

GRAMEENPHONE LTD.

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 Bangla-

desh 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 emerg-

ing 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.

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.

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.	Dutch-Bangla Bank Limited	IFIC Bank Limited	Mercantile Bank Limited	Premier Bank Limited	Trust Bank Limited
Bank Asia Limited	Eastern Bank Limited	Investment Corporation of Bangladesh	National Bank Limited	Standard Chartered Bank	United Commercial Bank Limited
BRAC Bank Limited	EXIM Bank		One Bank Limited	The City 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.

AUDITORS' REPORT PURSUANT TO THE COMPANIES ACT



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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	31-Dec-07	31-Dec-06 (Restated)	31-Dec-05	31-Dec-04
	Taka	Taka	Taka	Taka	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
	93,764,624,794	81,609,987,416	56,314,464,906	42,562,900,109	20,873,747,478
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
	14,429,829,297	6,851,053,660	10,442,192,651	6,973,763,753	6,149,621,907
Total assets	108,194,454,091	88,461,041,076	66,756,657,557	49,536,663,862	27,023,369,385
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
	27,588,156,001	26,111,106,162	24,509,475,900	18,240,693,745	13,441,655,348
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	—	—
	30,375,333,697	25,905,278,553	18,679,609,551	14,704,124,493	5,038,567,737
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	—	—	—	—
	50,230,964,393	36,444,656,361	23,567,572,106	16,591,845,624	8,543,146,300
Total equity and liabilities	108,194,454,091	88,461,041,076	66,756,657,557	49,536,663,862	27,023,369,385

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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