49,536,663,862</u> | <u>27,023,369,385</u> | <u>17,263,865,587</u> |
| EQUITY AND LIABILITIES | | | | | | |
| Shareholders' equity: | | | | | | |
| Share capital | 12,151,747,970 | 2,430,349,594 | 2,430,349,594 | 2,430,349,594 | 2,430,349,594 | 2,444,796,046 |
| Share premium | 13,743,987 | 13,743,987 | 13,743,987 | 13,743,987 | 13,743,987 | 13,743,987 |
| Capital reserve | 14,446,452 | 14,446,452 | 14,446,452 | 14,446,452 | 14,446,452 | - |
| Deposit from shareholders | 1,882,996 | 1,882,996 | 1,882,996 | 1,882,996 | 1,882,996 | 1,923,769 |
| Tax holiday reserve | - | - | 206,312,859 | 509,073,440 | 562,020,278 | 455,845,247 |
| General reserve | 2,139,729,365 | 2,139,729,365 | 1,933,416,506 | 1,424,343,066 | 862,322,788 | 406,477,541 |
| Proposed dividend | - | - | - | - | 1,921,671,772 | 593,457,459 |
| Dividend distribution tax | - | - | - | - | 192,167,177 | 59,345,746 |
| Retained earnings | 10,662,827,247 | 21,510,953,768 | 19,909,323,506 | 13,846,854,210 | 7,443,050,304 | 4,032,802,869 |
| | <u>24,984,378,017</u> | <u>26,111,106,162</u> | <u>24,509,475,900</u> | <u>18,240,693,745</u> | <u>13,441,655,348</u> | <u>8,008,392,664</u> |
| Non-current liabilities: | | | | | | |
| Loan and borrowings, net of current portion | 2,452,936,102 | 3,367,620,384 | 2,448,451,682 | 3,278,370,313 | 1,668,447,763 | 1,735,549,672 |
| Deposit from agents and subscribers | 503,900,428 | 557,317,602 | 794,669,186 | 591,258,247 | 562,080,707 | 516,177,712 |
| Finance lease obligations, net of current portion | 5,444,865,490 | 5,315,559,235 | 4,229,277,472 | 4,562,858,362 | 17,522,895 | 32,767,000 |
| Deferred tax liabilities | 17,175,556,290 | 16,510,153,280 | 11,097,312,666 | 6,205,084,317 | 2,746,796,372 | 1,672,079,716 |
| Long term payables and provisions | 160,161,722 | 145,694,461 | 96,568,275 | 66,553,254 | 43,720,000 | 14,902,500 |
| Employee benefits — provision for gratuity | 41,029,726 | 8,933,591 | 13,330,270 | - | - | 602,160 |
| | <u>25,778,449,759</u> | <u>25,905,278,553</u> | <u>18,679,609,551</u> | <u>14,704,124,493</u> | <u>5,038,567,737</u> | <u>3,972,078,760</u> |
| Current liabilities: | | | | | | |
| Accounts payable | 3,800,198,272 | 8,135,600,956 | 4,785,508,575 | 5,217,516,786 | 1,610,494,370 | 1,485,350,322 |
| Payable to government and autonomous bodies and other operators | 7,678,020,090 | 5,849,623,774 | 3,966,033,492 | 3,620,151,318 | 1,502,217,444 | 551,698,611 |
| Income tax payable | 9,684,215,164 | 8,350,371,941 | 5,987,861,425 | 2,256,003,086 | 2,022,871,027 | 1,069,711,015 |
| Unearned revenue | 2,338,669,856 | 1,294,707,151 | 2,210,715,005 | 977,716,337 | 476,276,654 | 292,111,445 |
| VAT payable | 2,189,042,840 | 2,335,718,147 | 1,666,953,009 | 648,561,462 | 39,101,836 | 42,083,680 |
| Loans and borrowings — current portion | 1,489,954,854 | 1,108,679,811 | 966,942,871 | 938,263,887 | 485,737,481 | 676,000,026 |
| Finance lease obligations — current portion | 481,380,633 | 1,485,227,318 | 195,538,056 | 189,853,846 | 14,271,782 | 18,323,247 |
| Deferred connection revenue | 464,899,620 | 617,220,271 | 885,519,464 | 791,345,936 | 550,287,856 | 398,455,335 |
| Interest payable on loans and borrowings | 99,423,908 | 197,615,312 | 28,757,002 | 68,317,574 | 4,608,264 | 40,314,018 |
| Local bank borrowings | 8,386,810,686 | 4,908,835,153 | - | - | - | - |
| Provision for expenses | 5,376,850,579 | 2,161,056,527 | 2,873,743,207 | 1,884,115,392 | 1,243,822,126 | 709,346,464 |
| Dividend payable | - | - | - | - | 593,457,460 | - |
| Advance against employee share | 1,043,532,329 | - | - | - | - | - |
| | <u>43,032,998,830</u> | <u>36,444,656,361</u> | <u>23,567,572,106</u> | <u>16,591,845,624</u> | <u>8,543,146,300</u> | <u>5,283,394,163</u> |
| Total equity and liabilities | <u>93,795,826,606</u> | <u>88,461,041,076</u> | <u>66,756,657,557</u> | <u>49,536,663,862</u> | <u>27,023,369,385</u> | <u>17,263,865,587</u> |

B. Statements of operating results

| | Nine-month period ended | For the year ended | | | | |
|---|----------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|
| | 30-Sep-08 | 31-Dec-07 | 31-Dec-06 (Restated) | 31-Dec-05 | 31-Dec-04 | 31-Dec-03 |
| | Taka | Taka | Taka | Taka | Taka | Taka |
| Revenue | 44,561,016,676 | 54,303,145,932 | 45,640,414,657 | 29,473,131,020 | 19,627,314,422 | 12,519,786,496 |
| Cost of network operations | | | | | | |
| Direct cost of network revenue | (10,503,438,356) | (12,792,565,946) | (10,072,243,598) | (6,705,017,991) | (4,330,793,075) | (2,363,499,688) |
| Network operation and maintenance expenses | (3,368,230,515) | (2,442,553,456) | (2,105,686,831) | (1,428,488,721) | (1,469,983,890) | (1,128,406,652) |
| Depreciation and amortisation | (9,723,354,113) | (9,122,173,137) | (6,500,491,581) | (4,056,790,891) | (1,832,563,880) | (1,166,287,442) |
| | <u>(23,595,022,984)</u> | <u>(24,357,292,539)</u> | <u>(18,678,422,010)</u> | <u>(12,190,297,603)</u> | <u>(7,633,340,845)</u> | <u>(4,658,193,782)</u> |
| Gross profit | 20,965,993,692 | 29,945,853,393 | 26,961,992,647 | 17,282,833,417 | 11,993,973,577 | 7,861,592,714 |
| Other income, net | 9,165,016 | 38,156,456 | 102,285,422 | 113,770,222 | 73,380,462 | 57,412,017 |
| Operating expenses | | | | | | |
| General and administrative expenses | (4,522,785,034) | (5,627,679,561) | (3,915,211,993) | (2,279,155,778) | (1,212,624,388) | (766,075,311) |
| Selling and distribution expenses | (5,320,496,421) | (6,660,418,402) | (3,944,291,096) | (2,056,829,475) | (433,227,586) | (80,639,698) |
| Bad debt expense | (140,375,747) | (135,290,267) | (41,641,457) | (150,767,503) | (233,947,022) | (127,358,401) |
| Depreciation and amortisation | (1,250,110,420) | (1,273,650,776) | (967,858,879) | (308,129,869) | (163,578,145) | (111,106,462) |
| | <u>(11,233,767,622)</u> | <u>(13,697,039,006)</u> | <u>(8,869,003,425)</u> | <u>(4,794,882,625)</u> | <u>(2,043,377,141)</u> | <u>(1,085,179,872)</u> |
| Operating profit | 9,741,391,086 | 16,286,970,843 | 18,195,274,644 | 12,601,721,014 | 10,023,976,898 | 6,833,824,859 |
| Finance costs, net | (1,345,277,184) | (968,503,056) | (918,824,301) | (740,819,037) | 192,915,329 | 104,606,262 |
| Loss on disposal of property, plant and equipment | 33,293,536 | (101,962,955) | (258,821,164) | (99,412,299) | (91,084,665) | (44,465,905) |
| Compensation and contribution to BTRC | (2,230,765,302) | (1,684,242,956) | - | - | - | - |
| Share of profit of X-Net Ltd. | - | 2,591,417 | 1,876,551 | - | - | (11,700,000) |
| Profit before tax | 6,198,642,136 | 13,534,853,293 | 17,019,505,730 | 11,761,489,678 | 10,125,807,562 | 6,882,265,216 |
| Income tax expense | (5,818,553,533) | (10,475,013,275) | (9,535,548,778) | (4,848,612,332) | (3,382,300,449) | (2,561,499,903) |
| Profit after Tax | 380,088,603 | 3,059,840,018 | 7,483,956,952 | 6,912,877,346 | 6,743,507,113 | 4,320,765,313 |

3. Dividend

The company declared dividends for the last five years as follows:

Cash dividend per:

| | | | | | | |
|---------------------------------------|-----|-------|-------|-------|-------|--------|
| Ordinary share of Tk. 43.00 each | N/A | 26.66 | 25.80 | 21.50 | 44.50 | 10.50 |
| Preference share of Tk. 45.84 each | N/A | N/A | N/A | N/A | N/A | 114.60 |
| Stock dividend | N/A | N/A | N/A | N/A | N/A | N/A |

4. The company has no subsidiary company.

5. No proceeds or part of the proceeds of the issue of shares were applied directly by the company in the purchase of any business.

6. No accounts have been audited in respect of any period subsequent to the nine-month period ended 30 September 2008.

Dhaka,

Date: 1 December 2008

Sd/-
(Rahman Rahman Huq)
Chartered Accountants

An auditors' report under section 135(1) and para 24(1) of Part-II of Schedule III of the Companies Act 1994 that addresses our statements of assets and liabilities and statements of operating results for the year ended December 31, 2008 is included in Appendix D.

SELECTED RATIOS AND EARNINGS PER SHARE

| | For the nine months ended September 30, | For the years ended December 31, | | | | |
|---|--|----------------------------------|--------|--------|--------|-------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| <u>Liquidity ratios</u> | | | | | | |
| Current ratio | 0.20 | 0.19 | 0.44 | 0.42 | 0.72 | 1.16 |
| Quick (Acid Test) ratio | 0.19 | 0.16 | 0.40 | 0.40 | 0.69 | 1.15 |
| Times interest earned ratio | 5.61 | 15.27 | 19.52 | 16.88 | N/A | N/A |
| Debt to equity | 0.73 | 0.63 | 0.32 | 0.50 | 0.16 | 0.31 |
| <u>Operating ratios</u> | | | | | | |
| Average collection period (days)/accounts receivable (days) | 15 | 23 | 32 | 40 | 47 | 52 |
| Inventory turnover ⁽¹⁾ | 1.2 | 1.0 | 1.7 | 3.1 | 2.2 | 3.2 |
| Total asset turnover ⁽²⁾ | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 | 0.8 |
| <u>Profitability ratios</u> | | | | | | |
| Gross profit margin | 47.1% | 55.1% | 59.1% | 58.6% | 61.1% | 62.8% |
| Operating profit margin | 21.9% | 30.0% | 39.9% | 42.8% | 51.1% | 54.6% |
| Net profit margin (NPAT margin) | 0.9% | 5.6% | 16.4% | 23.5% | 34.4% | 34.5% |
| Return on equity ⁽³⁾ | 2.0% | 12.1% | 35.0% | 43.6% | 62.9% | 63.9% |
| Return on total asset (ROA) ⁽³⁾ | 0.6% | 3.9% | 12.9% | 18.1% | 30.5% | 28.3% |
| Earnings per share (Taka) | 0.03 | 54.14 | 132.41 | 122.31 | 122.61 | 84.01 |
| Adjusted earnings per share (Taka) ⁽⁴⁾ | 0.03 | 0.25 | 0.62 | 0.57 | 0.57 | 0.39 |

- (1) Cost of goods sold refers to cost of SIM cards, scratch cards and handsets. Cost of goods sold annualised for calculating the ratio for the nine months ended September 30, 2008.
- (2) Total Revenue annualised for calculating the ratio for the nine months ended September 30, 2008.
- (3) Net profit after taxes annualised for calculating the ratio for the nine months ended September 30, 2008.
- (4) For the years ended December 31, 2003, 2004, 2005, 2006 and 2007, the weighted average shares is adjusted for a par value of Taka 1.00 per share, which was the par value per share of our ordinary shares after the 43:1 share split and the issuance of bonus shares that we completed in July 2008. See “Description of Securities Outstanding or Being Offered — Share Capital.” It does not reflect our 10 for 1 reverse share split and related issuance of 250 bonus shares, which we completed in July 2009. See “Summary—Recent Developments—Reverse Share Split.” For our earnings per share adjusted on a pro forma basis for a par value per share of Taka 10.00 per share (which is the par value of our shares prior to the closing of the Offering), see “Appendix D(IV) — Pro Forma Statements.”

| | Ratio | Formula |
|-----------------------------|--|---|
| <i>Liquidity Ratios</i> | Current Ratio | Current Assets / Current Liabilities |
| | Quick (Acid Test) Ratio | (Current Assets-Inventory) / Current Liabilities |
| | Debt to Equity | Total Debt / Total Equity |
| | Times Interest earned Ratio | EBIT / Net Finance Cost |
| <i>Operating Ratios</i> | Average Collection Period (Days) / Accounts Receivable (Days) | Average Accounts Receivable / Revenue per Day |
| | Inventory Turnover | Cost of Goods Sold / Average Inventory |
| | Total Asset Turnover | Total Revenue / Average Total Assets |
| | | |
| <i>Profitability Ratios</i> | Gross Profit Margin | Gross Profit / Total Revenue |
| | Operating Profit Margin | Operating Profit/Total Revenue |
| | Net Profit Margin (NPAT Margin) | Net Profit after Tax / Total Revenue |
| | Return on Equity | NPAT / Average Shareholders' Equity |
| | Return on Total Asset (ROA) | Net Profit After Tax / Average Total Assets |
| | Earnings Per Share | NPAT / Weighted Average Shares Outstanding |

Selected ratios and earnings per share as of, and for the year ended, December 31, 2008 are included in Appendix D. A statement of our pro forma earnings per share for the year ended December 31, 2008 (adjusted for the 10 for 1 reverse share split and related issuance of 250 bonus shares that we completed in July 2009) is also included in Appendix D.

APPENDIX A: ADDITIONAL DISCLOSURE

(I) CAPITALIZATION

The following table sets forth our short-term debt, long-term debt and capitalization, as at December 31, 2008, and as adjusted to give effect to the issuance of shares in the Offering.

We derived this table from our financial statements contained in this Prospectus, which we prepared in accordance with BFRS. You should read this table in conjunction with our financial statements and related notes, and the other financial information contained elsewhere in this Prospectus and the sections in this Prospectus entitled “Plan of Operation and Discussion of Financial Condition” and “Selected Financial Data and Operating Data.”

Except as otherwise disclosed in this Prospectus, there has been no material change to our capitalization since December 31, 2008.

| | Actual As of December 31, 2008 ⁽¹⁾ | Adjustment for Change in Par Value and Issuance of Shares to Existing Shareholders ⁽²⁾ | Adjustment for the Offering | Pro Forma for the Offering As of December 31, 2008 |
|--|--|--|--------------------------------|--|
| | Taka | Taka <i>(millions except where otherwise indicated)</i> | Taka | Taka |
| Cash and cash equivalents | 7,020.7 | 7,020.7 | 5,358.0 | 12,378.6 |
| Total debt | | | | |
| Local interest bearing short-term borrowings | 4,922.3 | 4,922.3 | | 4,922.3 |
| Long-term loans and borrowings (including current portion) | 3,313.6 | 3,313.6 | | 3,313.6 |
| Finance lease obligations (including current portion) | 6,207.6 | 6,207.6 | | 6,207.6 |
| Bond obligations | 4,216.4 | 4,216.4 | | 4,216.4 |
| Interest payable on loans and borrowings | 154.0 | 154.0 | | 154.0 |
| Total debt | 18,814.0 | 18,814.0 | | 18,814.0 |
| Shareholders' equity | | | | |
| Number of shares outstanding . . . | 12,151.7 | 1,215.2 | 135.1 | 1,350.3 |
| Par value (in Taka) | 1 | 10 | 10 | 10 |
| Share capital | 12,151.7 | 12,151.7 | 1,351.3 | 13,503.0 |
| Share premium | 13.7 | 13.7 | 7,762.8 | 7,776.5 |
| Capital reserve | 14.4 | 14.4 | | 14.4 |
| Deposits from shareholders | 1.9 | 1.9 | | 1.9 |
| General reserve | 2,139.7 | 2,139.7 | | 2,139.7 |
| Retained earnings | 13,266.6 | 13,266.6 | | 13,266.6 |
| Total shareholders' equity . . . | 27,588.2 | 27,588.2 | | 36,702.2 |
| Total capitalization | 46,402.1 | 46,402.1 | | 55,516.2 |

(1) Based on audited financial statements as of December 31, 2008.

(2) As approved by our Board of Directors and our shareholders on July 2, 2009.

(II) DILUTION

Dilution created by the Offering represents the amount by which the price paid by the purchasers of shares in the Offering exceeds the net tangible book value per share after the Offering. We have determined the net tangible book value per share by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares deemed to be outstanding (pro forma for the Offering), on the date as of which the book value is determined.

Our net tangible book value based on the financial statements prepared in accordance with BFRS was Taka 19,033,800,003 as of December 31, 2008, or Taka 14.10 per share (based on shares deemed to be outstanding adjusted for the additional 250 ordinary shares that were issued to the existing shareholders in July 2009 and the Offering) as of December 31, 2008. After giving effect to the sale of the shares in the Offering (based on our issuance of 65,685,800 shares at the price of Taka 74.00 for the Placement and 69,439,400 shares at the price of Taka 70.00 for the Public Offering) and after payment of underwriting commissions and other estimated expenses of the Offering resulting in net proceeds to us of Taka 9,114.0 million, but without taking into account any other changes in such net tangible book value after December 31, 2008, the net tangible book value per share would increase to Taka 20.85 per share. This represents an immediate increase in net tangible book value of Taka 6.75 per share, and an immediate dilution of Taka 53.15 per share for new investors in the Placement, and Taka 49.15 for new investors in the Public Offering.

The following table illustrates the per share dilution described above in Taka:

| | |
|--|-------------|
| Offering price per share in the Placement | 74.00 |
| Offering price per share in the Public Offering | 70.00 |
| Net tangible book value per share as of December 31, 2008 (a) | 14.10 |
| Increase in net tangible book value per share from the Offering (a) - (b) | <u>6.75</u> |
| Net tangible book value per share post-Offering (b) | 20.85 |
| Dilution in net tangible book value per share to Placement investors in the Offering | 53.15 |
| Dilution in net tangible book value per share to Public Offering investors in the Offering | 49.15 |

(III) THE TELECOMMUNICATIONS INDUSTRY IN BANGLADESH

In order to create a more robust framework and encourage further investment and monitor and regulate the expanding telecommunications sector, in 2001 the Government of Bangladesh enacted a new telecommunications law, the BTA. The BTA provides for the creation of the BTRC and specifies its responsibilities. The BTRC is an independent commission and commenced functioning from January 31, 2002.

Under the BTA, the BTRC has the power to issue, renew, suspend and cancel licenses for establishing and operating telecommunications systems, providing telecommunications services and using radio apparatus and radio frequencies. This power is to be exercised in accordance with the objectives of the BTRC in Section 29 of the Act, which include: encouraging the orderly development of a telecommunications system that enhances and strengthens the social and economic welfare of Bangladesh; ensuring access to reliable, reasonably priced and modern telecommunications services for the greatest number of people; and encouraging the introduction of new services and creating a favorable investment climate. The BTA also requires the BTRC to maintain and promote competition between service providers. In addition, the National Telecommunications Policy, 1998, emphasizes the need to increase teledensity rates and expand and upgrade network coverage throughout Bangladesh, in particular by promoting greater private participation in the provision of basic telecommunications services. See “Appendix A: Additional Disclosure—(IV) Regulation of the Telecommunications Industry in Bangladesh—Regulatory Framework—Framework under the Framework under the Bangladesh Telecommunication Act, 2001.”

There are generally two broad categories of licenses currently in existence: (i) major individual licenses, covering the operation of GSM and CDMA/AMPS mobile networks and of rural networks; and (ii) standard-form “simple” licenses, covering ISP, VSAT and data communications services. A brief summary of the major cellular licensees follows.

CDMA Mobile and Fixed License

Bangladesh Telecom (Pvt.) Ltd. (“Bangladesh Telecom”) was granted a 20-year license in 1990 covering trunked radio, cellular radio (both mobile and fixed-lines, i.e. including wireless local loop), paging and riverine radio communications networks by BTTB. This license refers to a short agreement entered into on July 26, 1989, under which Bangladesh Telecom received an exclusive right to provide telecommunications services for a period of five years.

The part of the license authorizing cellular radio telephony (fixed-line and mobile) was transferred in 1993 with the consent of BTTB to Hutchison Bangladesh Telecom Ltd. (“Hutchison Telecom”), being a joint venture between Bangladesh Telecom and Hutchison Telecom. Hutchison Telecom subsequently changed its name to Pacific Bangladesh Telecom Ltd. (“CityCell”) in 1996. The BTRC revalidated CityCell’s license in 2004.

A PSTN company named World Tel Ltd., whose license had been suspended, got back its license with 7.5 MHz frequency in the GSM-1800 MHz band for operation in the central zone. As the frequency is GSM, we expect World Tel may enter the mobile telecommunications market. With its insignificant license fees, revenue sharing fees and lower investment cost compared to the incumbent mobile operators, World Tel may challenge our market share.

GSM Mobile Licenses

Three GSM mobile licenses were issued in 1996 pursuant to a license tender held after the expiry of the monopoly granted to CityCell by BTTB. These licenses were awarded to us, Sheba Telecom Pvt. Ltd. (since renamed as “Orascom Telecom Bangladesh Ltd.” and also known as Banglalink) and TM International (Bangladesh) Ltd. (AKTEL). These licenses comprise a license agreement, a one-page system operating license and a one-page radio station/equipment license. The terms of the invitation to tender were appended to, and form part of, each GSM mobile license. All three GSM licenses granted were identical. The BTRC revalidated these licenses in 2004 pursuant to the BTA and unified most of the terms and conditions of the licenses of the cellular operators.

Teletalk Bangladesh Ltd. (Teletalk) was incorporated in December 2004 and is a wholly owned company of the Government. It was awarded a GSM license in 2004 and commenced commercial operations in March 2005. Warid Telecommunications Private Ltd. (Warid) was granted a GSM license pursuant to an international tender in December 2005 and commenced its commercial operation in May 2007.

The GSM standard, operating in the 900 MHz and the 1800 MHz frequency bands, is the predominant technology standard used for mobile telecommunications services in Bangladesh.

The following table sets out the technology standards used by the Bangladesh mobile operators:

| Company | Technological standard ⁽¹⁾ |
|------------------------|---------------------------------------|
| AKTEL | GSM 900 / 1800 |
| Banglalink | GSM 900 / 1800 |
| Grameenphone | GSM 900 / 1800 |
| CityCell | CDMA 800 |
| Teletalk | GSM 900 / 1800 |
| Warid | GSM 1800 |

(1) Source: Informa Telecoms & Media.

The Bangladesh mobile telecommunications services industry has experienced significant growth in recent years. The total number of mobile telecommunications subscribers in Bangladesh increased from 4.2 million as of December 31, 2004 to 44.6 million as of December 31, 2008, representing a compound annual growth rate of approximately 81.1%.

We believe this increase has been driven by various factors, including (i) an increase in the geographic coverage for mobile telecommunications services by each of the major operators in Bangladesh, (ii) continuing declines in the prices of mobile handsets and (iii) an increase in affordability of mobile telecommunications services due to continuing declines in per minute prices and increasing availability of lower cost pricing plans. The following table summarizes the growth in mobile telecommunications service subscribers in Bangladesh:

| | 2004 | 2005 | 2006 | 2007 | 1Q'08 | 2Q'08 | 3Q'08 | 4Q'08 | CAGR ⁽⁴⁾ |
|--|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
| Bangladesh Population (in millions) ⁽¹⁾ | 135.2 | 137.0 | 138.8 | 140.6 | 140.6 | 142.4 | 142.4 | 142.4 | 1.3% |
| Cellular subscribers (in millions) ⁽²⁾ | 4.2 | 9.3 | 21.5 | 34.4 | 38.9 | 43.7 | 45.1 | 44.6 | 81.1% |
| Net subscriber additions (in millions) | 2.2 | 5.1 | 12.2 | 12.9 | 4.6 | 4.8 | 1.4 | (0.5) | – |
| Mobile penetration(%) ⁽³⁾ | 3.1% | 6.8% | 15.5% | 24.4% | 27.7% | 30.7% | 31.7% | 31.3% | – |

(1) Source: Bangladesh Bank. Represents mid year figure. Used 2007 population estimates for that represented for 1Q'08 and 2008 population estimate used for 2Q'08 to 4Q'08.

(2) Subscribers for 2003-2005 taken from Ministry of Finance Economic Review 2007. Subscribers for 2006 from Pyramid Research. Subscribers for 2007, 1Q'08, 2Q'08 and 3Q'08 taken from the BTRC.

(3) Mobile penetration is the number of cellular customers as a percentage of the total population.

(4) CAGR calculated from 2004 to 4Q'08.

Despite having seen substantive growth over recent years, mobile telecommunications penetration levels in Bangladesh remain low in comparison with those in other Asian countries.

The following table summarizes certain information regarding population and mobile telecommunications service subscriber penetration rates in various countries as of December 31, 2008.

| Country | Population (millions) ⁽¹⁾ | Penetration rate ⁽²⁾ |
|-----------------------|--------------------------------------|---------------------------------|
| Malaysia | 27.7 | 99.9% |
| Thailand | 66.3 | 93.5% |
| Vietnam | 86.1 | 80.0% |
| Philippines | 92.7 | 73.6% |
| Indonesia | 237.5 | 55.1% |
| Pakistan | 177.3 | 50.9% |
| China | 1,328.0 | 46.6% |
| Bangladesh | 142.4 | 31.3% |
| India | 1,148.0 | 28.8% |

(1) Source: Economist Intelligence Unit for all countries except Bangladesh which is taken from Bangladesh Bank. Economist Intelligence Unit and Bangladesh Bank represent 2008 mid year figures and Bangladesh Bank figure is preliminary.

(2) Source: Bangladesh mobile penetration based on the BTRC reported subscribers and population from Bangladesh Bank. For all other countries, mobile penetration based on Informa Telecoms & Media reported subscribers and population from Economist Intelligence Unit.

The mobile telecommunications industry in Bangladesh is currently led by three major GSM operators: Grameenphone, Banglalink and AKTEL. We have the largest market share with a subscriber market share of 47.0% as of December 31, 2008. Banglalink, a subsidiary of Orascom, has the second largest market share by number of subscribers. AKTEL, 70.0% owned by Axiata (formerly TM International), has the third largest market share by number of subscribers. Warid, founded by the Abu Dhabi Group, entered the market in 2007 and has gained the

fourth largest market share by number of subscribers. CityCell, a subsidiary of SingTel, the Singapore-based telecommunications company, has the fifth largest market share by number of subscribers, and is the sole mobile operator to use a CDMA system. Teletalk, owned by the Government, has the lowest market share.

The following table summarizes the subscriber bases and market shares of mobile telecommunications operators in Bangladesh.

| | As of December 31, | | | | | |
|--|--------------------|--------|--------|--------|--------|--------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Subscribers (in millions)⁽¹⁾ | | | | | | |
| Grameenphone | 1.14 | 2.39 | 5.54 | 10.76 | 16.48 | 20.99 |
| Banglalink ⁽¹⁾ | 0.19 | 0.37 | 1.03 | 3.28 | 7.08 | 10.33 |
| AKTEL | 0.40 | 1.10 | 2.07 | 5.80 | 6.40 | 8.20 |
| Warid | 0.00 | 0.00 | 0.00 | 0.00 | 2.15 | 2.33 |
| CityCell. | 0.18 | 0.30 | 0.44 | 1.20 | 1.41 | 1.81 |
| Teletalk | 0.00 | 0.00 | 0.19 | 0.46 | 0.85 | 0.98 |
| Total | 1.91 | 4.15 | 9.27 | 21.49 | 34.37 | 44.64 |
| Market share⁽¹⁾ | | | | | | |
| Grameenphone | 59.8% | 57.5% | 59.8% | 50.1% | 48.0% | 47.0% |
| Banglalink | 9.8% | 8.9% | 11.1% | 15.2% | 20.6% | 23.1% |
| AKTEL | 21.1% | 26.4% | 22.4% | 27.0% | 18.6% | 18.4% |
| Warid | 0.0% | 0.0% | 0.0% | 0.0% | 6.3% | 5.2% |
| CityCell. | 9.4% | 7.1% | 4.7% | 5.6% | 4.1% | 4.1% |
| Teletalk | 0.0% | 0.0% | 2.1% | 2.1% | 2.5% | 2.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

(1) Source: Subscribers for 2003-2005 taken from Ministry of Finance Economic Review 2007. Subscribers for 2006 from Pyramid Research. Subscribers for 2007 and 3Q '08 taken from the BTRC.

Bangladesh mobile telecommunications services are expected to continue seeing growth in the coming years. A number of trends can be identified as follows:

- *Continued growth in demand mobile telecommunications services.* We expect that demand for mobile telecommunications services will continue to grow in the medium term as Bangladesh continues to develop and modernize and penetration of mobile services increases among the population.
- *Significant growth in penetration rates in regions outside of Dhaka.* The relatively low penetration rates in regions outside of Dhaka offer growth potential for mobile telecommunications services providers in Bangladesh as the population residing outside of Dhaka becomes more affluent.
- *Foreign investment in the mobile telecommunications market.* Investment in the Bangladesh mobile telecommunications industry by foreign operators has been one of the growth catalysts for the industry. In 1997, Telenor invested in Grameenphone through its subsidiary TMC and Telekom Malaysia invested in AKTEL. Other regional telecom operators including SingTel, Orascom and Warid Telecom International LLC have since invested in CityCell, Banglalink and Warid, respectively. Warid is the latest operator to enter the Bangladesh market, and as of December 31, 2008, Warid reported 2.33 million subscribers, making it the fourth largest operator in Bangladesh, surpassing Teletalk and CityCell. The prevalence of foreign operators in Bangladesh is likely to continue to drive additional growth in the market.

The BTRC has allocated all available spectrum in Bangladesh customarily used for mobile telecommunications to the six licensed operators.

We expect that regulatory changes may occur that may significantly affect our industry, including the introduction of competition rules (such as rules regulating significant market players), unified licensing, number portability, new categories of licenses (including 3G), the grant to telecom operators of the ability to launch additional services, the grant of telecom licenses to new operators, tariff reductions and environmental compliance.

We also expect that some of the new regulations may prohibit existing operators from acquiring these licenses. See “Risk Factors and Management’s Perception about the Risks—Potential or Existing Government Regulations.”

We cannot assure you that such developments will occur, that we will benefit from such developments or that other developments adverse to the mobile telecommunications industry in Bangladesh or our business will not arise.

(IV) REGULATION OF THE TELECOMMUNICATIONS INDUSTRY IN BANGLADESH

The telecommunications industry in Bangladesh is regulated by the BTRC. The BTRC was established effective January 31, 2002 and has the power of licensing, regulating and supervising telecommunications systems and services in Bangladesh. The MOPT determines the Government's policies concerning the telecommunications sector. The MOPT's functions include (i) facilitating the exchange of information on telecommunications within and outside Bangladesh; (ii) identifying areas where telecommunications technology can be applied to develop local culture; (iii) identifying the fields of public and private sector investment for the purpose of developing an effective and modern telecommunication infrastructure; and (iv) co-ordinating Bangladesh's participation in the activities of the International Telecommunication Union ("ITU") and other international organizations regarding policies, standards and procedures to be followed in the telecommunications sector. Apart from the specific functions of the MOPT, the Government has the power to take all necessary action in order to establish its rights and discharge its obligations under international laws and regulations or any international agreement relating to telecommunications. Both the MOPT and the BTRC derive their authority over the Bangladeshi telecommunications sector from the Bangladesh Telecommunication Act. See "—Regulatory Framework—Framework under the Bangladesh Telecommunication Act, 2001."

Regulatory Framework

Prior to the Bangladesh Telecommunication Act, 2001

Until 1996, regulatory functions were discharged solely by the BTTB under the Bangladesh Telegraph and Telephone Board Ordinance, 1979, as amended (the "BTTB Ordinance"). See "—Bangladesh Telegraph and Telephone Board Ordinance, 1979." During this period, BTTB also acted as the sole public sector telecom utility service provider. As concerns were raised regarding a conflict of interest in BTTB discharging both the role of regulator and operator, in 1996, the Government took over its regulatory functions by amending the Rules of Business and granting the MOPT exclusive authority to grant licenses regulating the local telecommunications sector pursuant to the Telegraph Act, 1885, as amended (the "1885 Act") and the Wireless Telegraph Act, 1933, as amended (the "1933 Act"). The MOPT determined telecommunications law and policy pursuant to the 1885 Act and the 1933 Act, and later, the National Telecommunications Policy, 1998, as amended (the "National Telecommunications Policy").

Under the foregoing laws and regulations, the MOPT issued licenses to three of the existing six cellular mobile operators: us, Banglalink, and AKTEL. CityCell's license was granted by BTTB.

The 1885 Act and the 1933 Act, though not repealed, have been effectively superseded by the BTA and the BTRC Interconnection Regulations 2004, as amended in 2008 (the "Interconnection Regulations"). The National Telecommunications Policy sets out the Government's overall policy for the telecommunications sector.

The Telegraph Act, 1885

The 1885 Act provides that the Government shall have exclusive power to grant and revoke "telegraph" licenses within Bangladesh. Further, the Government may from time to time, by notification in the official Gazette, make rules consistent with the 1885 Act regulating the conduct of all or any telegraphs established, maintained or worked by the Government or by persons licensed under the 1885 Act. In addition, under the Act the telegraph authority, which is the Director-General of the Bangladesh Telegraph and Telephone Department, can make rules and has the responsibility to recover applicable dues. Under the 1885 Act, the telegraph authority also has the power to place and maintain lines and posts and to enter on property to repair or remove telegraph lines or posts. Violations of the provisions of the 1885 Act may result in jail, fines, or both.

Although the 1885 Act only refers to "telegraphs," it has been established through a judgment of the Supreme Court of Bangladesh that the 1885 Act includes telephones and telecommunications, including mobile telecommunications.

The Wireless Telegraph Act, 1933

The 1933 Act regulates the possession of wireless telegraphy apparatus in Bangladesh, including the making, transmitting or receiving of telegraphic, telephonic or other communications. The 1933 Act authorizes the Director-General of the Bangladesh Post Office to issue licenses concerning the possession of wireless telegraph apparatus. The Government has the general power to make rules for the purpose of carrying into effect the provisions of this Act. Violations of the 1933 Act may result in fines and the confiscation of equipment.

Until the telecom sector was opened up for private investment, the 1933 Act was used only to issue television licenses.

Bangladesh Telegraph and Telephone Board Ordinance, 1979

The BTTB Ordinance provided for the management, operation and development of telegraphs and telephones through the operations of BTTB. BTTB's role was to establish, operate and maintain telephone lines in Bangladesh and to exercise all powers of the Government under the 1885 Act except, inter alia, the power to issue licenses. The BTTB Ordinance also laid out rules for the appointment of officers and other employees, special powers of the BTTB Chairman, and rules for maintaining BTTB's accounts. Under the BTTB Ordinance, with prior approval of the Government, BTTB could also make regulations for the purpose of giving effect to the provisions of this BTTB Ordinance.

On July 1, 2008, through an amendment to the BTTB Ordinance, BTTB's functions were handed over to the newly constituted BTCL, a public company formed to take over BTTB's role, as well as its assets and liabilities. BTCL will operate as an independent company, with a board of directors nominated by the Government.

National Telecommunications Policy, 1998

The National Telecommunications Policy was formulated to develop a national telecommunications infrastructure to support the economy and welfare of the country, to facilitate universal, good quality telephone service throughout the country and to promote value-added services such as data services and internet access at an affordable cost without compromising performance. The National Telecommunications Policy also aims to provide a level playing field for all operators and encourage competition among them in the hopes that the Government's role as a service provider will diminish as the private sector's role increases. The National Telecommunications Policy further recognizes the importance of the exchange of information, promotion of national integration, resource mobilization both through private sector investment and foreign investment, a liberalized tariff policy and promotion of users' needs at competitive prices. In summary, the National Telecommunications Policy was formulated to act as a catalyst for the growth and development of telecommunications in the country with a view to producing a modern, balanced and dynamic society. The National Telecommunications Policy envisages promoting research and development activities while encouraging the use of local products of acceptable standard and competitive price to ensure efficient development of the country's telecommunications infrastructure.

Framework under the Bangladesh Telecommunication Act, 2001

The BTA sets out the current principal framework for the regulation of the telecommunications industry in Bangladesh.

Under the BTA, the BTRC was established as an independent regulatory body, effective January 31, 2002. The BTRC aims to, among other things, (i) encourage the orderly development of a telecommunications system that enhances and strengthens the social and economic welfare of Bangladesh; (ii) ensure access to reliable, reasonably priced and modern telecommunications services and internet services for the greatest number of people; (iii) ensure the efficiency of the national telecommunications system and its capability to compete in both the national and international spheres; (iv) increase the competitiveness of the telecommunications system; and (v) encourage the introduction of new services and create a favorable atmosphere for local and foreign investors in the local telecommunications sector. It achieves its goals through the enforcement of the BTA and through regulations formed pursuant to the BTA.

On its inception, the BTRC, acting under Sections 89 and 90 of the BTA, revalidated the licenses issued by the MOPT and BTTB for telecommunications services and systems, through what were termed "revalidation orders." Section 89 provides for the transition of existing licensing arrangements after the establishment of the BTRC, telecommunications licenses, certificates and permits issued prior to the establishment of the BTA by the MOPT and other governmental agencies remained valid as if issued by the BTRC. Similarly, license agreements remained valid as if executed by the BTRC. However, under Section 90, such licensees could carry on the licensed or authorized activity for no more than 12 months from the date of commencement of the BTRC and were required to apply to the BTRC, within three months of the establishment of the BTA, for the re-validation of their existing licensing documentation.

Section 35 of the BTA states that it is a criminal offence to carry out any of the following activities without a license issued by the BTRC. These activities include: (i) establishing or operating a telecommunications system or undertaking any construction work of such system; (ii) providing any telecommunications service; and undertaking any construction work for providing an internet service or (iii) installing or operating any apparatus for such service. Failure to hold a required telecommunications license is a criminal offence punishable by up to ten years imprisonment, payment of a fine of Taka 1,000,000, or both.

Section 31(2)(d) of the BTA requires the BTRC to approve, in line with Government policy, the types of telecommunications service for which licenses are necessary. Moreover, Section 99 confers on the BTRC a general power to make regulations consistent with the BTA for carrying out of the purposes of the BTA, while Section 98 similarly confers a general power to make rules.

Section 55 of the BTA requires every person who establishes, operates or uses radio apparatus for the purpose of radio communications to do so pursuant to a license issued by the BTRC. Failure to hold such a license is also a criminal offence punishable by up to ten years imprisonment, payment of a fine of Taka 1,000,000, or both.

National Information and Communication Technology Policy, 2009

The National Information and Communication Technology Policy 2009 (the “NICT Policy”) has been enacted for the development of the information and communication technology (“ICT”) sector in Bangladesh. The Policy aims at building an ICT-driven nation by 2021 through harnessing the power of ICT for economic and social gain. It envisages Bangladesh to be placed among the middle income countries, by 2021, with radical improvement in poverty reduction such that the citizens will be able to meet every basic need. With the Policy the Government aims to develop a countrywide ICT infrastructure to ensure access to information for human resources development, education, governance, e-commerce, banking, public utility services and other services. The NICT Policy also envisages the setting up of national databases that are reliable and easily accessible to all Bangladeshis. The Government has emphasized the development of public-private partnerships and will promote the use of ICT by providing special allocations for ICT project implementation in the public sector.

International Long Distance Telecommunication Services Policy, 2007

The ILDTS Policy was set up to encourage low cost international telecommunication services using modern technology. Under the ILDTS Policy, IGWs, ICXs, internet exchanges (“IX”) and “IP Telephony” services will be licensed and established, and all voice calls into Bangladesh, including calls made using VoIP, are to be routed through these services.

There is a three-layer system for voice services. The first layer involves IGWs, which are connected with the international network through submarine cables or other systems, and which are also connected with the ICXs. The second layer involves the ICXs, which are also connected with the ANS operators. The third layer is where the ANS operators provide services directly to end-users. Three IGW operators each operate one IGW, in addition to BTCL. IGWs will provide international voice call services, including VoIP. Two ICX operators each operate three ICXs, in addition to BTCL. International incoming and outgoing voice calls, including VoIP, will be routed through ICXs.

There will be a two-layer system for data services. The first layer involves the International Internet Gateways (“IIG”), which are connected with the international network through submarine cables or other systems, and which are also connected with the Internet Exchanges (“IXs”). The second layer involves the ANS operators, which are connected with the IIGs through the IXs. There will initially be one IX operator, which operates two IXs. International incoming and outgoing data services will be routed through IIGs.

Foreign investors have been expressly prohibited and all current local telecommunication providers barred from submitting any application for these licenses. The ILDTS Policy further mandates that only the local ISPs will be allowed to provide IP Telephony services. PSTN and cellular mobile operators, despite having ISP licenses for mobile internet services, may be ineligible to obtain IP Telephony services.

The BTRC has issued licenses to local companies, through an open bidding process, to set up IGW, ICX and IX services. The BTRC issued licenses to four IGW operators, three ICX operators, and two IX and IIG operators in 2008, and some of these companies have already commenced operations. The BTRC also announced in September 2008 that it would grant IP Telephony licenses to three ISPs by October 2008.

Licensing Procedures

Under the BTA, no entity is allowed to establish or operate a telecommunications system or provide internet services in Bangladesh, or provide, inside or outside of Bangladesh, any telecommunications or internet service without first obtaining a license from the BTRC.

Under prevailing licensing guidelines, any operator that wishes to provide the following services in Bangladesh must obtain the relevant license from the BTRC: PSTN services; Global Mobile Personal Communication by Satellite (“GMPCS”); cellular mobile phone services; national long distance services; overseas telecommunication services; internet data communication services; data communication services; VSAT services; paging services; radio trunking services; VoIP technology and services; network services; IGW; ICX; IX; IP Telephony services; 3G services; WiMAX services; call center services; and VAS.

Section 7 of the BTRC (Licensing Procedure) Regulations, 2004, as amended (the “Licensing Regulations”), provides an open licensing process for PSTN services. PSTN operators will be subject to regulatory licensing guidelines and must submit the model license form provided by the BTRC. For the purposes of convenience and licensing, the country has been divided into a number of zones. Pursuant to the Licensing Regulations, the BTRC is required to publicize that it will grant licenses to as many operators as may be viable for sustaining the market.

Section 5 of the Licensing Regulations further provides that the BTRC will publicize widely its intention of issuing licenses for different categories, including specifying the time and manner of how the applications shall be made. The BTRC also reserves the right to specify the criteria and conditions the applicants must fulfill in order to be eligible for obtaining a license, as well as the applicable fees and charges. The BTRC also determines the duration and conditions of any license it issues. Most recently, the BTRC awarded IGW and ICX licenses through an open auction pursuant to terms and conditions published by it under the ILDTS Policy. IP Telephony Services, call center services and telecom VAS are also services for which open licensing procedures are applicable.

Section 31 of the BTA gives the BTRC the power to renew, suspend and cancel licenses previously granted, while Section 39 gives the BTA the power to amend and modify such licenses.

Section 8 of the Licensing Regulations provides that the grant of any new license for a cellular mobile phone operator shall be subject to the availability of spectrum and that the procedure for licensing shall also be through a competitive bidding process.

In August 2008, the BTRC issued WiMAX licensing guidelines. Under these guidelines, current mobile operators may not apply for a WiMAX license and bidders must not be more than 60.0% foreign-owned. In September 2008, pursuant to an auction, three local companies won WiMAX licenses, subject to payment of the license fees. To date, two of these companies have paid the license fees. BTCL has also been granted a WiMAX license, subject to payment of the license fee as well. According to the conditions of the WiMAX licenses, these companies will have to set up at least 90 base stations within a year, and should begin providing services by mid-2009.

Tariffs and Charges

The BTRC requires all cellular mobile operators providing services in Bangladesh to pay an annual license fee of Taka 50 million, as well as an annual revenue sharing fee of 5.5% of collected rent and call charges. In addition, cellular mobile operators are required to pay spectrum charges as fixed by the BTRC.

Under Section 48 and other provisions of the BTA, cellular mobile operators are prohibited from offering any tariff without first obtaining the BTRC’s approval. However, the BTRC is in the process of formulating a comprehensive tariff regulation system in consultation with all stakeholders in the Bangladesh telecommunications industry. On July 26, 2007, the BTRC issued the Interim Directive on Tariffs with immediate effect to set a number of interim regulations. The BTRC fixed a range of rates within which the operators can charge for airtime, the maximum being Taka 2.00 per minute and the minimum being Taka 0.25 per minute. The range applies to all voice services and packages offered by the operators.

Under the Interim Directive on Tariffs, the BTRC also mandated that, if a promotional package is offered, the promotional tariff must be the same for all subscribers under the same package and may not vary depending upon geographic location. Promotional tariffs can only be offered for two consecutive months or less. If a promotional (and presumably discounted) tariff exceeds this two month period, that promotional tariff will be considered a permanent tariff.

No migration charges can be applied if an existing subscriber wishes to migrate to a new promotion package. An operator is also not allowed to charge prepaid subscribers a monthly fixed charge. Thus, for instance, promotions whereby a subscriber is given a promotional price if that subscriber pays a certain amount monthly are not allowed.

Finally, prior approval from the BTRC is mandatory for any new promotion or scheme designed by any operator which has not been addressed by the above provisions. Operators will have to file details of such promotion packages on the same day of declaring the said package.

On February 7, 2008, after a series of discussions with the country’s cellular mobile operators, the BTRC amended a few provisions of the Interim Directive on Tariffs. It extended the period for which promotional tariffs could be offered, without penalty, from two months to three months. While no other changes were made regarding tariffs and charges, the BTRC will consider, on a case-by-case basis, situations whereby the operators want to charge non-uniform promotional tariffs and to charge prepaid subscribers a monthly fixed charge.

On March 24, 2009, the BTRC issued a 2nd Amendment to the Interim Directive on Tariffs. In this amendment, the BTRC fixed a tariff range of Taka 0.25 to Taka 2.00 for on-net calls and Taka 0.65 to Taka 2.00 for off-net calls. BTCL is excluded from this circuit. The BTRC also reset the revenue sharing of interconnection charges at 10% of the total interconnection charge for ICX (Taka 0.04 per minute) and the remaining interconnection charge (Taka 0.36 per minute) is to be shared equally between the call originating and call terminating operators for domestic calls (Taka 0.18 per minute each).

Network Interconnection

In exercise of the powers conferred under Section 99 of the BTA, the BTRC formulated the Interconnection Regulations to ensure the establishment of uniform, neutral and transparent interconnection arrangements between the telecommunication networks of the operators in Bangladesh. The purpose and scope of the Interconnection Regulations are to encourage the orderly development of the telecommunication systems, prevent and abolish discrimination in the provision of services, ensure fair competition and promote and safeguard the interests of customers by ensuring reliable and fairly priced modern services with reasonable accessibility. The Interconnection Regulations further stipulate that they are meant to ensure effective telecommunication services in Bangladesh in accordance with Section 47 of the BTA, through the execution of bilateral agreements between the operators and/or interconnection access providers.

The Interconnection Regulations provide that all operators shall abide by the provisions of the Interconnection Regulations and the directives issued by the BTRC from time to time in respect of interconnection. They further provide that it is mandatory for all operators to ensure logical interconnection among their exchanges and/or networks, enabling the subscribers of one operator to communicate with the subscribers of the other as and when required. The Interconnection Regulations also mandate that when a licensed operator requests interconnection with another operator, such operator is to meet all reasonable requests of the requesting party for access to its networks, adhere to the principles of non-discrimination with regard to interconnection offered, provide interconnection facilities and services of the same quality as it provides for its own services or for those of others, and make available on request of the requesting party all relevant information and specifications necessary to facilitate the conclusion of an agreement for interconnection, including information on charges.

Under the Interconnection Regulations, it is the responsibility of the BTRC to encourage and take action for adequate interconnection and interoperability of services and it may intervene in negotiations on an interconnection agreement if no agreement is concluded between parties within three months of request by any party. The BTRC on its own initiative and in the public interest may also intervene in negotiations if it considers that an interconnection agreement has been delayed and a monopoly situation is prevailing. The BTRC has the right to review any interconnection agreement between operators and direct parties to incorporate changes and/or amend the agreement to ensure conformity to the BTA, the Interconnection Regulations or the Interconnection Guidelines issued by the BTRC, which prescribe the requirements and provisions for interconnection between operators.

The Interconnection Regulations further require the interconnecting parties to maintain the highest level of service and meet any priorities laid down by the BTRC. They also require that service be available on a regular basis and that interconnection agreements be transparent, fair, reasonable, non-discriminatory in nature, without anti-competitive practices, and that parties promote and safeguard the subscribers' interest as to reasonable accessibility. The Interconnection Regulations specify the issues that may be included in an interconnection agreement.

The 2008 amendment to the Interconnection Regulations primarily incorporates references and provisions as to ICX and IGW operators and the mandatory requirements for these operators. In accordance with the BTRC directive on the ILDTS Policy, all interconnection between operators is to be routed through an ICX. Such ICXs are to be owned and operated by Bangladeshi residents.

Currently, interconnection charges vary depending on call source and call destination. For mobile to mobile calls, mobile to PSTN calls and PSTN to mobile calls, interconnection charges are set at Taka 0.40 per minute (though BTCL and its predecessor BTTB did not have to pay interconnection charges until October 1, 2007). For mobile or PSTN calls to international destinations, interconnection charges vary depending on the end location.

The BTRC has begun implementing a new interconnection regime in accordance with the ILDTS Policy, under which bilateral connections between operators will be replaced by an operator connecting to an ICX. With effect from August 24, 2008, the ICX is responsible for routing international calls through an ICW, and with effect from December 24, 2008, the ICX is responsible for routing domestic inter-operator calls through itself. Specifically, under the new interconnection regime, beginning December 24, 2008, interconnection revenue for domestic calls was shared between Access Network Service ("ANS") operators (90.0%), such as ourselves, and

ICX (10.0%), resulting in the ANS receiving interconnection revenue of Taka 0.36 per minute at current interconnection rates and the ICX receiving Taka 0.04 per minute. But as per the BTRC's recent directive dated March 24, 2009, after the deduction of the ICX charge (Taka 0.04 per minute) the remaining amount of the interconnection charge (Taka 0.36 per minute) is to be equally shared between the call originating and call terminating operators. Accordingly, we would receive a net interconnection charge of Taka 0.18 per minute while we would pay an interconnection charge of Taka 0.22 per minute. Beginning August 24, 2008, charges of Taka 16.50 and Taka 6.00 per minute were set for outgoing international economy ISD calls to mobile networks and to PSTN respectively, and the previous zone wise tariff for normal ISD call is continuing. After the deduction of settlement amounts (as determined by the BTRC) to be paid to overseas networks from these call charges, the remaining amount is to be shared between ANS (40.0%), ICX (15.0%), IGW (15.0%) and the BTRC (30.0%). The interconnection revenue for incoming international calls, to be charged at no less than US\$0.03 per minute (effective from 19 April, 2009) is to be shared between IGW (65.0%), ICX (15.0%) and ANS (20.0%), resulting in the IGW receiving interconnection revenue of US\$0.019 per minute, the ICX receiving interconnection revenue of US\$0.0045 per minute and the ANS receiving interconnection revenue of US\$0.006 per minute. The BTRC reserves the right to change these interconnection rates at any time.

Spectrum Allocation

Pursuant to Section 56 of the BTA, the BTRC set up the Spectrum Management Committee (the "SMC") to manage radio frequency. The SMC consists of one Commissioner and such members of the BTRC as the BTRC may specify. Upon the formation of the SMC, the overall functions and responsibilities of the old Frequency and Wireless Board, which was formulated under the 1933 Act, were transferred to the SMC, including the documents related to allocation of radio frequencies made prior to the commencement of the BTA, the pending applications for allocation of radio frequency and all related matters.

Subject to the other provisions of the BTA, the functions of the SMC are:

- to make recommendations to the BTRC on the principles of allocation of radio frequency and fees for such frequency;
- to make recommendations to the BTRC for specifying the radio frequencies to be used for operating radio apparatus or for providing services by various licensees, broadcasting enterprises and other organizations;
- to make recommendations to the BTRC on the methods and time-limits of allocation of radio frequencies and the revocation or modification thereof;
- to co-ordinate the international and multipurpose use of radio frequency and to frame policies thereon, to present such policies for approval of the BTRC and to revise from time to time the policies approved by the BTRC;
- to revise matters relating to radio frequency bands in order to ensure their proper use and the receipt of better information by using such bands;
- to determine the technical standards applicable to radio apparatus or interference causing apparatus; and to make recommendations on the issuance of technical acceptance certificates;
- to make recommendations on the issuance of licenses for radio apparatus; and
- to monitor compliance with the provisions of the BTA and with regulations in respect of the use of the allocated radio frequency spectrum, and to make suggestions on the actions to be taken, if any.

In exercising its powers and performing functions and duties under the BTA, the SMC shall follow the applicable criteria specified or recommended by the ITU or by its concerned Standing Committee or by other organizations. The BTRC may also direct the SMC to perform other functions.

To obtain a radio apparatus license, allocation of a radio frequency or a technical acceptance certificate, an application must be submitted to the BTRC. Within seven days of receipt of such application, the BTRC shall send such application, with comments if any, to the SMC. The SMC shall, within the next 30 days, make such inquiry on the matter as it considers necessary and present the application with its comments and recommendations to the BTRC.

The BTRC shall, after consideration of the comments and recommendations of the SMC on the concerned application, take decision on the issuance of a license for radio apparatus or a technical acceptance certificate or

allocation of radio frequency, as the case may be, and shall in all cases determine the conditions applicable thereto after consideration of the SMC's recommendation.

The BTRC, in consultation with the SMC, has produced the National Frequency Allocation Plan ("NFAP") to manage Bangladesh's spectrum resources. The NFAP identifies the distribution of spectrum between stakeholders, both governmental and non-governmental, and provides an indication of the manner in which radio frequency spectrum is utilized in Bangladesh. The NFAP will be reviewed periodically, before and immediately after an ITU World Radio Communication Conference or subsequent to any frequency harmonization initiative of the Asia Pacific Telecommunity.

Recent spectrum allocation

In September 2008, the BTRC allocated additional spectrum to three mobile operators: 7.4 MHz to us, 5.1 MHz to Banglalink, and 5 MHz to AKTEL. The price for the additional spectrum was Taka 800 million per MHz. Each operator was supposed to pay a downpayment of 25.0% by October 30, 2008, with the remainder of the price to be paid by June 2009, in equal installments each month. The allocation is for 18 years. The operators are allowed to provide services using this spectrum in accordance with the terms of their mobile cellular licenses. Spectrum charges are set in accordance with the current spectrum pricing formula. See "Description of Business—Our Licenses—Mobile Cellular License" for a summary of the current spectrum pricing formula. We paid for the full amount of bandwidth allocated to us, while Banglalink and AKTEL acquired only 2.6 MHz and 2.0 MHz, respectively.

Universal Service Obligations

All operators have universal service obligations in their licenses, as mandated by the National Telecommunications Policy. Examples of such obligations are the need to perform all work and maintain all equipment in accordance with ITU standards; to provide service with cellular cell sizes of a maximum of 7.0 km for urban areas and 17.5 km for rural areas; and to set up an internal management information service to handle customer service issues, including a mechanism to settle complaints and disputes.

Each license further requires the operators to maintain the quality and standard of services as may be determined by the BTRC from time to time, and to submit compliance reports to the BTRC at specified intervals.

Registration Requirements

In February 2006, the BTRC directed all mobile operators to register all new subscribers using a prescribed form. In July 2007, the BTRC instructed all cellular mobile operators to re-register, in a prescribed format by May 31, 2008, all their subscribers who had signed up before February 28, 2006, including obtaining the subscribers' fingerprints and copies of specified documents for identification and verification purposes, including a picture and a copy of a driver's license or identification card. Mobile operators are required to deactivate the accounts of all subscribers not re-registered by the deadline. The BTRC stated it would impose a penalty of US\$10 on the responsible operator for each non-registered phone number that was found to be active on or after June 1, 2008. Each operator was to send a list of deactivated and unregistered phone numbers to the BTRC by July 16, 2008. On July 29, 2008, the BTRC then imposed a penalty of US\$50 for each non-registered phone number found to be active on or after August 1, 2008.

The BTRC has also formed a committee, including mobile operators and other law enforcement agencies, to improve and streamline the existing registration process.

National Numbering Plan

Pursuant to Section 30(1)(h) of the BTA, the BTRC created a national numbering plan that all operators must follow. Operators are to update the BTRC at regular intervals on their progress. The Bangladesh Numbering Plan (the "Numbering Plan") is intended to operate for the next 25 years for a projected forecast of 100.0% teledensity by the year 2013. The Numbering Plan is in conformity with applicable ITU standards to the fullest extent possible. It reserves the numbering capacity to meet future needs by supporting effective competition through fair access to numbering resources, while keeping the changes in the existing scheme to a minimum. The decimal character set 0-9 has only been used to form part of the National (Significant) Number ("N(S)N") and the dialing procedure followed is in accordance with ITU Recommendation E.164. A 10-digit N(S)N is used for both basic and cellular mobile services, where basic cellular mobile service calls shall use prefix "0" and a carrier access code for international long distance has been reserved as "10" to cater for multiple international long distance telecommunications operators in the coming years. A separate carrier identification code has been set for toll and non-toll quality international long distance services, while certain level "1" codes have been earmarked for all

service providers to offer various services as per their choice within their network. The Numbering Plan further stipulates that all the service providers shall use “100,” “101” and “102” for police, fire and ambulance services respectively.

Marketing and Promotions

There are several regulations governing marketing and promotions within the telecommunications industry in Bangladesh. Under the Penal Code 1860, it is a criminal offence to publish an offer involving any consideration on a draw or lottery or as an inducement to the buying of any commodity, including cellular mobile services. However, promotions whereby the result is determined by skill and not by chance are not covered under this regulation. Hence, competitions or quizzes involving knowledge or skill are allowed for marketing and promotional purposes.

Through the Interim Directive on Tariffs, the BTRC imposed interim regulations on marketing and promotion efforts by cellular mobile operators. For a company incorporated in Bangladesh under the Companies Act, the name of the company, in legible Bengali or English characters, is to be mentioned in the company’s billheads and letters, in notices, advertisements and other official publications of the company, in all bills of exchange, hundis, promissory notes, endorsements, cheques and orders for money or goods purporting to be signed by or on behalf of the company, and in all bills of parcels, invoices, receipts and letters of credit of the company. Furthermore, such company is required to paint or affix its name in legible Bengali or English characters, in a conspicuous position on the front of every office or place in which its business is carried on, and to have its name engraved in legible characters on its seal.

As to promotions, if bonus or free airtime is granted as part of a package, such airtime can only be used for off-net or different network call purposes, and no on-net or same network bonus or free airtime is allowed. This restriction also applies to the usual practice of offering bonus airtime in recharge or refill promotions. No goods of value other than free airtime, SMSes or mobile handsets can be offered as promotional prizes. Other prizes, however, are allowed if they are given to all participating subscribers (but not through a lottery).

All advertisements in print and electronic media and all marketing and promotional display materials, campaigns, events, and similar promotions must conform to the culture, social values, norms, practices, beliefs and heritage of Bangladesh.

Finally, prior approval from the BTRC is mandatory for any new promotion or scheme designed by any operator which has not been addressed by the above provisions. Operators will have to file details of such promotion and packages on the same day of declaring the said package.

On February 7, 2008, the BTRC amended a few provisions of the Interim Directive on Tariffs, thereby allowing operators to offer on-net as well as off-net bonus airtime. Such on-net bonus airtime, however, cannot violate the tariff range the BTRC had set out earlier, meaning that the effective call charges, on average, cannot go below Taka 0.25 per minute or above Taka 2 per minute. See “—Tariffs and Charges.” Moreover, operators wanting to offer on-net bonus airtime have to submit to the BTRC a detailed financial calculation of the effective tariff at least three working days before launching such an offer. On the issue of promotional prizes, the BTRC agreed to allow the operators to offer items of smaller value as well, such as caps and T-shirts.

On March 24, 2009, the BTRC issued a 2nd Amendment to the Interim Directive on Tariffs. In this amendment, the BTRC fixed a tariff range of Taka 0.25 to Taka 2.00 for on-net calls and Taka 0.65 to Taka 2.00 for off-net calls. BTCL is excluded from this circuit. The BTRC also reset the revenue sharing of interconnection charges at 10% of the total interconnection charge for ICX (Taka 0.04 per minute) and the remaining interconnection charge (Taka 0.36 per minute) is to be shared equally between the call originating and call terminating operators for domestic calls (Taka 0.18 per minute each).

Companies Act, 1994

The Companies Act governs all Bangladesh companies from incorporation up to and including winding-up and dissolution. The Companies Act provides for, among other things, continuing compliance requirements for the holding of board and shareholder meetings; the filing of annual and other periodic and occasional returns regarding directors; the passing of special and extraordinary resolutions; the transfer of shares; the maintenance of books, accounts and registers; and the issue of capital. It also establishes the office of the Registrar of Joint Stock Companies and Firms (the “Registrar”) and provides for the powers and responsibilities of the Registrar.

Under the Companies Act, a shareholder of a company has specific rights concerning the company, including the right to obtain information about the company’s allotment of shares; obtain share certificates; transfer

shares in accordance with the provisions of the company's articles of association; receive notices of general meetings and attend them; propose resolutions and vote in person or by proxy in general meetings; participate in the appointment of directors at general meetings; approve the declaration of dividends and receive them within two months of declaration; to receive statutory reports, directors' reports, and auditors' reports before an annual general meeting; and, for minority shareholders, to apply to the Bangladesh courts for protection as a minority shareholder.

A company must, under the Companies Act, hold at least one general meeting of its shareholders every calendar year. The AGM must include approval of the company's annual report and audited accounts; the appointment of auditors; and the resignation by rotation and appointment of directors. All other general meetings of a company, except its first statutory meeting, are considered EGMs. Holders of not less than 1/10th of the company's issued share capital may require the company's directors to call an EGM, and the directors must do so within 21 days of the deposit of the requisition. The meeting itself must be called for a day not later than 45 days from the date of deposit of the requisition. The Companies Act also includes regulations governing the passing of special and extraordinary resolutions.

The board of directors of a company must appoint auditors within one month of the company's registration; auditors are appointed thereafter in general meeting. Only chartered accountants may be appointed auditors. The auditors shall have access to all books and papers of the company. The Companies Act outlines the auditors' required scope of inquiry, as well as the nature of the certification to be provided, including whether advances or loans have been properly secured, and whether their terms are harmful to the interests of the company or its shareholders; whether the book-transactions of the company are harmful to the interests of the company; whether the assets of any company other than an investment or a banking company have been sold at a value lower than that paid through shares, debentures or other securities through which they were purchased; whether loans given by the company and advance deposits made by the company have been shown in the accounts; whether personal expenditures have been included in the revenue account; and, where any books of the company show that shares have been allotted for a cash consideration, whether that consideration has in fact been received in cash, and if so whether this has been properly reflected in the accounts and the balance sheet.

Under Section 2(f) of the Companies Act, a "director" includes "any person occupying the position of director by whatever named called." The requirements under the Companies Act for a director in a private company incorporated in Bangladesh are as follows: he is a natural person; he is elected by the shareholders; he is appointed by the company's board of directors to fill a casual vacancy. However, such person shall not have been previously removed as a director by the shareholders. Additionally, he must hold qualification shares as stated in the company's articles of associations, if applicable, within 60 days of appointment. Additional qualifications for a director of a private company may be specified in other laws or regulations for a particular topic or business.

The ordinary common law duties of directors, including the duty of loyalty (duty to act honestly and in good faith) and duty of skill and care (duty to exercise a reasonable degree of skill and diligence), also apply to directors in Bangladesh. A director is liable either as a "director" or as an 'officer" under various provisions of Bangladesh statutes.

Every public company and a private company which is a subsidiary of a public company must have three directors, while a private company not falling under the above criteria must have at least two directors. No director shall hold any office for profit without the consent of the company in a general meeting. A director who is a director of two companies cannot himself enter or cause the company to enter into a contract between the two companies for the sale, purchase or supply of goods and materials without consent of the rest of the directors. Directors who are interested parties in any contract or arrangement entered into by or on behalf of the company are required to disclose their interest, and in some cases, to desist from voting on any such decision, and their presence would not be counted towards a quorum for that purpose. The penalty for contravention is a fine not exceeding Taka 5,000. Companies are required to keep a register in which particulars of all such contracts or arrangements shall be entered and which shall be open to inspection by shareholder at the company's registered office during business hours. The penalty for contravention is a fine not exceeding Taka 1,000.

Every company must maintain books of account with respect to all sums of money received and expended by the company, all sales and purchases of goods, the assets and liability, and other overhead costs of the company. The books of account are to be kept at the registered office of the company and should be available for inspection during office hours by directors and any authorized Government officials. In case of an inspection by Government officials, a director must provide them with all information and documents relating to the affairs of the company as may be required. The books of account of any company relating to a period of not less than twelve years immediately preceding the current year together with vouchers relevant to any entry in such books of account is to be preserved in good order. Failure to comply with these provision may result in imprisonment, a fine, or both.

Foreign Ownership

There are no regulations specifically concerning the foreign ownership of telecommunications companies other than the ILDTS Policy, which prohibits foreign companies from participating in the bidding process for licenses to provide IGW, ICX and IX services. The laws of Bangladesh also permit foreign investment and ownership in all sectors except a few restricted areas such as arms, ammunitions and other defense equipment; the production of nuclear energy; forest plantation and mechanized extraction within the bounds of reserved forests; and security printing. There are also no specific rules pertaining to foreign ownership in Bangladesh in general except in the Foreign Private Investment (Promotion and Protection) Act, 1980, as amended (the “FPIA”).

The FPIA governs the promotion and protection of foreign investment in Bangladesh. “Foreign private investment” means the investment of foreign capital by a person who is not a citizen of Bangladesh or a company incorporated outside of Bangladesh, not including investment by a foreign government or an agency of a foreign government. Under the FPIA, the Government will accord fair and equitable treatment to foreign private investment, and such investment shall enjoy full protection and security in Bangladesh.

Under the FPIA, foreign private investment shall not be expropriated or nationalized or be subject to any measures having the effect of expropriation or nationalization, except for a public purpose. Any foreign private investment expropriated or nationalized for a public purpose shall be adequately compensated in an expeditious manner and such compensation will be freely transferable. Adequate compensation shall be an amount equivalent to the market value of the investment expropriated or nationalized, immediately before the expropriation or nationalization. The FPIA also guarantees the transfer of capital and the returns from any foreign private investment and, in the event of liquidation of any industrial undertaking containing such investment, of the proceeds from such liquidation. This guarantee shall be subject to the right which, in circumstances of exceptional financial and economic difficulties, the Government may exercise in accordance with the laws and regulations applicable in such circumstances. In the event of foreign investment losses owing to civil commotion, insurrection, or riot, such foreign private investment shall be accorded the same treatment with regard to indemnification, compensation, restitution, or other settlement as is accorded to investment by Bangladeshi citizens.

Additionally, under the FPIA, if resident shareholders of a company incorporated in Bangladesh sell their shares to a company incorporated outside Bangladesh, the share purchase price paid in Bangladesh to the resident shareholders would be considered as “foreign capital” and therefore would qualify as a “foreign private investment” under the above provisions.

BOI, or the Board of Investment of Bangladesh, was established under the Investment Board Act, 1989, with the objective of providing facilities and assistance regarding the establishment of industries in the private sector and promoting and facilitating investments in the private sector both from domestic and overseas sources in order to contribute to the socio-economic development of Bangladesh. Industries in the private sector may be registered with BOI. Royalties and fees which are payable to a foreign national or organization for technical knowledge or technical assistance may be remitted by registering the project with BOI and applying to BOI for approval. Registration of a company with BOI enables the company to facilitate certain process, for example, obtaining foreign loans, remitting royalties, and processing work permits.

As to foreign exchange issues, Bangladesh Bank is, under the Foreign Exchange Regulation Act, 1947, responsible for the licensing of persons to deal in foreign exchange as authorized dealers and for supervising the activities of authorized dealers.

Guidelines for Infrastructure Sharing

On September 8, 2008, the BTRC published guidelines for infrastructure sharing among telecommunication service providers. The guidelines provide for sharing certain infrastructure and facilities, including non-electronic infrastructure and fiber optic networks. Under the guidelines, an existing operator may reserve not more than 25.0% of spare capacity, and must negotiate in good faith with any other operator that is seeking to use its infrastructure. Operators will be required to provide capacity to other operators on a “first come first served” basis, but may refuse an application on grounds of insufficient capacity. Operators are to enter into agreements for sharing infrastructure, with tariffs and charges to be mutually agreed upon based on directives from the BTRC. Each operator will be required to publish detailed information on its website, to be updated monthly, regarding its infrastructure installations that are available for sharing with other operators.

Consumers' Rights Act

The Consumers' Rights Protection Act was passed on April 1, 2009. The Directorate will be formed pursuant to this Act, and consumers may file complaints against traders, manufacturers or service providers with the Directorate.

Under the Consumers' Rights Act, acts that oppose and violate consumers' rights include: not preserving, displaying or showing the price list for services; providing any service at a price higher than the price specified under any law or regulation; deceiving the customer by deceptive or false advertisements with the objective of selling any service; not selling or supplying properly the assured service in exchange for the specified price; conducting work that endangers the life and safety of a service receiver; and bringing about a loss of money, health, and life of the service receiver through negligence.

If any person or organization provides a service and commits an act opposing or violating any consumer's right under the Consumers' Rights Act, the Director General or any officer empowered by the Directorate can temporarily order suspension of the relevant business. The Directorate will also play a surveillance role over service sectors and is empowered to impose a marketing ban on any product hazardous to health. Telecommunication service providers are also subject to the Consumers' Rights Act, and its management may also face imprisonment, fines or both for violating the Consumers' Rights Act.

Formation of the Association of Mobile Telecom Operators in Bangladesh

On August 13, 2008, the Association of Mobile Telecom Operators in Bangladesh ("AMTOB"), consisting of the six mobile operators in Bangladesh, created a trust with the objectives of looking after the operators' collective interests as well as the interests of their employees and subscribers; establishing a common platform for promoting and upgrading the local telecommunications system and services; and collecting and disseminating technical information and knowledge.

Restrictions on Contracts with Foreigners

The import of goods in Bangladesh is regulated by the Ministry of Commerce, pursuant to the Import and Export (Control) Act, 1950, as amended (the "Import and Export Act"). The Office of the Chief Controller of Imports and Exports (the "CCI&E") also issues "Import Policy Orders" and "Public Notices." The Customs Act, 1969, as amended (the "Customs Act") and the Import and Export Act are of central importance to private sector investment. The Customs Act sets out the goods which are dutiable and the rate at which the duty is chargeable, and provides for the procedures for import and export of goods and the collection of duties thereon. It also provides for the valuation of goods for the purpose of assessment of duties, import, export and warehousing of goods under bond, and sets out penalties for breach of these provisions. Customs duties are set according to the Harmonization Systems Code ("H.S. Code") classification of goods. For instance, a SIM card is given a separate H.S. Code., and any import tax imposed is based on that code number. In instances where a good does not correspond to a H.S. Code, the customs officials often fit the good forcibly into an H.S. Code in order to impose duty.

The system of pre-shipment inspection ("PSI") was introduced in 2000 to prevent the inaccurate description of goods for the avoidance of duty. However, the customs authorities retained the right to make random inspections of goods imported. The introduction of the PSI procedures was designed to reduce the incidence of discretion in imposing tariffs: PSI implementation has standardized and simplified the classification of goods and has reduced the monopoly powers of customs official in this function. However, the import of capital machinery is beyond the scope of the PSI system and such goods are still subject to a valuation process in accordance with Section 25 of the Customs Act and the Valuation Rules, 2000, as amended (the "Valuation Rules"). The Valuation Rules are framed in line with GATT Valuation Rules.

No person may commercially import any goods in Bangladesh unless he is registered with the CCI&E and obtains an Import Registration Certificate ("IRC"), pursuant to the Importers, Exporters and Indentors (Registration) Order, 1981, as amended. Unless otherwise specified, all imports must be made by opening an irrevocable letter of credit with a local bank. Imports may be made without a letter of credit against a "Letter of Credit Authorisation Form" ("LCAF"). Under the LCAF system, equipment can be imported by registering the purchase agreement for the equipment with Bangladesh Bank. Bangladesh Bank allows a party to pay the amount within 18 months. However, special permission can be obtained to pay the amount within 24 months. An industrial IRC is a pre-requisite to importing equipment under the LCAF structure. At the end of 24 months, the LCAF can be settled by taking loans from the local banks or from the company's own cash generation.

Subscriber Complaints

Individual subscriber complaints are normally taken care of by the individual operators through their customer care centers. Subscriber complaints also come through the BTRC and the news media. The BTA sets out procedures for the receipt and management of consumer complaints, and operators' licenses also include provisions for the management of customer services and the settlement of disputes and complaints with subscribers.

Section 59 of the BTRC provides that operators must establish complaint centers to receive and dispose of subscriber complaints. If an operator fails to resolve the complaint, the consumer may apply to the BTRC to take action. The BTRC must respond to a consumer's complaint within seven days of the filing of the complaint. The BTRC can also direct the operator involved to take the steps necessary to resolve the complaint.

Privacy

The privacy of individual citizens is protected under the Bangladesh Constitution. Section 71 of the BTA provides that a person commits an offence if he intentionally listens to a telephone conversation between two other persons, and for such offence he shall be liable to be sentenced to imprisonment for a term not exceeding six months or to a fine not exceeding Taka 50,000, or both. This section was amended in 2006 to allow law enforcement agencies the power to monitor telecommunications traffic in the interests of state security.

The BTRC has provided instructions to operators to maintain their customers' basic subscription and identification data in their records.

(V) ADDITIONAL DISCLOSURES

Additional disclosures as required by Securities and Exchange Commission in the process of approval of Prospectus for public issue of ordinary shares of Grameenphone Ltd.

Further to our report dated 30 November 2008 on the financial statements of Grameenphone Ltd. as at and for the nine-month period ended 30 September 2008, we are hereby furnishing our explanation regarding presentation of earnings per share in the face of the profit & loss account. We have also examined the additional disclosures in the Annexure as prepared by management of Grameenphone Ltd. in response to the queries made by Securities and Exchange Commission (SEC) of Bangladesh and certify them to be correct and complete.

Dhaka, 21 January 2009

Sd/-
(Rahman Rahman Huq)
Chartered Accountants

**Explanation by auditor regarding presentation of earnings per share in the face
of the Profit & Loss Account**

The preparation of financial statements is the responsibility of the management of the company. Auditors' responsibility is to express an independent opinion as to whether the financial statements are free of material misstatement. Financial statements become materially misstated when an amount or disclosure in the financial statements is so misstated that it overshadows the overall fairness of the financial statements.

The purpose of presenting earnings per share (EPS) in the financial statements is to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity.

Earnings per share (EPS) was not presented in the financial statements of 2005, 2006 and of 2007, because at that time Grameenphone Ltd. was neither a publicly traded company nor a company in the process of listing with any stock exchange. This is in line with BAS/IAS 33 *Earnings per Share*. Financial statements for the years 2005, 2006 and 2007 as included in the prospectus is merely a compilation not a fresh set of financial statements.

Financial Statements as at and for the nine-month period ended 30 September 2008 have been prepared for the purpose of issuing ordinary shares and accordingly should include the earnings per share (EPS) in the face of the Profit and Loss Account. Management of Grameenphone Ltd. has not presented the EPS in the face of the Profit & Loss Account.

In reaching our opinion on the financial statements of Grameenphone Ltd. for the period ended 30 September 2008, we have considered whether that non-presentation of EPS in the face of the Profit & Loss Account have any material impact on the true and fair presentation of the financial statements in the light of the fact that the prospectus includes EPS for all reported periods as per requirement of Securities and Exchange Commission (Public Issue) Rules 2006.

In view of the above, we concluded that such non-presentation would not affect our audit opinion.

Additional disclosures prepared by the management of Grameenphone Ltd.

1. Year-wise break-up of receivable from X-Net Ltd. as disclosed in note 7 to the financial statements

| | <u>30-Sep-08</u> | <u>31-Dec-07</u> |
|---|------------------|------------------|
| | Taka | Taka |
| Receivable from X-Net Ltd. (Note 1.1) | 2,226,000 | 2,226,000 |

1.1 Receivable from X-Net Ltd.
(year-wise break-up)

| <u>Year</u> | <u>Taka</u> |
|----------------|-------------|
| 2002 | 4,575,000 |
| 2003 | 4,575,000 |
| 2004 | 3,975,000 |
| 2005 | 3,975,000 |
| 2006 | 2,226,000 |
| 2007 | 2,226,000 |
| 2008 | 2,226,000 |

2. Number of handsets and scratch card

| | <u>30-Sep-08</u> | <u>31-Dec-07</u> |
|------------------------|------------------|------------------|
| | Units | Units |
| Handset | 2,123 | 4,161 |
| Scratch card | 43,584,711 | 68,437,873 |
| SIM (KIT) | 6,249,400 | 6,537,839 |

3. Break-up of other receivables (Taka 218,008,486) as shown in note 11 is as follows

| | <u>30-Sep-08</u> | <u>31-Dec-07</u> |
|--|--------------------|-------------------|
| | Taka | Taka |
| Bank guarantee margin | 70,922,723 | 1,440,533 |
| Receivables from Telenor Consult AS and other Telenor affiliates | 116,595,935 | 65,888,653 |
| Accrued interest from fixed deposit | 507,590 | 297,980 |
| Accrued interest from STD account | 17,524,766 | — |
| Receivable from others | <u>12,457,472</u> | <u>12,083,996</u> |
| | <u>218,008,486</u> | <u>79,711,162</u> |

4. Information about finance lease obligation as per IAS 17.

Information about finance lease obligation as per BAS/IAS 17 *Leases* has been presented in note 3.5 and note 19 to the financial statements.

5. Payables to shareholders of Grameenphone Ltd.

As at 30 September 2008, payables to Telenor Asia Pte. Ltd. for consultancy and professional fees amounted to Taka 31,909,372.

6. Deposit of tax and VAT deducted at source from suppliers as shown in note 22 to the financial statements

Tax and VAT deducted at source from suppliers were deposited to the National Exchequer in the following manner:

| | <u>Date of deposit</u> | <u>Amount deposited</u> |
|----------------------------------|------------------------|-------------------------|
| | | Taka |
| Tax deducted at source | 22-Oct-08 | 33,114,328 |
| | 23-Oct-08 | <u>36,118,040</u> |
| | | <u>69,232,368</u> |
| VAT deducted at source | 27-Oct-08 | 17,366,053 |

The rest of the amount represent the amount provided for in advance for supplier invoices which are yet to be paid. The amount will be deposited to National Exchequer after making actual payment to the suppliers.

7. Explanation for increase in frequency & spectrum charges payable to BTRC and in interconnection charges payable to BTCL (formerly known as BTTB)

Frequency & spectrum charges payable to BTRC as at 30 September 2008 included the unpaid portion of compensation to BTRC amounting to taka 1,000 million. This is the main reason behind increase in this line item.

Grameenphone Ltd. stopped making payment of interconnection charges to Bangladesh Telecommunications Company Ltd. (BTCL) from October 2007 when BTCL declined to pay similar charges to the company upon development of a dispute as to the applicability of a BTRC directive on interconnection charges. Grameenphone Ltd., however, duly provided for interconnection charges for the above mentioned period.

8. Explanation for VAT payable amounting to Taka 2,189 million as at 30 September 2008

As per requirement of VAT Act 1991, VAT returns for each month are required to be submitted by 10th working day of the following month. The entire amount of VAT payable other than the disputed and provisional amount of Taka 1,346 million was deposited accordingly in October 2008.

9. Amount of provision for expenses payable to shareholders of Grameenphone Ltd.

As at 30 September 2008, provision for expenses as shown in note 29 to the financial statements included no provision for expense payable to any shareholder of Grameenphone Ltd.

10. Reason for increase in legal and professional fees as shown in note 36 to the financial statements

Legal and professional fees increased mainly due to increase in legal fees related to an arbitration with one of Grameenphone's distribution channel partner and due to increment in retainer fees.

11. Related party disclosures

Related party disclosures have been made in accordance with the requirements of BAS/IAS 24 *Related Party Disclosures* in notes 11.6, 22, 29 and 46 to the financial statements. Additional related party disclosures are given in note 12 of this document.

12. Information required to be presented as per paragraph 4 and paragraph 8 of Part II of Schedule XI of the Companies Act 1994

12.1 Information regarding compensation of key management personnel as per requirements of paragraph 4 of Part II of Schedule XI of the Companies Act 1994 and BAS 24 Related Party Disclosures.

| | Nine-month period ended 30-Sep-08 | Nine-month period ended 30-Sep-07 |
|--|--|--|
| | Taka | Taka |
| Key management personnel compensation comprises: | | |
| Short-term employee benefits (salary and other allowances) | 872,920,806 | 532,158,884 |
| Post-employment benefits (provident fund, gratuity etc.) | 40,528,504 | 46,047,890 |
| Termination benefits | — | — |
| Other long-term benefits | — | — |
| Share-based payments | 4,086,432 | — |
| | <u>917,535,742</u> | <u>578,206,774</u> |

12.2 Information required by paragraph 8 of Part II of Schedule XI of the Companies Act 1994.

Grameenphone Ltd. has four shareholders outside Bangladesh and during the nine-month period ended 30 September 2008 the company has remitted the following amount as dividend to its non-resident shareholders.

| <u>Name of the shareholder</u> | <u>Number of shares held</u> | <u>Amount remitted as dividend</u> |
|--|---|---|
| | | Taka |
| Telenor Mobile Communications AS, Norway | 7,534,077,085 | 934,225,557 |
| Nye Telenor Mobile Communications II AS, Norway | 2,150 | 267 |
| Nye Telenor Mobile Communications III AS, Norway | 2,150 | 267 |
| Telenor Asia Pte Ltd, Singapore | 2,150 | 267 |

Other relevant information as per the requirement of paragraph 8 has been disclosed in note 47 to the financial statements.

APPENDIX B: GLOSSARY OF TECHNICAL TERMS

The following explanations are not intended as technical definitions, but to assist the general reader to understand certain terms as used in this Prospectus.

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| 3G | Third generation wireless services or universal mobile telecommunications services (“UMTS”). The new worldwide digital standards for wireless communications that offers true global roaming and can support a wide range of voice, data and multimedia services. |
| Access line | The system used to connect a subscriber to the nearest switch or concentrator. An access line generally takes the form of a closed circuit and consists of a pair of copper wires, but may also employ fiber optic cables, microwave links or other technologies. |
| Access Fee | Fees paid by telecommunications service providers to us and certain mobile cellular operators granted rights by us to operate networks for calls terminating on, or passing through, our and such other operators’ networks. |
| Access Network Service (ANS) | The PSTN, mobile, cable service providers and ISPs who provide services directly to end-users. For international calls, traffic is generally carried through trunk lines carrying aggregated data and then routed to a specific ANS. |
| ADSL (Asymmetric Digital Subscriber Line) | A technology for transferring data that uses existing copper wires to provide faster network access to the Internet and other popular multimedia and data services at speeds of up to two to six Mbps, a transfer speed 50 times faster than ordinary transfer technology. |
| Analog | A transmission mode in which the initial signal (i.e., voice) is converted into and transmitted as an electrical signal. |
| ATM (Asynchronous Transfer Mode) | A multiplexing and routing technology for high-speed digital communications that permits data, text, voice, video and multimedia signals to be transmitted simultaneously between network access points at speeds of up to 155 Mbps or more. ATM allows for better local area network interconnections, PBX interconnection, data transmission and flexible bandwidth delivery. |
| Backbone | The main part of a communications network consisting of transmission and switching facilities that connects main nodes. |
| Bandwidth | The capacity of a communications channel. |
| Base station | Fixed transceiver equipment in each cell of a mobile telecommunications network that communicates by radio signal with mobile handsets in that cell. |
| Base station controller | Equipment used in a GSM mobile telecommunications network for controlling call set-up, signaling and maintenance functions as well as the use of radio channels of one or more base stations. |
| Bit | The smallest unit of binary information. |

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| Bps (Bits per second) | A data transmission rate. Bps is the number of bits sent per second. |
| Broadband service | A communications service for content requiring high-speed transmission rates such as video transmission. |
| CDMA (Code Division Multiple Access) | Communication technology where each transmission is sent over multiple frequencies and a unique code is assigned to each data or voice transmission, allowing multiple users to share the same frequency spectrum. |
| Data packet | A data transmission technique whereby information is segmented and routed in discrete data envelopes called “packets,” each with its own appended control information for routing, sequencing and error checking. |
| Digital | A method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 to 1. Digital transmission and switching technologies employ a sequence of these pulses to represent information as opposed to the continuously variable analog signal. Compared to analog networks, digital networks allow for greater capacity, lower interference, protection against eavesdropping and automatic error correction. |
| DWDM (Dense Wavelength Division Multiplexing) . . | An optical technology used to increase bandwidth over existing fiber optic cables which combines and transmits multiple signals simultaneously at different wavelengths on the same fiber. DWDM-based networks can carry different types of traffic at different speeds over an optical channel. |
| E1 line | A basic tributary or bandwidth unit comprising 30 voice/data channels and 2 channels for signaling and synchronization or a single data channel with a bit rate of 2048 kbps as per ITU-T and ETSI standards. |
| EDGE | Enhanced Data rates for GSM Evolution, a digital mobile phone technology that allows increased data transmission rates and improved data transmission reliability. It is about 8 times faster than GPRS. |
| Ethernet | A frame-based computer networking technology for local area networks. |
| ETSI | The European Telecommunications Standards Institute. |
| Exchange | See “Switch.” |
| Fiber optic cable | A transmission medium constructed from extremely pure and consistent glass through which digital signals are transmitted as pulses of light. Fiber optic cables offer greater transmission capacity and lower signal distortion than traditional copper cables. |
| Frame Relay | A high-speed open protocol that is well suited to data intensive applications, such as connecting local area networks. A fast packet data communications standard that segments and packetizes (frames) data into discreet transmission units that are routed along the frame relay network via permanent virtual connections. Newer X.25 packet switches may be reprogrammed for Frame Relay. Frame relay is independent of originating protocols and is |

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| | standardized by CCITT and ANSI. Major IXC companies offer Frame Relay switching services. |
| Frequency band | A specified range of frequencies. Frequency refers to the number of times per second that a wave (e.g. electromagnetic wave) oscillates or swings back and forth in a complete cycle from its starting point to its end point. |
| Gbps (Gigabits per second) | A data transmission rate. One Gbps equals one billion bits per second. |
| GPRS (General Packet Radio Service) | A GSM-based packet-switched data transmission technology standard, established by ETSI, in which base stations can be directly connected to the Internet, thus bypassing the switching systems typically used to connect mobile traffic to fixed networks. GPRS is also referred to as 2.5G and offers higher data transmission rates than basic GSM. |
| GSM (Global System for Mobile Communications) | A digital mobile telecommunications system standardized by ETSI based on digital transmission and cellular network architecture with roaming in use throughout Europe, in Japan and in various other countries. GSM systems operate in the 900 MHz (GSM 900), 1900 MHz (GSM 1900) and 1800 MHz (GSM 1800) frequency bands. |
| IDD | International Direct Dialing. |
| Inmarsat | International Maritime Satellite Organization. Formerly, an inter-Government cooperative of more than 80 member nations, it is a leading provider of Global Mobile Satellite communication services to the maritime, landmobile and aeronautical communities. Inmarsat was privatized in 1999. |
| Intelsat | International Telecommunications Satellite Organization. Formerly, an international cooperative of more than 135 member nations, it is one of the world's largest suppliers of commercial fixed satellite services. Intelsat was privatized in 2001. |
| Interconnection exchange (ICX) | In Bangladesh, the switching system which provides interconnections among the networks of telecommunications operators. It is subject to a separate licensing regime in Bangladesh and allows monitoring, lawful interception facilities and roaming number portability. |
| International gateway (IGW) | In Bangladesh, the switching system through which international voice traffic (clear channel and VoIP) is sent and received. It is separate licensing regime in Bangladesh and allows physical monitoring of the traffic flow. |
| International internet gateway (IIG) | In Bangladesh, part of the switching system that connects all the ISPs and equivalent service providers primarily for data traffic flow. It is subject to a separate licensing regime in Bangladesh. |
| Internet telecommunications | Voice traffic routed through the Internet via packet-switched technology. Because a packet-switched transmission does not require engagement of an end-to-end connection for the entire duration of the call, Internet |

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| | voice telecommunications is typically less expensive than ordinary voice telecommunications. |
| IP (Internet Protocol) | Protocol used in the Internet for communication among multiple networks. |
| ISDN (Integrated Services Digital Network) | A transmission system with the capacity to transmit two streams of information (voice, text, data or graphics) simultaneously on a single telephone line, based upon end-to-end digitization and standardized out-of-band signaling. |
| ISP (Internet Service Provider) | A company providing access to Internet and other computer based information networks through their servers. |
| IT (Information Technology) | A general term covering telecommunications, computing and media technologies. |
| ITU | International Telecommunication Union. |
| Kbps (kilobits per second). | A data transmission rate. One kbps equals one thousand bps. |
| LAN (Local Area Network) | A local area network is a computer network covering a local area, like a home, office or small group of buildings such as a college. There are many different types of LANs with Ethernets being the most common for personal computers. |
| Leased line | Voice or data circuits leased to connect two or more locations for the exclusive use of the subscriber. |
| Local loop | See "Access line." |
| Mbps (Megabits per second) | A data transmission rate. One Mbps equals one million bps. |
| MHz (Megahertz) | A measure of frequency. One MHz equals 1,000,000 cycles per second. |
| Multiplexing | A technique used to send multiple signals over the same channel simultaneously. |
| National roaming | Provision of roaming services in the domestic market to subscribers of a competing operators' network. See "Roaming." |
| Network interconnection | Practice of allowing a competing telephone operator to connect its network to the network or network elements of certain other telephone operators to enable the termination of telephone calls made by customers of the competing telephone operator's network to the customers of the other telephone operator's network. |
| NGN (Next Generation Network) | A broad term for a certain kind of emerging computer network architectures and technologies. It generally describes networks that natively encompass data and voice (PSTN) transmissions, as well as (optionally) additional media such as video. |
| NMT (Nordic Mobile Telecommunications) | An analog mobile communications system that originally operated only in the Nordic Countries but at present also operates in many other countries. |
| Packet-switched services | Data transmission services based on parceling or breaking the data stream into packets and thereafter switching the |

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| | individual packets. Transmitted information (whether voice or data) is segmented into cells of a standardized length, which are then transmitted independently of one another, allowing maximization of available capacity and usage of a single transmission path for multiple communications. The cells are then reassembled upon reaching their destination. |
| PDH (Plesiochronous Digital Hierarchy) | A technology used in telecommunications networks to transport large quantities of data over digital transport equipment such as fiber optic and microwave radio systems. PDH is now being replaced by SDH equipment in most telecommunications networks. |
| PSTN (Public Switched Telephone Network) | The public telephone network which includes local loops, exchange trunks and international links. |
| Roaming. | The mobile telecommunications feature that permits subscribers of one network to use their mobile handsets and telephone numbers when in a region covered by another operator's network. |
| SDH (Synchronous Digital Hierarchy) | An international standard for synchronous data transmission over fiber optic cables. It was developed to replace the PDH system for transporting large amounts of telephone and data traffic. |
| SIM card (Subscriber Identity Module card) | A smartcard with processor chips that uniquely identifies a GSM network subscription provided to each GSM network subscriber that is inserted into a GSM handset. The SIM card stores, among others, network security codes, SMSs and other programs that enable additional network features. |
| SIP (Session Initiation Protocol) | A signaling protocol for Internet Telephony. SIP can establish sessions for features such as audio/videoconferencing, interactive gaming, and call forwarding to be deployed over IP networks, thus enabling service providers to integrate basic IP telephony services with Web, e-mail, and chat services. SIP is currently the leading signal protocol for VoIP. |
| SMS (Short Message Service) | A mobile communications system which allows users to send alphanumeric messages from one mobile handset to another either directly or via a message center operator. |
| Switch | A device used to set up and route telephone calls either to the number called or to the next switch along the path. They may also record information for billing and control purposes. |
| TDMA (Time Division Multiple Access) | Transmission technology underlying the GSM mobile communications system, where transmissions for multiple users are sent over a selected frequency but at different time intervals. |
| Transit network. | A centralized national or regional high-speed network utilizing mainly fiber optic cables and which interconnects smaller primarily local and independent networks. |
| UMTS | See "3G." |
| VoIP (Voice Over Internet Protocol) | The real-time transmission of voice signals using Internet protocol over the public Internet or a private data network. |

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| VMS | Voice mail system. |
| VSAT..... | Very Small Aperture Terminal. A two-way satellite ground station with a dish antenna that is smaller than 3 meters. VSATs are most commonly used to transmit narrowband data or broadband data. VSATs are also used for transportable, on-the-move or mobile maritime communications. |
| WAP | Wireless Application Protocol, an open international standard for applications that use wireless communication. Its main application is to enable access to the Internet from a mobile phone or PDA. |
| WDM (Wavelength Division Multiplexing) | A method of multiplying the capacity of fiber optic transmission lines by combining wavelengths at the sending end and separating them at the receiving end. |
| WiFi (Wireless Fidelity) | A set of product compatibility standards for wireless local area networks based on the certain specifications. WiFi was intended to be used for mobile devices and LANs, but is now often used for Internet access. It enables a person with a wireless-enabled computer or personal digital assistant to connect to the Internet when in proximity of an access point. The geographical region covered by one or several access points is called a hotspot. |
| WiMAX (Worldwide Interoperability for Microwave Access) | The WiMAX protocol is a way of networking computing devices together, for example to provide Internet access, in a similar way to WiFi. WiMAX is both faster and has a longer range than WiFi. |
| Wireless Local Loop | A wireless telephone communications medium which utilizes radio frequencies instead of a copper wire network to reach its point of destination within the area of the telephone company's switching center. |

APPENDIX C: CREDIT RATING REPORT OF GRAMEENPHONE LTD.

**CREDIT RATING REPORT OF GRAMEENPHONE LTD. (GP)****Ratings:**

Long Term : **AAA**
 Short Term : **ST₁**
 Date of Rating : 16 July 2009
 Validity : One Year

Previous Ratings:

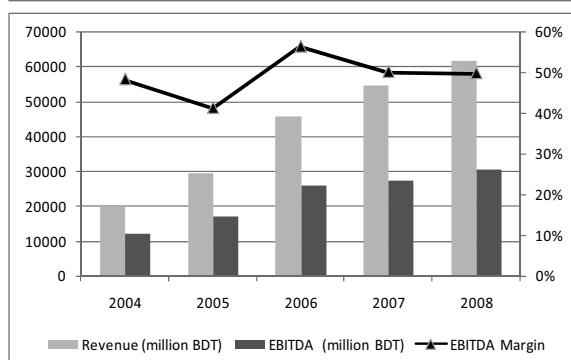
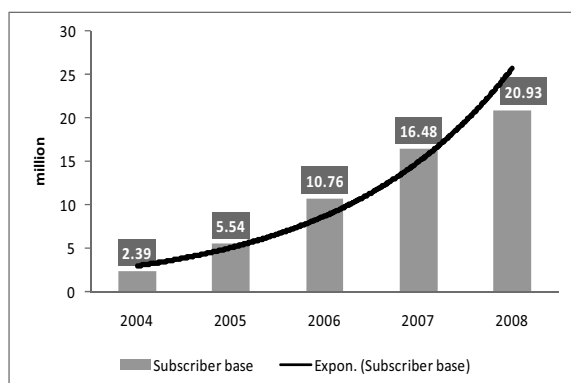
Long Term : AAA
 Short Term : ST₁
 Date of Rating : 07 April 2008
 Validity : One Year

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RATIONALE

| Highlights | BDT in million | | |
|------------------------------|----------------|----------|----------|
| | 2008 | 2007 | 2006 |
| Revenue | 61358.97 | 54303.21 | 45640.41 |
| EBITDA | 30494.11 | 27162.84 | 25663.63 |
| EBIT | 15349.96 | 16766.95 | 18195.27 |
| RCF/Total Debt | 122.26% | 138.42% | 317.07% |
| FFO/Total Debt | 130.24% | 147.32% | 332.51% |
| FCF/Total Debt | 14.62 | 26.45 | 29.48 |
| CAPEX/DEP Exp (x) | 1.54 | 2.94 | 3.03 |
| Total Debt/EBITDA (x) | 0.62 | 0.60 | 0.31 |
| RCF/Total Liabilities | 28.64% | 36.37% | 62.02% |
| FFO/Total Liabilities | 30.51% | 38.71% | 65.04% |
| FCF/Total Liabilities | -0.24% | -12.50% | 5.82% |
| Total Liabilities/EBITDA (x) | 2.64 | 2.30 | 1.57 |
| EBITDA Margin | 49.70% | 50.02% | 56.23% |
| CAPEX/Revenues | 38% | 56% | 50% |



Credit Rating Agency of Bangladesh Limited (CRAB) has reaffirmed **AAA** (Pronounced Triple A) rating in the Long Term and **ST₁** rating in the Short Term of **Grameenphone Ltd** (hereinafter referred to as GP or the Company).

The reaffirmation of GP's rating recognizes the Company's track record of consistently achieving good operating results, its leading position in the cellular market in term of market share for decade (market share as of June 2009 is 45.0%), its strong presence all over the country and its large network of last-mile connectivity and growth prospect. CRAB rating also reflects the financial and operating strength of its major shareholders.

The telecom sector in Bangladesh has been experiencing a healthy growth, fueled by intense competition that resulted in expansion in both network coverage and subscriber base. While the country's cellular teledensity currently stands at around 32.31%, there is yet sound growth prospects for mobile operators. Although GP has been facing a decline in its market share (June 2009: 45.0%; FY08: 47.0%; FY07: 48%), it still holds the leadership position with the largest network as well

as subscriber base. GP reported a customer base of 20.99 million as of FYE08, which represents annualized growth of 27.4% from previous year. At the end of June 2009, the subscriber base of GP stood at 21.16 million. As a result of implementation of policies directed by the regulators, dormant subscribers have been eliminated from total subscriber base. However the Company took initiative to activate the dormant subscribers with attractive packages.

The rating also factors in steady growth in revenue (FY03-FY08, CAGR: 32.85%) and high EBITDA Margin (49.7%) due to a changing business mix. Considering the ARPU trend over the last five years, a further decline in ARPUs is expected, largely because of price war among the cellular operators, revenue growth of the Company may come under pressure. However through diversifying its product base, adding more value added features, GP is expected to be able to maintain its revenue level.

The rating also recognizes GP's profitability and operating cash flows, which along with expected inflow from its proposed IPO would improve its credit metrics.

The rating reflects GP's sustained leading market position in an increasingly competitive telecom industry- a result of expanding network, growing product and subscriber range, increasing business volume. Financial risk is high emanating from the company's highly leveraged capital structure that would be eased out subsequent to recent fresh equity injection plan through IPO. The ratings have drawn comfort from strong cash flows that helped in managing the coverage at an adequate level.

GP's total debt increased to BDT 18,883.99 million at FY08, (BDT 16,383.54 million in FY07) mainly due to issuance of BDT 4216.41 million bond; nevertheless, the financial leverage is still comfortable for the rating supported by its high EBITDA. GP's liquidity has historically been comfortable with cash and EBITDA comfortably covering the current debt maturities and interest payments. As of FY08, GP had comfortable liquidity, against the total debt it had cash balance of BDT 7,020.67, which was 37.18% of total debt (FY07: 4.91%; FY06: 36.14%) and undrawn committed facilities of BDT 11,120 million.

The high CAPEX combination with working capital requirements resulted in negative free cash flow (FCF) in the last few years (FY08: -189.81 million, FY07: -7,792.66 million). The Company has BDT 8,950 million fund based limits and BDT 19,532 million of non fund based limits. GP's high working capital requirements with major CAPEX plan for the next few years are likely to keep debt at high level.

Rating also considers the future growth potential of GP; effective and efficient allocation and utilization of resources; shareholding structure, composition of Board as well as willingness and ability of the shareholders to bail out the company in case of need; high profitability level and leadership process. The rating also draws comfort from the fact the organizational structure and practices of the company avoids dependence of management team on one or a few persons as well as coherence of the team, the independence of the management from the Board of Directors, and good track record of the management till date in terms of building up solid business mix, and maintaining operating efficiency.

CRAB also views Corporate Social Responsibility of GP as a positive factor to its rating. GP adopted a framework approach in CSR whereby it aims to play a role in the development process of Bangladesh by, on the other hand, introducing services, which

will ensure higher access to information and public services and on the other, launching development projects to provide assistance in meeting the basic needs of the poor people. In the process, to bring about sustainable change, GP identified 4 focus areas for possible intervention, i.e. Poverty alleviation, Healthcare, Empowerment, and Education.

GP makes effort to mitigate environmental risk through compliance with Environmental Laws and Regulations and Other Compliance Requirements of the country. Besides, the senior lenders i.e. IFC, ADB, NORFUND, Eksportfinas, and NORAD of GP stipulated few binding clauses regarding environmental and safety issues, which are to be adhered by GP. There is no instance of invoking the clauses as of today. It indicates GP's capacity to address environmental risk.

Being an integral component of the information, communications and technology (ICT) industry has been earmarked as the key driver of the economy's growth momentum; the telecommunications industry is of strategic importance to the nation. The Regulator has already taken appropriate measures to eliminate various regulatory hurdles such as interconnection fees between operators, call tariffs and the degree of foreign participation, etc. Within the industry, liberalization policies have been introduced in varying degrees, thereby shaping the level of competition faced by the operators. The Government policy with respect to new technology is also an important element in shaping the future operating landscape. The policies of the Regulator support future growth potential of telecommunication industry.

Key Rating Drivers

- Maintaining revenue growth and profitability over the long term without significant increase in financial leverage is positive for rating
- Increased competition from other players leading to a significant reduction in profitability or revenue growth, or significant debt-led CAPEX or acquisition activity increasing financial leverage, is negative for rating.
- The stable outlook reflects CRAB's expectation that GP is well positioned to manage industry pressures while maintaining sound financial profile.
- It is noted that the modalities of issuing 3G license may constitute a significant event risk if existing operators are kept outside from participating in the licensing process.

Corporate rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk.

OPERATING ENVIRONMENT

This part of analysis captures the external factors applicable to all telcos in Bangladesh market. Consequently specific factors, which may be unique to a particular company, are not considered in this section. In other words, the growth and profitability potential for the whole telecom industry of our country is considered. The analysis of operating environment is further broken down into the following key sub-elements:

- a. Industry Outlook

- b. Market Growth
- c. Market Share
- d. Competitive Environment
- e. Regulatory Environment

Industry Outlook

The telecommunications industry roots are in government sanctioned monopolies. Following a worldwide move to deregulate and privatise the dominant national carriers, along with the proliferation of wireless technologies and global adoption of Internet Protocol (IP) transmissions, intense competition and growing fragmentation are rapidly reshaping the industry that has been highly growing and stable over a decade.

Background and structure

In 1989, Bangladesh Rural Telecom Authority (BRTA) became the first private operator in Bangladesh after they received a license to operate rural telecom systems in 1989 thanas in Northern Bangladesh. PBTL (City Cell) was the first company to receive the license to operate mobile phone service in the year 1989 and started its operation in 1993. Sheba (currently known as Banglalink), Grameenphone Ltd. (GP) and Aktel received their licenses in 1996 and GP started its operation on 26 March 1997. There are other two operators i.e. Teletalk and Warid who launched their operation in 2005 and 2006 respectively. Healthy competition between private operators and the state-owned operator with protection from the Government cannot be ensured as they function on unequal footings.

The BTRC is essentially required to be an independent and neutral entity acting as a facilitator to further the cause of telecommunication services without having any inclination for and discrimination against any body active in the field.

However, the degree of this independence depends to a great extent on the political, social, legal, institutional and cultural traditions of Bangladesh. The regulator has the responsibility to create an environment where the development activities related to the affairs of telecommunications can thrive without any hindrance and to insulate it from any undue fear or favour.

Interconnection is one of the major issues that are casting negative influence on the expected expansion and smooth operation of services by the private sector. The chronic inability and possibly unwillingness on the part of the incumbent state-owned operator BTTB to provide interconnections of sufficient capacity to the private operators was a largely talked about issue. BTRC re-devised regulations on interconnection of telecommunications through awarding of Interconnecton Exchange (ICX) license to resolve the issue.

BTRC on 26 July 2007 issued a directive to all mobile operators mentioning various aspects of tariff structure with cap and floor. The telecommunication and information technology is undergoing phenomenal transformations in its contents and character, the policy and regulatory approaches could absorb the impact. In fine, consumers' interest is protected through establishing a liberal, competitive and market oriented regime and it is well understood that one regulates the best when one regulates the least.

During the last 10 years Bangladesh's economy has regained pace and GDP grew at a consistent rate. Increased economic activity, reflected in the GDP growth, is the key driver behind the increase in the business expansion; the country has also seen an

emergence of progressive entrepreneurs. Overall, GDP growth in FY09 is likely to be around 6.0 percent and if no drastic shock affects the economy and business confidence and investment climate improve further, the economy could grow faster.¹

The growth rate of industry and service sector stands at 6.9% and 6.7% respectively against 7.4% for industry in 2007-08. The broader industry sector includes manufacturing, mineral resources, electricity, gas & water and construction sector. Telecommunication sector shows steady growth during the last couple of years.

The telecommunication industry of Bangladesh as a whole possesses great potential. Penetration rate of 32.04% of wireless as of June 2008, indicates it's comparability to other neighboring countries. At the very inception, cell phone usage was expensive and could only be afforded by the affluent. Well-established foreign and local companies have invested heavily for the development of the telecommunication infrastructure of Bangladesh thereby creating a competitive environment, which has eventually led to drastic reduction in tariffs.

Telecommunications is a highly capital intensive industry. The significant investment in network infrastructure for maintenance and the introduction of new services to replace declining legacy products is likely to be permanent characteristics of all sectors of the telecommunications industry, worldwide. Despite the expanding use of telecommunications networks to deliver a broader array of service offerings, telecom revenue growth rates are multiple of GDP growth. Furthermore, fast moving technological trends have generally reduced asset life cycles. Together with increased competition, the return on investment in future will be under more pressure than has been the case for the industry historically.

KEY RATING ISSUES GOING INTO THE NEXT DECADE

Competition will only intensify

Technological developments have created new competitors and have accelerated installation of new products and services over recently upgraded networks. The standard PTT (Postal Telephone and Telegraph) moniker of the telecommunications industry has given way to diversified communications providers, which can offer the same level of services over copper, fiber or through the air. The double-edged sword of IP standards presents operators with a tremendous opportunity to deploy new products and features to their customers, as well as adding a new threat by allowing competitive entry, evidenced by the success of Voice Over Internet Protocol (VOIP) offering by cable operators and broadband resellers.

To meet the competitive threat, the incumbent tele operators will continue to upgrade their networks to provide higher speed data services and will offer video product in addition to their core telephony offerings. Still, the cross industry competition for customers is expected to limit pricing flexibility, which in combination with the incremental product development costs and higher marketing expenses, can lead to margin pressure.

The competitive wireline operators that have emerged in the past few years have undergone significant restructurings, as their business models have been rationalized. The survivors tend to be operators with significant facilities-based infrastructure, which

¹ The *Monetary Policy Review*, 4(1), October 2008 forecasts the real GDP growth for FY09 in the range 6.2 percent and 6.5 percent.

will take a disciplined approach to capital spending and growth, and implement target sales and marketing campaigns aimed at the weak spots in the incumbents' areas. However, in markets like Bangladesh where wireless networks are very well established, the wireless operators have been eroding access line counts of the wireline incumbents. Wireless operators have gained substantial share given their speed to market advantages and are likely to leapfrog the deployment of traditional wireline infrastructure altogether.

Wireless operators are being impacted by additional spectrum sales that increase the competition and change the market mix, which may also provide the foundation for the introduction of potentially competing technologies, like WiMAX. As well, the rapid growth in wireless usage over the past decade will continue in the mid to long term and take time to reach near-terminal penetration levels. The competitive dynamics will change from a foot race to a tug-of-war, which will escalate competitive pressures for all players. CRAB expects competition to remain fierce over the next decade, as overall industry growth slows down, new licenses are auctioned off, and operators brace for another level of capital spending to migrate to 3G and 4G technologies.

Regulation remains important

Regulations under which telecommunications issuer operates are a major influence on credit quality, as they determine the barriers surrounding the competitive environment and form the foundation for the operators to generate returns on investment. Regulators favour industry stability over wide-open competition.

Regulators are keen to bring all telcos under the preview of listed public limited company. The process is on. Within next two to three years all the wireless operators will be listed on the stock exchanges. In July 2008, GP launched its Initial Public Offering (IPO) process. GP submitted its application for an IPO of USD 65 million (BDT 4.49 billion) in December 2008. A pre-IPO private placement process, amounting to USD 60 million (BDT 4.13 billion), to local institutional investor has already been completed on December 4, 2008. Nevertheless, economic globalization and rapid technological advances are providing regulators with an opportunity to review previous telecommunications mandates.

Capital intensity will persist

Telecommunications is a highly capital intensive industry as providers continue to modernize their networks to meet the rapidly increasing demands for bandwidth, driven by expanding usage of data products, both from residential and business customers. The proliferation of video on the Internet further strains the operators' bandwidth demands. Consequently, telecommunications providers have increased networks spending on the last mile and distribution facilities. This is the remaining piece of the telecommunications infrastructure that needs to be upgraded following the long haul network expansions in the late 1990s.

Wireline operators have a choice of upgrading the last mile copper wire connections to their end users, or deploying fiber connections. While upgrading the copper plant is generally less expensive and quicker to deploy, fiber based networks are seen as "future proof" and are significantly less expensive than copper facilities to operate and maintain, once in place.

Similar to their wireline brethren, wireless operators are facing a tremendous bandwidth surge, as data and video applications migrate onto wireless networks. Capital

deployments in the wireless sector will generally be directed toward acquiring and expanding coverage.

Mergers and acquisition activity expected to remain high

Merger and acquisition activity in the telecommunications sector expected to remain high globally. Based on the present penetration rate and high future potentiality, global large operators will find Bangladesh telecommunication market as an attractive investment place. To enter the market, they will find acquisition of existing license more lucrative than acquiring new licenses.

While M&A activity can lead to revenue diversity and improved margins, debt-financed acquisition activity is a key credit risk that is likely to put pressure on future ratings.

MARKET GROWTH

The telephone market of Bangladesh is likely to remain highly profitable. Both markets (wire line and wireless market) are growing and the growth is likely to continue at a consistent rate for next few years i.e 3-5 years. Industry growth rates, which are increasing, evidence a sector, which is likely overall to qualify as investment grade when considering this characteristic in isolation. Unlike the wireless segment, the growth of wire line segment would not accelerate, however, it is expected that the growth rate of wireline segment would be flat for next few years then it will be declining.

The graph below depicts the total subscribers in million along with penetration rate from 2003 to 2008, where the Bangladeshi telecom market shows tremendous potential for growth. Year-to-Year growth rate from 2004 to 2007 stands at 117%, 128%, 92%, 65% and in 2008 the growth rate reaches 54%. Mobile penetration has already exceeded fixed line and is driving the bulk of the growth in terms of incremental subscribers.

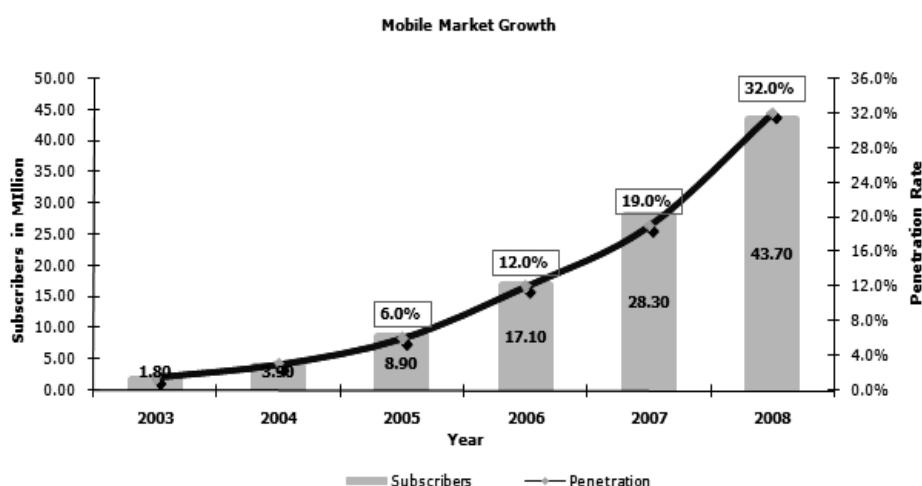


Exhibit 1: Mobile Market Growth

As of December 2008, penetration reaches at 32.04%, which can reach 40%-50% within the next couple of years. The subscriber growth is evident from the steep rise in the curve thus implying a positive outlook for the telecom operators in Bangladesh.

CRAB here looks at the wireless market movement in conjunction with wire line market, because, the private fixed line operators have the potential to grab the future unmet demand with its quality and cost effective service as well as there are yet number of peoples who prefer wire line connection because of its fixed characteristics. In considering market growth CRAB breaks down the telecommunications industry into

cellular, fixed line and integrated players. The regulator does not permit the license holders to operate both in wireline and wireless segment except BTTB, which operates in both. Fixed line growth rates are declining worldwide with many operators at best experiencing flat revenue.

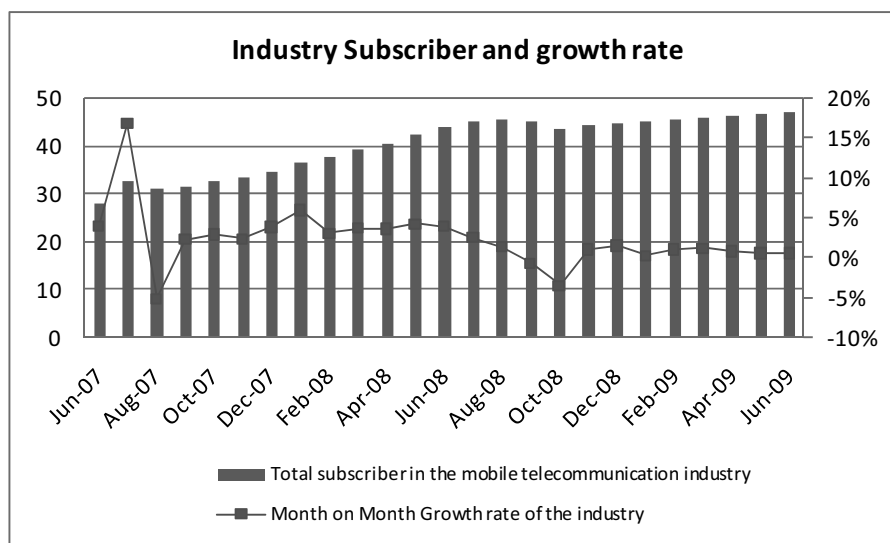
CRAB also looks at growth relative to expansion of GDP. According to the government GDP estimates for 2008 was around 6.0% thereby indicating a positive development outlook. Generally a particular industry's own growth correlates closely with economic growth. The telco industry's growth is driven by continued strong organic expansion in the industry itself. The industry growth and its expected growth is at multiples of GDP growth, indicating the industry has not yet reached maturity.

CRAB views that growth rates are sustainable. While assessing sustainability of the growth, assessment includes consideration on market demographics. Lower cellular penetration rate is also a good indicator of likely good medium-term growth prospects. Likewise, this situation represents a sound indicator that fixed line operators are likely to experience significant medium term revenue pressure as product substitution remains at an early stage.

The characteristics of the target market strongly influence the types of products adopted and the degree of per capita expenditure. On the surface, average revenue per user (ARPU), this correlates positively with per capita GDP and indicates future growth potentiality of the industry as a whole. Nevertheless, product innovation is more critical to sustain cellular growth rates, which are higher than those determined by solely looking at per capita GDP.

MARKET SHARE

GP has been the market leader at a stretch for more than a decade. The mobile telecommunication industry had 46.69 million subscribers in June 2009 of which GP's subscriber base stands at 21.16 million as of June 2009 which is 45% of the total subscriber in the Industry. The six operators of the Industry had a cumulative net subscriber addition of 9.3 million in the period Jan'08 – Jun'08, 2.6 million net subscriber additions in the period Jul'08-Dec'08, and 2.42 million net subscriber additions in Jan'09-Jun'09; which shows a sluggish growth in the subscriber acquisition since October 2008 onwards due to imposition of SIM card tax. In spite of sluggish month on month growth rate in the industry, GP possessed an average month on month market share of 47% in the period June 2007 to June 2009. The relative position of GP among the operators is indicative of the likely sustainability of its operating position and ability to exercise control over the nature and pace of development. The present subscriber base indicates that the customers perceived GP well and shows its ability to leverage off existing capabilities to develop/support revenue, and bring innovation in products and services development. GP is well equipped and ready for future market development/dynamism.


Exhibit 2: Industry subscriber and growth rate

Market share is important as barriers to entry remain high as it requires vast upfront capital costs to establish a robust network; market acceptance of the products or services of existing competitors.

Market Share Movement : Subscriber Base

| Operators/Month | Jan-09 | Feb-09 | Mar-09 | Apr-09 | May-09 | Jun-09 |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GP | 47% | 46% | 46% | 46% | 45% | 45% |
| Aktel | 19% | 19% | 19% | 19% | 19% | 19% |
| Banglalink | 23% | 24% | 24% | 24% | 24% | 24% |
| Citycell | 4% | 4% | 4% | 4% | 4% | 4% |
| Teletalk | 2% | 2% | 2% | 2% | 2% | 2% |
| Warid | 5% | 5% | 5% | 5% | 5% | 6% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

Exhibit 3: Market Share Movement

Month to month market share position reflects that GP lost 2.0% market share from January 2009 to June 2009. On the other hand, Warid Telecom has achieved 6%, AKTEL 19%, Banglalink 24%, Citycell 4%, Teletalk 2% market share as of June 2009. It is an indication of competitive market position where best service provider with low cost innovative products would be positioned best. The same picture is depicted from month on month subscriber growth rate, which is plotted below:

Month on Month Subscriber Growth Rate

| Operators/Month | Jan-09 | Feb-09 | Mar-09 | Apr-09 | May-09 | Jun-09 |
|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| GP | -0.24% | 0.00% | 0.53% | -0.14% | 0.14% | 0.52% |
| Aktel | 3.29% | 1.42% | 1.98% | 0.80% | 0.11% | 0.11% |
| Banglalink | 0.77% | 2.79% | 1.21% | 0.65% | 0.46% | 0.82% |
| Citycell | 1.10% | 1.09% | 1.08% | 2.67% | 1.04% | 1.03% |
| Teletalk | -14.29% | 10.71% | 5.38% | 7.14% | 4.76% | 0.00% |
| Warid | -3.43% | -2.22% | 2.73% | 6.64% | 4.98% | 1.98% |
| Industry | 0.22% | 1.05% | 1.19% | 0.83% | 0.61% | 0.60% |

Exhibit 4: Month to Month Subscriber Growth Rate

In spite of high competition, we note that GP still affords significant operating advantage due to its brand strength, ubiquitous network, quality of service and product offering combined with existing customer relationships and ability to bundle multiple services. In addition, GP enjoys well-developed distribution capabilities, through call centers, retail stores etc. Moreover, penetration rate of 32.04% and decelerating subscriber growth indicates overall subscriber growth rate is likely to be flat. However the mobile

telecommunication industry still has potential to accelerate its revenue through diversification of service as a consequence of technological evolution with upcoming superior technology like 3G, wireless broadband etc. GP is still on strong footing. CRAB expects through analyzing its management track record, strategies and policies as well as strong brand name and financial flexibility GP would be able to tap the upcoming market opportunity over the mid to long term.

COMPETITIVE ENVIRONMENT

Competitive environment obviously relates to market share, but is not identical. In the market share we identify players with strong market positions, while in the competitive environment we highlight the highly competitive telecommunication market of our country, regardless of whether players with strong positions are apparent.

CRAB considers the competitive environment for this industry structure by looking at its number of players. At present there are 6 operators in cellular services, 1 in radio trunking services, 9 operators include BTTB in fixed line services and another 8 operators got license for fixed line services. As such, the operators face high degree of competition which directly impacts its pricing power and marketing expenses, and hence it's operating margins. Because of competitive nature of the market, first mover e.g. GP, in terms of technology and geographical footprint have an advantage over the latecomers.

Number portability removes one of the key barriers to churn- that of the reluctance of changing phone numbers. GP focuses on retention of their subscribers as well as acquisition of new subscriber. Retention of high value customers are critical given number of portability and stiff competitive pressure. Because, barrier to switching has been high for long tenured customers given their larger contact base.

REGULATORY ENVIRONMENT

The telecommunications industry is of strategic importance to the nation. As such, it's operating landscape is largely shaped by the country's regulatory environment. Liberalization policies have been introduced in varying degrees, thereby shaping the level of competition faced by the operators. At the initial stage, there were monopoly in the mobile market and both access and call charges were unregulated, allowing operators the freedom to determine their own rates, which places the operators on a less competitive footing. As a result, customers had to pay high rates in absence of competition. The government in 1999 broke the monopoly and allowed other operators to operate. As a result in recent years, the market become highly competitive which lowers the tariff structure of every operator vis a vis contributes to the high growth of subscriber base and quality of service. Being the market leader and vast subscriber base GP would get competitive advantages over other operators.

The acceleration of technological changes necessitates the regulatory environment to keep pace with its evolution, such that it increasingly supports the growth of alternative, more advanced and more efficient service providers. The Government's policy with respect to new technology is also an important element in shaping the future operating landscape. Typically, adopting new technology requires huge investment, from the operators' point of view; these have to be weighted vis-à-vis future returns as well as timely implementation. As witnessed globally, the method of allocation of third generation (3G) licenses vis-à-vis WIMAX had important implications on the operating environment of telecommunications companies.

Regulation impacts ratings primarily because it can help or hinder the ability of a company to predictably grow its return on investment. Its impact is primarily felt in the way it influences the competitive environment. There is no legal bar on new concessions or licensing. But huge capital investment requirement for the new licensee, market dynamics as well as existing number of operators tends to restrict new operators to enter into the market. Regulation enables prospective carriers to build new networks, access other carriers' network, and interconnect their networks.

BTRC issued a number of binding guidelines and licensing frameworks during the year 2008. The restrictions on existing mobile operators for most of the new licenses issued by BTRC including license for Interconnection Exchange (ICX), International Gateway (IGW), International Internet Gateway (IIG), Submarine Cable (SMC), Nationwide Telecommunication Transmission Network (NTTN), Broadband Wireless Access (BWA), and V-Sat Hub. BTRC also introduced a separate regime for new service i.e. Vehicle Tracking, Cyber Café, Wi-Fi, Video Conferencing etc. As per directives of BTRC in its Infrastructure Sharing Guidelines, it is mandatory for all operators to open up their existing infrastructure for compulsory sharing.

Government decisions such as tax on SIM card, import duties also affects the business and the operators' performance and thereby affects the end users. Excessive tax burden tends the operators to charge higher price for their survival. The regulator tries to balance increasing competition in the market and protecting employment and price levels. The policies of the Regulator support future growth potential of telecommunication industry.

STRATEGY AND EXECUTION

GP's development and growth trend since its inception proves its effective strategic planning and efficient execution so far. The business model of GP is well focused to its vision supported by its efficient human resource through well planned leadership process and continuous quality of service monitoring.

Business Model

GP's business model dictates to a large degree its ability to generate and sustain operating cash flows and the stability of those flows. Diversification in GP has several different dimensions: product lines, customer segments and geographic reach, all of which enable GP to mitigate the effects of variation in demand or pricing in a given product or market.

GP's diversified business model is robust because technological changes continue at a fast pace and an operator with strong wireless business is best positioned to evolve with such changes. The diversified player has a sounder platform for adopting a range of new products. It has the ability to strategically invest in emerging technologies and raise investments, depending on market acceptance of the new technologies, widening the opportunity for success.

In assessing the level of competitive challenges, CRAB looks at, among other things, revenue trends, number of players, rate of access line change relative to demand growth as well as gross additions, churn levels and ARPU trends. GP is still dominant providers of voice and data, with a heavy composition of enterprise customers and strong representation in the wireless market.

Leadership Process:

The Human Resources Division in Grameenphone is geared to meet GP's human resource development and training needs. In spite of its multinational characteristics, it emphasizes more on building local expertise in the telecommunication sector. Local employees are continuously being trained to take on new challenging leadership roles within the organization and fill senior management positions.

The process of leadership identification and development at GP begins during the annual appraisal dialogue. Different types of leadership development needs are identified and accordingly relevant development plans are recommended by the supervisors. Some of the leadership development plans include: training, coaching, new tasks/project work, job rotation, secondment in other telenor operations abroad and others.

GP has agreements with the Stockholm School of Economics in Sweden, the Singapore Institute of Management, the Hyderabad-based Indian School of Business and the British Council for providing "Management Development" training to GP employees. In addition, GP provides educational grants every year to 100 employees encouraging employees to go for higher education.

Moreover, programs like communication skills, teamwork, teambuilding, and problem solving and decision-making courses are offered for different level of employees. For the current and upcoming leaders of GP, "Telenor CORE Leadership Training" is offered every year. This program is designed to help leaders fulfill GP leadership expectations by increasing skills in practical leadership and their motivation to lead.

GP focuses on 6 core areas in order to be successful which include Attractive and Easy, Involved Community, Enabling Regulatory Environment, Energized People, Efficient Operation and Motivated and Efficient Business Partners. The Senior Management functions through Management Team, which comprises heads of different department and senior managers. The management values individual excellence as well as team outcome. Senior level management is strongly involved and behind quality improvement within the company. Management function involves planning, communicating, measuring, changing and mentoring. It has clear standard benchmark through which performance is measured and rewarded. Specific guidelines and standards are adopted as part of its leadership process for holding managers accountable for quality, including supervisors and others, which are designed for different levels and functions within the company.

GP has defined its leadership expectations based on five intrinsic values of personal and professional conduct. The leadership expectations from the employees are specifically defined in the following manner: Integrity, Operational Excellence, Passion for Business, Change and Constant Renewal and Empowering People.

Management is found very supportive and working to form teams throughout the company. Senior managers are communicating clearly the vision and goals behind quality improvement and how it must interact with customers, suppliers, employees, and others in the value chain.

Customer focus and continuous quality improvement process are effectively communicated to all employees within the company. The Code of Conduct it has adopted is followed and is applicable for all of its stakeholders, which is also monitored. Senior management is very committed to all continuous improvement efforts.

Management and Strategy

The effective and efficient management and defined strategy are the ingredients for GP's present strong position in the market. In support of the above, CRAB looks at the organizational structure of the organization, the less dependence of management team on one or more person as well as coherence of the team, the independence of the management from the Board of Directors, and good track record of the management till date in terms of building up solid business mix, maintaining operating efficiency and strengthening the GP's market position.

Strategic Planning

Strategic Planning process is based on at least next three years scenario analysis. Based on the Mid term plan, it also chalks out annual plan at the beginning of each year. Strategic planning is used regularly to develop goals and objectives for improving quality. The organization has established a complete strategic plan for addressing quality improvement, including mission, vision, goals, specific tasks, targets and programs. All levels of the company participate in some form of strategic planning. Employees, suppliers, customers, and other stakeholder groups are actively engaged in strategic planning decisions. Management is found very involved in planning related activities. Overall planning is integrated into lower level planning at business unit levels and department levels for short-term and long-term decisions. Under the umbrella of Management Team, every department and unit has its own team who actively participates in decision-making process. The organization re-aligns or re-engineers the process from time to time to make sure it fits with strategies for work performance.

The compensation packages include performance bonuses for every regular employee. Performance bonus is fixed considering company's performance and individual achievements. Company performance is measured through predefined Revenue Target, Market share position as well as EBITA Margin. Individual achievement measures through predefined goals set for each individual by the management as well as performance of the team. The management at the beginning of the year set departmental goals with high priority to low priority level.

GP has a dedicated team named "Business Intelligence Team" which is responsible for collecting and monitoring the business dynamics of the telecom market. Strategic Planning process incorporates the behaviour of its competitors and based on it the brand and product design team offers competitive products and value added services from time to time.

Strategic planning includes key performance indicators, surveys, benchmark data, and other quality information to ensure that strategic planning is strong and viable for all parts of the company. Operating plans are developed throughout the entire company, linked to the company's overall strategy. Managers are held accountable for meeting strategic goals.

Information and Analysis

Fully integrated and highly sophisticated MIS system ensures the high quality data management system of GP. From its fully automated data management system it generates Monthly Financial Report, Management Report, Monthly Executive Summary of the business and operation, ER Accounts, Monthly Capex Information, Monthly Divisional Profit and Loss Account, Monthly Divisional MIS, Mid Month Forecasted Financials, and Quarterly Group Cash Flow. All reports are part of decision-making process. Reports incorporates Actual position, Budget Provision and Variance Analysis.

Quality related data is fully integrated and distributed easily within the organization. Processes for data and information management are timely, accurate, and useful throughout the entire company. Quality data is readily available for various processes within the company. Data is analyzed and transformed into useful information for identifying new opportunities for improvement. Benchmarks and comparisons are used to drive continuous quality improvements.

The organization measures data through its MIS system related to customers, products, supplier performance, financial performance, and employee performance. Through checking the system it is found that data is useful and understandable for decision-making. System generated information is reliable and is distributed to decision makers on a timely basis. GP as part of its MIS system tracks Market and Statistical Information. It analyses: Monthly operator wise subscriber base and its market share position, market growth trend, operator wise net adds, market share net adds, penetration rate, annualised churn, gross add mixing, churn mixing, subscriber mixing, Minutes of usage, AMPU, APPM services, APPM Airtime, SMS positions, SMS per subscriber etc. GP uses external benchmarks and competitive data to drive improvements, operating performances and planning. Competitive data is also found very extensive. Through its Business Intelligence Team it collects key cost, financial, operating, and other data and translating it into useful information for employees and decision makers, which supports both operating and long-term planning decisions.

Human Resources Capital

Employee growth plans, including training programs, career development paths, evaluation / self-awareness processes, compensation, empowerment, and measurable results are full implemented and integrated with strategic planning process. Human Resource Division is part of the Management Team. GP focuses on 6 core factors for its success one of which is Energized People. Very high levels of involvement by employees are visualised in day-to-day operations and planning the business. People work well within teams and across organizational functions. Strong recognition programs are in place for rewarding employees who improve quality. The organization is very sensitive to the needs and requirements of employees, working hard to make sure employees are productive and satisfied.

Senior management and middle level managers are very supportive of strong human resource practices to build and develop employees. Work teams and groups are empowered, providing valuable improvements in almost every part of the business. Employees have quick access to data for analysis and sharing of information in most parts of the company. Employee ideas for making improvements is strongly encouraged and acted upon throughout most of the organization.

Process Management

Processes are well documented and controlled throughout the entire company. Practices are in place to consistently evaluate and improve processes. Critical processes are subject to rigid assessments on a regular basis. Analytical techniques are in place to identify and solve process management issues. Partnerships with suppliers and other stakeholders have been established to better manage processes for the benefit of all players.

Design & Introduction of Products and Services: The organization systematically gather customer needs and desires, and then translate these customer inputs into revisions, modifications, and other standards for product and service bundling. Retained highest market share over the last 10 years is a clear indication of its success in product innovation and engineering. The diagram below reflects its product ranges.

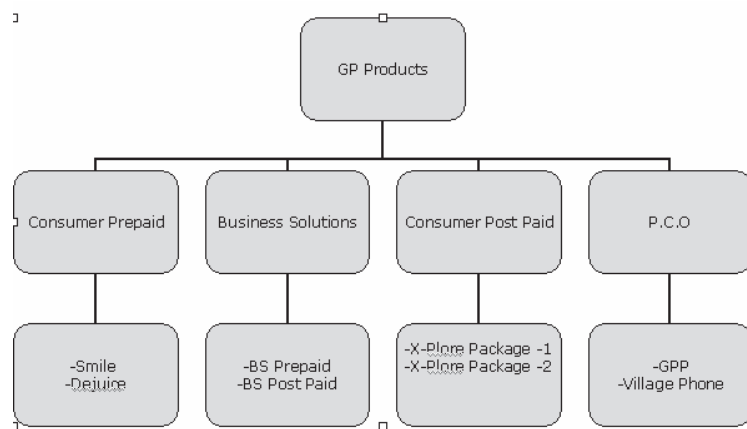


Exhibit 5:Products and Services of GP

In addition to the voice call, other services such as international roaming services, SMS roaming services, Insta bill, Push Pull Services, Health Line, EDGE/Data Services, Content Provider Services etc are also tailored considering the need of the customer.

New products are launched through market survey and competitors move. To retain and grow its market share GP as its policy evaluate and tries to shorten design processes for new products and services.

Production and Delivery Processes: The organization has control over processes, including control over variations and defects in processes that are used for producing and delivering products and services. The organization uses systematic and standard approach to evaluate processes for better quality, defects, and other operating performance attributes.

Business and Support Service Processes: The organization manages quality control relates to routine business processes and support services such as human resources, finance, legal, payroll, public relations through pre defined goals and goal achievement indicators as well as variance analysis. The organization structure and its functionality ensure the check and balances among and between the departments and units. Both top down and bottom up feedback system, coherence of the team, compliance department dedicated for resolving grievances as well as quality linked performance bonus help the management to reduce error in business processes.

Supplier Quality: GP maintains its code of conduct for all of its stakeholders. It communicates quality standards and requirements to its suppliers and it has a quality

assurance process to ensure that suppliers are meeting quality requirements. The Management Team evaluated the quality requirements of the suppliers. It has written procurement policies. The procurement policies are approved by the Board and the Board delegates financial and investment authority to the management based on its position. It was informed that GP at the beginning of the year make a budget of its next 12-month procurement and investment requirements and have it approved in the Board Meeting. Once approved, the management has the authority to implement it within time frame and as per budget (10%+). The organization has a cooperative relationship with its suppliers, including reward programs, certification and other policies, which in turn assist to build long-term relationships.

Quality Assurance: The organization has internal audit department, which reports to the Board through CEO. The internal audit function encompasses on financial auditing and control. Besides, product and services audit including systems and processes are also under the purview of internal audit function. It is evident that organization practices regular follow up with assessments and effectively corrects the problem or resolves the issues that were identified. The process is also documented.

Operating Results

Customer satisfaction and other measurements clearly show high levels of customer satisfaction and loyalty. Overall trends are very positive when it comes to improving processes throughout the entire company, including processes that cut across business functions and stakeholder groups. Any negative trend is immediately acted upon with a plan for turning the trend around. Supplier data also shows strong positive trends in making improvements within the supply chain. Support services have shown solid results in making processes very efficient and effective.

Most operating performance indicators are very positive. Comparative measurements and benchmarks reveal that the company is ranked in the top of the industry for most core processes. Most parts of the organization have demonstrated through measurement numerous improvements - better quality, higher productivity, and lower costs.

Customer Satisfaction

A complete set of customer metrics (surveys, focus groups, exit interviews, etc.) reveals very strong performance for meeting customer needs and requirements. Additionally, measurements are tracking customer repurchase patterns and other behavior relative to the competition and these measurements are also very favorable. Management is very focused on the customer, promoting programs that enhance customer relationships. Senior management is very receptive to new ideas on how to improve customer service. Specific customer related training is available and customers have easy to access resources for resolving their issues.

Customer service and relationship training and development is mandated throughout the entire company. The organization is very customer driven, constantly trying to stay connected to the customer for improving quality and service. Products and services have reputations for quality in the eyes of the customer, leading to customer loyalty.

Based on the above assessment CRAB's qualitative assessment model indicates high quality operating environment prevails in GP.

CORPORATE GOVERNANCE
Franchise Value

Franchise Value is a critical element in our analysis. The solidity of GP's market standing in telco industry indicates its very high franchise value. The solid and defensive franchise of GP underpins the ability of the institute to generate and sustain recurring earnings, to create economic value and, thus, to preserve and improve risk protection in its chosen market. As such, GP with strong franchise value would be in a better position to withstand prolonged difficult market conditions.

Corporate Governance

High quality corporate governance of GP reduces the likelihood of future problems and speeds remediation when problems occur. The management team effectively balance Board of Directors, shareholders, creditors and other stakeholders' interests. The factors considers in evaluating corporate governance are:

Ownership and Organizational Complexity

GP the largest telecommunications service provider in Bangladesh received its operating license in November 1996 and started its service from 26 March 1997 having shareholding both from local and foreign institutional entities. The Company has authorized capital of BDT 40,000.00 million divided into 40,000 million ordinary shares of BDT 1.00 each. In 2008, the authorised capital has been increased to BDT 40,000.00 million from authorized capital of BDT 5339.00 million in 2007. Paid up capital is BDT 12151.75 million divided into 12151.75 million shares of BDT 1.00 each.

Shareholding Position of GP as on December 2008

| SI No. | Name of the Shareholders | Number of Shares Held | % |
|--------------|--|-----------------------|-------------|
| 1 | Telenor Mobile Communications AS | 7,534,077,085 | 62.00% |
| 2 | Grameen Telecom | 4,617,664,005 | 38.00% |
| 3 | Nye Telenor Mobile Communications II AS | 2150 | 0.00002% |
| 4 | Telenor Asia Pte. Ltd. | 2150 | 0.00002% |
| 5 | Nye Telenor Mobile Communications III AS | 2150 | 0.00002% |
| 6 | Grameen Kalyan | 215 | 0.00000% |
| 7 | Grameen Shakti | 215 | 0.00000% |
| Total | | 12,151,747,970 | 100% |

Exhibit 6: Shareholding Position of GP

The Grameenphone network currently has more than 11,800 base stations in operation in over 6,800 locations, bringing almost the entire population under its coverage in all 64 districts. The company has so far invested more than BDT 111 billion to build the network infrastructure since its inception on March 26, 1997, including BDT 35.8 billion in 2007 alone.

Grameenphone has already filed for IPO with Securities and Exchange Commission (SEC) in 2008. A pre-IPO private placement process amounting to USD 60 million (BDT 4.13 billion), to local institutional investors has been completed on December 4, 2008. The IPO process is expected to be completed by 2009, as it received formal consent from SEC on July 2, 2009.

Board & Committees

The Board of Directors comprises representatives from shareholders appointed in the AGM. The Board of Directors in GP is composed of five members including the Chairman who is elected from amongst the members. All the Directors of the Board are Non-Executive Directors. The Chairman and the CEO is not the same person in GP. The Board ensures the oversight function. Being the representative from shareholding institutions, the management enjoys professional freedom to run the organization smoothly. The major responsibilities of the Board include reviewing the ongoing activities, formulating business policies and strategies, providing general guidelines to the management, and approving specific proposals. GP has held at least four board meetings in a year at an interval of three months for the last five years as per policy requirement. Dates for Board Meetings in the ensuing year are decided in advance and published as part of the Board Calendar together with the main agenda items and the notice of each Board Meeting is given in writing.

Audit Committee

GP established its Audit Committee in late 2008 as a sub-committee of the Board. As per the Audit Committee Charter, the audit committee is comprised of three members of the Board including an Independent Director who would be appointed by the Board. The CEO, CFO, company Secretary and the Head of Internal Audit are permanent invitees of the Audit Committee meetings. The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to internal control, financial reporting, risk management, auditing matters and GP's processes of monitoring compliance with applicable legal and regulatory requirements and the Code of Conduct.

Treasury Committee

This committee consists of two representatives from shareholders and the CFO of GP. All significant financial matters which concern the Board are discussed in this committee in detail. The issues are ultimately forwarded to the Board for their final review and approval.

Management Team (MT)

The Management Team is the executive committee of GP managing the affairs of the company. The Management Team consists of the CEO and other key leaders across the company. The Management Team endeavors to achieve the strategic goals and mission of the company set by the Board of Directors. Management Team held weekly meeting and review the ongoing activities.

CONTROLS AND RISK MANAGEMENT

The Board and the Management Team ensures the right Governance through following measures:

Business Plan & Forecast

The Management prepares the Strategy and Business Plan which is approved by the board. Such plans are prepared and modified from time to time considering the forecast and market situation.

It is practice of GP that the Management Team to take inputs from the operating level and market dynamics and then prepare Annual Budget and Business Plan, which is approved by the Board. During the implementation period if there is any issue, which is beyond the delegation authority of the management placed before the Board for revision and approval. At the end of each year through variance analysis efficiency of business

plan and budget is looked into. It was informed by the management that there is no such major deviation from its business plan and actual implementation level.

Well functioning and imbedded system of controls and internal checks and balances of GPs reduces operational risk and the overall risk profile of the organization. The whole system is subdivided into two broad heads namely Operations and Finance.

Financial Reporting Transparency

Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) so far adopted in Bangladesh and audited by an independent, well reputed accounting firm. The financial statements appear to contain the relevant mandatory disclosures under the regulatory framework, including compliance with the provisions of IAS and BAS. The annual financial statements have been audited by reputed Chartered Accountants Firms and issued “unqualified” Audit Report for all the relevant years. There is an independent Internal Compliance Department, which looks after compliance with the organizational policies by different departments and conduct internal audit and monitor the conformity of the company activities with the stated policy and guidelines, which it directly reports to the Board through CEO.

Published financial statements are presented in a user-friendly manner and important information is disclosed annually. Management analysis provides full insight into business and financial performance of the firm based on the economic substance and gives a comprehensive and customized description of the level of risk carried by the organization in issuer specific language.

The financial statements have been prepared on an ongoing basis under historical cost convention except for the following:

- Employee benefits are measured based on actuarial
- Capitalization of the lease of Bangladesh Railway (BR) Fiber Optic Network (FON) was valued at lower of present value of lease obligation and fair value of assets
- Investment in associate is valued applying equity method
- Assets Retirement Obligations (ARO) is measured at fair value.

Statutory Audit

Statutory Audit of the company is governed by the Companies Act, 1994 of Bangladesh. The Companies Act explicitly provides guidelines for the appointment, scope of work and retirement auditors. Shareholders appoint auditors and fix their remuneration in the Annual General Meeting. The Shareholders appoint Auditors upon evaluation in the AGM. M/S Rahman Rahman Huq. a member firm of KPMG is the Statutory Auditor of the company. In addition to the annual audit the auditors carry out interim audit and review the quarterly financial reports of the Company.

Management of Assets

GP as a telecom operator requires continuous investment in telecom network and other related infrastructure in line with the Business Plan. To maintain accountability and proper utilization of assets, it complies with clearly defined and approved policies starting from procurement, recording, reporting and up to the level of disposal of assets. To ensure proper safeguarding of assets, physical verification of network assets is conducted periodically on test basis and all risks relating to these assets are properly insured both locally and internationally.

Internal Audit

Internal Audit supports the company to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control and governance processes. To ensure organizational independence of Internal Audit, the Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

Internal Audit activity is governed by the Internal Audit Charter, which is approved by the Board. With a view for continual improvement of the effectiveness and efficiency of Internal Audit activities, the department is managed through three distinct audit streams: Finance, Technology and General Business processes. Internal Audit discharges its duties on a risk-based audit plan covering the strategic imperatives and major risks surrounding GP, while considering pervasive audit needs. Grameenphone Internal Audit also works closely with Telenor Group Internal Audit in sharing knowledge and resources to ensure achievement of internal audit deliverables.

Internal Control

GP has established an effective internal control system to maintain accountability, integrity and security of its assets, as well as information. GP has established a strong internal control environment as a part of good Corporate Governance. Internal Control is a process, supported by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of company objectives in the areas of:

- Effectiveness and efficiency of operations
- Reliability of financial reporting and
- Compliance with laws and regulations

There are five essential components of internal control which are: Control environment, Risk assessment, Control activities, Information & Communication and Monitoring. All of these five components of internal control are embedded in the control culture of GP.

Risk Management

Very high awareness of the key risks of the firm by both supervisory board and senior executives that together, and on an annual basis, establish the firm's risk appetite and discuss all risk issues once a month. Risk function is independent from business line management, is empowered with veto power, and proactive. Risk Management at GP is concerned with earning competitive returns from the company's various business activities at acceptable risk levels and without compromising the company's corporate social responsibilities. It has a cross-functional, multi-disciplinary focus that recognizes the Risks that cut across core business activities as well as organizational boundaries. It supports the company's competitiveness by developing a culture, practice and structures that systematically recognize and addresses future opportunities whilst managing adverse effects and threats through recognizing risk and acting appropriately upon it. Very high quality and robust information systems such as ERP (Enterprise-wide Resource Planning Model) are in place, which is commensurate with the institution's risk appetite and profile.

Grameenphone Ltd. has well defined risk management policy, procedures and processes to mitigate both the internal control risk and enterprise level risk. The process of risk management in Grameenphone Ltd. is a combination of risk identification, risk analysis & measurement, and risk planning & monitoring. Risk Management contributes as an efficiency enhancer in both financial and non-financial areas across the company.

Sarbanes Oxley Compliance

GP has also implemented sound internal controls over financial reporting in line with the requirements of the Sarbanes-Oxley Act (SOX) in 2006. Although the parent Company 'Telenor' is no longer enlisted in NASDAQ, it has adopted a strategy in line with the requirement of SOX that such internal control monitoring shall continue as if Telenor was US listed company. Grameenphone Ltd. has successfully implemented a strong set of internal control points in its major class of transactions as well as in the IT section. GP has become SOX successful for the year 2006, 2007 and 2008.

Compliance with Rules & Regulations of the Country

As the leaders of a compliant company, the Management Team of Grameenphone is accountable not only to its Board or Shareholders but also to various external regulatory bodies of this country. These regulatory bodies maintain a close monitoring process on Grameenphone, in this context, the Company provides full-fledged financial reports to the National Board of Revenue (NBR), Registrar of Joint Stock Companies & Firms (RISC), Bangladesh Telecommunication Regulatory Commission (BTRC) and the Board of Investment (BOI). In compliance with the law of the Securities and Exchange Commission (SEC), Grameenphone has converted its status in 2007 to a public limited company from its earlier status as private limited company. Besides, in order to conduct day to day business Grameenphone has been rendering its best effort to comply with the existing applicable laws of the country as well as with the directives/ guideline of various Government Authorities.

Business Continuity Management (BCM)

Business Continuity Management (BCM) process has been adopted in GP to further strengthen organizational resiliency. It helps GP in building capability for an effective response to any sudden business disruption which may be caused by man-made incident or any natural disaster such as flood, fire, earthquake etc. It is also safeguarding the interest of key stakeholders, reputation, brand and value creating activities.

The objective of BCM is to establish infrastructure resilience and recovery strategies for minimizing potential impacts by restoring critical business functions within stipulated time from disruption. In this process, after an assessment of the probability and impact of the potential risks detail plans are prepared in order to prevent and manage the risks, minimize the impact, and secure the continuity of the business in the long run.

Codes of Conduct

GP has adopted a clearly defined Codes of Conduct approved by the Board of Directors for securing good business ethics and conduct in all aspects of the company's activities. The Codes of Conduct are properly communicated to all the employees and others acting on behalf of who are strictly required to abide by it.

Management & Leadership Development

GP views employees as their core asset. Pre set goal with performance measurement indicators plays a vital role for the management and leadership development. Telenor Development Process (TDP) has been adopted by GP since 2005. The TDP process aim to set direction, manage performance and develop individual, team and organizational capabilities to deliver business results. Annual management turnover rate is around 8-10% which is viewed a reasonable rate considering the large number of employees and brand strength of GP. Due to brand strength of GP, the employees of GP got the privilege to switch from other corporate in a higher position. Length of services of top management is also a good indicator of GPs high quality corporate environment.

GP has a practice to conduct survey in every year where all the employees get the chance of expressing their independent views about the organization, their motivation, processes and improvement opportunities. Internal Value Creation (IVC) contributes to ensuring a fair, transparent and professional working environment in GP.

Corporate Social Responsibility

In alignment with GP's vision "We are here to help" GP takes CSR as a part of the core business operations of GP, rather than a separate 'add on', in addition to its focus on corporate philanthropy. GP's operation is based on considering, managing and balancing the economic, social and environmental impacts of its activities.

GP manages non-financial risks and maximize its long-term financial value through adopting corporate social responsibility as part of its business. GP has launched three major social upliftment initiatives, through partnerships with the leading development actors in their respective fields, to promote safe motherhood and infant care, provide free treatment for cancer patients and create awareness on HIV/AIDS in the country. Through Village Phone, it contributes to the empowerment of underprivileged women of the country. Through innovative products it contributes to the economic development of the country.

GP adopted a framework approach in CSR whereby it aims to play a role in the development process of Bangladesh by, in one hand, introducing services which will ensure higher access to information and public services, and on the other, launching development projects to provide assistance in meeting the basic needs of the poor people. In the process, to bring about sustainable change, GP identified 4 focus areas for possible intervention, i.e. Poverty alleviation, Healthcare, Empowerment, and Education.

In 2008 alone, GP organized six free eye camps at Barisal, Comilla, Sylhet, Lalmonirhat, Tangail and Moheshkhali. In total 10,931 patients were benefited with free eye care support through these camps, while 1,175 patients were administered Intra Ocular lens or cataract surgeries.

GP launched a full-fledged blood bank at Rafatullah Community Hospital (RCH) in Bogra, a health initiative of Thengamara Mohila Sabuj Sangha (TMSS). This is the first and the largest blood bank in the northern region funded by a private organization.

In 2008, GP carried out a month-long media campaign around World AIDS Day (Dec 1). including press advertisements, radio announcements, TV talk-show, round-table sessions, billboards, etc. GP has been working with UNAIDS since May 2007 to raise awareness and advocate policy reforms on HIV/AIDS.

GP has been partnering with the Expanded Immunization Program and WHO since April 2007 to create effective awareness regarding National Immunization Day with a target to immunize more than 24 million under-5 children through vaccination. In 2008, during the 17th National Immunization Day (NID), GP extended their support through Newspaper announcements and SMS alerts targeting the parents.

GP in collaboration with Grameen Shikkha a sister concern of Grameen Bank provides annual scholarships to some 100 bright but underprivileged students at different academic levels, through a scholarship fund. Of these scholarships, 60% are aimed towards female students.

GP distributed 3,000 blankets in different SIDR affected areas of Barisal and Khulna districts earlier in February 2008. The company also distributed 11,000 blankets in the worst affected areas of Dhaka, Rajshahi and Chittagong division during the prevalent cold weather in December 2008.

GP has also taken Climate Change Project in February 2008 as a part of Telenor's global program to cater one of the most important strategic targets of supporting the environment by reducing CO₂ emissions.

Employee recruitment, motivation and retention

Corporate social responsibility is increasingly an important factor in attracting and retaining a talented and diverse workforce (Globescan Inc 2005). GP accounts for the interests of their employees by offering good working conditions through which it achieves better performance in terms of quality and delivery, and, therefore, experience higher levels of productivity..

Training in Grameenphone is primarily aimed at enhancing the employees' job-related knowledge, skills and managerial competencies. Each year, the company invests significantly on employee development and training both at home and abroad.

As a part of the company's continuous effort towards organizational development, a pragmatic approach to people development was also introduced through the 3Es of Human Resources Development. The 3Es stand for: Experience- -working on tasks and problems, increased responsibilities etc.; Exposure- -feedback, coaching or mentoring etc. and Education- -training, conferences, academic courses etc. This approach utilizes diverse initiatives as opposed to traditional training driven people development approach.

Learning and innovation

Learning and innovation are critical to the long-term survival of any business. Corporate social responsibility can be a vehicle for business to respond to environmental and societal risks and turn these into business opportunities. GP's long tenure market leading position is an indication of materializing the business opportunity.

Reputation management

Companies operate in a market of opinion. GP's business focuses are well judged by customers, suppliers and the broader community, which have positive impact on its profitability and success. Through GP's corporate social responsibility, it could offers a means by which it can manage and influence the attitudes and perceptions of their stakeholders, building their trust and enabling the benefits of positive relationships to deliver business advantage.

Risk profile and risk management

Due to its Corporate Social Responsibility initiatives GP is able to manage risks effectively which helps to reduce avoidable losses, identify new emerging issues and use positions of leadership as a means to gain competitive advantage.

Competitiveness and market positioning

Branding of GP draw consumers away from competitors and thereby improve profitability.

Operational efficiency

Corporate social responsibility of GP offers opportunities to reduce present and future costs to the business thereby increasing operational efficiency.

| | Amount in BDT | | | | | |
|---|---------------|------|-------|-------|-------|-------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Average Revenue per Subscriber per Day | 8.03 | 9.03 | 11.62 | 14.57 | 22.60 | 30.20 |
| Average Direct Cost per Subscriber per Day | 4.16 | 4.06 | 4.76 | 6.03 | 6.98 | 8.46 |
| Average Operating Expenses per Subscriber per Day | 2.13 | 2.56 | 2.26 | 2.37 | 4.12 | 5.33 |
| Average Advertisement Expenses per Subscriber per Day | 0.77 | 1.11 | 1.00 | 1.02 | 0.34 | 0.19 |
| Average Profit per Subscriber per Day | 0.39 | 0.51 | 2.42 | 3.42 | 7.74 | 10.37 |

Exhibit 7: Operational Efficiency

Due to market competition started back in three years, Average Revenue per Subscriber per day decreases over the previous years from BDT 30.20 in FY03 to BDT 8.03 in FY08. Direct cost per subscriber per day remain constant over the past three years due to roll out and network expansion but operating cost efficiency (Average operating cost per subscriber per day in FY08 was BDT 2.13 which was BDT 5.33 in FY03) as well as tremendous growth in subscriber base contributes to the overall high profitability in spite of average profit from per subscriber fell down to BDT 0.39 in FY08 from BDT 10.37 in FY03.

Investor relations and access to capital

The investment community is increasingly viewing corporate social responsibility as akin to long term risk management and good governance practices. Recent surveys indicate that analysts place as much importance on corporate reputation as they do on financial performance. GP's initiatives enhance its corporate reputation.

Family companies dominate Bangladesh's corporate landscape. These companies have responded well to the opportunities available in the fast growing and liberalizing economy of Bangladesh. Their strengths can include a long-term management perspective and a cautious approach to risk to avoid destroying family wealth-as well as an ability to act quickly. However, family control can also raises specific corporate governance concerns in areas including adaptability, leadership transition, checks and balances and transparency.

Before emergence of GP few multinational and local corporate bodies are leading the way in emphasizing the importance of good governance and adopting global best practices. But GP is the breakthrough in Bangladesh economy who proved that long-term business growth is the outcome of good governance.

Although Bangladesh corporate governance practices continue to improve, this largely reflects regulation of listed companies, particularly with regard to certain "checks and

balances". These include the composition of Board of Directors, operations of the Audit Committees, Inclusion of Independent Directors into the Board. Although there are material residual issues regarding checks and balances, these are generic to corporate Bangladesh and not isolated to family companies- for example, the lack of activist shareholders and a business and cultural environment that does not permit hostile mergers and acquisitions.

The analyst noted the shareholding structure, composition of Board as well as the ability and willingness of the shareholders to bail out the company in case of need. To sustain the company in the long run, stability and continuity of the Board, of the management team and leadership, and operational independence are necessary, which it has enjoyed.

CRAB views that GP has responded well to the changing business environment, and has successfully expanded its business base. GP captures large market share in low penetrate and high-populated telco industry is best placed to exploit growth opportunities. It has greater access to capital and management than do local startups and it has a more intimate knowledge of the operating environment and the key player than do its competitors.

The structure and level of executive pay is an important governance concern in CRAB's view. The compensation of senior management includes variable performance linked component such as company performance, individual attainment and team achievements. In attracting and retaining highest quality executive talent, GP practices to be competitive on executive pay as well as other provides auxiliary benefits. As such, it remains prestigious for professional managers to work for GP.

Key Personnel Risk

Team value and practice of GP ensures collective decision making positions. Robust management succession planning processes ensures less dependency on single executive, which by turn lessen key personnel risk.

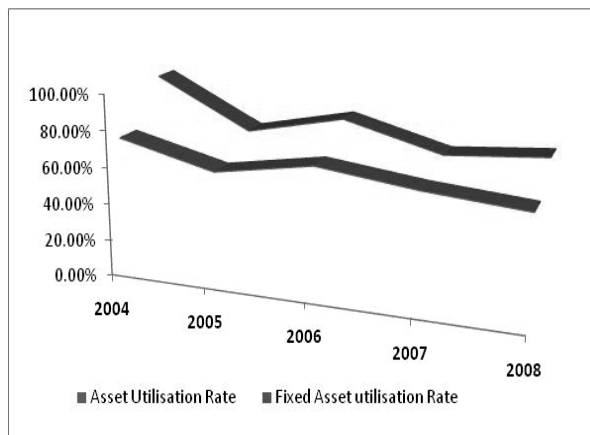
Insider and Related Party Risk

The Audit report contains disclosures of related party transactions. There is no material information, which could affect the credibility of GPs operation.

TECHNOLOGY

The global telecommunication industry has evolved significantly over the last 10 years, spurred on by regulatory liberalization, technological advancements and the availability of capital. Liberalization and technology have created an environment where a host of competitors threaten the value of GPs assets while seeking to create value for the new technology being employed. We expect that rapid technological changes will continue to pressure the capital budgets of GP, which means increased risk of asset impairment or obsolescence. The cost of adopting new technology is significant, both in terms of capital required and the risk of failures, which constitutes a key ratings consideration. Alternatively, the analyst observed that there might be a business cost for failing to quickly adopt new technology before competition erodes the incumbent's position. So the important features are the duration of development and introduction cycles for major technologies, which is assessed for its likely impact on product competitiveness.

While the race for technological advancement is inherent in the telecommunications industry, benefit is given to GP due to its larger market share, management's track record, flexible technology and effectiveness of planned strategy which indicates its ability to gauge the readiness of the market in accepting newer and more innovative products, to avoid over expansion. To this end asset utilization rate and Fixed Asset Turnover ratio is used to indicate the level of efficient asset utilization. **Exhibit 8: Asset utilization**



Considering the level of asset size and scale of growth, 56.71% asset utilisation rate and 71.72% fixed asset turnover ratio as of FYE08 is justifiable. During the expansion and development phase when market competition was not fierce, the rates were high relative to present level. CRAB adopts a cautious stance on hefty investments in 3G technologies given the relatively new demand for higher-value-added multimedia services. More data applications have to be developed to fuel demand for these services.

CRAB assesses the company's technological risk starts with an evaluation of the lifetime service capabilities and scalability of the company's existing network architecture. Because the telecom

| | Amount in Million BDT | | | | | |
|-------------------|-----------------------|----------|----------|----------|----------|----------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Capex | 23353.41 | 30532.86 | 22626.28 | 16202.13 | 11711.62 | 3591.92 |
| Revenue | 61358.97 | 54303.21 | 45640.41 | 29473.13 | 19700.69 | 12577.12 |
| Capex/Revenue (%) | 38.06% | 56.23% | 49.58% | 54.97% | 59.45% | 28.56% |

Exhibit 9: CAPEX and Revenue

industry is very capital intensive and faces rapid technological innovation, the investment strategy is critical to its future prospects, which is found commensurate in line with present market dynamics. The technology that the company is deploying is proven technology. Capital expenditure as percentages of its revenue and the trend indicates that GP was required to invest heavily on capital to expand the network coverage, speed up the airtime congestion and improvements of new technology.

GP's core network and radio access equipment so far has been mainly supplied by Ericson. In 2008, GP signed a long term purchase agreement for network and radio access equipment with Huawei to widen its operation as well as introduce innovative products and services. Grameenphone has been able to maintain its leadership position in the industry to deliver a quality network with more than 11,800 base stations at over 6800 locations around the country. In 2008, GP made fresh investment of more than BDT 27,000 million including BDT 5,920 million on acquiring additional 7.4 MHz GSM frequency on 1800 band to further increase the capacity. It rolled out more than 800 new base stations in 2008. Points to note that it installed new types of monopole, camouflaged base stations, micro-cell sites and solar powered base stations. A total of 807 km new fiber optic cable has been deployed in 2008, increasing the fiber optic network to 4729 km. In addition, GP also operates another 2014 km fiber optic network leased from Bangladesh Railway and Power Grid Company of Bangladesh Ltd.

OPERATING PERFORMANCE

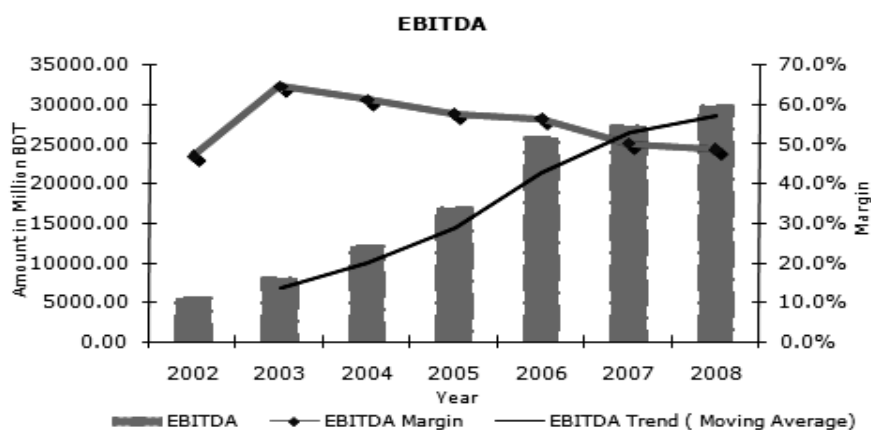
Due to these developments as mentioned above and other factors, GP kept its mark to grow its revenue, asset and subscriber base. In FY08, the revenue reached at BDT 61,358.97 million from BDT 54,303.21 million in 2007, registering a growth of around 13.0%. In FY08 the subscriber base of GP stood at 20.99 million from 16.48 million in FY07, registering a growth of 27.4%. Due to

| | Amount in Million | | | | | |
|--------------------|-------------------|----------|----------|----------|----------|----------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| Level: | | | | | | |
| Revenue | 61358.97 | 54303.21 | 45640.41 | 29473.13 | 19700.69 | 12577.12 |
| Asset | 108194.45 | 88461.04 | 66756.66 | 49536.66 | 27006.57 | 17263.87 |
| Subscriber Base | 20.99 | 16.48 | 10.76 | 5.54 | 2.39 | 1.14 |
| Growth Rate | | | | | | |
| Revenue | 13.0% | 19.0% | 54.9% | 49.6% | 56.6% | |
| Asset | 22.3% | 32.5% | 34.8% | 83.4% | 56.4% | |
| Subscriber Base | 27.4% | 53.2% | 94.1% | 132.1% | 109.3% | |

Exhibit 10: Revenue and Subscriber base

consistent growth of subscriber over the last 10 years, in spite of decrease in ARPU, the revenue also grew at a consistent rate as well, which contributes to the consistent and high asset growth (ranges from 22.3% to 83.4%) in the previous year and peaked at BDT 108,194.45 million.

Revenue, Subscriber as well as Asset growth supports the CAPEX/Revenue trend of GP. GP chalked out credible plan to address longer-term threat from technological risk as and if it matters. CRAB looks into the level and stability of operating margins, which is a key consideration in assessing risk to debt holders.

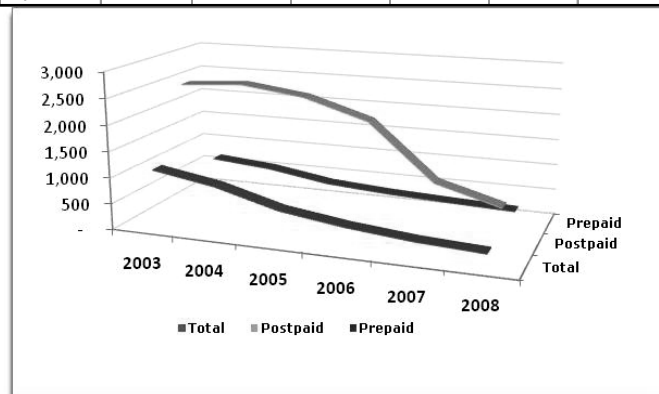

Exhibit 11: EBITDA

In FY01, EBITDA of GP was BDT 5,522.04 million, which rose to BDT 29,817.25 million in FY08, with an average growth rate of 42.9%. From FY02 to FY08, a sharp increasing trend is observed (refer to the EBITDA Moving Average Trend). But high competition hauls the revenue growth, which in turn leads to squeeze the increase rate of EBITDA to around 2.00% in FY08 from FY07. Moreover, in FY08 & FY07, an amount of BDT 2,000.0 million and BDT 2,184.24 million respectively was paid as compensation to BTRC in connection with the company's alleged involvement with unregulated international call termination business in FY05, FY06 and FY07. EBITDA Margin as of FY08 is 49.70%, which is yet very comfortable and high corresponding to its level of revenue and scale of

operation though the year-to-year margin reflects diminishing trend. High EBITDA margin of GP captures all product margins in a blended fashion and considers management's skill in growing revenues, retaining customers and controlling costs, as well as attaining operational efficiencies from the network.

The analysis reflects that high competition and network expansion and renovation tends

| ARPU(BDT) | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------|-------|-------|-------|-------|------|------|
| Total | 1,100 | 900 | 572 | 401 | 284 | 220 |
| Postpaid | 2,501 | 2,578 | 2,419 | 2,048 | 995 | 662 |
| Prepaid | 688 | 555 | 391 | 335 | 253 | 210 |



to affect the EBITDA and its margin over the period of time. Due to its large scale, direction of earnings would be flat and stable in the next few years. Besides, present market share, subscriber base and future strategy of GP is supportive to limit the cash flow pressure.

The strong customer base of GP (20.99 million in FY 08) and its superior service quality is the prime factor for its large revenue scale in spite of decreasing ARPU trend (reflected in the adjacent exhibit).

Exhibit 12: ARPU Trend of GP

Compared to its competitor's, GP was able to earn high revenue. High competition among the operators tends to bring down the tariff structure which affects the other operators to a larger scale, and in the coming days CRAB expects that tariff would be reduced further. GP would get competitive advantage due to its vast customer base as well as long-term relationship with its customers. The management informed that they would focus equally on retention of existing customers and acquisition of new customers.

FINANCIAL STRENGTH

A key component of CRAB's analytical process is a review of GP's financial strength, which is essentially its ability to generate cash, service debt, and generate sufficient return to enable continuous access to fund market.

| Profitability Ratios | | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| EBITDA/ Average Assets | 28.98% | 32.19% | 44.14% | 44.33% | 54.30% | 53.24% |
| EBIT/Average Assets | 13.58% | 18.79% | 31.29% | 32.93% | 45.29% | 44.85% |
| ROAE | 11.11% | 11.63% | 42.46% | 43.63% | 62.88% | 68.46% |
| ROAA | 3.03% | 3.94% | 16.34% | 18.06% | 30.47% | 28.36% |

Exhibit 13: Profitability Ratios

The above ratios indicate high profitability position of GP considering its size and scale of operation in spite of recent downturn in the ratios. Slow down of revenue growth due to reduction in tariff structure (high competition affects GPs pricing power) and higher asset growth vis-à-vis revenue growth (Asset Growth: FY08 22.3%; Revenue Growth FY08: 13.0%) partly attributes to the profitability level.

The total revenue of GP increased by 13.0% in FY08 and stood at around BDT 61.0 billion. GP earned its revenue from different sources i.e tariff, subscription fees and roaming charge from its prepaid and post paid customers, revenue from interconnection mobile operator, VAS, SMS, MMS and other non mobile revenue. In FY08, 83.69%

revenue of GP came from prepaid (78.12% of total revenue) and post paid (5.57% of total revenue) tariff. While revenue growth of post paid is declining, pre-paid customers are the major contributor to the revenue growth due to low tariff packages and flexibility of pre-paid connection over post paid connection. GP in FY08 extended PSTN connectivity to all its subscribers including all SMILE and DJUICE subscribers- previously customers with only mobile to mobile connectivity resulting in growth of customer base. Revenues from international gateway (IGW) and interconnection revenues (10.62% of total revenue) from Bangladesh Telecommunications Company Limited (BTCL) also contributed to the revenue growth. In FY08, it also expanded its coverage to Chittagong Hill Tracts area. The network is fully EDGE/GPRS enabled, allowing the customers to access high-speed internet from anywhere within its coverage area. GP introduced a number of innovative products, promotional tariff offerings and innovative value added service (VAS) e.g. call filtering, USSD menu browser, phone back up services etc.

In 2008, through GP Bill Pay Service, the customers of GP could pay utilities bills through GP phone. GP signed partnership agreement with the Bangladesh Post Office (BPO) to enable access of the rural people to modern telecommunication solutions. GP also revisit its distribution channels to acquire more subscribers.

| | Amount in Million | | | |
|--------------------------------|--------------------------|-------------|-------------|-------------|
| | 2008 | 2007 | 2006 | 2005 |
| Capex | 23,353.41 | 30,532.86 | 22,626.28 | 16,202.13 |
| EBITDA | 30,494.11 | 27,162.84 | 25,663.63 | 16,966.64 |
| EBIT | 15,349.96 | 16,766.95 | 18,195.27 | 12,601.72 |
| Total Debt | 18,883.99 | 16,383.54 | 7,868.97 | 9,037.66 |
| Retained Cash Flow (RCF) | 23,087.49 | 22,677.38 | 24,949.92 | 14,070.16 |
| Fund Flow From Operation (FFO) | 24,594.31 | 24,135.59 | 26,165.09 | 16,836.80 |
| Free Cash Flow (FCF) | (189.81) | (7,792.66) | 2,342.40 | (2,128.18) |
| Interest Exp | 1,805.25 | 948.49 | 918.82 | 740.82 |
| Total Liabilities | 80,606.30 | 62,349.93 | 40,227.12 | 31,295.97 |
| Equity | 27,588.16 | 26,111.11 | 26,529.54 | 18,240.69 |
| Asset | 108,194.45 | 88,461.04 | 66,756.66 | 49,536.66 |

Exhibit 14: Financial Indicators of GP
Leverage, Cash Flow and Coverage

| | 2008 | 2007 | 2006 | 2005 | Average |
|--|-------------|-------------|-------------|-------------|----------------|
| RCF/Total Debt | 122.26% | 138.42% | 317.07% | 155.68% | 183.36% |
| FFO/Total Debt | 130.24% | 147.32% | 332.51% | 186.30% | 199.09% |
| FCF/Total Debt | -1.01% | -47.56% | 29.77% | -23.55% | -10.59% |
| (FFO + Int Expenses)/Gross Int. Exp (x) | 14.62 | 26.45 | 29.48 | 23.73 | 23.57 |
| (EBITDA-CAPEX)/Gross Int. Exp (x) | 3.96 | -3.55 | 3.31 | 1.03 | 1.19 |
| CAPEX/DEP Exp (x) | 1.54 | 2.94 | 3.03 | 3.71 | 5.87 |
| Total Debt/EBITDA (x) | 0.62 | 0.60 | 0.31 | 0.53 | 0.52 |
| RCF/Total Liabilities | 28.64% | 36.37% | 62.02% | 44.96% | 43.00% |
| FFO/Total Liabilities | 30.51% | 38.71% | 65.04% | 53.80% | 47.02% |
| FCF/Total Liabilities | -0.24% | -12.50% | 5.82% | -6.80% | -3.43% |
| Total Liabilities/EBITDA (x) | 2.64 | 2.30 | 1.57 | 1.84 | 2.09 |
| Debt Ratio (Interest Bearing Liability) | 41% | 39% | 23% | 33% | 33.80% |
| Debt Ratio (Total Liability) | 75% | 70% | 60% | 63% | 67.11% |
| Gearing Ratio (x) | 2.9 | 2.4 | 1.5 | 1.7 | 2.14 |

Exhibit 15: Leverage, Cash Flow and Coverage

GP's capital structure is highly leveraged; Debt ratio considering interest bearing liability was 41% where as 75% considering total liability. Apart from internal generation, the company is heavily relying on debt to accelerate its network expansion. The company has been managing its funding requirements from both local and foreign. The gearing ratio stood at 2.9 times at end 2008. Going forward, GP is in the process of listing in the stock exchanges to raise capital with premium, a modest improvement in the capital structure would take place. Given the nature of operation, the cash flows remained strong; Positive Retained Cash Flow (RCF) of BDT 23,087.49 million and Fund Flow from Operations (FFO) of BDT 24,594.31 million in FY08 as well as the trend over the previous year's indicate the low risk spectrum of GP. RCF and FFO in terms of interest sensitive debt (RCF/Total debt:122.26% and FFO/Total Debt: 130.24% in FY08) retrieved sufficient cash flow generation ability of the company, which is also reflected to look into its Total Debt/EBITDA ratio of 0.62 times in FY08. RCF to total debt and RCF to total liabilities implies that GP has greater discretion to allocate available cash flow. Free Cash Flow indicates negative because huge continuous capital investment requirements do not support only from operation activities. To support the projected investment for network and coverage expansion and improvements, GP relies on external fund mobilization.

The coverage ratios indicate GPs strong ability to fund interest expenses from operational cash flow prior to payment of dividends and capital expenditure investment. (EBITDA-CAPEX)/Gross Interest Expenses considers the ability of GP to cover interest expenses after it has made the necessary re-investment into its core operations. The concept represents the need to maintain/sustain operating cash flow, while servicing ongoing interest payments. Despite gross interest expenses increased to BDT 1,805.25 million in FY08 from BDT 948.49 million (due to increase of leverage) in FY07, increase of EBITDA (FY08: BDT 30,494.11 million) by 12.26% in FY08 from FY07 and lower capital expenditure in FY08 compared to FY07 (FY08: BDT23, 353.41 million; FY07: BDT 30,532.86 million) turned the (EBITDA-CAPEX)/Gross Interest Expenses ratio of 3.96 (times) in FY08 to positive which was negative in FY07. However, the negative ratio was not a major concern for GP. It is important in the telecommunications industry, as substantial investments in evolving and existing technology are required.

| Key Indicators | | | | |
|--|-------------|-------------|-------------|-------------|
| | 2005 | 2006 | 2007 | 2008 |
| Current Ratio (times) | 0.41 | 0.44 | 0.18 | 0.28 |
| Quick Ratio (times) | 0.39 | 0.40 | 0.16 | 0.27 |
| Inventory to Net Working Capital (times) | -0.04 | -0.08 | -0.03 | -0.01 |
| Inventory Turnover Ratio (times) | 71.29 | 46.07 | 64.37 | 150.69 |
| Days of Inventory (days) | 12 | 19 | 12 | 5 |
| Accounts receivable turnover | 8 | 11 | 20 | 15 |
| Average collection period (days) | 45 | 34 | 18 | 24 |
| Accounts Payable Period (days) | 154 | 92 | 120 | 43 |
| Bankruptcy Index | >2.99 | >2.99 | >2.99 | >2.99 |

Exhibit 16: Liquidity Ratios

Current ratio, quick ratio, inventory to net working capital indicates aggressive working capital management. Receivables are cycled 24 times (FY08) which was 20 times in FY07. The average collection period was 24 days in FY 08, this was 18 days in FY07. GP takes 43 days on average to pay its suppliers, this indicator improved significantly from 120 day in FY07. Bills are now paid early. GP has a strong line of credit with local and international organizations. So fund mobilization is not a big problem for GP to grow. Over the period of time bankruptcy index was always far above 2.99, which indicates its strong financial footing. Moreover, considering the nature of fund cycle and strong line of credit facilities with commercial banks is supportive to its aggressive working capital management approach.

CREDIT FACILITIES

GP as a telecommunication company requires capital expenditure to support its quality of service and continuous up gradation of its infrastructure. As a result to support these GP requires external funding. GP had access to foreign long term debt as well as local debt facility to provide leverage to its business. GP has the following loan facilities from various sources:

Loan from IFC, ADB and NORFUND

In 2004, GP entered into loan agreements with IFC, ADB and NORFUND for a total amount of USD 60 million, which was financed in proportion of 3:2:1 respectively GP drew USD 25 million (USD 12.5 million from IFC, USD 8.33 million from ADB and USD 4.17 million from NORFUND) as the first installment on August 26, 2004. The second and third installments amounting to USD 15 million and USD 20 million respectively were drawn on March 29, 2005 and April 26, 2005 respectively

The loans are repayable in 10 half yearly installments starting from December 15, 2005 with the following interest rates:

If net debt : EBITDA ≥ 1 ; LIBOR+3.5% per annum

If net debt : EBITDA < 1 and ≥ 0.5 ; LIBOR+3.25% per annum

If net debt : EBITDA < 0.5 ; LIBOR+3.0% per annum

Loan from Eksportfinans ASA

GP borrowed NOK 25 million in December 2000 form Eksportfinans ASA, Norway with interest to be paid at the rate of 6 months NIBOR plus 30 basis points per annum. The loan is repayable in 14 equal semi-annual installments starting from June 29, 2004

Loan from Norwegian Agency For Development Cooperation (NORAD)

GP entered into an agreement with Norwegian Agency for Development Cooperation (NORAD) to obtain loan of NOK 50 million and to obtain guarantee in its favor to borrow another NOK 25 million from Eksportfinans. According to the terms of the contract, interest at 3.4% per annum is to be paid on drawdown amount. The interest is payable semi-annually in arrears with the first payment to be made from 6 months after the first drawdown date which will be repayable in 14 installments with the first installment falling due from 42 months after the last drawdown date. GP received the loan in two installments; one on 30 December 1997 (NOK 35 million) and another on 3 January 2001(NOK 15 million).

Local syndicated loan

GP signed a BDT 2,000 million syndicated loan agreement with 16 local financial institutions. Standard Chartered Bank was the lead arranger for the syndicated loan. The



loan is being financed by Agrani Bank, Bank Asia, Citibank N.A., and IDCOL, IFIC Bank, Jamuna Bank, National Bank, Pubali Bank. SABINCO. Sonali Bank, Standard Bank, Standard Chartered Bank, Trust Bank, The City Bank, United Commercial Bank and Uttara Bank. The loan agreement was signed on 17 September 2007. The loan bears interest at 13.50% per annum, which is calculated on the amount outstanding on a daily outstanding amount basis and payable at the end of each quarter. The repayment will start on 15 November 2008. The first drawdown has been effected on 8 October 2007. 5.8824% of the total taka loan, principal must be repaid on a quarterly basis which will run for 17 quarters.

All the above loans are secured by a first priority floating charge on the company's undertaking, property and assets, present and future including goodwill and money held to the credit of the company's bank accounts to the extent of BDT 5,247,72 million. Additional charge of BDT 2,000 million has been created in favor of the new Local Syndicate Lenders. Total value of the charge created is BDT 7,247.72 million.

Bond Issued

GP issued debt instruments in the form of Unsecured, Non-convertible, and freely transferable coupon bearing Bond on November 11, 2008, in an aggregate principal amount of BDT 4,250 million through private placement with domestic investors. Each bond is denominated in BDT 10 million with one tranche having 540days tenor and other tranche having 720 days tenor maturing on 04 May 2010 and 31 October 2010 respectively. The bonds have an interest rate of 14.5% per annum, payable semi annually. The bonds will rank at least pari passu with the claims of other unsecured and unsubordinated creditors. The Bond was rated AAA by CRAB.

MARKET**RISK**

Bangladesh exhibit less well developed political, legal and regulatory institutions, so that business risk is higher in general for all industry, which translates into less certainty about future cash flows. CRAB specifically considers three aspects of market risk as (1) Regulatory: This factor considers the stability or otherwise of the political and regulatory environment (2) Economic: It considers the potential for the country to experience rapid changes in economic growth or inflation with the potential for a destabilizing of the general environment and specific industry (3) legal certainty: It considers the transparency of the legal system and the rights of protection enjoyed by the company and its creditors. The above factors are summarized by the following model inputs when considering developing market risk as a factor in CRAB's rating:

| Factors | Existing environment |
|---|---|
| Regulatory | |
| Risk of nationalization/ loss of license | No risk of nationalization and very low risk of license cancellation. |
| Economic | |
| Rating category likely to be positively correlated with macro economy | Economy is considered to be medium grade, with some volatility and moderate exposure to external factors, characterized by GDP growth of 6.5%, averaging above 5.0% percent over last 10 years, with moderate to high inflation (3% to 8%) and interest rates ranges from 12 percent to 18 percent. |
| Legal Certainty/ Bankruptcy Laws | |
| | Mixed track record of both statute and case law being developed rationally and consistently. |

Exhibit 17: Market Risk

**GENERIC RATING ISSUES**

Factors not specific to the telco industry but typically impact on CRAB's ratings, including [1] Liquidity; and [2] Exposure to movements in foreign exchange rates.

Liquidity

CRAB recognizes significant differences in liquidity needs across industries and specific entities. As of FY 08, GP has entered into credit facilities with 19 local banks for short-term working capital facility and loan agreements with 4 financial institutions for short-term loans. The aggregate amount of the working capital facility and the short term loans is BDT 22,072.85 million. The facilities have a non-funded limit of BDT 19,622.20 million and a funded limit of BDT 9,240.65 million. The non-funded facilities include Letter of Credit, Letter of Guarantees and FX Forward. The funded facilities include overdraft facility, short-term loan and import loan. A summary of the short term credit facilities is shown below:

| Bank | Facility | Amount/Limit (BDT in million) |
|--------------------------------|--|--|
| Standard Chartered Bank | Letter of credit (L / C) | 2,333 |
| | Overdraft / short term loan | 950 |
| Commercial Bank of Ceylon Ltd. | Letter of credit | 550 |
| | Overdraft / short term loan | 210 |
| | Foreign Exchange Forward arrangement | 550 |
| Citibank N.A. | Sight/Usance letter of credit | 2,800 |
| | Short term loan | 2,100 |
| | Overdraft facility for | 2,100 |
| HSBC | Sight/Usance letter of credit | 2,300 |
| | Short-term loan | 700 |
| | Overdraft facility | 150 |
| | Foreign Exchange | 10 |
| Prime Bank Ltd. | Sight/usance letter of credit | 1,500 |
| | Overdraft/LTR | 950 |
| Eastern Bank Ltd. | Sight/usance letter of credit | 1,400 |
| | Short-term loan/LTR | 600 |
| | Overdraft | 100 |
| | Bank Guarantee | 150 |
| One Bank Ltd. | Sight/Usance letter of credit | 660 |
| | Overdraft/LTR/ Time | 280 |
| | Bank guarantee | 10 |
| BRAC Bank Ltd. | Sight/usance letter of credit | 1,300 |
| | Overdraft/short term loan | 550 |
| Dhaka Bank Ltd. | Sight/usance letter of credit | 1,000 |
| | Short term Loan/LTR | 435 |
| Dutch Bangla Bank Ltd. | Sight/usance letter of credit | 930 |
| | Short Term loan/LTR/overdraft | 390 |
| Shahjalal Islamic Bank Ltd. | Sight/usance Murabaha letter of credit | 980 |
| | Mubaraha Post Import TR/ Bai Muajjal Comm. | 430 |
| | Bank guarantee | 100 |
| Woori Bank | Sight/Usance letter of credit | 274.20 |
| | Overdraft | 205.65 |
| The City Bank Ltd. | Sight/usance letter of credit | 590 |
| | Overdraft/ short term loan | 370 |
| | Bank guarantee | 590 |



CRAB Ratings

Corporate

| | | |
|-------------------|-------------------------------|-----|
| Jamuna Bank Ltd. | Sight/usance letter of credit | 580 |
| | Overdraft/LTR | 230 |
| Trust Bank Ltd. | Sight/usance letter of credit | 400 |
| | Overdraft | 280 |
| Premier Bank Ltd. | Sight/usance letter of credit | 910 |
| | Overdraft | 390 |
| | Bank guarantee | 910 |
| Bank Asia Ltd. | Sight/usance letter of credit | 280 |
| | Overdraft | 270 |
| EXIM Bank Ltd. | Sight/usance letter of credit | 300 |
| | Bat Muajjal (cash credit) | 225 |
| Bank Alfalah Ltd. | Sight/usance letter of credit | 525 |
| | Cash finance | 225 |
| | Bank guarantee | 300 |

Exhibit 18: Short term credit facilities

CRAB reviews its liquidity sources and its maturities in addition to the above credit facilities from different banks i.e deposits from agents and subscribers, bill collection speed, lease finance opportunities, market sensitivities as well as its contingency plans.

GP as its policy forecast its next 12 to 36 months sources and uses of cash on monthly basis. CRAB evaluates the tools it uses which is found reasonable and stress scenario results reflects GP's ability to meet both operating needs and debt obligations under these scenarios. CRAB also closely examines the company's contingency funding plans for a period of stressed caused either by company specific concerns or by a general market disruption, and found that in addition to its funding need it has contingency plan, which CRAB views a cushion of safety.

Foreign Exchange Risk

GP is exposed to the risk of movements in relative foreign exchange rates, due to mismatches in the currencies of their revenues and liabilities. The currencies for debt used to buy capital equipment and revenue differs. The ability of GP to raise debt from overseas market is an indication of its strong fund raising capacity. Considering the terms and maturities of its long-term loans and past track record of GPs operation, CRAB views that movement in foreign currency rates (assuming past currency movement trend) will not materially impact its future financial profile. However, in absence of controlling and minimizing instrument in our country, GP would bear the currency risk to some extent.

- **END OF REPORT** -



CRAB RATING SCALES AND DEFINITIONS
LONGTERM CREDIT RATING

| RATING | DEFINITION |
|---|---|
| AAA Triple A (Extremely Strong Capacity & Highest Quality) | A corporate rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by CRAB. AAA is judged to be of the highest quality, with minimal credit risk. |
| AA1, AA2, AA3* Double A (Very Strong Capacity & Very High Quality) | A corporate rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated corporates only to a small degree. AA is judged to be of very high quality and is subject to very low credit risk. |
| A1, A2, A3 Single A (Strong Capacity & High Quality) | A corporate rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than corporate in higher-rated categories. A is judged to be of high quality and are subject to low credit risk. |
| BBB1, BBB2, BBB3 Triple B (Adequate Capacity & Medium Quality) | A corporate rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the corporate to meet its financial commitments. BBB is subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. |
| BB1, BB2, BB3 Double B (Inadequate Capacity & Substantial Credit Risk) | A corporate rated 'BB' is less vulnerable in the near term than other lower-rated Corporate. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the corporate's inadequate capacity to meet its financial commitments. BB is judged to have speculative elements and is subject to substantial credit risk. |
| B1, B2, B3 Single B (Weak Capacity & High Credit Risk) | A corporate rated 'B' is more vulnerable than the corporate rated 'BB', but the Corporate currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the corporate's capacity or willingness to meet its financial commitments. B is considered speculative and weak capacity and is subject to high credit risk. |
| CCC1, CCC2, CCC3 Triple C (Very Weak Capacity & Very High Credit Risk) | A corporate rated 'CCC' is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. CCC is judged to be of very weak standing and is subject to very high credit risk. |
| CC Double C (Extremely Weak Capacity & Extremely High Credit Risk) | A corporate rated 'CC' is currently highly vulnerable. CC is highly speculative and is likely in, or very near, default, with some prospect of recovery of principal and interest. |
| C Single C (Near to Default) | A 'C' rating is assigned to Corporate that is currently highly vulnerable to nonpayment, having obligations that have payment arrearages allowed by the terms of the documents, or an issuer subject to bankruptcy petition or similar action which have not experienced a payment default. C is typically in default, with little prospect for recovery of principal or interest. |
| D (Default) | 'D' is in default. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized. |

***Note:** CRAB appends numerical modifiers 1, 2, and 3 to each generic rating classification from AA through CCC. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

CREDIT RATING SCALES AND DEFINITIONS – SHORTTERM

| RATING | DEFINITION |
|------------------------------------|--|
| ST-1 Highest Grade | Corporate rated in this category are considered to have the highest capacity for timely repayment of obligations. Corporate rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding. |
| ST-2 High Grade | Corporate rated in this category are considered to have strong capacity for timely repayment. Corporate rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding. |
| ST-3 Average Grade | Corporate rated in this category are considered to average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. Corporate rated in this category are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds is outstanding. |
| ST-4 Below Average Grade | Corporate rated in this category are considered to have below average capacity for timely repayment of obligations. Such capacity is highly susceptible to adverse changes in business, economic, or financial conditions than for obligations in higher categories. Corporate rated in this category are characterized with average liquidity, internal fund generation, and access to alternative sources of funds is outstanding. |
| ST-5 Inadequate Grade | Corporate rated in this category are considered to have inadequate capacity for timely repayment of obligations susceptible to adverse changes in business, economic, or financial conditions. Corporate rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding. |
| ST-6 Lowest Grade | Corporate rated in this category are considered to have obligations which have a high risk of default or which are currently in default. Corporate rated in this category are characterized with risky position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding. |

The Rating Committee of CRAB is the final authority to award a rating. The Rating Committee of CRAB is comprised of external independent persons who are not members of the Board of the Company and they ensure the independence of rating.

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APPENDIX D: FINANCIAL STATEMENTS AND OTHER DOCUMENTS

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**(I) AUDITED FINANCIAL STATEMENTS OF GRAMEENPHONE LTD.
AS OF, AND FOR THE YEAR ENDED, DECEMBER 31, 2008**

Grameenphone Ltd.

Report and financial statements
as at and for the year ended 31 December 2008



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Bangladesh

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**Auditors' Report
to the shareholders of
Grameenphone Ltd.**

We have audited the accompanying financial statements of Grameenphone Ltd. which comprises the balance sheet as at 31 December 2008 and the profit and loss account, statement of changes in equity, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as applicable in Bangladesh. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the company's affairs as at 31 December 2008 and of the results of its operations and its cash flow for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that:


- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- (c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account; and
- (d) the expenditures incurred were for the purposes of the company's business.

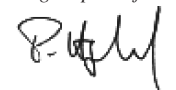
Dhaka, 16 March 2009

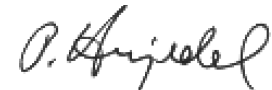
Grameenphone Ltd
Balance Sheet
as at 31 December 2008

| <u>Assets:</u> | <u>Notes</u> | <u>As at 31 Dec 2008 Taka</u> | <u>As at 31 Dec 2007 Taka</u> |
|---|--------------|---------------------------------------|---------------------------------------|
| Non current assets : | | | |
| Property, plant and equipment, net | 4 | 85,553,852,589 | 80,318,189,542 |
| Intangible assets | 5 | 8,193,645,543 | 1,275,733,440 |
| Investment in shares of X-Net Ltd. | 6 | 4,467,968 | 4,467,968 |
| Long-term receivables and deposits | 7 | 12,658,694 | 11,596,466 |
| | | 93,764,624,794 | 81,609,987,416 |
| Current assets: | | | |
| Inventories | 8 | 407,184,697 | 843,646,147 |
| Deferred cost of connection revenue | 9 | 360,712,137 | 357,679,797 |
| Accounts receivable, net | 10 | 4,146,483,267 | 2,725,726,115 |
| Advances, deposits and prepayments | 11 | 2,494,777,907 | 2,119,366,225 |
| Cash and cash equivalents | 12 | 7,020,671,289 | 804,635,376 |
| | | 14,429,829,297 | 6,851,053,660 |
| Total assets | | <u>108,194,454,091</u> | <u>88,461,041,076</u> |
| Equity and Liabilities: | | | |
| Shareholders' equity: | | | |
| Share capital | 13 | 12,151,747,970 | 2,430,349,594 |
| Share premium | | 13,743,987 | 13,743,987 |
| Capital reserve | 14 | 14,446,452 | 14,446,452 |
| Deposit from shareholders | 15 | 1,882,996 | 1,882,996 |
| General reserve | 16 | 2,139,729,365 | 2,139,729,365 |
| Retained earnings | | 13,266,605,231 | 21,510,953,768 |
| | | 27,588,156,001 | 26,111,106,162 |
| Non-current liabilities: | | | |
| Loans and borrowings, net of current portion | 17 | 1,907,356,334 | 3,367,620,384 |
| Bond obligation | 18 | 4,216,405,145 | — |
| Deposit from agents and subscribers | 19 | 482,653,949 | 557,317,602 |
| Finance lease obligations, net of current portion | 20 | 5,046,935,826 | 5,315,559,235 |
| Deferred tax liabilities | 21 | 18,535,226,437 | 16,510,153,280 |
| Long term payables and provisions | 22 | 164,633,966 | 145,694,461 |
| Employee benefits — provision for gratuity | | 22,122,040 | 8,933,591 |
| | | 30,375,333,697 | 25,905,278,553 |
| Current liabilities: | | | |
| Accounts payable | 23 | 3,795,800,229 | 8,135,600,956 |
| Payable to government and autonomous bodies and other operators | 24 | 11,152,680,130 | 5,849,623,774 |
| Income tax payable | 25 | 10,077,565,649 | 8,350,371,941 |
| Unearned revenue | 26 | 1,260,211,260 | 1,294,707,151 |
| VAT payable | 27 | 2,226,760,000 | 2,335,718,147 |
| Loans and borrowings — current portion | 17 | 1,406,260,610 | 1,108,679,811 |
| Finance lease obligations — current portion | 20 | 1,160,709,556 | 1,485,227,318 |
| Deferred connection revenue | 28 | 474,142,173 | 617,220,271 |
| Interest payable on loans and borrowings | | 153,997,529 | 197,615,312 |
| Local interest bearing short-term borrowings | 29 | 4,992,322,916 | 4,908,835,153 |
| Provision for expenses | 30 | 9,393,872,169 | 2,161,056,527 |
| Advance against PPO | 31 | 4,136,642,172 | — |
| | | 50,230,964,393 | 36,444,656,361 |
| Total equity and liabilities | | <u>108,194,454,091</u> | <u>88,461,041,076</u> |

The annexed notes 1 to 51 form an integral part of these financial statements.


Director


Director



Chief Executive Officer

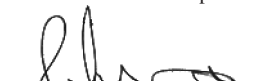

Deputy Chief Executive Officer
and Chief Financial Officer



Company Secretary

As per our report of same date.

Dhaka, 16 March 2009




Auditors


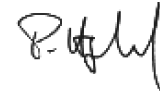







Grameenphone Ltd.
Profit and Loss Account
for the year ended 31 December 2008

| | <u>Notes</u> | <u>2008</u> <u>Taka</u> | <u>2007</u> <u>Taka</u> |
|--|--------------|----------------------------|----------------------------|
| Revenue | 32 | 61,358,978,118 | 54,303,145,932 |
| Cost of network operations: | | | |
| Direct cost of network revenue | 33 | (13,935,077,189) | (12,792,565,946) |
| Network operation and maintenance expenses | 34 | (4,501,457,137) | (2,508,157,767) |
| Depreciation and amortisation | 35 | (13,332,231,627) | (9,122,173,137) |
| | | (31,768,765,953) | (24,422,896,850) |
| Gross profit | | 29,590,212,165 | 29,880,249,082 |
| Other income, net | 36 | 52,582,628 | 103,760,767 |
| Operating expenses: | | | |
| General and administrative expenses | 37 | (6,361,967,642) | (5,147,696,933) |
| Selling and distribution expenses | 38 | (5,875,351,653) | (6,660,418,402) |
| Bad debt expense | 39 | (243,583,871) | (135,290,267) |
| Depreciation and amortisation | 35 | (1,811,925,203) | (1,273,650,776) |
| | | (14,292,828,369) | (13,217,056,378) |
| Operating profit | | 15,349,966,424 | 16,766,953,471 |
| Finance costs, net | 40 | (1,805,249,292) | (948,485,684) |
| Gain/(loss) on disposal of property, plant and equipment | 41 | 34,126,142 | (101,962,955) |
| Compensation to BTRC | 42 | (2,000,000,000) | (2,184,242,956) |
| Share of profit of X-Net Ltd. | 43 | — | 2,591,417 |
| Profit before tax | | 11,578,843,274 | 13,534,853,293 |
| Income tax expenses | 44 | (8,594,976,687) | (10,475,013,275) |
| Profit for the year | | 2,983,866,587 | 3,059,840,018 |
| Earnings per share | | | |
| Basic earnings per share | 45 | 0.246 | 0.252 |

The annexed notes 1 to 51 form an integral part of these financial statements.

| | | |
|---|---|--|
|  _____ Director |  _____ Director |  _____ Chief Executive Officer |
|  _____ Deputy Chief Executive Officer and Chief Financial Officer |  _____ Company Secretary | |

As per our report of same date.

Dhaka, 16 March 2009

| | | |
|--|---|--|
|  _____ Auditors |  _____ Auditors |  _____ Auditors |
|--|---|--|



Grameenphone Ltd.
Statement of Changes in Equity
for the year ended 31 December 2008

| | Share capital Taka | Share premium Taka | Capital reserve Taka | Deposit from shareholders Taka | Tax holiday reserve Taka | General reserve Taka | Retained earnings Taka | Total Taka |
|--|--------------------------|--------------------------|----------------------------|---|--------------------------------|----------------------------|------------------------------|-----------------------|
| Balance as at 1 January 2007 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | 206,312,859 | 1,933,416,506 | 19,909,323,506 | 24,509,475,900 |
| Net profit for the year 2007 | — | — | — | — | — | — | 3,059,840,018 | 3,059,840,018 |
| Final dividend for the year 2006 | — | — | — | — | — | — | (1,458,209,756) | (1,458,209,756) |
| Transfer from tax holiday reserve to general reserve | — | — | — | — | (206,312,859) | 206,312,859 | — | — |
| Balance as at 1 January 2008 | 2,430,349,594 | 13,743,987 | 14,446,452 | 1,882,996 | — | 2,139,729,365 | 21,510,953,768 | 26,111,106,162 |
| Net profit for the year 2008 | — | — | — | — | — | — | 2,983,866,587 | 2,983,866,587 |
| Final dividend for the year 2007 | — | — | — | — | — | — | (1,506,816,748) | (1,506,816,748) |
| Bonus issue in 2008 | 9,721,398,376 | — | — | — | — | — | (9,721,398,376) | — |
| Balance as at 31 December 2008 | 12,151,747,970 | 13,743,987 | 14,446,452 | 1,882,996 | — | 2,139,729,365 | 13,266,605,231 | 27,588,156,001 |

Grameenphone Ltd.
Cash Flow Statement
for the year ended 31 December 2008

| | <u>2008</u> <u>Taka</u> | <u>2007</u> <u>Taka</u> |
|---|------------------------------------|----------------------------------|
| Cash flows from operating activities: | | |
| Cash receipts from sales or for the performance of services | 59,519,675,251 | 54,561,148,197 |
| Payroll and other payments to employees | (3,579,036,748) | (2,551,623,847) |
| Payments to suppliers and contractors | (24,670,422,156) | (24,441,719,182) |
| Finance income received | 92,672,551 | 140,454,372 |
| Finance costs paid | (1,925,872,470) | (873,003,738) |
| Income tax paid | (4,842,709,822) | (2,699,662,145) |
| | <u>(34,925,368,645)</u> | <u>(30,425,554,540)</u> |
| Net cash flow from operating activities | <u>24,594,306,606</u> | <u>24,135,593,657</u> |
| Cash flows from investing activities: | | |
| Payment for acquisition of property, plant and equipment | (18,938,035,066) | (29,904,914,019) |
| Proceeds from sale of property, plant and equipment | 76,107,923 | 62,813,546 |
| Payment for acquisition of intangible assets (software & PCM) | (4,415,375,410) | (627,943,642) |
| Net cash used in investing activities | <u>(23,277,302,553)</u> | <u>(30,470,044,115)</u> |
| Cash flows from financing activities: | | |
| Local interest bearing short-term borrowings | 83,487,763 | 4,908,835,153 |
| Proceeds from Issuance of bond | 4,250,000,000 | — |
| Receipt from local syndicated loan | — | 2,000,000,000 |
| Payment of long term borrowings | (1,074,340,018) | (957,737,839) |
| Payment of finance lease obligation | (964,871,433) | (197,529,119) |
| Payment of dividend | (1,506,816,748) | (1,458,209,756) |
| Proceeds from PPO | 4,111,572,296 | — |
| Net cash flow from financing activities | <u>4,899,031,860</u> | <u>4,295,358,439</u> |
| Net changes in cash and cash equivalents | 6,216,035,913 | (2,039,092,019) |
| Cash and cash equivalents at beginning | <u>804,635,376</u> | <u>2,843,727,395</u> |
| Cash and cash equivalents at closing | <u><u>7,020,671,289</u></u> | <u><u>804,635,376</u></u> |

Grameenphone Ltd.
Notes to the financial statements
as at and for the year ended 31 December 2008

1. Reporting entity

1.1 Company profile

Grameenphone Ltd. is a public limited company incorporated in Bangladesh in 1996 under the Companies Act 1994 initially registered with an authorised capital of Tk 1,075,000,000 divided into 25,000,000 ordinary shares of Tk 43.00 each. Subsequently the authorised capital was increased to Tk 5,399,000,000 divided into 120,000,000 ordinary shares of Tk 43.00 each and 5,213,787 preference shares of Tk 45.84 each. On 25 June 2007 Grameenphone Ltd. was converted into public limited company. In 2008, the authorised capital of the company was increased from Tk. 5,399,000,000 divided into 120,000,000 ordinary shares of Tk 43.00 each and 5,213,787 preference shares of Tk. 45.84 each to Tk. 40,000,000,000 divided into 40,000,000,000 ordinary shares of Tk. 1.00 each.

1.2 Nature of business

Grameenphone Ltd. (hereinafter referred to as “GP”/“Grameenphone”/“the company”) is a telecommunication service provider in Bangladesh. The company also provides international roaming services through international roaming agreements with various mobile operators across different countries around the world.

The company obtained a radio system operating licence from the Ministry of Posts and Telecommunications (MOPT), Government of Bangladesh, valid for a period of 15 years commencing from 11 November 1996. The operating licence is subject to renewal upon fulfilment of terms and conditions specified in the licence agreement.

The company launched commercial operation on 26 March 1997.

The company’s network covers six divisional towns (Dhaka, Chittagong, Khulna, Rajshahi, Barisal and Sylhet) and all 64 districts of the country.

These financial statements have been authorised for issue by the board of directors on 16 March 2009.

2. Basis of preparation

2.1 Statement of compliance

Except as detailed below, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws in Bangladesh.

Foreign currency exchange differences arising on foreign currency denominated loans and borrowings taken by the company have been capitalised and included in the carrying amount of property, plant and equipment as required under the provision of section 185, Part-I, Schedule XI of the Companies Act, 1994 because the loans were used to acquire those assets. IAS/BAS 21: *The Effects of Changes in Foreign Exchange Rates*, however requires that exchange losses/gains be recognised as expenses/ income in the relevant period. The difference of Tk 119,263,347 arising from capitalisation of foreign exchange gain in accordance with the requirements of the Companies Act 1994, is however not considered material by management.

In the following areas, the recognition and measurement principles of IFRS are significantly different from those of BAS and BFRS and the Companies Act 1994. However the estimated resulting differences would not be material for these financial statements. These immaterial differences with BAS/BFRS/Companies Act 1994 primarily result from non-application of following IFRSs in Bangladesh:

IAS 32 Financial Instruments: Presentation

IAS 39 Financial Instruments: Recognition and Measurement

IFRS 7 Financial Instruments: Disclosure

Additionally the company has adopted BAS 25: Accounting for Investments for recognition and measurement of investments in X-Net Ltd. (see note 6). However the corresponding IAS has been

superseded by IAS 39: *Financial Instruments: Recognition and Measurement* and IAS 40: *Investment Property*. Had the investment been recognised and measured in accordance with the requirements of IAS 39, it would have been classified as “available for sale” financial asset and would have been measured at fair value. Management considers the estimated resulting difference would be immaterial for these financial statements.

2.2 Basis of measurement

The financial statements have been prepared on a going concern basis under historical cost convention except for the following:

- (a) Employee benefits plan was measured based on actuarial valuation.
- (b) Capitalisation of the lease of Bangladesh Railway (BR) Fibre Optic Network (FON) was valued at present value of minimum lease payments as fair value of such lease was not determinable.
- (c) Asset retirement obligations (ARO) were measured at present value of expected future expenditure.

2.3 Functional and presentation currency

The financial statements are presented in Bangladesh taka (Taka/Tk/BDT) which is both functional currency and presentation currency of the company. The figures of financial statements have been rounded off to the nearest taka.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 20: Finance lease obligation

Note 21: Deferred tax liabilities

Note 22: Long term payables and provisions

Note 30: Provision for expenses

Note 32: Revenue

Note 35: Depreciation and amortisation

Note 44: Income tax expenses

3. Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.1 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment, excluding freehold land, are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is measured at cost. The cost of an item of property, plant and equipment comprises its purchase price, import duties and non-refundable taxes, after deducting trade discount and rebates, and any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner. Cost also includes initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The costs of obligations for dismantling, removing the item and restoring the site (generally called “asset retirement obligation”) are recognised and measured in accordance with IAS/BAS 37: *Provisions*,

Contingent Liabilities and Contingent Assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of property, plant and equipment which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of the transaction. Any related exchange gain/(loss) is capitalised for compliance with the Companies Act 1994.

(b) Subsequent costs

The cost of replacing or upgrading part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of the property, plant and equipment are recognised in the profit and loss account as incurred.

(c) Depreciation

No depreciation is charged on land and capital work in progress.

Depreciation on other items of property, plant and equipment is provided on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the entity will obtain ownership by the end of the lease term. For addition to property, plant and equipment, depreciation is charged from the date of capitalisation up to the month immediately preceding the month of disposal. Depreciation method, useful lives and residual values are reassessed at each reporting date. The estimated useful lives for the current and comparative years are as follows:

| | 2008 | 2007 |
|---|-------------|-------------|
| Building | 20 years | 20 years |
| Base station — Equipment | 3-10 years | 3-10 years |
| Base station — Towers and related assets | 20-30 Years | 20-30 Years |
| Transmission equipment | 5-10 years | 5-10 years |
| Computers | 4 years | 4 years |
| Furniture and fixtures (including office equipment) | 3 years | 3 years |
| Vehicles | 4 years | 4 years |

Estimated useful lives of property, plant and equipment other than installation accessories remained unchanged in 2008. In 2006, GP changed the estimated useful life of cable, cable ducts and other related installation accessories from 10 years to 30 years as per GCIM (Group Common Information Module). However, management subsequently considered that useful lives of cables and accessories needed to be reassessed and accordingly an exercise was performed in first quarter of 2008. GP Finance and Technical team reviewed the useful life and revised this from 30 years to 7 years.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amounts and are recognised net.

(d) Capital work-in-progress

Capital work in progress consists of acquisition costs of network plant and machinery, capital components and related installation cost until the date placed in service. In case of import of components, capital work in progress is recognised when their shipment is confirmed by the supplier.

(e) Capitalisation of borrowing costs

Borrowing costs are capitalised as per allowed alternative treatment of IAS/BAS 23: *Borrowing Costs*. The company has both foreign and local long term interest bearing borrowings. Foreign lenders include IFC, ADB, Norfund, NORAD and Eksportfinans. Local borrowing is from a syndicate of local banks led by Standard Chartered Bank. The financing arrangements were utilised for network expansion. For the purpose of IAS/BAS 23; core network and access platform equipments have been treated as qualifying assets.

3.2 Intangible assets

(a) Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment loss, if any. Intangible asset is recognised when all the conditions for recognition as per IAS/BAS 38: *Intangible*

assets are met. The cost of the intangible assets comprises its purchase price, import duties and non-refundable taxes and any directly attributable cost of preparing the asset for its intended use.

Intangible assets which are procured in foreign currency are recorded in functional currency by applying the foreign exchange rate ruling at the date of the transaction. Any exchange gain or loss is capitalised as per the requirements of the Companies Act 1994.

(b) Subsequent costs

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the profit and loss account when incurred.

(c) Amortisation

Amortisation is recognised in the profit and loss account on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives are as follows:

| | <u>2008</u> | <u>2007</u> |
|--|-------------|-------------|
| Operational software | 3 years | 3 years |
| Billing software | 5 years | 5 years |
| Network management software | 10 years | 10 years |
| Licence fees for Pulse Code Modulation (PCM) | 5 years | 5 years |

3.3 Inventories

Inventories consisting of mobile handsets, scratch cards and SIM cards are valued at lower of cost and net realisable value. Costs of inventories include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of inventories is determined by using the weighted average cost formula. Net realisable value is based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.4 Accounts receivable

(a) Recognition and measurement

Accounts receivable consists of unpaid bills receivable from subscribers and unbilled revenue recognised at the balance sheet date and are stated net of bad debts provision.

(b) Provision for doubtful debts

According to the bad debt policy, 100% provision is made over the amount outstanding (after considering security deposits) from the churned subscribers. As per the policy of the company, a post paid subscriber is barred if his usage exceeds approved credit limit or any non payment of invoice. A subscriber is considered churned after three months of barring.

(c) Bad debts written off

The above provision for doubtful debts is written off as bad debts after one year from the date of recognition.

(d) Recovery of bad debts

Any recovery of previously written off bad debt is adjusted with bad debt expenses in the year of recovery.

3.5 Leases

(a) Finance lease

Leases in terms of which the entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Incremental borrowing rate has been used to calculate the present value of minimum lease payments.

(b) Operating Lease

All leases other than those which meet the definition of finance lease are treated as operating lease and are not recognised in the balance sheet.

(c) Sub-lease

Rental income from sublease of optical fibre network is recognised as per the arrangements provided in the relevant agreements on accrual basis.

3.6 Impairment

At each balance sheet date indications of impairment are reviewed. For this review Grameenphone is considered as a single cash generating unit and both tangible and intangible assets are reviewed. If any such indication exists, the assets' recoverable amount will need to be estimated. As at 31 December 2008 the assessment of indicators of impairment reveals that impairment testing is not required for Grameenphone Ltd.

3.7 Employee benefits

The company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds as approved by the National Board of Revenue (NBR).

(a) Defined contribution plan (provident fund)

Defined contribution plan is a post-employment benefit plan. The recognised Employees' Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the company also makes equal contribution.

The company recognises contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

(b) Defined benefit plan (gratuity)

Defined benefit plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by reference to employees' earnings and years of service. The recognised Employees' Gratuity Fund is considered as defined benefit plan as it meets the recognition criteria. The company's obligation is to provide the agreed benefits to current and former employees as per condition of the fund.

Present value of defined benefit obligation and the fair value of the plan assets were determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables were used. The difference between fair value of the plan assets and present value of obligation is recognised as a liability or an asset in the balance sheet.

The rate used to discount post employment benefit obligations is determined by reference to market yields at the balance sheet date on treasury bills. The expected return on plan assets is based on market expectation and is one of the components of expenses recognised in the profit and loss account. Total expenses recognised in the profit and loss account comprise of current service cost, interest cost and expected return on plan assets.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Provision is created for the amount of annual leave encashment based on the latest basic salary.

3.8 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The tax rate used for the income years ended 31 December 2008 and 31 December 2007 are as follows:

| <u>Years</u> | <u>Tax rate</u> |
|-----------------------------|-----------------|
| Year ended 31 December 2008 | 45% |
| Year ended 31 December 2007 | 45% |

(b) Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Loans and borrowings

Principal amounts of the loans and borrowings are stated at their outstanding amount. Borrowings repayable after twelve months from the balance sheet date are classified as non-current liabilities whereas the portion of borrowings repayable within twelve months from the balance sheet date, unpaid interest and other charges are classified as current liabilities.

3.10 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditures expected to be required to settle the obligation.

(a) Asset retirement obligation (ARO)

Asset retirement obligation (ARO) is recognised when there is a legal or constructive obligation for dismantling and removing an item of property, plant and equipment and restoring the site on which the item is located. The company recognises ARO in respect of roof-top Base Transceiver Station (BTS) and office space based on the present value of expected expenditures required to settle the obligation.

3.11 Revenue recognition

Revenues are measured at fair value of the consideration received or receivable, net of discount and sales related taxes (VAT). Revenues are reported gross with separate recording of expenses to vendors of products or services. However, when Grameenphone Ltd. only acts as an agent or broker on behalf of suppliers of products or services, revenues are reported on a net basis. Revenues of Grameenphone comprise:

- (i) Rendering of services: traffic fees, subscription and connection fees, interconnection fees, various customer support revenues and other value added service revenues.
- (ii) Sale of goods: mobile handsets

(a) Traffic revenue -Post-paid

Post-paid revenue is recognised on accrual basis and recorded as income (exclusive of VAT) as services are rendered.

(b) Traffic revenue -Prepaid

Prepaid revenue is recognised (exclusive of VAT) as per the usage recorded in the network from the prepaid cards and electronic recharge system (ERS). The unused portion of the prepaid cards and ERS remains as unearned revenue (exclusive of VAT) and is reported as liability.

(c) Subscription revenue

Subscription revenue represents fixed line rent charged to post-paid customers. It is billed in advance and recognised evenly over the subscription period.

(d) Connection revenue

Connection revenue represents the revenue arising from sale of connection to the subscribers through new SIM which is recognised over the estimated period of customer relationship. The estimated period of customer relationship is based on past history of churn and expected development. Expected development reflects the recent development in customer churn in the industry as well as in other group entities.

(e) Roaming revenue

International roaming revenue is recognised on accrual basis as services are rendered.

(f) Interconnection revenue

Interconnection revenue from other operators are recognised when GP subscribers receive calls from other operators' subscribers. From August 2008 onwards, interconnection revenue is recognised based on calls through interconnection exchange (ICX) and international gateways (IGW).

(g) Other operating revenue

Other operating revenue comprises customers support revenue, VAS, SMS, MMS and other revenue from content providers and is recognised in the same manner as corresponding prepaid traffic revenue and post-paid traffic revenue recognition policy.

(h) Village pay phone

Village pay phone is a prepaid service. Revenue from village pay phone was included in post-paid revenues until February 2008. Thereafter it has been included in prepaid revenue following migration of VPP subscribers from post-paid to prepaid. Prepaid revenue-VPP is recognised (exclusive of VAT) as per the usage recorded in the network from the prepaid cards and electronic recharge system (ERS). The unused portion of the prepaid cards and ERS remains as unearned revenue (exclusive of VAT) and is reported as liability.

(i) Other non mobile revenue

Other non mobile revenue represents revenue earned from various services like sale of handset, channel fees and bill payment services. Revenue is recognised when service is rendered.

3.12 Deferred connection revenue

Deferred connection revenue represents the portion of connection revenue which is deferred over the remaining period of estimated customer relationship.

3.13 Deferred cost of connection revenue

Deferred cost of connection revenue represents the costs directly related to the acquisition of subscribers. Connection costs in excess of connection revenue is charged as expenses when incurred. Connection costs up to connection revenue are deferred and amortised over the period of estimated customer relationship.

3.14 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

3.15 Foreign currency transactions

Transactions in foreign currencies are recorded in the books at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Bangladesh taka at the rate of exchange prevailing at the balance sheet date. All exchange differences are recognised in the profit and loss account except for the exchange differences arising on foreign currency denominated loans and borrowings that have been used for the acquisition of property, plant and equipment, which have been included in the costs of the relevant item of property, plant and equipment as per requirements of the Companies Act 1994.

4 Property, plant and equipment

| Name of assets | Cost | | | | Depreciation | | | | Carrying amount | |
|---|----------------------------|--------------------------------|---|------------------------------|----------------------------|-------------------------------|---------------------------------|------------------------------|------------------------------|--|
| | As at 1 January 2008 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2008 | As at 1 January 2008 | Charged during the year | Disposals during the year | As at 31 December 2008 | As at 31 December 2007 | |
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | |
| Land | 811,549,727 | 6,459,520 | (11,613,323) | 806,395,924 | — | — | — | 806,395,924 | 811,549,727 | |
| Building | 39,495,738 | — | — | 39,495,738 | 7,303,854 | 1,974,894 | — | 30,216,990 | 32,191,884 | |
| Base station | 75,459,368,904 | 13,123,395,456 | (45,626,318) | 88,537,138,042 | 17,840,603,806 | 9,736,935,564 | (38,306,250) | 60,997,904,922 | 57,618,765,098 | |
| Transmission equipment | 20,964,818,549 | 4,797,755,554 | (4,803,147) | 25,757,770,956 | 5,272,764,296 | 3,392,936,465 | (3,685,170) | 17,095,755,365 | 15,692,054,253 | |
| Computers | 2,514,512,623 | 465,403,988 | (4,897,033) | 2,975,019,578 | 1,023,916,822 | 627,032,082 | (3,641,149) | 1,327,691,823 | 1,490,595,801 | |
| Furniture and fixtures (including office equipment) | 1,887,630,353 | 256,386,669 | (54,416,143) | 2,089,600,879 | 1,017,763,368 | 476,926,247 | (37,834,578) | 632,745,842 | 869,866,985 | |
| Vehicles | 723,394,745 | 116,368,800 | (27,065,961) | 812,697,584 | 323,481,317 | 131,622,308 | (11,368,946) | 368,962,905 | 399,913,428 | |
| Capital work in progress (Note 4.2) | 102,400,770,639 | 18,765,769,987 | (148,421,925) | 121,018,118,701 | 25,485,833,463 | 14,367,447,560 | (94,836,093) | 81,259,673,771 | 76,914,937,176 | |
| | 3,403,252,366 | 19,450,418,976 | (18,559,492,524) | 4,294,178,818 | — | — | — | 4,294,178,818 | 3,403,252,366 | |
| | 105,804,023,005 | 38,216,188,963 | (18,707,914,449) | 125,312,297,519 | 25,485,833,463 | 14,367,447,560 | (94,836,093) | 85,553,852,589 | 80,318,189,542 | |

4.1 Property, plant and equipment capitalised under finance leases

| | | | | | | | | | | |
|---------------------|---------------|-------------|---|---------------|---------------|-------------|---|---------------|---------------|---------------|
| Fibre Optic Network | 7,577,977,062 | 371,730,262 | — | 7,949,707,324 | 1,189,934,577 | 357,672,443 | — | 1,547,607,020 | 6,402,100,304 | 6,388,042,485 |
| | 7,577,977,062 | 371,730,262 | — | 7,949,707,324 | 1,189,934,577 | 357,672,443 | — | 1,547,607,020 | 6,402,100,304 | 6,388,042,485 |

4.2 Capital work in progress

This represents primarily the cost of corporate headquarters and network equipments under installation/ construction. The components of network equipments are procured mostly from Ericsson, Siemens and Huawei.

4.2.1 Capital work in progress — transferred

The work in progress completed and transferred during the year to the corresponding items of property plant and equipment was as follows:

| Name of assets | As at 31 Dec 2008 | As at 31 Dec 2007 |
|--|-----------------------|-----------------------|
| | Taka | Taka |
| Land | 6,459,520 | 37,837,872 |
| Base station | 12,922,106,954 | 23,341,920,814 |
| Transmission equipment | 4,797,755,554 | 11,027,142,170 |
| Computers | 465,403,988 | 1,087,056,424 |
| Furniture and fixtures | 251,397,708 | 807,011,806 |
| Vehicles | 116,368,800 | 157,408,356 |
| | 18,559,492,524 | 36,458,377,442 |
| Write downs of capital inventory | — | 88,963,210 |
| | <u>18,559,492,524</u> | <u>36,547,340,652</u> |

4.2.2 Capital work in progress — components

Capital work in progress consists of capital inventory of Tk. 1,314,925,691 and work-in-progress for corporate headquarters (CHQ) of Tk. 1,282,988,446 (2007: Tk147,231,058).

4.3 Capitalisation of exchange loss/(gain) fluctuation on long term debt

In accordance with the provision of section 185 and Part -1 of schedule XI of the Companies Act 1994, the effect of exchange (gain) / loss on foreign currency denominated loans taken by the company has been capitalized and included in the carrying amount of the property, plant and equipment. Exchange (gain)/ loss of (Tk. 119,263,347) and Tk. 65,761,788 were capitalized in the year ended 31 December 2008 and 2007 respectively. Had the exchange fluctuation (gain)/loss been recognised as income/expenses in the relevant year, profit for the year would have been increased by Tk. 119,263,347 in 2008 and would have been reduced by Tk. 65,736,050 in 2007.

4.4 Depreciation for the year charged to

| | Year ended 31 Dec 2008 | Year ended 31 Dec 2007 |
|------------------------------------|---------------------------|---------------------------|
| | Taka | Taka |
| Cost of network operation. | 13,186,081,885 | 9,101,623,190 |
| Operating expenses. | <u>1,181,365,675</u> | <u>911,554,550</u> |
| | <u>14,367,447,560</u> | <u>10,013,177,740</u> |

4.5 Land represents freehold land acquired for office premises and base stations.

4.6 Security

Assets with a carrying amount of Tk 7,247,720,000 are subject to a mortgage registered with the Registrar of Joint Stock Companies (RJSC) against the loans and borrowings obtained from senior lenders.

4.7 Change in estimates

Useful lives of property, plant and equipment other than installation accessories remained unchanged in 2008. In 2006, GP changed the estimated useful life of cable, cable ducts and other related installation accessories from 10 years to 30 years as per GCIM. Management reassessed the useful life of cables and accessories in the first quarter of 2008 and changed this from 30 years to 7 years. The effect of this change in useful life on the financial statements is summarized below:

| | 2011 | 2010 | 2009 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|
| | Taka | Taka | Taka | Taka |
| Increase in depreciation | (951,730,992) | (951,730,992) | (951,730,992) | (951,730,992) |
| Decrease in income tax expense. | 428,278,946 | 428,278,946 | 428,278,946 | 428,278,946 |
| Decrease in profit | <u>(523,452,046)</u> | <u>(523,452,046)</u> | <u>(523,452,046)</u> | <u>(523,452,046)</u> |
| Decrease in property, plant and equipment, net. | (951,730,992) | (951,730,992) | (951,730,992) | (951,730,992) |
| Decrease in deferred tax liability | 428,278,946 | 428,278,946 | 428,278,946 | 428,278,946 |
| Decrease in equity | <u>(523,452,046)</u> | <u>(523,452,046)</u> | <u>(523,452,046)</u> | <u>(523,452,046)</u> |

5. Intangible assets

| Name of assets | Cost | | | | Amortisation | | | Carrying amount | | |
|---|----------------------|--------------------------|--------------------------------------|------------------------|----------------------|-------------------------|---------------------------|------------------------|------------------------|------------------------|
| | As at 1 January 2008 | Addition during the year | Disposal/ Adjustment during the year | As at 31 December 2008 | As at 1 January 2008 | Charged during the year | Disposals during the year | As at 31 December 2008 | As at 31 December 2008 | As at 31 December 2007 |
| | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka | Taka |
| Pulse Code Modulation (PCM) | 63,730,000 | 800,000 | — | 64,530,000 | 34,308,184 | 9,216,157 | — | 43,524,341 | 21,005,659 | 29,421,816 |
| Software and others | 2,136,101,589 | 1,820,550,313 | (186,000) | 3,956,465,902 | 1,291,864,478 | 711,779,695 | (176,727) | 2,003,467,446 | 1,952,998,456 | 844,237,111 |
| Telecom License | — | 5,920,000,000 | — | 5,920,000,000 | — | 55,713,418 | — | 55,713,418 | 5,864,286,582 | — |
| | 2,199,831,589 | 7,741,350,313 | (186,000) | 9,940,995,902 | 1,326,172,662 | 776,709,270 | (176,727) | 2,102,705,205 | 7,838,290,697 | 873,658,927 |
| Intangible capital in process | 402,074,513 | 7,694,630,646 | (7,741,350,313) | 355,354,846 | — | — | — | — | 355,354,846 | 402,074,513 |
| | <u>2,601,906,102</u> | <u>15,435,980,959</u> | <u>(7,741,536,313)</u> | <u>10,296,350,748</u> | <u>1,326,172,662</u> | <u>776,709,270</u> | <u>(176,727)</u> | <u>2,102,705,205</u> | <u>8,193,645,543</u> | <u>1,275,733,440</u> |

5.1 Software

Software includes business software and network management software. Business software includes mainly billing software, budgeting software, oracle financial software and other business software. Network management software represents PPS, Pasolink, minilink etc.

5.2 Pulse Code Modulation (PCM)

This represents licence fee for new channels with BTCL (formerly Bangladesh Telegraph and Telephone Board — BTTB).

5.3 Telecom Licence (Spectrum)

Additional 7.4 MHz Spectrum licence @ BDT 800 million per MHz was acquired from BTRC in September 2008 for subsequent 18 years.

5.4 Intangible capital in process (CIP)

Intangible CIP includes software under testing phase awaiting user's acceptance.

5.5 Amortisation during the year charged to:

| | For the Year Ended 31 December 2008 | For the Year Ended 31 December 2007 |
|-------------------------------------|--|--|
| | Taka | Taka |
| Cost of network operation | 146,149,742 | 20,549,947 |
| Operating expenses | <u>630,559,528</u> | <u>362,096,226</u> |
| | <u>776,709,270</u> | <u>382,646,173</u> |

6 Investment in shares of X-Net Ltd.

As per the requirements of BAS 28: *Investments in Associates*, investment in X-Net Ltd. was accounted for under the “Equity Method” as long as Grameenphone had ‘significant influence’ over the investee. In 2007, management of Grameenphone Ltd. concluded that they had ceased to have significant influence over X-Net Ltd. As per BAS 28 (Para 18-19), when any investor ceases to have significant influence over the investee, such investment shall no longer be accounted for under the ‘Equity Method’; Investment in X-Net Ltd. has since been accounted for under the “Cost Method” as per the requirement of BAS 25: *Accounting for Investments*.

On 21 October Grameenphone signed a Memorandum of Understanding with X-Net Ltd. whereby it was agreed that Grameenphone would sell its investment in share of X-Net Ltd.

7 Long-term receivables and deposits

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|---|----------------------|----------------------|
| | Taka | Taka |
| Receivable from X-Net Ltd. | 2,226,000 | 2,226,000 |
| Long term deposits (Note 7.1) | <u>10,432,694</u> | <u>9,370,466</u> |
| | <u>12,658,694</u> | <u>11,596,466</u> |

7.1 Long term deposits

Long-term deposit account is maintained with Southeast Bank as lien against bank guarantee provided in favour of Ministry of Posts and Telecommunications, Government of Bangladesh and Bangladesh Railway for telecom licence and lease of optical fibre network respectively. This amount is refundable upon cancellation of guarantee.

8 Inventories

| | | |
|-------------------------|--------------------|--------------------|
| Handsets | 13,469,924 | 52,753,143 |
| SIM cards | 353,171,527 | 528,663,602 |
| Scratch cards | <u>40,543,246</u> | <u>262,229,402</u> |
| | <u>407,184,697</u> | <u>843,646,147</u> |

Number of inventory

| | | |
|--------------------------------|------------|------------|
| Handsets | 2,058 | 4,161 |
| SIM cards (Note 8.1) | 5,953,591 | 6,519,420 |
| Scratch cards | 33,104,923 | 68,437,873 |

8.1 SIM cards

As at 31 December 2008 GP had 5,953,591 SIM cards. Out of 5,953,591 SIM cards 588,030 SIM cards were ready to be offered as new connection to subscribers. Each new connection requires Tk 800 to be paid to Govt. exchequer as Value Added Tax and Supplementary Duty.

9 Deferred cost of connection revenue

| | | |
|--|----------------------|----------------------|
| Opening balance | 357,679,797 | 446,017,752 |
| Addition during the year | <u>208,730,620</u> | <u>96,397,612</u> |
| | 566,410,417 | 542,415,364 |
| Amortisation during the year | <u>(205,698,280)</u> | <u>(184,735,567)</u> |
| | <u>360,712,137</u> | <u>357,679,797</u> |

10 Accounts receivable, net

| | As at 31 Dec 2008 Taka | As at 31 Dec 2007 Taka |
|--|------------------------------|------------------------------|
| Receivables for mobile revenue (Note 10.1) | 4,124,188,630 | 2,710,029,239 |
| Receivables for sub lease of optical fibre network (Note 10.2) | 19,635,161 | 15,170,151 |
| PDB bills pay receivable (Note 10.3) | <u>2,659,476</u> | <u>526,725</u> |
| | <u>4,146,483,267</u> | <u>2,725,726,115</u> |

10.1 Receivables for mobile revenue

| | | |
|--|----------------------|----------------------|
| Accounts receivable | 4,377,494,817 | 2,855,864,315 |
| Provision for doubtful debts | <u>(253,306,187)</u> | <u>(145,835,076)</u> |
| | <u>4,124,188,630</u> | <u>2,710,029,239</u> |

10.2 Receivables for sub lease of optical fibre network

| | | |
|--|---------------------|----------------------|
| Opening balance | 15,170,151 | 24,838,405 |
| Addition during the year | <u>76,500,435</u> | <u>192,825,401</u> |
| | 91,670,586 | 217,663,806 |
| Receipt/adjustment during the year | <u>(64,810,867)</u> | <u>(199,684,945)</u> |
| | 26,859,719 | 17,978,861 |
| Provision for doubtful debt | <u>(7,224,558)</u> | <u>(2,808,710)</u> |
| Receivable for sub lease | <u>19,635,161</u> | <u>15,170,151</u> |

This represents amount receivable from several parties against sub-lease of optical fibre network.

10.3 PDB bills pay receivable

Grameenphone (GP) and Power Development Board (PDB) jointly launched a unique service for PDB customers in the port city of Chittagong to pay their bills electronically at GP authorised bill pay centres. As per agreement, the applicable rate charged by GP in 2008 is Tk 8 against payment of each electricity bill.

10.4 Provision for doubtful debts

| | | |
|--|----------------------|---------------------|
| Opening balance | 148,643,786 | 41,641,457 |
| Net provision made during the year | 260,530,745 | 148,643,786 |
| Written off during the year | <u>(148,643,786)</u> | <u>(41,641,457)</u> |
| Closing balance | <u>260,530,745</u> | <u>148,643,786</u> |

10.5 Accounts receivable-security, related parties etc.

| | | |
|--|----------------------|----------------------|
| Good and secured | 2,691,392,304 | 1,267,702,973 |
| Good and having no security other than personal security | 1,455,090,963 | 1,458,023,142 |
| Doubtful and bad | 260,530,745 | 148,643,786 |
| Gross accounts receivable | 4,407,014,012 | 2,874,369,901 |
| Less. Provision for bad and doubtful debts | (260,530,745) | (148,643,786) |
| Net accounts receivable | <u>4,146,483,267</u> | <u>2,725,726,115</u> |

As at 31 December 2008, Grameenphone Ltd. had no receivable from:

- (a) the directors and other officers of the company;
- (b) firms or private limited companies respectively in which any director of Grameenphone Ltd. is a partner, director or member, other than the receivable from Grameen Telecom as disclosed in note 47; and
- (c) companies under the same management.

10.6 Ageing schedule — Accounts receivable

| | As at 31 Dec 2008 Taka | As at 31 Dec 2007 Taka |
|--|------------------------------|------------------------------|
| The ageing schedule of accounts receivable is stated as follows: | | |
| Less than 30 days | 3,175,657,107 | 1,650,657,213 |
| Later than 30 days but less than 60 days | 335,651,197 | 269,490,542 |
| Later than 60 days but less than 90 days | 435,672,315 | 269,928,431 |
| Later than 90 days but less than 180 days | 149,763,633 | 426,573,073 |
| Later than 180 days but less than 365 days | 114,343,402 | 171,464,778 |
| Later than 365 days | 195,926,358 | 86,255,864 |
| | <u>4,407,014,012</u> | <u>2,874,369,901</u> |

11 Advances, deposits and prepayments

Advances:

| | | |
|---|-------------|-------------|
| Advance to employees (Note 11.1) | 22,962,673 | 24,861,285 |
| Advance to Bangladesh Railway | 3,076,096 | 2,705,743 |
| Other advances | 551,858 | — |
| Advance for capital expenditure (Note 11.2) | 608,512,929 | 824,204,919 |
| | 635,103,556 | 851,771,947 |

Deposits:

| | | |
|--|-------------|------------|
| Deposit for Bank guarantee | 94,178,334 | 1,440,533 |
| Security deposits for utilities and services | 55,384,258 | 35,380,290 |
| | 149,562,592 | 36,820,823 |

Prepayment and other receivables:

| | | |
|---|----------------------|----------------------|
| Prepayment against rent (Note 11.3) | 311,951,875 | 335,519,870 |
| Prepayment against PCM rent to BTCL | 4,707,006 | 12,081,193 |
| Prepayment against expenses (Note 11.4) | 652,058,122 | 359,351,779 |
| Receivables from Ericsson | 509,092,652 | 445,549,984 |
| Other receivables (Note 11.5) | 232,302,104 | 78,270,629 |
| | <u>1,710,111,759</u> | <u>1,230,773,455</u> |
| | <u>2,494,777,907</u> | <u>2,119,366,225</u> |

- 11.1** Advance to employees relates to travel, training, procurement of land and payment of pre-registration cost of land, advance payment of bonus, electricity bills and other office running expenses etc.
- 11.2** Advance for capital expenditure represents partial payment to the vendors against running bills for civil works and towers of various sites and also for Corporate Headquarters of Grameenphone Ltd.
- 11.3** Prepayment against rent represents advance payment of rent for base station locations and office buildings of head office and other regional offices.
- 11.4** Prepayment against expenses represents advance payment of insurance premium, BTRC licence fee and BTCL levy and frequency charges.
- 11.5** Other receivables include discounts receivable on marine insurance contracts, reimbursable cost on customs clearing and forwarding charges, accrued interest on STD accounts and reimbursable expenditure incurred on behalf of Telenor made by Grameenphone as well as other inter-company receivables.
- 11.6 Security deposit, advance to employees and related parties etc.**

| | <u>As at 31 Dec 2008</u> <u>Taka</u> | <u>As at 31 Dec 2007</u> <u>Taka</u> |
|--|---|---|
| Good and secured | 608,512,929 | 826,910,662 |
| Good and having no security other than personal security | 26,590,627 | 24,861,285 |
| Doubtful and bad | <u>—</u> | <u>—</u> |
| Total advance deposits and prepayments | 635,103,556 | 851,771,947 |
| Provision for bad and doubtful amount | <u>—</u> | <u>—</u> |
| Advance deposits and prepayments, net | <u><u>635,103,556</u></u> | <u><u>851,771,947</u></u> |

As at 31 December 2008, Grameenphone Ltd. had Tk 22,962,673 (2007: Tk 24,861,285) as advance to the employees. Other than those, Grameenphone Ltd. had no loans or advances to:

- (a) Directors of the company;
- (b) Firms or private limited companies respectively in which any director of Grameenphone Ltd. is a partner, director or member; and
- (c) Companies under the same management.

12 Cash and cash equivalents

| | | |
|--------------|------------|------------|
| Cash in hand | 14,769,868 | 36,944,201 |
|--------------|------------|------------|

Cash at bank :

| | | |
|---|----------------------|--------------------|
| Southeast Bank Limited | 27,557,747 | 13,751,580 |
| Standard Chartered Bank | 102,164,966 | 20,041,085 |
| Sonali Bank Limited | 3,779,134 | 20,790,132 |
| IFIC Bank Limited | 9,076,206 | 1,271,315 |
| Commercial Bank of Ceylon Limited | 119,234 | 460 |
| EXIM Bank Limited | 3,344,949 | 1,016,137 |
| Citibank, N.A | 4,961,409,614 | 533,768,147 |
| Dhaka Bank Limited | 4,928,430 | 1,136,658 |
| Islami Bank Bangladesh Limited | 9,854,040 | 15,899,437 |
| One Bank Limited | 85,768,106 | 24,088,036 |
| HSBC | 103,227,354 | 45,130 |
| Prime Bank Limited | 14,773,015 | 18,729,676 |
| Dutch Bangla Bank Limited | 61,886,730 | 16,490,570 |
| Eastern Bank Limited | 1,548,576,315 | 71,870,150 |
| National Bank Limited | 7,593,705 | 4,159,249 |
| BRAC Bank Limited | 5,136,705 | 2,519,643 |
| The City Bank Limited | 11,056,277 | 3,042,672 |
| Trust Bank Limited | 4,985,109 | 582,558 |
| Bank Asia Limited | 4,591,882 | 348,612 |
| Mercantile Bank Limited | 4,339,289 | 576,707 |
| United Commercial Bank Ltd. | 3,852,439 | 633,911 |
| Jamuna Bank Limited | 2,633,385 | 452,358 |
| Agrani Bank Limited | 1,531,474 | 743,658 |
| Shahjalal Islami Bank Ltd. | 2,202,012 | 637,741 |
| PDB Bill Collection A/C with Citibank, N.A | 15,387,015 | 6,996,653 |
| Collection account with other banks (Note 12.1) | 6,126,289 | 8,098,900 |
| | <u>7,005,901,421</u> | <u>767,691,175</u> |
| | <u>7,020,671,289</u> | <u>804,635,376</u> |

12.1 Collection account with other banks

This represents the amount which was in transit at the balance sheet date.

12.2 Cash and cash equivalents include Tk. 4,111,572,296 received for Private Placement Offering (PPO) purpose which is deposited with Citibank, N.A.

13 Share capital

| | As at 31 Dec 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|--|-------------------------------------|-------------------------------------|
| Authorised : | | |
| 40,000,000,000 ordinary shares of Tk. 1 each | 40,000,000,000 | — |
| 120,000,000 ordinary shares of Tk. 43 each | — | 5,160,000,000 |
| 5,213,787 preference shares of Tk. 45.84 each | — | 239,000,000 |
| | <u>40,000,000,000</u> | <u>5,399,000,000</u> |
| Issued, subscribed, called up and paid-up : | | |
| 12,151,747,970 ordinary shares of Tk. 1 each | 12,151,747,970 | — |
| 56,519,758 ordinary shares of Tk. 43 each | — | 2,430,349,594 |
| | <u>12,151,747,970</u> | <u>2,430,349,594</u> |

Shareholding position of the company at the year end was as follows:

| | Number of shares | As at 31 Dec 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|---|-----------------------|-------------------------------------|-------------------------------------|
| Ordinary shares: | | | |
| Telenor Mobile Communications AS, Norway | 7,534,077,085 | 7,534,077,085 | 1,506,815,417 |
| Nye Telenor Mobile Communications II AS, Norway | 2,150 | 2,150 | 430 |
| Nye Telenor Mobile Communications III AS, Norway | 2,150 | 2,150 | 430 |
| Telenor Asia Pte Ltd, Singapore | 2,150 | 2,150 | 430 |
| Grameen Telecom, Bangladesh | 4,617,664,005 | 4,617,664,005 | 923,532,801 |
| Grameen Kalyan, Bangladesh | 215 | 215 | 43 |
| Grameen Shakti, Bangladesh | 215 | 215 | 43 |
| | <u>12,151,747,970</u> | <u>12,151,747,970</u> | <u>2,430,349,594</u> |

During 2008, the authorised share capital of the company has been increased from Tk. 5,399,000,000 divided into 120,000,000 ordinary shares of Tk. 43.00 each and 5,213,787 preference shares of Tk. 45.84 each to Tk. 40,000,000,000 divided into 40,000,000,000 ordinary shares of Tk. 1.00 each.

At the 16th EGM (Extra-ordinary general meeting) held on 15 July 2008, GP issued bonus shares @ 400% of the paid-up capital amounting to BDT 9,721,398,376 i.e. four bonus shares of Tk. 1.00 each for every share of Tk. 1.00 each held by each shareholder. Paid-up capital before this issue of bonus share was Tk. 2,430,349,594.

14 Capital reserve

In 2004, the holders of preference shares converted their preference shares to ordinary shares as per clauses 41 to 44 of Memorandum and Articles of Association. Preference shares of Tk 45.84 each were converted into ordinary shares of Tk 43.00 each and the balance Tk 2.84 per share was transferred to capital reserve account. This amount is not distributable as dividend as per the Companies Act 1994.

15 Deposit from shareholders

| | As at 31 Dec 2008 <u>Taka</u> | As at 31 Dec 2007 <u>Taka</u> |
|--|-------------------------------------|-------------------------------------|
| Telenor Mobile Communications AS, Norway | 1,882,968 | 1,882,968 |
| Grameen Telecom, Bangladesh | 28 | 28 |
| | <u>1,882,996</u> | <u>1,882,996</u> |

Deposit from shareholders represents balance of the share money remittance which has not been used for issuance of share capital.

16 General reserve

This reserve represents the amount invested in the acquisition of property, plant and equipment in the old unit from the accumulated tax holiday reserve of 2nd Phase Expansion Unit-1. The tax holiday reserve has been transferred to general reserve upon fulfilment of necessary conditions as per Income Tax Ordinance 1984.

17 Loans and borrowings, net of current portion

| | | |
|------------------------------------|----------------------|----------------------|
| IFC (Note 17.1) | 618,404,345 | 1,022,524,515 |
| ADB (Note 17.1) | 427,579,842 | 697,204,691 |
| NORFUND (Note 17.1) | 209,545,914 | 344,675,436 |
| Eksportfinans ASA (Note 17.2) | 76,980,013 | 160,631,803 |
| NORAD (Note 17.3) | 153,960,054 | 321,263,630 |
| Local syndicated loan (Note 17.4) | <u>1,827,146,776</u> | <u>1,930,000,120</u> |
| | <u>3,313,616,944</u> | <u>4,476,300,195</u> |
| Less : Current portion (Note 17.5) | <u>1,406,260,610</u> | <u>1,108,679,811</u> |
| | <u>1,907,356,334</u> | <u>3,367,620,384</u> |

17.1 Loan from IFC, ADB and NORFUND

In 2004, Grameenphone Ltd. entered into loan agreements with IFC, ADB and NORFUND for a total amount of USD 60 million, which was financed in proportion of 3:2:1 respectively. GP drew USD 25 million (USD 12.5 million from IFC, USD 8.33 million from ADB and USD 4.17 million from NORFUND) as the first instalment on 26 August 2004. The second and third instalments amounting to USD 15 million and USD 20 million respectively were drawn on 29 March 2005 and 26 April 2005 respectively.

The loans are repayable in 10 half yearly instalments starting from 15 December 2005 with the following interest rates:

If net debt : EBITDA ≥ 1 ; LIBOR + 3.5% per annum.

If net debt : EBITDA < 1 and ≥ 0.5 ; LIBOR + 3.25% per annum.

If net debt : EBITDA < 0.5 ; LIBOR + 3.0% per annum.

17.2 Loan from Eksportfinans ASA

Grameenphone Ltd. borrowed NOK 25 million in December 2000 from Eksportfinans ASA, Norway with interest to be paid at the rate of 6 months NIBOR (the rate appearing on page NIBOR on the Reuters money rate service) plus 30 basis points per annum. The loan is repayable in 14 equal semi-annual instalments starting from 29 June 2004.

17.3 Loan from Norwegian Agency For Development Cooperation (NORAD)

Grameenphone Ltd. entered into an agreement with Norwegian Agency for Development Cooperation (NORAD) to obtain loan of NOK 50 million and to obtain guarantee in its favour to borrow another NOK 25 million from Eksportfinans. According to the terms of the contract, interest at 3.4% per annum is to be paid on drawdown amount. The interest is payable semi-annually in arrears with the first payment to be made from 6 months after the first drawdown date which will be repayable in 14 instalments with the first instalment falling due from 42 months after the last drawdown date. GP received the loan in two instalments; one on 30 December 1997 (NOK 35 million) and another on 3 January 2001 (NOK 15 million).

17.4 Local syndicated loan

Grameenphone Ltd. signed a Tk 2,000,000,000 syndicated loan agreement with 16 local financial institutions. Standard Chartered Bank was the lead arranger for the syndicated loan. The loan is being financed by Agrani Bank, Bank Asia, Citibank N.A., IDCOL, IFIC Bank, Jamuna Bank, National Bank,

Pubali Bank, SABINCO, Sonali Bank, Standard Bank, Standard Chartered Bank, Trust Bank, The City Bank, United Commercial Bank and Uttara Bank. The loan agreement was signed on 17 September 2007. The loan bears interest at 13.50% per annum, which is calculated on the amount outstanding on a daily outstanding amount basis and payable at the end of each quarter. The repayment will start on 15 November 2008. The first drawdown has been effected on 8 October 2007. 5.8824% of the total taka loan, principal must be repaid on a quarterly basis which will run for 17 quarters.

All the above loans are secured by a first priority floating charge on the company's undertaking, property and assets, present and future including goodwill and money held to the credit of the company's bank accounts to the extent of Tk. 5,247,720,000. Additional charge of Tk 2,000,000,000 has been created in favour of the new Local Syndicate Lenders. Total value of the charge created is Tk. 7,247,720,000.

17.5 Loans and borrowings — current portion

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|-----------------------|----------------------|----------------------|
| | Taka | Taka |
| IFC | 410,782,046 | 411,307,134 |
| ADB | 284,024,722 | 280,448,302 |
| NORFUND | 139,193,232 | 138,644,564 |
| Eksportfinans ASA | 38,490,007 | 53,543,934 |
| NORAD | 76,980,027 | 107,087,877 |
| Local syndicated loan | 456,790,577 | 117,648,000 |
| | <u>1,406,260,610</u> | <u>1,108,679,811</u> |

In determination of current portion of long term loan, the principal amount which will become due within twelve months from the balance sheet date has been considered.

18 Bond issued

Grameenphone Ltd. issued debt instruments in the form of Unsecured, Non-convertible, and freely transferable coupon bearing Bond on 11 November 2008, in an aggregate principal amount of Taka 4,250 million through private placement with domestic investors. Each bond is denominated in Taka 10 million with one tranche having 540 days tenor and the other tranche having 720 days tenor maturing for payment on 04 May 2010 and 31 October 2010 respectively. The bonds have an interest rate of 14.5% per annum, payable semi-annually.

The bonds will rank at least pari passu with the claims of the other unsecured and unsubordinated creditors.

19 Deposit from agents and subscribers

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|---|----------------------|----------------------|
| | Taka | Taka |
| Security deposits from subscribers (Note 19.1) | 411,388,949 | 476,561,490 |
| Security deposits from dealers and agents (Note 19.2) | 71,265,000 | 80,756,112 |
| | <u>482,653,949</u> | <u>557,317,602</u> |

19.1 The amount of security deposits from subscribers represents security money obtained from subscribers. This amount can be used in full or in part to adjust any amount due from subscribers. The amount is refundable to subscribers on their termination of relationship with GP.

19.2 This amount of security deposits from dealers and agents represents security money obtained from channel partners (i.e. dealer, distributor, outlet agent). This amount can be used in full or in part to adjust any amount due from channel partners. The amount is refundable to channel partners on their termination of business relationship with GP.

20 Finance lease obligation

Obligation under finance lease has been recognised as liability in the balance sheet at an amount equal to the present value of minimum lease payments. GP's incremental borrowing rate, which was 15% at the inception of the lease, was used to calculate the present value of minimum lease payments, as it was impracticable to determine the implicit interest rate at that time.

| | | |
|---|----------------------|----------------------|
| Finance lease of optical fibre network with Bangladesh Railway (BR) | 6,207,645,382 | 6,800,786,553 |
| Less: Current portion of finance lease | 1,160,709,556 | 1,485,227,318 |
| | <u>5,046,935,826</u> | <u>5,315,559,235</u> |

The principal amount of lease obligation payable from the balance sheet date is as follows:

| | <u>Lease payment</u> | <u>Present value</u> | |
|--|-----------------------|------------------------------|------------------------------|
| | | <u>As at 31 Dec 2008</u> | <u>As at 31 Dec 2007</u> |
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| (i) Not later than one year | 2,002,206,462 | 1,160,709,556 | 1,485,227,318 |
| (ii) Later than one year but not later than five years | 2,905,597,402 | (237,452,687) | 29,791,239 |
| (iii) Later than five years | 13,377,854,707 | 5,284,388,513 | 5,285,767,996 |
| | <u>18,285,658,571</u> | <u>6,207,645,382</u> | <u>6,800,786,553</u> |

Grameenphone entered into a lease agreement with Bangladesh Railway (BR) in 1997 for the right to use the optical fibre network along with its ancillary facilities. The lease was treated as operating lease until the end of 2004. Following an amendment to the lease agreement in 2004, it has been reclassified as finance lease and has been treated as such since 1 January 2005.

The lease agreement was further amended on 13 June 2007 with Guaranteed Annual Rental (GAR) being revised and lease term being extended by 10 more years to June 2027. Considering the extended tenure and revised GAR, the leased asset and obligation have been adjusted with the amount equal to the difference between the present value of the revised minimum lease payments and the carrying amount of lease obligation.

21 Deferred tax liabilities

Deferred tax assets and liabilities have been recognised and measured in accordance with the provision of IAS/BAS 12: *Income Taxes*. Related deferred tax expense/income have been disclosed in note 43. Deferred tax assets and liabilities are attributable to the following:

| | <u>Carrying amount at the balance sheet date</u> | <u>Tax base</u> | <u>Taxable/(deductible) temporary difference</u> |
|---|--|-----------------|--|
| | <u>Taka</u> | <u>Taka</u> | <u>Taka</u> |
| As at 31 December 2008 | | | |
| Property, plant and equipment (excluding land and capital work in progress) | 74,051,177,543 | 32,738,745,149 | 41,312,432,394 |
| Property, plant and equipment under finance lease | 6,402,100,304 | — | 6,402,100,304 |
| Difference for vehicle | (21,627,366) | — | (21,627,366) |
| | 80,431,650,481 | 32,738,745,149 | 47,692,905,332 |
| Accounts Receivable | 4,146,484,000 | 4,390,067,871 | (243,583,871) |
| Finance lease obligation | (6,207,645,382) | — | (6,207,645,382) |
| Asset retirement obligation | (52,283,997) | — | (52,283,997) |
| Net taxable temporary difference | | | 41,189,392,082 |
| Applicable tax rate | | | 45% |
| Deferred tax liabilities | | | <u>18,535,226,437</u> |
| As at 31 December 2007 | | | |
| Property, plant and equipment (excluding land and capital work in progress) | 69,714,232,193 | 32,229,523,923 | 37,484,708,270 |
| Property, plant and equipment under finance lease | 6,389,155,256 | — | 6,389,155,256 |
| Difference for reclassification | (59,972,229) | — | (59,972,229) |
| Difference for vehicle | (93,087,373) | — | (93,087,373) |
| | 75,950,327,847 | 32,229,523,923 | 43,720,803,924 |
| Accounts Receivable | 2,725,726,115 | 2,819,374,925 | (93,648,810) |
| Finance lease obligation | (6,901,177,719) | — | (6,901,177,719) |
| Asset retirement obligation | (36,747,882) | — | (36,747,882) |
| Net taxable temporary difference | | | 36,689,229,513 |
| Applicable tax rate | | | 45% |
| Deferred tax liabilities | | | <u>16,510,153,280</u> |

22 Long term payables and provisions

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|--|----------------------|----------------------|
| | Taka | Taka |
| Payable to Bangladesh Railway for X-Net Ltd. | 4,882,500 | 4,882,500 |
| Asset retirement obligations (Note 22.1) | 148,358,966 | 129,419,461 |
| Deferred revenue from X-Net Ltd. | 11,392,500 | 11,392,500 |
| | <u>164,633,966</u> | <u>145,694,461</u> |

22.1 Asset retirement obligation (ARO)

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|--------------------------------|----------------------|----------------------|
| | Taka | Taka |
| Opening balance | 129,341,160 | 80,293,275 |
| Provision made during the year | 27,286,666 | 54,355,259 |
| | <u>156,627,826</u> | <u>134,648,534</u> |
| Adjustment during the year | (8,268,860) | (5,307,374) |
| Closing balance | <u>148,358,966</u> | <u>129,341,160</u> |

Grameenphone Ltd. recognises ARO in respect of roof-top BTS and office space based on the present value of expected expenditure to be required to settle the obligation. Initial estimate of ARO is added to property, plant and equipment and unwinding of the discount is charged as financial expense.

23 Accounts payable

| | | |
|---|----------------------|----------------------|
| Liability for capital expenditure | 2,550,938,946 | 7,061,913,455 |
| Payable for expenses: | | |
| International roaming services | 65,986,664 | 39,546,477 |
| Training and travel expenses | 29,196,555 | 57,178,975 |
| Sales and promotional expenses | 173,111,438 | 101,524,340 |
| Consultancy and professional fees | 444,664,720 | 333,458,307 |
| Office and general expenses | 228,175,498 | 200,327,944 |
| Network operations and maintenance | 80,624,229 | 126,962,362 |
| | <u>1,021,759,104</u> | <u>858,998,405</u> |
| Payable for others: | | |
| Bank guarantee for SIM and scratch card | 2,099,434 | 2,099,434 |
| Tax deducted at source from suppliers | 134,530,211 | 124,536,047 |
| VAT deducted at source from suppliers | 72,806,656 | 42,705,720 |
| Retention money from suppliers | 13,665,878 | 45,347,895 |
| | <u>223,102,179</u> | <u>214,689,096</u> |
| | <u>3,795,800,229</u> | <u>8,135,600,956</u> |

Payable for expenses include payable to Telenor, its subsidiaries and affiliates.

24 Payable to government, autonomous bodies and other operators

| | | |
|--|-----------------------|----------------------|
| Bangladesh Telecommunication Regulatory Commission (BTRC) | | |
| Frequency and spectrum charges (Note 24.1) | 286,971,639 | 652,616,699 |
| Revenue sharing | 877,127,718 | 832,232,261 |
| Liability for purchase of additional spectrum | 3,330,000,000 | — |
| | <u>4,494,099,357</u> | <u>1,484,848,960</u> |
| Bangladesh Telecommunications Company Limited (BTCL) | | |
| Interconnection charges (Note 24.2) | 3,404,001,304 | 825,509,168 |
| PCM related expenses (Note 24.3) | 40,481,872 | 24,602,776 |
| | <u>3,444,483,176</u> | <u>850,111,944</u> |
| Revenue sharing with content providers | 36,519,071 | 39,888,787 |
| Supplementary duty on SIM payable to National Board of Revenue (NBR) | 2,407,968,034 | 2,709,621,363 |
| Share of sub-lease rent payable to Bangladesh Railway | 4,603,261 | 13,557,714 |
| Interconnection charges payable to other operators | 765,007,231 | 751,595,006 |
| | <u>11,152,680,130</u> | <u>5,849,623,774</u> |

24.1 Frequency and spectrum charges

This relates to frequency / spectrum charges and roaming line rent.

24.2 Interconnection charges

This represents provision for interconnection charges in respect of Local, NWD and ISD calls. According to the latest policy promulgated by BTRC, each operator including BTCL (formerly BTTB) is liable to pay interconnection charge for outgoing calls to other operators.

24.3 PCM related expenses

This represents amount due to BTCL (formerly BTTB) for PCM (Pulse Code Modulation) related expenses.

25 Income tax payable

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|---|----------------------|----------------------|
| | Taka | Taka |
| Opening balance | 8,350,371,941 | 5,987,861,425 |
| Provision made during the year | 6,569,903,530 | 5,062,172,661 |
| | 14,920,275,471 | 11,050,034,086 |
| Paid during the year (including tax deducted at source) | (4,842,709,822) | (2,699,662,145) |
| | 10,077,565,649 | 8,350,371,941 |

26 Unearned revenue

This includes mainly the unused portion of scratch cards, FlexiLoad and advance post-paid bills received for which revenue has not been recognised yet.

27 VAT payable

This represents VAT amount payable to NBR arising from provision of services by the company that are subject to VAT.

28 Deferred connection revenue

| | | |
|-----------------------------|-------------|-------------|
| Deferred connection revenue | 474,142,173 | 617,206,217 |
| Unearned revenue — sublease | — | 14,054 |
| | 474,142,173 | 617,220,271 |

Movement of deferred connection revenue

| | | |
|---------------------------------------|---------------|---------------|
| Opening balance | 617,220,271 | 885,519,464 |
| Addition during the year | 224,397,633 | 224,439,324 |
| | 841,617,904 | 1,109,958,788 |
| Recognised as revenue during the year | (367,475,731) | (492,738,517) |
| Closing balance | 474,142,173 | 617,220,271 |

29 Local interest bearing short-term borrowings

Grameenphone has entered into credit facilities with 19 local banks for short-term working capital facility and loan agreements with 4 financial institutions for short-term loans. The aggregate amount of the working capital facility and the short term loans is Tk. 22,072.85 million. The facilities have a non-funded limit of Tk. 19,622.20 million and a funded limit of Tk. 9,240.65 million. The non-funded facilities include Letter of Credit, Letter of Guarantees and FX Forward. The funded facilities include overdraft facility, short-term loan and import loan.

29.1 Credit facility from Standard Chartered Bank

- (a) Letter of credit (L/C) facility for Tk. 2,333 million (in 2007 Tk. 2,050 million).
- (b) Overdraft / short term loan facility for Tk. 950 million (in 2007 Tk. 750 million).

29.2 Credit facility from Commercial Bank of Ceylon Ltd.

- (a) Letter of credit facility for Tk. 550 million (in 2007 Tk. 550 million).

- (b) Overdraft / short term loan facility for Tk. 210 million (inner limit of LC Tk. 550 million) (in 2007 Tk. 210 million).
- (c) Foreign Exchange Forward arrangement for Tk. 550 million.

29.3 Credit facility from Citibank N.A

- (a) Sight/usance letter of credit up to Tk. 2,800 million (in 2007 Tk. 2,800 million).
- (b) Short term loan up to Tk. 2,100 million (inner limit of LC Tk. 2,800 million) (in 2007 Tk. 2,100 million).
- (c) Overdraft facility for Tk. 2,100 million (inner limit of LC Tk. 2,800 million) (in 2007 Tk. 2,100 million).

The short term loan and the overdraft limits are interchangeable. Total funded exposure under the short-term loan and the overdraft facility may not exceed Tk. 2,100 million at any point of time.

29.4 Credit facility from HSBC

- (a) Sight/usance letter of credit up to Tk. 2,300 million (in 2007 Tk. 1,620 million).
- (b) Short-term loan up to Tk. 700 million (inner limit of LC Tk. 2,300 million) (in 2007 Tk. 500 million).
- (c) Overdraft facility for Tk. 150 million (inner limit of LC Tk. 2,300 million) (in 2007 Tk. 100 million).
- (d) Foreign Exchange line up to Tk. 10 million (in 2007 Tk. 30 million). Combined funded exposure will not exceed Tk. 700 million at any point of time.

29.5 Credit facility from Prime Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,500 million (in 2007 Tk. 1,500 million).
- (b) Overdraft/LTR facility for Tk. 950 million (inner limit of LC Tk. 1,500 million) (in 2007 Tk. 600 million).

29.6 Credit facility from Eastern Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,400 million (in 2007 Tk. 1,250 million).
- (b) Short-term loan/LTR facility for Tk. 600 million (inner limit of LC Tk. 1,400 million) (in 2007 Tk. 540 million).
- (c) Overdraft facility for Tk. 100 million (inner limit of LC Tk. 1,400 million) (in 2007 Tk. 100 million).
- (d) Bank Guarantee limit up to Tk. 150 million. (inner limit of LC Tk. 1,400 million) (in 2007 Tk. 70 million). Combined funded exposure will not exceed Tk. 600 million at any point of time.

29.7 Credit facility from One Bank Ltd.

- (a) Sight/Usance letter of credit up to Tk. 660 million (in 2007 Tk. 660 million).
- (b) Overdraft/LTR/ Time loan facility for Tk. 280 million (inner limit of LC Tk. 660 million) (in 2007 Tk. 280 million).
- (c) Bank guarantee limit up to Tk. 10 million (inner limit of LC Tk. 660 million) (in 2007 Tk. 10 million).

29.8 Credit facility from BRAC Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,300 million (in 2007 Tk. 990 million).
- (b) Overdraft/short term loan facility for Tk. 550 million (inner limit of L/C Tk. 990 million) (in 2007 Tk. 420 million).

29.9 Credit facility from Dhaka Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 1,000 million (in 2007 Tk. 1,000 million).
- (b) Short term Loan/LTR facility for Tk. 435 million (inner limit of LC Tk. 1,000 million) (in 2007 Tk. 435 million).

29.10 Credit facility from Dutch Bangla Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 930 million (in 2007 Tk. 600 million).
- (b) Short term loan/LTR/overdraft facility for Tk. 390 million (inner limit of LC Tk. 930 million).

29.11 Credit facility from Woori Bank

- (a) Sight/usance letter of credit up to Tk. 274.20 million.
- (b) Overdraft facility for Tk. 205.65 million.

29.12 Credit facility from Shahjalal Islami Bank Ltd.

- (a) Sight/usance Murabaha letter of credit up to Tk. 980 million.
- (b) Mubaraha Post Import TR/ Bai Muajjal Comm. facility for Tk. 430 million (inner limit of Murabaha Letter of Credit Tk. 980 million).
- (c) Bank guarantee facility for Tk. 100 million (inner limit of Murabaha Letter of Credit Tk. 980 million).

29.13 Credit facility from The City Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 590 million.
- (b) Overdraft/ short term loan facility for Tk. 370 million.
- (c) Bank guarantee facility for Tk. 590 million (inner limit of L/C Tk. 590 million).

29.14 Credit facility from Jamuna Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 580 million.
- (b) Overdraft/LTR facility for Tk. 230 million. (inner limit of L/C Tk. 580 million).

29.15 Credit facility from Trust Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 400 million.
- (b) Overdraft facility for Tk. 280 million.

29.16 Credit facility from Premier Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 910 million.
- (b) Overdraft facility for Tk. 390 million. (inner limit of L/C Tk. 910 million).
- (c) Bank guarantee facility for Tk. 910 million (inner limit of L/C Tk. 910 million).

29.17 Credit facility from Bank Asia Ltd.

- (a) Sight/usance letter of credit up to Tk. 280 million.
- (b) Overdraft facility for Tk. 270 million.

29.18 Credit facility from EXIM Bank Ltd.

- (a) Sight/usance letter of credit up to Tk. 300 million.
- (b) Bai Muajjal (cash credit) facility for Tk. 225 million.

29.19 Credit facility from Bank Alfalah Ltd.

- (a) Sight/usance letter of credit up to Tk. 525 million.
- (b) Cash finance facility for Tk. 225 million. (inner limit of L/C Tk. 525 million).
- (c) Bank guarantee facility for Tk. 300 million (inner limit of L/C Tk. 525 million).

29.20 Short term loan facility from National Housing Finance and Investments Ltd.

Short term loan for Tk. 150 million.

The above short-term credit facilities are availed on an unsecured basis and are backed by standard charge documents of individual banks and financial institutions.

As per GP Board of Directors' approval, the total amount of short-term credit facilities from the above banks is limited to a maximum outstanding limit of US\$210 million equivalent Taka. However, the ratio of financial indebtedness to shareholders' equity should not exceed 2:1 as per the financial covenants under our long-term loans and borrowings.

29.21 Credit facility from Other Banks

(a) Other banks include Islami Bank, Mercantile Bank, National Bank, IFIC Bank, Southeast Bank, Sonali Bank, UCBL Bank and Agrani Bank, which are mainly used for collection purpose.

(b) Facilities with all the banks are free of any charge.

The short-term credit facilities are availed on an unsecured basis and are backed by standard charge documents of individual banks and financial institutions.

As per GP Board of Directors' approval, the total amount of short-term credit facilities from the above banks is limited to a maximum outstanding limit of US\$210 million equivalent. However, the ratio of financial indebtedness to shareholders' equity may not exceed 2:1 as per the financial covenants under our long-term loans and borrowings.

29.22 Outstanding balances of local interest bearing short-term borrowings

| <u>Name of banks</u> | <u>As at 31 Dec 2008 Taka</u> | <u>As at 31 Dec 2007 Taka</u> |
|---|---------------------------------------|---------------------------------------|
| Standard Chartered Bank | 750,000,000 | 752,355,943 |
| Citibank, N.A | 1,200,000,000 | 1,183,021,434 |
| HSBC | 4,630,365 | 727,216,334 |
| Commercial Bank of Ceylon Limited | — | 198,847,673 |
| BRAC Bank Limited | 38,448,279 | 408,555,991 |
| Eastern Bank Limited | 300,000,000 | 540,000,000 |
| One Bank Limited | — | 282,093,700 |
| Prime Bank Limited | 17,287,931 | 616,744,078 |
| Dhaka Bank Limited | 435,000,000 | 200,000,000 |
| Trust Bank Limited | 277,080,133 | — |
| Woori Bank Limited | 194,349,170 | — |
| Dutch Bangla Bank Limited | 385,482,080 | — |
| Shahjalal Islami Bank Limited | 300,000,000 | — |
| Jamuna Bank Limited | 225,204,608 | — |
| Premier Bank Limited | 347,629,804 | — |
| Bank Asia Limited | 267,219,153 | — |
| Bank Alfalah Ltd. | 99,991,393 | — |
| National Housing Finance and Investment Limited | 150,000,000 | — |
| | <u>4,992,322,916</u> | <u>4,908,835,153</u> |

30 Provision for expenses

| | | |
|---|----------------------|----------------------|
| International roaming services | 25,294,597 | 30,521,099 |
| Personnel expenses | 947,685,525 | 588,072,056 |
| Obligation in respect of employees Provident Fund | 21,288,716 | 11,626,153 |
| Training and travel expenses | 23,850,003 | 47,681,771 |
| Sales and promotional expenses | 526,639,170 | 324,456,423 |
| Consultancy and professional fees | 344,613,452 | 222,852,718 |
| Network operations and maintenance | 1,173,794,521 | 270,371,826 |
| Provision for capital expenditure | 5,326,924,372 | 636,225,088 |
| Office and general expenses (Note 30.1) | 986,219,679 | 26,749,394 |
| Operating lease rent payable to Power Grid Company of Bangladesh Ltd. | 17,562,134 | 2,499,999 |
| | <u>9,393,872,169</u> | <u>2,161,056,527</u> |

Provision for expenses include provision for payable to Telenor, its subsidiaries and affiliates.

30.1 Provision for office and general expenses relates to vehicle running expenses, stationery, utility, communication expenses etc.

31 Advance against PPO

The company is in the process of getting publicly listed with two Stock Exchanges of the country namely Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). Application along with all required papers was submitted to the Securities and Exchange Commission (SEC) on December 11, 2008 and the approval of the capital issue is awaiting. As part of this process, the company received an amount of Tk. 4,136,642,172 from various institutional investors, Grameen Bank borrowers fund as well as from the employees of the company for Pre-IPO placement. Allotment of shares to the Pre-IPO subscribers will be made upon receipt of approval from the SEC.

32 Revenue

| | For the Year Ended | |
|---------------------------|-----------------------|-----------------------|
| | 31 Dec 2008 | 31 Dec 2007 |
| | Taka | Taka |
| Traffic revenue | | |
| -Postpaid | 3,416,682,161 | 6,890,485,179 |
| -Prepaid | 47,933,000,073 | 39,794,262,265 |
| | 51,349,682,234 | 46,684,747,444 |
| Subscription revenue | | |
| -Postpaid | 530,770,936 | 448,536,521 |
| -Prepaid | — | — |
| | 530,770,936 | 448,536,521 |
| Connection revenue | | |
| -Postpaid | 55,298,487 | 132,298,916 |
| -Prepaid | 299,746,027 | 252,361,082 |
| | 355,044,514 | 384,659,998 |
| Roaming revenue | | |
| -Inbound | 175,091,485 | 158,652,029 |
| -Outbound | 222,432,040 | 228,281,038 |
| | 397,523,525 | 386,933,067 |
| Interconnection revenue | | |
| -Postpaid | 155,551,770 | 234,336,488 |
| -Prepaid | 6,361,791,542 | 4,371,041,250 |
| | 6,517,343,312 | 4,605,377,738 |
| Other operating revenue | | |
| -Customer support revenue | 16,235,152 | 10,690,264 |
| -VAS revenue (Note 32.1) | 2,103,492,885 | 1,744,370,057 |
| | 2,119,728,037 | 1,755,060,321 |
| Other non- mobile revenue | | |
| -Sale of handsets | 28,254,167 | 4,957,356 |
| -Channel fees | 57,188,661 | 31,822,515 |
| -Bills pay service | 3,442,732 | 1,050,972 |
| | 88,885,560 | 37,830,843 |
| | <u>61,358,978,118</u> | <u>54,303,145,932</u> |

32.1 VAS revenue includes revenue from SMS/MMS services, internet facilities (EDGE/GPRS), medical services and music download services.

33 Direct cost of network revenue

| | | |
|---|-----------------------|-----------------------|
| Cost of interconnection (Note 33.1) | 5,981,299,890 | 5,512,358,769 |
| Cost of SIM card, scratch card and handsets | 792,264,197 | 938,145,964 |
| International roaming costs (Note 33.2) | 203,327,269 | 205,398,758 |
| Revenue sharing with BTRC (Note 33.3) | 3,029,973,262 | 2,774,547,021 |
| Revenue sharing with content providers | 934,133 | 2,867,197 |
| Dealers and agency commission | 3,927,278,438 | 3,359,248,237 |
| | <u>13,935,077,189</u> | <u>12,792,565,946</u> |

33.1 Cost of interconnection

As per the latest policy promulgated by BTRC, each operator along with BTCL (formerly BTTB) is liable to pay interconnection charges for outgoing calls to other operators based on data provided by interconnection exchange (ICX) and international gateway (IGW).

Cost of interconnection is recorded on the basis of traffic to other operators, which is regulated and settled through interconnection agreements between Grameenphone and other operators.

33.2 International roaming costs

GP is required to pay roaming charges to the roaming partners when GP subscribers use their network, based on roaming agreement between the parties.

33.3 Revenue sharing with BTRC

As per the amendment of the operating licence agreement (clause 3.3) dated 16 April 2006, GP is required to pay 5.5% of the collected rent and call charges to BTRC with effect from 1 July 2005. Before this amendment, GP was required to pay 1% of the call charges to Bangladesh Telecommunication Regulatory Commission (BTRC).

34 Network operation and maintenance expenses

| | For the Year Ended | |
|---|----------------------|----------------------|
| | 31 Dec 2008 | 31 Dec 2007 |
| | Taka | Taka |
| Rent (Note 34.1) | 523,493,294 | 390,678,324 |
| Electricity charges (Note 34.2) | 1,066,936,844 | 830,772,051 |
| Operation and maintenance - base station | 1,016,508,495 | 735,090,341 |
| Operation and maintenance - switch | 934,459,745 | (120,599,372) |
| Operation and maintenance - optical fibre network | 131,792,285 | 23,567,191 |
| Network quality maintenance expenses (Note 34.3) | 788,138,233 | 610,849,956 |
| PCM operation and maintenance (Note 34.4) | 40,128,241 | 37,799,276 |
| | <u>4,501,457,137</u> | <u>2,508,157,767</u> |

34.1 Rent includes location rent for base stations, switch, and other locations.

34.2 Electricity charges include electricity charges for running base stations, switches and selected offices of Bangladesh Railway.

34.3 Network quality maintenance expenses include consultants' expenses and network operational services and maintenance fees.

34.4 PCM operation and maintenance includes rental charges of PCM, maintenance charges of PCM and microwave link.

35 Depreciation and amortisation

Cost of network operation:

| | | |
|--|--------------------|-------------------|
| Depreciation of property, plant and equipment | 13,186,081,885 | 9,101,623,190 |
| Amortisation of network system software | 55,713,418 | 10,478,393 |
| Amortisation of telecommunication licences | 9,216,157 | — |
| Amortisation of non-telecommunication licences | 81,220,167 | 10,071,554 |
| | <u>146,149,742</u> | <u>20,549,947</u> |
| | 13,332,231,627 | 9,122,173,137 |

Operating expenses:

| | | |
|---|-----------------------|-----------------------|
| Depreciation of property, plant and equipment | 1,181,365,675 | 911,554,550 |
| Amortisation of business system software | 630,559,528 | 362,096,226 |
| | <u>1,811,925,203</u> | <u>1,273,650,776</u> |
| | <u>15,144,156,830</u> | <u>10,395,823,913</u> |

36 Other income, net

| | For the Year Ended | |
|--|--------------------|--------------------|
| | 31 Dec 2008 | 31 Dec 2007 |
| | Taka | Taka |
| Sub-lease rental income from optical fibre network | 62,755,962 | 138,129,714 |
| Franchisee fee | 5,028,724 | 4,501,192 |
| Sub lease cost | (15,202,058) | (38,870,139) |
| | <u>52,582,628</u> | <u>103,760,767</u> |

37 General and administrative expenses

| | | |
|---|----------------------|----------------------|
| Personnel expenses (Note 37.1) | 3,580,873,187 | 2,784,789,505 |
| Employee training and ancillary expenses | 45,880,345 | 132,743,408 |
| Rent (Note 37.2) | 358,810,853 | 353,248,518 |
| Office maintenance and running expenses | 626,347,053 | 732,574,142 |
| Travelling expenses | 104,559,220 | 114,715,671 |
| Vehicle running expenses | 349,520,516 | 300,991,542 |
| Telephone and communication | 106,885,846 | 107,832,446 |
| Printing, postage and stationery | 133,148,768 | 195,025,462 |
| Legal and professional fees | 24,439,493 | 9,724,733 |
| Audit fees | 41,869,522 | 8,336,001 |
| Licence fees and spectrum charges (Note 37.3) | 923,443,577 | 313,218,201 |
| Meeting expenses (Note 37.4) | 17,209,323 | 32,357,312 |
| Entertainment expenses | 25,142,482 | 42,122,620 |
| Revenue collection charges | 23,837,457 | 20,017,372 |
| | <u>6,361,967,642</u> | <u>5,147,696,933</u> |

37.1 Personnel expenses include company's contribution to recognized provident fund of Tk 190,353,090 and provision for gratuity fund of Tk 58,065,942

Personnel expenses include Tk 8,048,736 relating to share based payment to key management personnel with respect to entitlement of parent company's shares. The vesting period for such entitlement is three years. The policy on share based payment including the underlying valuation method is guided by group policy.

37.2 Rent includes rent for office, warehouse, GPC, GPSD, GPDC, GPCF info-center and guest houses.

Grameenphone has following contingent liability against future lease rental for office and BTS locations:

| | | |
|--|----------------------|----------------------|
| (i) Not later than one year | 682,581,246 | 313,729,917 |
| (ii) Later than one year but not later than five years | 2,206,975,538 | 1,329,368,247 |
| (iii) Later than five years | 4,737,169,100 | 3,758,469,980 |
| | <u>7,626,725,883</u> | <u>5,401,568,144</u> |

37.3 According to licence agreement, Grameenphone is required to pay these fees to BTRC. The amount includes operating licence fee, spectrum fee and roaming line rent charges. In 2008 BTRC has initiated a project "Lawful Interception Compliance (LIC)" compulsorily to be financed by all the mobile operators. Accordingly, Grameenphone paid its share of cost of BDT 230,765,302 in May 2008 and provided BDT 70,000,000 for related expenses.

37.4 Meeting expenses include expenses incurred for Board of Directors and members of operational committee for attending the board meetings and operational committee meetings respectively. No fees were paid to the members for attending the meetings.

38 Selling and distribution expenses

| | For the Year Ended | |
|---|----------------------|----------------------|
| | 31 Dec 2008 | 31 Dec 2007 |
| | Taka | Taka |
| Advertisements | 864,591,192 | 1,051,696,324 |
| Business development and promotional expenses | 369,916,574 | 447,590,843 |
| Sales, marketing and representation costs | 4,640,843,887 | 5,161,131,235 |
| | <u>5,875,351,653</u> | <u>6,660,418,402</u> |

39 Bad debt expense

| | | |
|--------------------------------------|--------------------|--------------------|
| Gross provision made during the year | 260,530,744 | 148,643,786 |
| Recovery of bad debt during the year | (16,946,873) | (13,353,519) |
| Bad debt expense | <u>243,583,871</u> | <u>135,290,267</u> |

Provision for doubtful debts has been made as per policy of the company mentioned in note 3.4.

40 Finance costs, net

| | | |
|--|----------------------|----------------------|
| Interest on long term loans | 314,968,528 | 245,236,902 |
| Interest on bonds | 79,512,361 | — |
| Interest and service charge on short-term debt | 956,531,502 | 179,184,471 |
| Foreign exchange (gain)/loss — IR receivable | (292,037,932) | 73,838,813 |
| Finance charge — lease | 727,226,707 | 494,203,734 |
| Interest (accretion) on ARO | 15,536,115 | 12,975,881 |
| Finance charges | <u>96,592,571</u> | <u>82,511,025</u> |
| | 1,898,329,852 | 1,087,950,826 |
| Finance income | <u>(93,080,560)</u> | <u>(139,465,142)</u> |
| | <u>1,805,249,292</u> | <u>948,485,684</u> |

41 (Gain)/loss on disposal of property, plant and equipment

| | | |
|---------------------------------------|---------------------|--------------------|
| Sale proceeds | (76,107,924) | (62,813,546) |
| Written down value of the assets sold | 41,981,782 | 74,780,231 |
| Cost of CWIP written off | — | 89,996,270 |
| | <u>(34,126,142)</u> | <u>101,962,955</u> |

42 Compensation to Bangladesh Telecommunication Regulatory Commission (BTRC)

| | | |
|----------------------|----------------------|----------------------|
| Compensation to BTRC | 2,000,000,000 | 2,184,242,956 |
| | <u>2,000,000,000</u> | <u>2,184,242,956</u> |

This relates to the settlement agreement between Grameenphone and BTRC dated 14 August 2008 to pay a fine of Tk. 2,500,000,000 for Grameenphone's involvement in unregulated international call termination business through VoIP prior to February 2007. In December 2007, Grameenphone took a provision for BDT 500,000,000 in this regard and remaining BDT 2,000,000,000 was charged in 2008. As per the agreement, Grameenphone paid BDT 1,500,000,000 by 30 September 2008 and the balance of BDT 1,000,000,000 was paid on 29 October 2008.

43 Share of profit of X-Net Ltd.

| | | |
|------------------------|----------|------------------|
| Share of profit/(loss) | — | 2,591,417 |
| | <u>—</u> | <u>2,591,417</u> |

44 Income tax expenses

| | For the Year Ended | |
|-----------------------------------|----------------------|-----------------------|
| | 31 Dec 2008 | 31 Dec 2007 |
| | Taka | Taka |
| Current tax expense | 6,569,903,530 | 5,062,172,661 |
| Deferred tax expense (Notes 44.1) | <u>2,025,073,157</u> | <u>5,412,840,614</u> |
| | <u>8,594,976,687</u> | <u>10,475,013,275</u> |

- 44.1** Deferred tax has been recognised to account for the tax consequence of transactions and other events recognised in the financial statements. Deferred tax expenses arise mainly due to difference in the carrying amount of the assets that will result in taxable amount in determining taxable profit or loss of future periods when the carrying amount of the asset would be recovered or settled.

45 Earnings Per Share

| | | |
|--|-----------------------|-----------------------|
| Profit attributable to ordinary shareholders | 2,983,866,587 | 3,059,840,018 |
| Weighted average number of ordinary shares outstanding during the year (Note 45.1) | 12,151,747,970 | 12,151,747,970 |
| Earnings Per Share (EPS) | 0.246 | 0.252 |
| Weighted average number of ordinary shares: | | |
| Outstanding ordinary shares at 1 January | 56,519,758 | 56,519,758 |
| Share split from BDT 43 to BDT 1 | 2,430,349,594 | 2,430,349,594 |
| Issue of bonus shares (4 shares against each) | <u>9,721,398,376</u> | <u>9,721,398,376</u> |
| Weighted average number of ordinary shares | <u>12,151,747,970</u> | <u>12,151,747,970</u> |

Basic earnings

This represents earnings for the year attributable to the ordinary share holders. As there was no preference dividend, minority interest or extraordinary items, the net profit after tax has been considered as fully attributable to the ordinary shareholders.

45.1 Weighted average number of ordinary shares

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares converted and issued during the year.

45.2 Dilution of earnings per share

No diluted earnings per share is required to be calculated for the years presented as there was no scope for dilution during these years.

46 Financing of operation

As at the balance sheet date total current liabilities exceeded total current assets by Tk. 35,801,135,096 (2007: Tk. 29,593,602,701). Current liabilities however, include deferred revenue and unearned revenue of Tk. 17,593,433.

Management is confident of meeting all its obligations as they fall due and of being able to finance expansion plans by way of support from existing bankers to the company and from equipment vendors. In addition, new sources of finance are also being considered and acted upon including an Initial Public Offering.

47 Related party transactions

| Name of related parties | Nature | Nature of transactions | For the Year Ended | |
|--|--------------|--|--------------------|---------------|
| | | | 31 Dec 2008 | 31 Dec 2007 |
| | | | Taka | Taka |
| Telenor Mobile Communications AS | Shareholder | Dividend payment for previous year | 934,225,557 | 904,089,250 |
| Nye Telenor Mobile Communications II AS | Shareholder | -do- | 267 | 258 |
| Nye Telenor Mobile Communications III AS | Shareholder | -do- | 267 | 258 |
| Telenor Asia Pte. Ltd. | Shareholder | -do- | 267 | 258 |
| Grameen Telecom | Shareholder | Revenue | 1,183,020,136 | 3,283,766,459 |
| | | Revenue received | 605,480,077 | 4,830,795,105 |
| | | Commission expense | 90,631,360 | — |
| | | Dividend payment for previous year | 572,590,336 | 554,119,680 |
| Grameen Kalyan | Shareholder | Dividend payment for previous year | 27 | 26 |
| Grameen Shakti. | Shareholder | Dividend payment for previous year | 27 | 26 |
| Telenor ASA | Group entity | Sharing of Microsoft license fee | 144,698,303 | 105,930,027 |
| | | Consultancy service fee | 344,429,369 | 273,152,665 |
| Telenor Consult AS | Group entity | Consultancy and professional service fee | 422,526,851 | 258,081,728 |
| Telenor Asia Pte. Ltd. | | Consultancy service fee | 36,839,032 | — |
| Digi Telecommunication | Group entity | Roaming revenue | 1,080,011 | 1,417,557 |
| | | Roaming expenses | 1,665,849 | 1,826,128 |
| Kyivstar GSM — Ukraine | Group entity | Roaming revenue | 74,486 | 115,505 |
| | | Roaming expenses | 56,768 | 94,794 |
| Telenor d.o.o (YUGMT) | Group entity | Roaming revenue | 51,570 | 6,131 |
| | | Roaming expenses | 8,322 | 39,903 |
| Pannon — GSM | Group entity | Roaming revenue | 77,163 | 35,235 |
| | | Roaming expenses | 154,359 | 61,390 |
| Sonofone | Group entity | Roaming revenue | 1,230,992 | 880,791 |
| | | Roaming expenses | 476,208 | 374,514 |
| Telenor Mobil AS | Group entity | Roaming revenue | 3,555,610 | 3,694,974 |
| | | Roaming expenses | 682,197 | 702,178 |
| Telenor Pakistan | Group entity | Roaming revenue | 126,878 | 174,784 |
| | | Roaming expenses | 554,647 | 487,991 |
| TAC (Total Access Communication) | Group entity | Roaming revenue | 2,610,916 | 1,555,330 |
| | | Roaming expenses | 9,743,626 | 12,026,482 |
| Telenor Sverige (Europolitan AB) | Group entity | Roaming revenue | 969,500 | 578,224 |
| | | Roaming expenses | 576,067 | 532,086 |
| ProMonte GSM, Serbia and Montenegro | | | | |
| YUGPM. | Group entity | Roaming revenue | 16,714 | 13,981 |
| | | Roaming expenses | 116,641 | — |

47.1 Receivables/(payables) with related parties

| <u>Name of related parties</u> | <u>Nature</u> | <u>Nature of transactions</u> | <u>As at 31 December 2008 Taka</u> | <u>As at 31 December 2007 Taka</u> |
|--|---------------|-------------------------------|--|--|
| Grameen Telecom | Shareholder | Accounts receivable | 118,998,837 | 115,953,550 |
| | | Accounts payable | 65,420,997 | |
| Telenor ASA | Group entity | Accounts payable | 793,790,123 | 738,072,998 |
| | | Accounts Receivable | 3,048,714 | |
| Telenor Consult AS | Group entity | Accounts payable | 374,881,157 | |
| | | Accounts Receivable | 62,195,912 | |
| Telenor Asia Pte. Ltd. | Shareholder | Accounts payable | 31,727,426 | 31,909,372 |
| | | Accounts Receivable | 633,882 | |
| Digi Telecommunication | Group entity | Accounts payable | 834,778 | 581,468 |
| | | Accounts receivable | 281,954 | 302,424 |
| Kyivstar GSM — Ukraine | Group entity | Accounts payable | 9,510 | 36,105 |
| | | Accounts receivable | 23,938 | 28,210 |
| Telenor d.o.o (YUGMT) | Group entity | Accounts payable | 9,263 | 941 |
| | | Accounts receivable | 43,029 | 692 |
| Pannon — GSM | Group entity | Accounts payable | 48,580 | 35,662 |
| | | Accounts receivable | 46,625 | 23,495 |
| Sonofone | Group entity | Accounts payable | 216,730 | 57,860 |
| | | Accounts receivable | 197,767 | 432,140 |
| Telenor Mobil AS | Group entity | Accounts payable | 464,736 | 477,345 |
| | | Accounts receivable | 1,322,895 | 2,772,821 |
| Telenor Pakistan | Group entity | Accounts payable | 326,921 | 148,929 |
| | | Accounts receivable | 171,480 | 160,089 |
| TAC(Total Access Communication) | Group entity | Accounts payable | 3,302,916 | 4,470,218 |
| | | Accounts receivable | 1,944,090 | 547,308 |
| Telenor Sverige (Europolitan AB) | Group entity | Accounts payable | 72,485 | 211,625 |
| | | Accounts receivable | 647,683 | 245,751 |
| ProMonte GSM, Serbia and Montenegro YUGPM | Group entity | Accounts payable | 31,092 | 159 |
| | | Accounts receivable | 12,529 | 7,519 |

47.2 Key management personnel compensation

| | <u>For the Year Ended 31 Dec 2008 Taka</u> | <u>For the Year Ended 31 Dec 2007 Taka</u> |
|--|--|--|
| Key management personnel compensation comprises: | | |
| Short-term employee benefits (salary and other allowances) | 922,250,259 | 631,538,123 |
| Post employment benefits (provident fund, gratuity etc.) | 58,957,031 | 60,548,815 |
| Termination benefits | — | — |
| Other long-term benefits | — | — |
| Share based payments | 8,048,736 | 994,739 |
| | <u>989,256,026</u> | <u>693,081,677</u> |

Key management personnel includes employees of the rank of Deputy General Manager and above.

48 Expenses and revenue in foreign currency

| | For the Year Ended 31 Dec 2008 | For the Year Ended 31 Dec 2007 |
|--|---|---|
| | <u>Taka</u> | <u>Taka</u> |
| CIF value of imports: | | |
| SIM and scratch card | 183,058,899 | 380,685,619 |
| Telecommunication equipments | 11,274,252,547 | 19,203,792,909 |
| Expenditure in foreign currency during the year: | | |
| Consultancy fee | 500,042,256 | 330,533,370 |
| Consultancy fee — expatriate | 358,374,808 | 250,045,179 |
| Other fee (travel and training) | 51,105,794 | 113,609,831 |
| Technical know how | 973,063,285 | 337,298,340 |
| International roaming cost | 199,182,350 | 205,398,758 |
| Foreign earnings: | | |
| Revenue from roaming partners | 170,722,456 | 158,398,758 |

C&F charges of SIM & scratch card and telecommunication equipment for the 2008 were Tk. 1,222,309 and Tk. 38,816,231 respectively. The same for 2007 was Tk. 3,701,284 and Tk. 109,393,532 respectively.

49 Capital commitments

Capital commitments represent the orders placed for purchase of network equipments and other services. Major vendors were Huawei and Ericsson.

| | As at 31 Dec 2008 | As at 31 Dec 2007 |
|-------------------------------|------------------------------|------------------------------|
| | <u>Taka</u> | <u>Taka</u> |
| Capital commitments | 8,353,367,274 | 18,711,007,834 |

50 Contingent liabilities**50.1 Contingent liabilities arising from letters of credit**

| | | |
|---|---------------|---------------|
| Outstanding letters of credit | 2,367,926,759 | 1,323,854,787 |
|---|---------------|---------------|

50.2 Bank guarantee provided against various parties

As at 31 December 2008, GP has outstanding bank guarantee amounting to Tk 504,028.096 on account of import of SIM, Scratch card, capital machinery and some other operational issues like utility connection and contract with PGCB for lease of optical fiber network.

50.3 Contingent liabilities for lawsuits

There are few litigations against Grameenphone Ltd. Management, in consultation with lawyers, has reviewed the merits of those lawsuits to assess the potential impact that those may have on the financial position and financial performance of Grameenphone Ltd. Based on such assessment, management is of the opinion that the likelihood of losing those lawsuits is remote and therefore no provision has been taken in the accounts.

51 Other disclosures

51.1 Number of regular employees receiving remuneration of Tk. 36,000 or above per annum was 3,687 as at 31 December 2008 and was 2,203 as at 31 December 2007.

51.2 Comparative figures have been rearranged wherever considered necessary to conform to the current year's presentation.

51.3 Events after the balance sheet date

The Board of Directors of X-Net Ltd. at its meeting held on 12 January 2009 has approved the arrangement to transfer Grameenphone's share in X-Net Ltd. to one of its shareholders. Accordingly an agreement has been signed between X-Net Ltd. and Grameenphone in settlement of all issues with X-Net Ltd. To this effect, X-Net Ltd. is to be treated as one of Grameenphone's regular customers of optical fiber network.

Subsequent to the balance sheet date, the Board of Directors recommended a dividend of Tk 0.13 per share amounting to Tk 1,579,727,236 at the board meeting held on 16 March 2009, which is subject to shareholders' approval at the forthcoming annual general meeting.

Except for the facts as stated above, no circumstances have arisen since the balance sheet date which would require adjustments to, or disclosures in, the financial statements.

**(II) AUDITORS' REPORT UNDER SECTION 135(1) AND PARA 24(1) OF PART-II OF
SCHEDULE III OF THE COMPANIES ACT 1994**



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Auditors' report under section 135(1) and Para 24(1) of Part-II of Schedule III of the Companies Act 1994

We, as the auditors of Grameenphone Ltd., have examined the following statements of assets and liabilities as at 31 December 2008, 2007, 2006, 2005 and 2004 and statements of operating results for the years ended 31 December 2008, 2007, 2006, 2005 and 2004 prepared by management of the company and certify pursuant to section 135(1) and paragraph 24(1) of Part-II of Schedule-III of the Companies Act 1994 that:

- 1 The company was incorporated on 10 October 1996.
- 2 The following statements of assets and liabilities and statements of operating results have been correctly extracted from the audited accounts of the respective years.

A. Statements of assets and liabilities

| | 31-Dec-08 Taka | 31-Dec-07 Taka | 31-Dec-06 (Restated) Taka | 31-Dec-05 Taka | 31-Dec-04 Taka |
|---|-------------------------------|------------------------------|---------------------------------|------------------------------|------------------------------|
| ASSETS | | | | | |
| Non-current assets: | | | | | |
| Property, plant and equipment, net | 85,553,852,589 | 80,318,189,542 | 55,413,497,505 | 41,650,318,351 | 20,159,279,342 |
| Intangible assets | 8,193,645,543 | 1,275,733,440 | 888,407,038 | 901,469,433 | 703,355,811 |
| Investment in shares of X-Net Ltd. | 4,467,968 | 4,467,968 | 1,876,551 | — | — |
| Long-term receivables and deposits | 12,658,694 | 11,596,466 | 10,683,812 | 11,112,325 | 11,112,325 |
| | <u>93,764,624,794</u> | <u>81,609,987,416</u> | <u>56,314,464,906</u> | <u>42,562,900,109</u> | <u>20,873,747,478</u> |
| Current assets: | | | | | |
| Inventories | 407,184,697 | 843,646,147 | 990,627,520 | 413,449,442 | 248,157,740 |
| Deferred cost of connection revenue | 360,712,137 | 357,679,797 | 446,017,752 | 341,489,041 | 141,118,255 |
| Accounts receivable, net | 4,146,483,267 | 2,725,726,115 | 4,265,169,238 | 3,684,706,012 | 2,783,373,671 |
| Advances, deposits and prepayments | 2,494,777,907 | 2,119,366,225 | 1,896,650,746 | 902,353,971 | 753,685,136 |
| Cash and cash equivalents | 7,020,671,289 | 804,635,376 | 2,843,727,395 | 1,631,765,287 | 2,223,287,105 |
| | <u>14,429,829,297</u> | <u>6,851,053,660</u> | <u>10,442,192,651</u> | <u>6,973,763,753</u> | <u>6,149,621,907</u> |
| Total assets | <u>108,194,454,091</u> | <u>88,461,041,076</u> | <u>66,756,657,557</u> | <u>49,536,663,862</u> | <u>27,023,369,385</u> |
| EQUITY AND LIABILITIES | | | | | |
| Shareholders' equity: | | | | | |
| Share capital | 12,151,747,970 | 2,430,349,594 | 2,430,349,594 | 2,430,349,594 | 2,430,349,594 |
| Share premium | 13,743,987 | 13,743,987 | 13,743,987 | 13,743,987 | 13,743,987 |
| Capital reserve | 14,446,452 | 14,446,452 | 14,446,452 | 14,446,452 | 14,446,452 |
| Deposit from shareholders | 1,882,996 | 1,882,996 | 1,882,996 | 1,882,996 | 1,882,996 |
| Tax holiday reserve | — | — | 206,312,859 | 509,073,440 | 562,020,278 |
| General reserve | 2,139,729,365 | 2,139,729,365 | 1,933,416,506 | 1,424,343,066 | 862,322,788 |
| Proposed dividend | — | — | — | — | 1,921,671,772 |
| Dividend distribution tax | — | — | — | — | 192,167,177 |
| Retained earnings | 13,266,605,231 | 21,510,953,768 | 19,909,323,506 | 13,846,854,210 | 7,443,050,304 |
| | <u>27,588,156,001</u> | <u>26,111,106,162</u> | <u>24,509,475,900</u> | <u>18,240,693,745</u> | <u>13,441,655,348</u> |
| Non-current liabilities: | | | | | |
| Loans and borrowings, net of current portion | 1,907,356,334 | 3,367,620,384 | 2,448,451,682 | 3,278,370,313 | 1,668,447,763 |
| Bond obligation | 4,216,405,145 | — | — | — | — |
| Deposit from agents and subscribers | 482,653,949 | 557,317,602 | 794,669,186 | 591,258,247 | 562,080,707 |
| Finance lease obligations, net of current portion | 5,046,935,826 | 5,315,559,235 | 4,229,277,472 | 4,562,858,362 | 17,522,895 |
| Deferred tax liabilities | 18,535,226,437 | 16,510,153,280 | 11,097,312,666 | 6,205,084,317 | 2,746,796,372 |
| Long term payables and provisions | 164,633,966 | 145,694,461 | 96,568,275 | 66,553,254 | 43,720,000 |
| Employee benefits — provision for gratuity | 22,122,040 | 8,933,591 | 13,330,270 | — | — |
| | <u>30,375,333,697</u> | <u>25,905,278,553</u> | <u>18,679,609,551</u> | <u>14,704,124,493</u> | <u>5,038,567,737</u> |
| Current liabilities: | | | | | |
| Accounts payable | 3,795,800,229 | 8,135,600,956 | 4,785,508,575 | 5,217,516,786 | 1,610,494,370 |
| Payable to government and autonomous bodies and other operators | 11,152,680,130 | 5,849,623,774 | 3,966,033,492 | 3,620,151,318 | 1,502,217,444 |
| Income tax payable | 10,077,565,649 | 8,350,371,941 | 5,987,861,425 | 2,256,003,086 | 2,022,871,027 |
| Unearned revenue | 1,260,211,260 | 1,294,707,151 | 2,210,715,005 | 977,716,337 | 476,276,654 |
| VAT payable | 2,226,760,000 | 2,335,718,147 | 1,666,953,009 | 648,561,462 | 39,101,836 |
| Loans and borrowings — current portion | 1,406,260,610 | 1,108,679,811 | 966,942,871 | 938,263,887 | 485,737,481 |
| Finance lease obligations — current portion | 1,160,709,556 | 1,485,227,318 | 195,538,056 | 189,853,846 | 14,271,782 |
| Deferred connection revenue | 474,142,173 | 617,220,271 | 885,519,464 | 791,345,936 | 550,287,856 |
| Interest payable on loans and borrowings | 153,997,529 | 197,615,312 | 28,757,002 | 68,317,574 | 4,608,264 |
| Local interest bearing short-term borrowings | 4,992,322,916 | 4,908,835,153 | — | — | — |
| Provision for expenses | 9,393,872,169 | 2,161,056,527 | 2,873,743,207 | 1,884,115,392 | 1,243,822,126 |
| Dividend payable | — | — | — | — | 593,457,460 |
| Advance against PPO | 4,136,642,172 | — | — | — | — |
| | <u>50,230,964,393</u> | <u>36,444,656,361</u> | <u>23,567,572,106</u> | <u>16,591,845,624</u> | <u>8,543,146,300</u> |
| Total equity and liabilities | <u>108,194,454,091</u> | <u>88,461,041,076</u> | <u>66,756,657,557</u> | <u>49,536,663,862</u> | <u>27,023,369,385</u> |



Rahman Rahman Huq, a partnership
firm registered in Bangladesh
and a member firm of the KPMG
network of independent member firms
affiliated with KPMG International, a
Swiss cooperative

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E-mail kpmgrh@globalctg.net
Internet www.rahman.rahman-huq.com



Rahman Rahman Huq
Chartered Accountants

B. Statements of operating results

| | For the Year Ended | | | | |
|--|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| | 31-Dec-08 | 31-Dec-07 | 31-Dec-06 (Restated) | 31-Dec-05 | 31-Dec-04 |
| | Taka | Taka | Taka | Taka | Taka |
| Revenue | 61,358,978,118 | 54,303,145,932 | 45,640,414,657 | 29,473,131,020 | 19,627,314,422 |
| Cost of network operations | | | | | |
| Direct cost of network revenue | (13,935,077,189) | (12,792,565,946) | (10,072,243,598) | (6,705,017,991) | (4,330,793,075) |
| Network operation and maintenance expenses | (4,501,457,137) | (2,508,157,767) | (2,105,686,831) | (1,428,488,721) | (1,469,983,890) |
| Depreciation and amortisation | (13,332,231,627) | (9,122,173,137) | (6,500,491,581) | (4,056,790,891) | (1,832,563,880) |
| | (31,768,765,953) | (24,422,896,850) | (18,678,422,010) | (12,190,297,603) | (7,633,340,845) |
| Gross profit | 29,590,212,165 | 29,880,249,082 | 26,961,992,647 | 17,282,833,417 | 11,993,973,577 |
| Other income, net | 52,582,628 | 103,760,767 | 102,285,422 | 113,770,222 | 73,380,462 |
| Operating expenses | | | | | |
| General and administrative expenses | (6,361,967,642) | (5,147,696,933) | (3,915,211,993) | (2,279,155,778) | (1,212,624,388) |
| Selling and distribution expenses | (5,875,351,653) | (6,660,418,402) | (3,944,291,096) | (2,056,829,475) | (433,227,586) |
| Bad debt expense | (243,583,871) | (135,290,267) | (41,641,457) | (150,767,503) | (233,947,022) |
| Depreciation and amortisation | (1,811,925,203) | (1,273,650,776) | (967,858,879) | (308,129,869) | (163,578,145) |
| | (14,292,828,369) | (13,217,056,378) | (8,869,003,425) | (4,794,882,625) | (2,043,377,141) |
| Operating profit | 15,349,966,424 | 16,766,953,471 | 18,195,274,644 | 12,601,721,014 | 10,023,976,898 |
| Finance costs, net | (1,805,249,292) | (948,485,684) | (918,824,301) | (740,819,037) | 192,915,329 |
| Gain/(Loss) on disposal of property, plant and equipment | 34,126,142 | (101,962,955) | (258,821,164) | (99,412,299) | (91,084,665) |
| Compensation to BTRC | (2,000,000,000) | (2,184,242,956) | — | — | — |
| Share of profit of X-Net Ltd. | — | 2,591,417 | 1,876,551 | — | — |
| Profit before tax | 11,578,843,274 | 13,534,853,293 | 17,019,505,730 | 11,761,489,678 | 10,125,807,562 |
| Income tax expense | (8,594,976,687) | (10,475,013,275) | (9,535,548,778) | (4,848,612,332) | (3,382,300,449) |
| Profit after Tax | 2,983,866,587 | 3,059,840,018 | 7,483,956,952 | 6,912,877,346 | 6,743,507,113 |

3 Dividend

The company declared dividends for the last five years as follows:

| | | | | | |
|---|------|-------|-------|-------|-------|
| Cash dividend per: | | | | | |
| Ordinary share of Taka 43.00 each | N/A | 26.66 | 25.80 | 21.50 | 44.50 |
| Ordinary share of Taka 1.00 each | 0.13 | N/A | N/A | N/A | N/A |
| Stock dividend per ordinary share of Taka 1.00 each | 4.00 | N/A | N/A | N/A | N/A |

4 The company has no subsidiary company.

5 No proceeds or part of the proceeds of the issue of shares were applied directly by the company in the purchase of any business.

6 No accounts have been audited in respect of any period subsequent to the year ended 31 December 2008.

Notes:

- Sublease cost of Taka 65,604,311 which was shown under the head 'Other income, net' in 2007 has been reclassified as 'Network operation and maintenance expenses'.
- Compensation to BTRC amounting to Taka 500,000,000 (which was included in 'General and administrative expenses' in 2007) has been shown under 'Compensation to BTRC'.
- Revenue collection charges of Taka 20,017,372 (which was presented under 'Finance costs, net' in 2007) has been shown as general and administrative expenses.

Dhaka, July 23, 2009

(III) SELECTED RATIOS AND EARNINGS PER SHARE

Grameenphone Ltd.
Ratio Analysis
For the years 2004 to 2008

| | For the Years Ended December 31, | | | | |
|--|----------------------------------|-------|--------|--------|--------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| <u>Liquidity Ratios</u> | | | | | |
| Current Ratio | 0.29 | 0.19 | 0.44 | 0.42 | 0.72 |
| Quick (Acid Test) Ratio | 0.28 | 0.16 | 0.40 | 0.40 | 0.69 |
| Times Interest Earned Ratio | 7.41 | 15.27 | 19.52 | 16.88 | N/A |
| Debt to Equity | 0.68 | 0.63 | 0.32 | 0.50 | 0.16 |
| Net Asset Value per Share | 2.27 | 2.15 | 2.02 | 1.50 | 1.14 |
| Net Tangible Asset per Share | 1.57 | 2.01 | 1.91 | 1.39 | 1.04 |
| <u>Operating Ratios</u> | | | | | |
| Average Collection Period (Days)/ | | | | | |
| Accounts Receivable (Days) | 20.44 | 23.49 | 31.79 | 40.05 | 47.07 |
| Inventory Turnover ⁽¹⁾ | 1.27 | 1.02 | 1.66 | 3.11 | 2.25 |
| Total Asset Turnover | 0.62 | 0.70 | 0.78 | 0.77 | 0.89 |
| <u>Profitability Ratios</u> | | | | | |
| Gross Profit Margin | 48.2% | 55.0% | 59.1% | 58.6% | 61.1% |
| Operating Profit Margin | 25.0% | 30.9% | 39.9% | 42.8% | 51.1% |
| Net Profit Margin (NPAT Margin) | 4.9% | 5.6% | 16.4% | 23.5% | 34.4% |
| Return on Equity | 11.1% | 12.1% | 35.0% | 43.6% | 62.9% |
| Return on Total Asset (ROA) | 3.0% | 3.9% | 12.9% | 18.1% | 30.5% |
| Earnings Per Share | 0.25 | 54.14 | 132.41 | 122.31 | 122.61 |
| Adjusted Earnings Per Share ⁽²⁾ | 0.25 | 0.25 | 0.62 | 0.57 | 0.57 |

Notes:

- (1) Cost of goods sold refers to the cost of SIM card, scratch card and handsets.
- (2) For the years ended December 31, 2003, 2004, 2005, 2006 and 2007, the weighted average shares is adjusted for a par value of Taka 1.00 per share, which was the par value per share of our ordinary shares after the 43:1 share split and the issuance of bonus shares that we completed in July 2008. See "Description of Securities Outstanding or Being Offered — Share Capital." Adjusted earnings per share does not reflect our 10 for 1 reverse share split and related issuance of 250 bonus shares, which we completed in July 2009. See "Summary — Recent Developments — Reverse Share Split." For our earnings per share adjusted on a pro forma basis for a par value per share of Taka 10.00 per share (which is the par value of our shares prior to the closing of the Offering), see "Appendix D(IV) — Pro Forma Statements."

| | Ratio | Formula |
|-----------------------------|------------------------------------|---|
| <i>Liquidity Ratios</i> | Current Ratio | Current Assets / Current Liabilities |
| | Quick (Acid Test) Ratio | (Current Assets-Inventory) / Current Liabilities |
| | Debt to Equity | Total Debt / Total Equity |
| | Times Interest earned Ratio | EBIT / Net Finance Cost |
| <i>Operating Ratios</i> | Average Collection Period (Days) / | Average Accounts Receivable / Revenue per Day |
| | Accounts Receivable (Days) | |
| | Inventory Turnover | Cost of Goods Sold / Average Inventory |
| | Total Asset Turnover | Total Revenue / Average Total Assets |
| <i>Profitability Ratios</i> | Gross Profit Margin | Gross Profit / Total Revenue |
| | Operating Profit Margin | Operating Profit/Total Revenue |
| | Net Profit Margin (NPAT Margin) | Net Profit after Tax / Total Revenue |
| | Return on Equity | NPAT / Average Shareholders' Equity |
| | Return on Total Asset (ROA) | Net Profit After Tax / Average Total Assets |
| | Earnings Per Share | NPAT / Weighted Average Shares Outstanding |

(IV) PRO FORMA STATEMENTS

We completed a 10 for 1 reverse share split and related issuance of 250 bonus shares in July 2009. See “Summary—Recent Developments—Reverse Share Split.” As result, we are presenting below our earnings per share and net tangible assets per share on a pro forma basis to reflect the current par value of Taka 10.00 per share.

| Pro forma EPS statement | | | | | | |
|--|---|----------------|----------------|----------------|----------------|----------------|
| Ratio | Formula | 2004 | 2005 | 2006 | 2007 | 2008 |
| Profit/(loss) after Taxes | | 6,743,507,113 | 6,912,877,346 | 7,483,956,952 | 3,059,840,018 | 2,983,866,587 |
| Weighted avg. number of ordinary shares | | 55,000,692 | 56,519,758 | 56,519,758 | 56,519,758 | 12,151,747,970 |
| Proforma weighted avg. ordinary shares valued at Taka 1.00 for the year | | 11,825,148,780 | 12,151,747,970 | 12,151,747,970 | 12,151,747,970 | 12,151,747,970 |
| Proforma weighted avg. ordinary shares valued at Taka 10.00 for the year | | 1,182,514,878 | 1,215,174,797 | 1,215,174,797 | 1,215,174,797 | 1,215,174,797 |
| Earnings per ordinary share of Taka 1.00 each | NPAT / Proforma weighted avg. ordinary shares valued at Taka 1.00 for the year | 0.57 | 0.57 | 0.62 | 0.25 | 0.25 |
| Proforma Earnings per ordinary share of Taka 10.00 each | NPAT / Proforma weighted avg. ordinary shares valued at Taka 10.00 for the year | 5.70 | 5.69 | 6.16 | 2.52 | 2.46 |

Proforma net tangible assets per share

Had the shares of the company been of par value of Taka 10.00 per share, proforma net tangible asset per share on the basis of net tangible assets calculated from the audited financial statements as at and for the years ended 31 December 2008, 2007, 2006, 2005 and 2004 would have been as follows:

| | 31-Dec-08 | 31-Dec-07 | 31-Dec-06 | 31-Dec-05 | 31-Dec-04 |
|--|----------------|----------------|----------------|----------------|----------------|
| Total net tangible assets (Taka) | 19,033,798,321 | 24,477,692,925 | 23,175,051,110 | 16,927,461,298 | 12,597,181,282 |
| Number of ordinary shares of Taka 43.00 each | — | 56,519,758 | 56,519,758 | 56,519,758 | 56,519,758 |
| Number of ordinary shares of Taka 1.00 each | 12,151,747,970 | 12,151,747,970 | 12,151,747,970 | 12,151,747,970 | 12,151,747,970 |
| Proforma Number of ordinary shares of Taka 10.00 each | 1,215,174,797 | 1,215,174,797 | 1,215,174,797 | 1,215,174,797 | 1,215,174,797 |
| Net tangible asset per ordinary share of Taka 10.00 (Taka) | 15.66 | 20.14 | 19.07 | 13.93 | 10.37 |

**(V) AUDITORS' CERTIFICATE REGARDING NET TANGIBLE
ASSETS PER ORDINARY SHARE**

Auditors' certificate regarding net tangible assets per ordinary share

We have examined the following calculation of net tangible assets per ordinary share of Grameenphone Ltd. as at 31 December 2008, 2007, 2006, 2005 and 2004.

Based on our examination, we certify that these have been correctly prepared on the basis of audited financial statements of the company as at and for the years ended 31 December 2008, 2007, 2006, 2005, and 2004.

| | <u>31-Dec-08</u> | <u>31-Dec-07</u> | <u>31-Dec-06</u> | <u>31-Dec-05</u> | <u>31-Dec-04</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Total assets (Taka) | 108,194,454,091 | 88,461,041,076 | 66,756,657,557 | 49,536,663,862 | 27,023,369,385 |
| Less: Intangible assets (software, licence, etc.) (Taka) | (8,193,645,543) | (1,275,733,440) | (888,407,038) | (971,743,406) | (703,355,811) |
| Deferred cost of connection revenue (Taka) | <u>(360,712,137)</u> | <u>(357,679,797)</u> | <u>(446,017,752)</u> | <u>(341,489,041)</u> | <u>(141,118,255)</u> |
| Total tangible assets (Taka) | 99,640,096,411 | 86,827,627,839 | 65,422,232,767 | 48,223,431,415 | 26,178,895,319 |
| Less: Total liabilities (Taka) | <u>(80,606,298,090)</u> | <u>(62,349,934,914)</u> | <u>(42,247,181,657)</u> | <u>(31,295,970,117)</u> | <u>(13,581,714,037)</u> |
| Total net tangible assets (Taka) | <u>19,033,798,321</u> | <u>24,477,692,925</u> | <u>23,175,051,110</u> | <u>16,927,461,298</u> | <u>12,597,181,282</u> |
| Number of ordinary shares: | | | | | |
| @ Taka 43.00 each | — | 56,519,758 | 56,519,758 | 56,519,758 | 56,519,758 |
| @ Taka 1.00 each | 12,151,747,970 | — | — | — | — |
| Net tangible asset: | | | | | |
| Per ordinary share of Taka 43.00 each (Taka) | — | 433.08 | 410.03 | 299.50 | 222.88 |
| Per ordinary share of Taka 1.00 each (Taka) | 1.57 | — | — | — | — |



Dhaka, July 23, 2009

**(VI) SELECTED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009**

Selected Quarterly Financial Information (Unaudited) for the three-month period ended 31 March 2009:

The following selected financial information for the three-month periods ended March 31, 2008 and 2009, has been prepared in accordance with BFRS. This financial information has not been subjected to a limited review by KPMG, the Company's auditors, and among other things may not be prepared on a basis consistent with the annual audited financial statements included in this Prospectus.

| | For the Three Months Ended March 31, | |
|--|---|---------------|
| | 2009 | 2008 |
| | (Taka in millions) | |
| Revenues | | |
| Subscription and traffic revenue | 13,546 | 13,607 |
| Interconnection revenue | 2,156 | 1,166 |
| Other mobile revenue | 49 | 51 |
| Non-mobile revenue | 22 | 22 |
| Total revenue | 15,772 | 14,845 |
| EBITDA before other items (3) | 9,370 | 7,035 |
| Operating profit | 5,277 | 3,470 |
| | | |
| EBITDA before other items/Total revenue | 59% | 47% |
| Capital Expenditure (CAPEX) (Taka in millions) | 2,833 | 5,571 |
| Number of subscribers (as of the end of the quarter, in thousands) | 21,057 | 17,805 |
| Blended ARPU (monthly, in Taka) | 250 | 288 |
| Blended MoU (in thousands) | 20,589,189 | 13,257,818 |
| Blended APPM (Taka) | 0.76 | 1.11 |
| Net debt (as of March 31, Taka in millions) (4) | 14,544 | 15,503 |

Notes:

1. Classification and presentation of the elements of quarterly financial information for the three-month periods ended March 31, 2009 and March 31, 2008 has been made in accordance with definitions provided by Telenor guidelines:
2. The financial results for the first quarter are not indicative of the full year's performance.
3. We define EBITDA as our net profit (loss) before net finance costs, income tax expenses, depreciation and amortization, compensation to the BTRC, provision for any potential claim by the BTRC relating to unregulated international call termination using VoIP, loss (gain) on disposal of property, plant and equipment and excluding our share of X-Net Ltd.'s profit and any other extraordinary and non-recurring items. You should not consider EBITDA as an alternative to net profit as an indicator of our operating performance, or as an alternative to cash flow from operations as a measure of liquidity. We believe that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, we have disclosed this information to permit a more complete comparative analysis of our operating performance relative to other companies in the industry. However, our definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show trends related to the following items: depreciation and amortization; interest income and expense; and income taxes. For a discussion of these items, see "Plan of Operation and Discussion of Financial Condition" and our financial statements included elsewhere in this Prospectus.
4. We define net debt as the difference between total debt and cash and cash equivalents. Total debt includes all interest bearing liabilities (both current and non current), finance lease obligations, advances against the Placement and any interest outstanding at the balance sheet date. Cash and cash equivalents includes all cash and bank deposits (including restricted cash) and any liquid investments.

(VII) RESPONSE TO COMMENTS OF THE DHAKA STOCK EXCHANGE

Management Disclosures

Grameenphone Ltd. management responses to a letter dated April 2, 2009 from the DSE.

1. To consider resubmission of draft prospectus incorporating financial performance as on December 31, 2008.

Management Response: The above-mentioned requirement has been incorporated in the revised prospectus submitted to the SEC, the DSE and the CSE on July 30, 2009

2. To consider change of par value to 10 Taka or 100 Taka per share.

Management Response: We have changed the par value of our shares from Taka 1 to Taka 10 and we have incorporated this information in the revised prospectus submitted to the SEC, the DSE and the CSE on July 30, 2009

3. To increase the issue size for IPO to 10% of post IPO paid up capital.

Management Response: We have increased the size of the offering from 8.95% to 10.0% of post IPO paid up capital and we have incorporated this information in the revised prospectus submitted to the SEC, the DSE and the CSE on July 30, 2009

4. To reduce the issue price from current value of Taka 70.00 per share (as adjusted for the increase in par value to Taka 10.00 per share).

Management Response: We have justified the issue price of Taka 70.00 per share (as adjusted for the increase in par value to Taka 10.00 per share) in the “Determination of the Public Offering Price” section of the prospectus submitted to the SEC, the DSE and the CSE on July 30, 2009. We believe that the issue price has been adequately justified with the reasons provided in the “Determination of the Public Offering Price” section of the prospectus.

(VIII) CHANGE OF PAR VALUE PER SHARE

Explanation Regarding the Change of the Par Value of Our Shares from Taka 1.00 Per Share to Taka 10.00 Per Share

At the 19th Extra Ordinary General Meeting held on July 2, 2009, our shareholders decided to change the par value of our shares from Taka 1.00 per share to Taka 10.00 per share. This change was made due to reports from the DSE that shares of companies with a par value of less than Taka 10.00 per share would not be accepted for listing on the exchange. In addition, a letter from the SEC dated 2 July 2009 with regard to our application regarding the Public Offering also stipulated that consent under Section 2A, sub-section 2(a) and 2 (b), read with Section 2B of the SEC Ordinance 1969 was granted subject to our shares having a par value of Taka 10.00 per share. Subsequently a notification was issued by the DSE dated July 5, 2009, which stated that shares of companies with a par value of less than Taka 10.00 would not be listed on the exchange.

**(IX) SELECTED FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2009**

Selected Quarterly Financial Information (Unaudited) for the three-month period ended June 30, 2009:

The following selected financial information for the three-month periods ended June 30, 2008 and 2009, has been prepared in accordance with BFRS. This financial information has not been subjected to a limited review by KPMG, the Company's auditors, and among other things may not be prepared on a basis consistent with the annual audited financial statements included in this Prospectus.

| | For the Three Months Ended June 30, | |
|--|--|---------------|
| | 2009 | 2008 |
| | (Taka in millions) | |
| Revenues | | |
| Subscription and traffic revenue | 14,712 | 13,452 |
| Interconnection revenue | 1,432 | 1,247 |
| Other mobile revenue | 40 | 42 |
| Non-mobile revenue | 86 | 16 |
| Total revenue | 16,271 | 14,757 |
| EBITDA before other items (3) | 9,634 | 6,356 |
| Operating profit | 5,494 | 2,540 |
| | | |
| EBITDA before other items/Total revenue | 59% | 43% |
| Capital expenditure (CAPEX) (Taka in millions) | 1,980 | 5,625 |
| Number of subscribers (as of the end of the quarter, in thousands) | 21,163 | 20,308 |
| Blended ARPU (monthly, in Taka). | 255 | 257 |
| Blended MOU (in thousands) | 19,048,618 | 18,243,081 |
| Blended APPM (Taka). | 0.85 | 0.81 |
| Net debt (as of June 30, Taka in millions) (4) | 25,017 | 18,421 |

Notes:

1. Classification and presentation of the elements of quarterly financial information for the three-month periods ended June 30, 2009 and June 30, 2008 has been made in accordance with definitions provided by Telenor guidelines.
2. The financial results for the second quarter are not indicative of the full year's performance.
3. We define EBITDA as our net profit (loss) before net finance costs, income tax expenses, depreciation and amortization, compensation to the BTRC, provision for any potential claim by the BTRC relating to unregulated international call termination using VoIP, loss (gain) on disposal of property, plant and equipment and excluding our share of X-Net Ltd's profit and any other extraordinary and non-recurring items. You should not consider EBITDA as an alternative to net profit as an indicator of our operating performance, or as an alternative to cash flow from operations as a measure of liquidity. We believe that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the telecommunications industry. Accordingly, we have disclosed this information to permit a more complete comparative analysis of our operating performance relative to other companies in the industry. However, our definition of EBITDA may differ from the definition of EBITDA used by other companies. EBITDA does not show trends related to the following items: depreciation and amortization; interest income and expense; and income taxes. For a discussion of these items, see "Plan of Operation and Discussion of Financial Condition" and our financial statements included elsewhere in this Prospectus.
4. We define net debt as the difference between total debt and cash and cash equivalents. Total debt includes all interest bearing liabilities (both current and non current), finance lease obligations, advances against the Placement and any interest outstanding at the balance sheet date. Cash and cash equivalents includes all cash and bank deposits (including restricted cash) and any liquid investments.

(X) ADDITIONAL DISCLOSURES

CellBazaar Services by Grameenphone

The CellBazaar service allows subscribers to buy or sell products and services over their mobile phones. CellBazaar was awarded “Asian Telecom Innovation of the Year” in the Telecom Asia Awards 2008 and the GSMA Award for “Best Use of Mobile for Social and Economic development” at the 3GSM World Congress in February 2008. The service is owned and was developed by CellBazaar Inc. USA. We have been providing their services exclusively under an agreement with CellBazaar which will expire on August 31, 2009. We expect that we will likely continue our relationship with CellBazaar after such date.

Update of Our Accounts

In July 2009, we issued 250 new ordinary shares to our shareholders to avoid any fractional shares resulting from our 10 for 1 reverse share split. See “Summary — Recent Developments — Reverse Share Split.” We updated our accounts appropriately, including our paid-up capital and our share premium, in connection with the issuance of these shares.

Upon completion of the Offering, we will update our accounts appropriately, including our paid-up capital and our share premium, to reflect the proceeds of the Placement.

APPENDIX E: APPLICATION FORMS

INSTRUCTIONS

1. As per the provisions of the Depository Act, 1999 and regulations made thereunder, the shares will only be issued in dematerialized condition. Please mention your BO account number in Item No. 3 of the application form. If you do not mention your valid BO account number, your application will be treated as invalid.
2. All information must be typed or written in full (in block letters) in English or in Bengali and must not be abbreviated.
3. Applications must be made on the Company's printed form/photocopy or on typed copy/hand written form thereof.
4. Applications must not be for less than 200 ordinary shares and must be for a multiple of 200 ordinary shares. Any application not meeting these criteria will not be considered for allotment purposes.
5. Remittance for the full amount of the shares must accompany each application and must be forwarded to any of the bankers to the issue. Remittance should be in the form of cash/cheque/bank draft/pay order payable to one of the bankers to the issue favoring "Grameenphone Ltd." and crossed "A/C Payee only" and must be drawn on a bank in the same town as the bank to which the application form has been sent.
6. In the case of a joint application form, the allotment letter will be dispatched to the person whose name appears first on this application form and where any amount is refundable in whole or in part the same will be refunded by Account Payee cheque by post/courier service to the person named first on this application form in the manner prescribed in the Prospectus.
7. Joint application forms for more than two persons will not be accepted. In case of joint applications, each party must sign the application form.
8. Applications must be in the full name of individuals or companies or societies or trusts and not in the name of firms, minors or persons of unsound mind. Applications from financial and market intermediary companies must be accompanied by their respective Memorandum of Association, Articles of Associations and Certificate of Incorporation.
9. **An applicant shall not submit more than two applications, one in his/her own name and another jointly with another person. In the event an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purposes. In addition, part or the whole of the application money may be forfeited by the Securities and Exchange Commission.**
10. No receipt will be issued for the payments made with the applications, but the bankers to the issue may issue a provisional acknowledgement to the issue for applications lodged with them.
11. In the case of non-allotment of the ordinary shares, if the applicants' bank accounts as mentioned in their application forms are maintained with the bankers to the issue, the amount refunded to those applicants will be directly credited into their respective bank accounts as mentioned in their application forms. Otherwise, refunds will be made only through "Account Payee" cheque(s)/refund warrants with the bank account number and name of bank branch as mentioned in the application form, payable at Dhaka, Chittagong, Khulna, Barisal, Rajshahi or Sylhet, as the case may be.
12. Allotments shall be made solely in accordance with the instructions of the Securities and Exchange Commission.
13. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information shall make the application liable to rejection and subject to forfeiture of application money and/or forfeiture of the ordinary shares before or after the issuance of the same by the issuer. The said forfeited application money or ordinary shares will be disposed of in the manner as may be specified by the Securities and Exchange Commission. This may be in addition to any other penalties as may be provided for by the law.
14. Applications which do not meet the above requirements or are incomplete shall not be considered for allotment purposes.
15. The bankers to the issue shall be obliged to receive the Account Payee cheque(s) on the closing day of the subscription.
16. No sale of securities shall be made nor shall any money be taken from any person, in connection with such sale until 25 days after the Prospectus has been published.

Bankers to the Issue

Bank Asia Limited

Principal Branch
Agrabad Branch
Anderkilla Branch
Bashundhara Branch
Bogra Branch
CDA Avenue Branch
Corporate Branch
Dhanmondi Branch
Gulshan Branch
Jessore Branch
Khatunganj Branch
Khulna Branch
MCB Banani Branch
MCB Dilkusha Branch
MCB Sk. Mujib Road Branch
Mirpur Branch
Mitford Branch
Mohakhali Branch
North South Rd. Branch
Rajshahi Branch
Scotia Branch
Station Road Branch
Sylhet Main Branch
Sylhet Uposhahar Branch
Uttara Branch

BRAC Bank Limited

Gulshan Branch
Agrabad Branch
Banani Branch
Barisal Branch
Beani Bazar Branch
Biswanath Branch
Bogra Branch
CDA Avenue Branch
Comilla Branch
Cox's Bazar Branch
Dhanmondi Branch
Dohar Branch
Ganakbari, Savar Branch
Graphics Building Br. Motijheel-2
Halisohor Branch
Jessore Branch
Keraniganj Branch
Mirpur Branch
Moghbazhar Branch
Momin Road Branch
Monohordi Branch
Motijheel Branch
Moulavi Bazar Branch
Nabiganj Branch
Narayanganj Branch
Nawabpur Branch
Patiya Branch
Rajshahi Branch
Rampura Branch
Satmasjid Road Branch
Shamoli Branch
Sonagaji Branch
Sylhet Branch
Tongi Branch
Uttara Branch
Zindabazar Branch

Citibank, N.A.

Motijheel Branch
Agrabad Branch
Dhanmondi Branch
Gulshan Branch

Dutch-Bangla Bank Limited

Local Office
Motijheel Foreign Ex. Branch
Agrabad Branch
B.B. Road Branch
Baburhat Branch
Banani Branch
Barisal Branch
Basundhara Branch
Biswanath Branch
Board Bazar Branch
Bogra Branch
CDA Avenue Branch
Comilla Branch
Cox's Bazar Branch
Dania Branch
Dhaka EPZ Branch
Dhanmondi Branch
Elephant Road Branch
Feni Branch
Gazipur Chowrasta Branch
Golapgonj Branch
Gulshan Branch
Hathazari Branch
Imamgonj Branch
Islampur Branch
Joypara Branch
Jubilee Road Branch
Kadamtali Branch
Kawran Bazar Branch
Khulna Branch
Lohagara Branch
Manikgonj Branch
Mirpur Branch
Mirzapur Branch
Mohakhali Branch
Moulavi Bazar Branch
Muradpur Branch
Nababpur Branch
Narayanganj Branch
Naya Bazar Branch
Netaiganj Branch
Patherhat Branch
Rajshahi Branch
Ring Road Branch
Savar Bazar Branch
Shantinagar Branch
Simrail Branch
Sylhet Branch
Uttara Branch

Eastern Bank Ltd.

Principal Branch
Motijheel Branch
Agrabad Branch
Banani Branch
Basundhara Branch
Bishwanath Branch
Bogra Branch
Chandgaon Branch
Chawk Mughultuly Branch
Chouhatta Branch
Dhanmondi Branch
English Road Branch
Gulshan Branch
Jessore Branch
Jubilee Road Branch
Khatunganj Branch
Khulna Branch
Mirpur Branch
Moulvi Bazar Branch
Narayanganj Branch

O.R. Nizam Road Branch
Panchlaish Branch
Rajshahi Branch
Raozan Branch
Shantinagar Branch
Shyamoli Branch
Sonargaon Road Branch
Station Road Branch
Upashahar Branch
Uttara Branch

EXIM Bank

Panthapath Branch
Agrabad Branch
Khatunganj Branch
Imamgonj Branch
Gulshan Branch
Sylhet Branch
Nawabpur Branch
Narayanganj Branch
Shimrail Branch
Rajuk Avenue Branch
New Eskaton Branch
Uttara Branch
Mirpur Branch
Jubilee Road Branch
Elephant Road Branch
Malibagh Branch
CDA Avenue Branch
Satmasjid Road Branch
Basundhara Road Branch
Moulvibazar Branch

IFIC Bank Limited

Federation Branch
Agrabad Branch
Banani Branch
Barisal Branch
Bogra Branch
Boro Bazar Branch
Brahmanbaria Branch
Chawk Bazar Branch
Choumuhani Branch
Comilla Branch
Cox's Bazar Branch
Dhanmondi Branch
Dinazpur Branch
Elephant Road Branch
Faridpur Branch
Feni Branch
Gulshan Branch
Islampur Branch
Jessore Branch
Kawran Bazar Branch
Khatunganj Branch
Khulna Branch
Kushtia Branch
Lalmatia Branch
Malibagh Branch
Moulvi Bazar Branch
Mymensing Branch
Narayanganj Branch
Narsingdi Branch
Naya Paltan Branch
North Brook Hall Road
Pabna Branch
Pallabi Branch
Rajshahi Branch
Rangpur Branch
Shantinagar Branch
Sheikh Mujib Road Branch
Sylhet Branch

Uposhohor Branch
Uttara Branch

Investment Corporation of Bangladesh

Head Office, Dhaka
Local Office, Naya Paltan, Dhaka
Chittagong Branch
Rajshahi Branch
Sylhet Branch
Bogra Branch
Khulna Branch
Barisal Branch

Mercantile Bank Limited

Main Branch
Agrabad Branch
Banani Branch
Bijoy Nagar Branch
Board Bazar Branch
Dhanmondi Branch
Elephant Road Branch
Green Road Branch
Gulshan Branch
Joypara Branch
Jubilee Road Branch
Kawran Bazar Branch
Khatunganj Branch
Khulna Branch
Mirpur Branch
Mogbazar Branch
Mohakhali Branch
Motijheel Branch
Nayabazar Branch
Noagaon Branch
O.R. Nizam Road Branch
Rajshahi Branch
Rangpur Branch
Satmasjid Road Branch
Sylhet Branch
Uttara Branch

National Bank Limited

Agrabad Branch
Anderkillah Branch
Babubazar Branch
Bangshal Road Branch
Barisal Branch
Bogra Branch
Brahman Baria Branch
Chaktai Branch
Chandpur Branch
Chauddagram Branch
Chowmuhani Branch
Comilla Branch
Cox's Bazar Branch
Dagan Bhuiyan Branch
Dhanmondi Branch
Dilkusha Branch
Elephant Road Branch
Faridpur Branch
Feni Branch
Foreign Exchange Branch
Gazipur Branch
Gulshan Branch
Habiganj Branch
Imamganj Branch
Islampur Branch
Jatrabari Branch

Jessore Branch
Jubilee Road Branch
Kawran Bazar Branch
KDA Branch
Khatunganj Branch
Khulna Branch
Kushtia Branch
Lake Circus Branch
Malibagh Branch
Mirpur Branch
Mohakhali Branch
Mohammadpur Branch
Motijheel Branch
Moulvi Bazar Branch
Mymesing Branch
Nagoan Branch
Narayanganj Branch
Narsingdi Branch
North Brook Hall Branch
Pabna Branch
Pagla Bazar Branch
Pahartali Branch
Pragati Sarani Branch
Rajshahi Branch
Rangpur Branch
Satkhira Branch
Savar Bazar Branch
Sheikh Mujib Road Branch
Sirajgonj Branch
Sylhet Branch
Tangail Branch
Uttara Branch
Z H Sikder M.C. Branch
Zinda Bazar Branch

ONE Bank Limited

Principal Branch
Agrabad Branch
Banani Branch
Bogra Branch
Chandragonj Branch
Chowmuhuni Branch
Cox's Bazar Branch
Dagon Bhuiyan Branch
Dhanmondi Branch
Elephant Road Branch
Feni Branch
Ganakbari (EPZ) Branch
Gulshan Branch
Imamganj Branch
Islampur Branch
Jatrabari Branch
Jessore Branch
Joypara Branch
Jubilee Road Branch
Kakrail Branch
Kawran Bazar Branch
Khatunganj Branch
Mirpur Branch
Motijheel Branch
Narayanganj Branch
Progoti Sharani Branch
Raipur Branch

Sherpur Branch
Sirajgonj Branch
Sylhet Branch
Uttara Branch

Standard Chartered Bank

Motijheel OPC
Mirpur OPC
Nasirabad Branch
Agrabad Branch
Khulna Branch
Bogra Branch
Sylhet Branch

The City Bank Limited

Principal Office
Agrabad Branch
Amberkhana Branch
B.B. Avenue Branch
Bandar Bazar Branch
Beani Bazar Branch
Bogra Branch
Comilla Branch
Cox's Bazar Branch
Dhaka Chamber Branch
Dhanmondi Branch
DSE Nikunja Branch
Foreign Exchange Branch
Gulshan Branch
Imamgonj Branch
Islami Banking Branch
Islampur Road Branch
Jessore Branch
Johnson Road Branch
Jubilee Road Branch
Kawran Bazar Branch
Khatunganj Branch
Khulna Branch
Kushtia Branch
Madhabdi Branch
Mirpur Branch
Mouchak Branch
Moulvi Bazar Branch
Narsingdi Branch
Nawabgonj Branch
New Market Branch
O.R. Nizam Road Branch
Rajshahi Branch
Shaymoli Branch
Tanbazar Branch
Tongi Branch
Uttara Branch
VIP Road Branch
Zinda Bazar Branch
Zinzira Branch

The Premier Bank Limited

Dilkusha Branch
Agrabad Branch
Ashugonj Branch
Banani Branch
Bangsal Branch
Barisal Branch

Bhairab Bazar Branch
Dhanmondi Branch
Elephant Road Branch
Gulshan Branch
Imamgonj Branch
Islami Banking
Br. Mohakhali
Islami Banking Br. Sylhet
Joydebpur Branch
Kakrail Branch
Kawran Bazar Branch
Khatunjonj Branch
Khulna Branch
Meghnaghat Branch
Motijheel Branch
Moulovi Bazar Branch
Narayanganj Branch
O.R. Nizam Road Branch
Savar Branch
Tongi Branch
Uttara Branch
Zinzira Branch

Trust Bank Limited

Principal Branch
Agrabad Branch
CDA Avenue Branch
Comilla Cantonment Branch
Dhanmondi Branch
Dilkusha Corporate Branch
Gulshan Corporate Branch
Karwan Bazar Branch
Millenium Corporate Branch
Mirpur Branch
Narayanganj Branch
Naval Base Branch
SenaKalyan Bhaban Branch
Sylhet Corporate Branch
Uttara Corporate Branch

United Commercial Bank Ltd.

Principal Branch
Agrabad Branch
Amborkhana Branch
Anderkilla Branch
Bahaddarhat Branch
Bangshal Branch
Barisal Branch
Barolekha Branch
Beanibazar Branch
Bhulta Branch
Biswanath Branch
Bogra Branch
Brahmanbaria Branch
Chandpur Branch
Chapainawabgonj Branch
Chawk Bazar Branch
Chokoria Branch
Chowmuhani Branch
Chuadanga Branch
Comilla Branch
Cox's Bazar Branch

Dhanmondi Branch
Dhohazari Branch
Dinajpur Branch
Elephant Road Branch
Faridpur Branch
Fatikchari Branch
Feni Branch
Foreign Exchange Branch
Goalabazar Branch
Gohira Branch
Gulshan Branch
Hasbnabad Branch
Islampur Branch
Jessore Branch
Jhenaidah Branch
Jubilee Road Branch
Kadamtali Branch
Kamal Bazar Branch
Kawran Bazar Branch
Khan Jahan Ali Road Branch
Khatunganj Branch
Khulna Branch
Kushtia Branch
Lakshmipur Branch
Lohagara Branch
Madhabdee Branch
Madunaghat Branch
Maizdee Court Branch
Malibagh Branch
Mirpur Branch
Mohakhali Branch
Mohammadpur Branch
Moulvibazar Branch, Dhaka
Moulvibazar Branch
Muradpur Branch
Mymensing Branch
Naogaon Branch
Narayanganj Branch
Narsingdi Branch
Natore Branch
Nawabpur Branch
Nayabazar Branch
Nazirhat Branch
Noapara Bazar Branch
Noapara Branch
Nobigonj Branch
North Brook Hall Road Branch
O.R. Nizam Road Branch
Pabna Branch
Paglabazar Branch
Port Branch
Rajshahi Branch
Rangpur Branch
Serajgonj Branch
Sherpur Branch
Shibgonj Branch
Station Road Branch
Sylhet Branch
Tangail Branch
Tongi Branch
Uttara Branch
Zindabazar Branch
Zinzira Branch

Grameenphone Ltd.



APPLICATION FOR SHARES BY NON-RESIDENT BANGLADESHI(S)*
(TO BE SENT DIRECTLY TO THE COMPANY'S CORPORATE OFFICE)

The Chief Executive Officer
Grameenphone Ltd.
Celebration Point
Plot # 3 & 5, Road #113/A
Gulshan-2, Dhaka-1212, Bangladesh

| | |
|--|--------------|
| Name: | |
| Father's/Husband's Name: | |
| Mother's Name: | |
| Mailing Address: | |
| Occupation: | Nationality: |
| Passport No: | Valid up to: |
| Date of Birth: | |
| For refunds: Please write the correct and full name of bank and branch. (Applications will not be treated as valid if anyone uses a non-scheduled bank. Applicants are requested not to use the name of a non-scheduled bank.) | |
| Applicant's Bank A/C No.: | |
| Name of the bank: | Branch: |

| | |
|--------------------------|--------------|
| Name: | |
| Father's/Husband's Name: | |
| Mother's Name: | |
| Mailing Address: | |
| Occupation: | Nationality: |
| Passport No: | Valid up to: |
| Date of Birth: | |

| | |
|------------------|--|
| Nominee's Name: | |
| Mailing Address: | |

| | |
|-----------------------|-----------|
| Name in Block Letters | Signature |
| Sole/First Applicant: | |
| Second Applicant: | |
| Nominee | |

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INSTRUCTIONS

1. As per the provisions of the Depository Act, 1999 and regulations made thereunder, the shares will only be issued in dematerialized condition. Please mention your BO account number in Item No. 4 of the application form. If you do not mention your valid BO account number, your application will be treated as invalid.
2. All information must be written or typed in block letters in English and must not be abbreviated.
3. An application must not be for less than 200 ordinary shares and must be for a multiple of 200 ordinary shares. Any application not meeting this criteria will not be considered for allotment purposes.
4. An application must be accompanied by a foreign demand draft drawn on a scheduled bank payable at Dhaka or cheque drawn on a non-resident foreign currency deposit account maintained in Bangladesh for the full value of shares, favoring "Grameenphone Ltd." and crossed "Account Payee only"
5. An application shall be sent by the applicant directly to the Company by October 8, 2009 so as to reach the Company by October 18, 2009. Applications received by the Company after October 18, 2009 will not be considered for allotment purposes.
6. Refunds shall be made in the currency in which the subscription money was paid for by the applicant at the same rate as stated on the application form, through an Account Payee cheque payable at Dhaka through the bank account indicated in the application form.
7. In the case of over-subscription, allotment shall be made by lottery solely in accordance with the instructions of the Securities and Exchange Commission.
8. Money receipt on clearance of draft or cheque, as the case may be, shall be sent by post to the applicant by the Company.
9. Joint applications by two persons are acceptable. In such a case, allotments or refunds shall be made by post to the first applicant. Note that a non-resident Bangladeshi ("NRB") applicant cannot submit more than two applications, one in his or her own name and another jointly with another person by one cheque/DD/PO by US\$/UK Pound Sterling/EURO/Taka (supported by a foreign currency encashment certificate). More than two applications by one cheque/DD/PO by US\$/UK Pound Sterling/EURO/Taka (supported by a foreign currency encashment certificate) will not be allowed.
10. Applications must be made by an individual, a corporation or company, a trust or a society and not a firm, a minor or persons of unsound mind.
11. Making any false statement in the application form or supplying incorrect information therein or suppressing any relevant information in the application shall make the application liable to rejection and subject to forfeiture of subscription money and/or forfeiture of the shares before or after issuance of the same by the issuer, as the case may be. The said forfeited application money or shares will be disposed of in the manner as may be specified by the Securities and Exchange Commission. This may be in addition to any other penalties as may be provided for by the law.
12. The applicants shall deposit the share subscription money by a US\$/UK Pound Sterling/EURO demand draft drawn on any bank and payable in Dhaka, Bangladesh, or through a nominee paying out of a non-resident foreign currency deposit account maintained in Bangladesh or in Taka, supported by a foreign currency encashment certificate issued by the bank concerned, for the price of the ordinary shares applied for, through a crossed bank cheque marked "Account Payee only," such that the issuer's collecting bank can clear the proceeds and deposit the same into the issuer's account in time.
13. The spot buying rate (TT Clean) in US\$, UK Pound Sterling and EURO of Sonali Bank at the day of subscription opening will be applicable for the applicants.
14. The applicant shall furnish photocopies of relevant pages of valid passports in support of his being an NRB, evidence of dual citizenship or of his/her foreign passport bearing an endorsement from the Bangladeshi Embassy concerned to the effect that no visa is required for him to travel to Bangladesh.
15. In case of a joint application, the joint applicant shall also submit supporting papers/documents in support of his being an NRB as mentioned in paragraph 14.
16. **An applicant shall not submit more than two applications, one in his/her own name and another jointly with another person. In the event an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purposes. In addition, part or the whole of the application money may be forfeited by the Securities and Exchange Commission.**
17. No issue of ordinary shares shall be made nor shall any money be taken from any person, in connection with such issue and subscription, until 25 days after the Prospectus has been published.
18. In the case of non-allotment of the ordinary shares, if the applicants' bank accounts as mentioned in their application forms are maintained with any of the bankers to the issue, the amount refunded to those applicants will be directly credited into their ordinary respective bank accounts as mentioned in their the application forms. Otherwise, refunds will be made only through "Account Payee" cheque(s) with the bank account number and name of bank branch as mentioned in the application form, payable at Dhaka, Chittagong, Khulna, Barisal, Rajshahi or Sylhet, as the case may be.
19. The application along with the foreign currency draft, as above, is to be issued in favour of "Grameenphone Ltd." and submitted to the Company's corporate office: A.K.M. Anwarul Kabir, Additional General Manager, Capital Markets Department, Grameenphone Ltd., Celebration Point,
20. The acceptance of applications is subject to the Company's determination of whether such acceptance would be allowed under the laws of the jurisdiction where the applicant is located. The Company's decision on this issue is final and not appealable.