

## **Grameenphone Limited**

Nature of Business	Grameenphone Ltd. is the largest mobile telecommunications operator in Bangladesh
Subscription Open	October 4, 2009
Subscription Close	October 8, 2009
For Non resident Bangladeshi	October 4, 2009 to October 18, 2009
Offer Price (Tk.)	70.00
Face Value (Tk.)	10.00
Market lot (Share)	200
Sponsors Portion (Share)	1,215,174,797
Sponsors Portion (Tk.)	12,151,747,970.00
<b>Public Offering :</b>	
IPO (Shares)	69,439,400
Private Placement (shares)	65,685,800
Post IPO Paid-up capital	Tk. 13,502,999,970.00
Reason for IPO:	Repayment of overdraft facilities, Network expansion, IT & General and Capital expenditure
Earnings per share as on 31.12.08 (as per prospectus)	Tk. 2.46 (considering face value of Tk. 10.00)
NAV per share (as per prospectus)	Tk. 22.70
Manager to the Issue	Citigroup Global Markets Bangladesh Private Limited
Application Document Available at:	DSE & CSE Library, DSE Members house, Issue Manager, Underwriter and designated banks.
Website	www.grameenphone.com

**If there is any contrary information please communicate with DSE through e-mail: [listing@dsebd.org](mailto:listing@dsebd.org))**

### **Disclaimer:**

The contents of this presentation are entirely based on disclosures made by the company. Therefore, DSE does not assume any responsibility on the authenticity of the facts and figures presented thereof.

### **Brief Overview of the Company**

1. Date of Incorporation : 10<sup>th</sup> October, 1996
2. Year of Commencement of Business: 26<sup>th</sup> March, 1997.
3. Authorized Capital : Total Tk. 40,000.00 million
4. Paid up Capital (Pre IPO) : Total Tk. 12,151,747,970.00

### **Details of the Issue:**

Description	Ordinary Shares	Face Value per share	Offer Value In Taka	Premium per share (Tk.)	Premium in Taka	Capital in Taka
Pre-IPO	1,215,174,797	10	10	-	-	12,151,747,970.00
IPO	69,439,400	10	70	60	4,166,364,000.00	694,394,000.00
Private Placement	65,685,800	10	74	64	4,203,891,200.00	656,858,000.00
<b>Total</b>	<b>1,350,299,997</b>				<b>8,370,255,200.00</b>	<b>13,502,999,970.00</b>

### **Paid up Capital after IPO**

Particulars	No. of Ordinary Shares	Face Value (Tk.)	Capital in Taka
Pre-IPO Paid up capital	1,215,174,797	10	12,151,747,970.00
IPO	69,439,400	10	694,394,000.00
Private Placement	65,685,800	10	656,858,000.00
Post IPO Paid-up capital	1,350,299,997	10	13,502,999,970.00

Issue Manager: Citigroup Global Markets Bangladesh Private Limited

Auditor: Rahman Rahman Huq

# Grameenphone Limited

## At a glance

Grameenphone (GP) is a 62% owned subsidiary of Telenor Mobile Communications AS, a leading international telecommunications company based in Norway providing mobile communications services in 12 countries across Scandinavia, Eastern Europe and Asia with 147 mn mobile subscribers as of March 31, 2008. Grameen Telecom (“GTC”) owns 38% of GP. GP was incorporated in 1996, commenced service in March 1997 and is currently the largest mobile telecommunication operator in Bangladesh with 20.3 mn subscribers, as of June 30, 2008, representing a 46.5% market share. GP operates a digital mobile telecommunications network based on the GSM standard in the 900MHz and 1800MHz frequency bands, with 14.6 MHz of spectrum in total, covering approximately 97.8% of Bangladesh’s population as of June 30, 2008 and is EDGE/GPRS enabled, allowing customers to gain access to high-speed Internet and data services from anywhere within its coverage area. GP is a market leader in introducing new products and services in Bangladesh. GP was one of the first operators in Bangladesh to offer subscribers’ mobile-to-mobile service, EDGE, prepaid service, voice SMS and “over-the-air” top-ups. GP is one of the largest ISPs in Bangladesh, with approximately 3.44 mn users accessing internet services from their mobile handsets.

## Board of Directors

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; Head of Telenor Asia
	Total Access Communications PLC Digi	Vice Chairman and Director Chairman and Director
	Unitech Wireless Ltd. India	Director
Mr. Per Erik Hylland	Telenor Asia	Senior Vice President
Director		
Mr. Snorre Corneliussen	Telenor Asia	Director, Performance Manager
Director	DTAC, Thailand	Director
Mr. Dipal Chandra Barua	Grameen Bank	Deputy Managing Director
Director	Grameen Shakti	Managing Director
	Grameen Krishi Foundation	Director
	Grameen Fund	Director
	Grameen Fisheries Foundation	Director
	Grameen Uddog	Director
	Grameen Telecom	Director
	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.....	Grameen Bank	General Manager, Central Accounts, Finance, Planning, Monitoring and Evaluation
Director		
	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

## Ownership of the Company's Securities

Name	No. of Ordinary Shares Held	% of Total outstanding shares pre-offering	% of outstanding shares post-offering
Telenor Mobile Communication AS	753,407,724	62.00%	55.80%
Nye Telenor Mobile Communication II AS	215	0.00%	0.00%
Nye Telenor Mobile Communication III AS	215	0.00%	0.00%
Telenor Asia PTE Ltd.	215	0.00%	0.00%
Grameen Telecom	461,766,409	38.00%	34.20%
Grameen Kalyan	22	0.00%	0.00%
Grameen Shakti	22	0.00%	0.00%
<b>Total</b>	<b>1,215,174,822</b>	<b>100.00%</b>	<b>90.00%</b>

## Net Asset Value (NAV) Per Share:

	Taka in Millions	
	Before Par Value	After Par Value
	Change	Change
No. of shares outstanding (in millions)	12,152	1,215
Par value per share (Taka)	1	10
Paid up capital (par value) (a)	12,152	12,152
Share premium	14	14
Retained earnings	13,267	13,267
Capital reserve	14	14
Deposits from shareholders	2	2
General reserve	2,140	2,140
Total (b)	15,436	15,436
Shareholders' equity (c = a+b)	27,588	27,588
Less intangible and deferred cost of connection revenue	(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
<b>Net asset value per share (c÷e)</b>	<b>2.27</b>	<b>22.70</b>

(1) Based on the audited financial statements as of December 31, 2008.

## **Dividend Information:**

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.

## **RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS**

### **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 Djuice 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. Dj Juice AS, a wholly owned subsidiary of TMC, has informally granted us the use of the “dj Juice” trademarks in Bangladesh for our “dj Juice” 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 licences 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.