

Annexure V

Management's Discussion and Analysis

Management's Discussion and Analysis is designed to provide you with a narrative explanation through the eyes of our leadership on how we performed and information about our financial condition and prospects. As the Management's Discussion and Analysis is intended to supplement and complement our financial statements, we recommend that you read this in conjunction with our financial statements for the year ended 31 December 2022.

The Financial and Economic Scenario of Bangladesh and the Globe

Bangladesh's robust economic recovery from the pandemic has been interrupted by supply chain disruptions due to the Russia-Ukraine war, leading to a sharp widening of the current account deficit, rapid decline of foreign exchange reserves, rising inflation and slowing growth. Despite being hit by multiple waves of the Covid-19 pandemic and other global crises, quick and decisive actions by the local authorities, supported by the external environment, led to a much faster rebound than regional peers.

While the real GDP growth rate declined from 7.2% to 6.4% in 2022¹, the IMF expects that GDP growth will grow to 6.7% in 2023 and 7.2% in 2024 (the fiscal year of July-June)¹. To successfully graduate from Least Developed Country status and achieve middle-income status by 2031 and meet the vision for a Smart Bangladesh by 2041, it is imperative to build on past successes and address structural issues to accelerate growth, attract private investment, enhance productivity, and build climate resilience.

However, despite challenges on many fronts, circumstances also offer favourable conditions for the telecoms market in Bangladesh. There remains sizable opportunities to monetise the mobile and fixed data connectivity demand. Growth in data users, migration of both new and existing subscribers to 4G, and pushing beyond core services are crucial drivers for revenue growth; as a result, LTE network expansion and providing superior experience for customers will remain the priority for the operators in the short term.

Overall Operating Performance in 2022

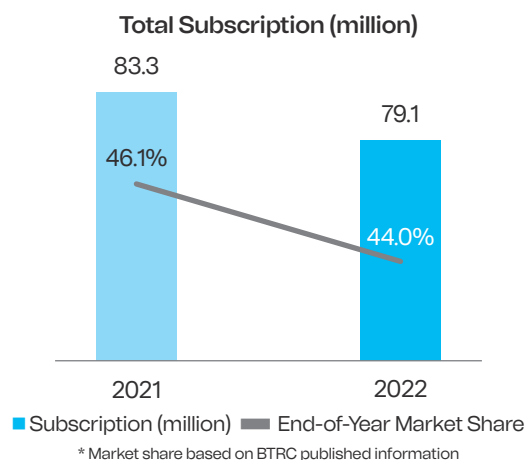
Grameenphone generated total revenue of BDT 150.4 billion (2021: BDT 143.1 billion), with a growth of 5.1% in 2022 compared to the previous year. Operating profit increased in 2022 amidst adverse impact from SIM sale restrictions. The growth in operating profit was mainly driven by growth in revenue, lower restructuring and operation & maintenance costs, which was partially offset by higher depreciation, market spend and spectrum charges resulting in a 0.4% increase from last year. Net profit after tax for 2022 stood at BDT 30.1 billion (2021: BDT 34.1 billion). Grameenphone's subscriber growth impacted by SIM sale restrictions in the second half of 2022, resulted in 4.2 million lower subscriber numbers, taking the year-end subscriber base to 79.1 million.

Total number of internet users stood at 43.6 million at the end of 2022 which was 55% of the total subscriber base. This figure also includes 34.2 million 4G data users, which was 23.6% higher than last year. Number of Grameenphone 4G sites reached more than 19,000 as coverage expansion continued through 2022; this resulted in 97.9% 4G network population coverage for Grameenphone. In order to facilitate the growing demand for data, Grameenphone deployed 10.4MHz of spectrum across more than 18,000 sites. In addition, Grameenphone also acquired an additional 60MHz spectrum in 2022. With this additional spectrum the Company was much better positioned to strengthen customer experience and service quality, contribute to Bangladesh's digitalisation and meet the growing needs for high-speed internet in rural and urban areas.

Grameenphone delivered improved topline growth momentum, amidst a challenging business and macroeconomic environment, through growth in bundle and data services, supported by continued investment in deployment of new spectrum, accelerated 4G rollout and expansion of coverage sites in 2022.

Customers and Average Revenue/Minutes per User (ARPU & AMPU)

The Grameenphone subscription base stood at 79.1 million at the end of 2022, a 5% de-growth from last year. According to BTRC published information, Grameenphone's subscription market share stood at 44.0% at year-end, which was a 2.1 pp decrease from last year.

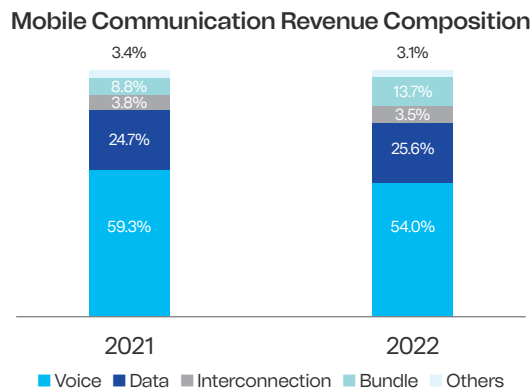
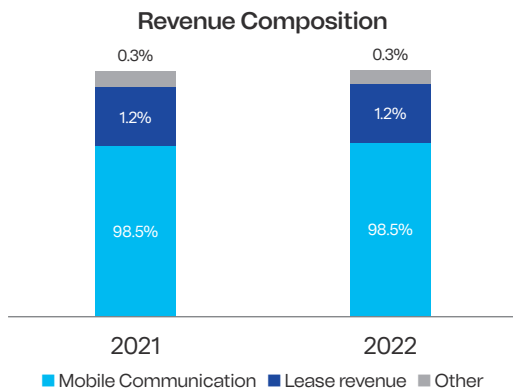
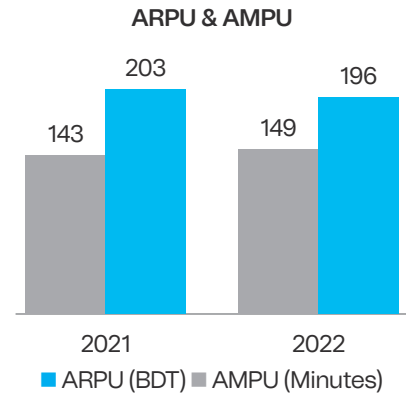


¹Source – IMF, February and October 2022

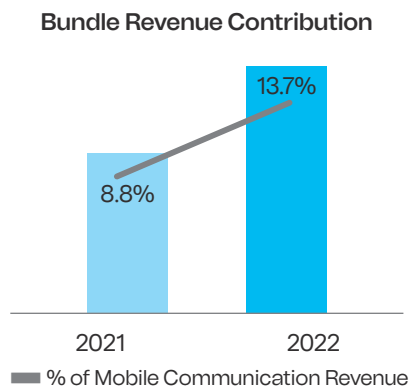
ARPU increased to BDT 149 in 2022 (2021: BDT 143), mainly due to higher contribution from the bundle & data segment, which was partly offset by a lower contribution from voice services. In 2022, AMPU was 196 minutes (2021: 203 minutes) with a decrease of 3.3%, mainly attributed to voice call shift to OTT platform and macroeconomic challenges.

Revenue Performance

Grameenphone reported total revenue of BDT 150.4 billion for the year 2022 (2021: BDT 143.1 billion), with 5.1% growth. The increase in total revenue came mainly from higher mobile communication revenue, which was driven by higher bundle and data only services, and partly offset by lower voice only revenue.



Grameenphone revamped its data portfolio in 2022 due to the implementation of 15% VAT on data services, in response to changes in the national budget. Considering customer needs, Grameenphone introduced exclusive data only products while continued focus on user friendly bundle offers. With continued drive on attractive bundle packs, bundle services revenue grew by 63.1% compared to last year. As a result, bundle revenue mix in mobile communication revenue increased to 13.7% compared to 8.8% last year.

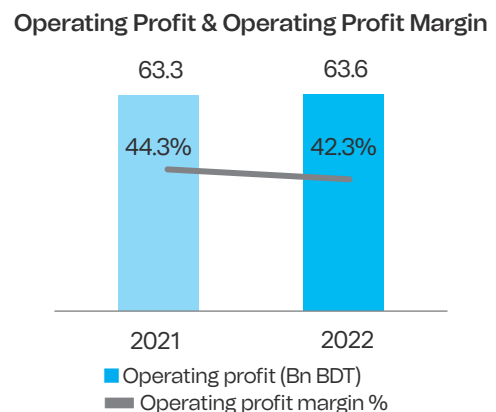


Revenue from voice only services decreased by 4.1%, while data only revenue increased by 9.2%. The growth in data revenue contributed by 52.7% growth in data usage.

Interconnection revenue continued to decrease in 2022 with a de-growth of 2.3%. In addition to the increasing proliferation of OTT services, interconnect revenue growth in 2022 was further impacted by reduction in the international call termination rate.

Cost and Margin Review

Total operating expense of Grameenphone stood at BDT 86.8 billion (2021: BDT 79.7 billion) an 8.9% increase compared to last year. The growth in operating expense came from higher spectrum charges, depreciation & amortisation, sales, marketing & commission, other operating expense, and cost of material & traffic charges, partly offset by lower operation & maintenance and restructuring costs. Higher sales, marketing and commission cost was mainly driven by higher revenue and an enhanced market drive to support the topline growth momentum, partly mitigated by an increased share of digital sales. Higher depreciation resulted from acquisition of spectrum & RoU asset. The de-growth in operation and maintenance cost resulted from lower service maintenance fee as a result of negotiation outcome.

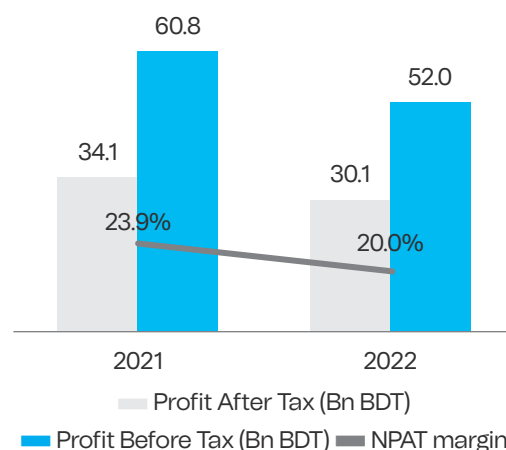


BDT 7.3 billion increase in total revenue and BDT 7.1 billion increase in operating expense contributed to a BDT 0.3 billion increase in operating profit in 2022. Operating Grameenphone profit margin stood at 42.3% (2021: 44.3%).

Profit after Tax

The Net profit after tax for 2022 was stood at BDT 30.1 billion (2021: 34.1 billion) with a margin of 20%, which was 3.8pp lower compared to last year. BDT 4 billion decrease in net profit after tax resulted from BDT 8.8 billion lower profit before tax, mainly due to higher finance costs resulted from regulatory disputes and forex losses, and was partly offset by a BDT 4.8 billion lower tax expense.

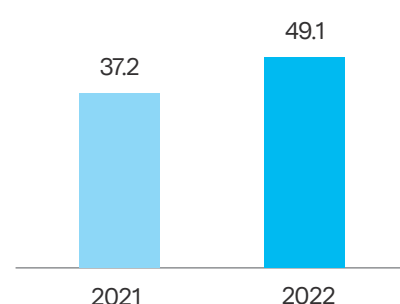
Profit After Tax & Profit Before Tax



Capital Expenditure (Capex) and Network Updates

In 2022, Grameenphone reported BDT 49.1 billion (2021: BDT 37.2 billion) as capital expenditure including the cost of acquisition of 60MHz spectrum, with a 'total capex to sales' ratio of 32.6%. Majority of the investments in 2022 were related to spectrum acquisition, rolling out of 4G sites, capacity and coverage expansion- all in order to ensure improved voice and data experience for customers. In 2022, Grameenphone rolled out 2,000+ new 4G sites, taking the total number of 4G sites to 19,000+, covering 97.6% of the population under the 4G network (2021: 94.1%). With 1,700+ new coverage sites in 2022, Grameenphone's total site locations reached more than 20,000, covering 99.6% of the total population.

Total Capex (Bn BDT)



Comparative analysis of Financial Performance, Financial Position, and Cash Flows

Major areas of financial performance, financial position as well as cash flows [including effects of inflation (Table – 2)] against the immediate preceding five years are as follows:

Table – 1:

Reported numbers	2022	2021	2020	2019	2018 Restated	2017 Adjusted
Financial Performance (in million BDT)						
Revenue	150,403	143,066	139,606	143,656	132,832	128,436
Operating Profit	63,598	63,336	63,440	66,652	56,777	49,340
Profit Before Tax	51,990	60,821	62,801	63,899	54,848	46,419
Net Profit After Tax	30,092	34,129	37,187	34,517	33,363	26,146
Financial Position (in million BDT)						
Paid-up Capital	13,503	13,503	13,503	13,503	13,503	13,503
Shareholders' Equity	46,211	49,879	52,108	38,347	36,836	31,388
Total Assets	185,087	163,007	148,184	148,734	138,713	130,220
Total Liabilities	138,877	113,128	96,077	110,387	101,877	98,832
Current Assets	12,094	9,868	9,931	20,999	13,369	20,658
Current Liabilities	92,933	85,236	76,656	90,426	82,963	78,274
Non-current Assets	172,994	153,139	138,253	127,735	125,345	109,562
Non-current Liabilities	45,994	27,892	19,420	19,961	18,914	20,558
Cash Flows (in million BDT)						
Net Cash generated from Operating Activities	63,813	57,814	33,572	57,393	60,413	57,771
Net Cash used in Investing Activities	(21,571)	(18,786)	(11,217)	(14,263)	(30,200)	(12,944)
Net Cash used in Financing Activities	(41,983)	(38,878)	(33,517)	(35,308)	(36,699)	(35,336)

Reported numbers	2022	2021	2020	2019	2018 Restated	2017 Adjusted
Financial Ratios						
Current Asset to Current Liability	0.13	0.12	0.13	0.23	0.16	0.26
Debt to Equity	1.23	0.75	0.42	0.62	0.50	0.63
Operating Profit Margin	42%	44%	45%	46%	43%	38%
Net Profit Margin	20%	24%	27%	24%	25%	20%
Return on Equity	63%	67%	82%	92%	98%	84%
Return on Total Assets	17%	22%	25%	24%	25%	20%
Ordinary Shares Information						
Ordinary Shares Outstanding (in million)	1,350	1,350	1,350	1,350	1,350	1,350
Face Value per share (BDT)	10	10	10	10	10	10
Cash Dividend on Paid-up Capital ¹	220%	250%	275%	130%	280%	205%
Dividend Pay out ¹	98.72%	99%	100%	51%	113%	106%
NAV per Share (BDT) ²	34.22	36.94	38.59	28.40	27.28	23.25
Net Operating Cash Flow per Share (BDT) ³	47.26	42.82	24.86	42.50	44.74	42.78
Earnings Per Share (BDT) ³	22.29	25.28	27.54	25.56	24.71	19.36

*Gain/loss on disposal of property, plant and equipment has been included in operating profit.

¹Including proposed dividend

²Based on BDT 10 equivalent ordinary share outstanding on 31 December

³Based on weighted average number of shares of BDT 10 each

Table – 2:

Inflation Adjusted numbers	2022	2021	2020	2019	2018 Restated	2017 Adjusted
Financial Performance (in million BDT)						
Revenue	112,206	114,951	118,385	128,751	125,574	128,436
Operating Profit	47,447	50,889	53,796	59,736	53,675	49,340
Profit Before Tax	38,786	48,868	53,255	57,269	51,851	46,419
Net Profit After Tax	22,448	27,422	31,534	30,935	31,540	26,146
Financial Position (in million BDT)						
Paid-up Capital	13,503	13,503	13,503	13,503	13,503	13,503
Shareholders' Equity	34,475	40,076	44,187	34,369	34,824	31,388
Total Assets	138,082	130,973	125,659	133,302	131,134	130,220
Total Liabilities	103,607	90,896	81,472	98,934	96,310	98,832
Current Assets	9,022	7,928	8,421	18,820	12,638	20,658
Current Liabilities	69,331	68,486	65,004	81,044	78,430	78,274
Non current Assets	129,059	123,044	117,238	114,482	118,496	109,562
Non current Liabilities	34,276	22,411	16,468	17,890	17,880	20,558
Cash Flows (in million BDT)						
Net Cash generated from Operating Activities	47,607	46,452	28,469	51,438	57,112	57,771
Net Cash used in Investing Activities	(16,093)	(15,094)	(9,512)	(12,783)	(28,549)	(12,944)
Net Cash used in Financing Activities	(31,321)	(31,238)	(28,423)	(31,645)	(34,694)	(35,336)
Inflation Rate	7.70%	5.54%	5.69%	5.48%	5.78%	5.44%

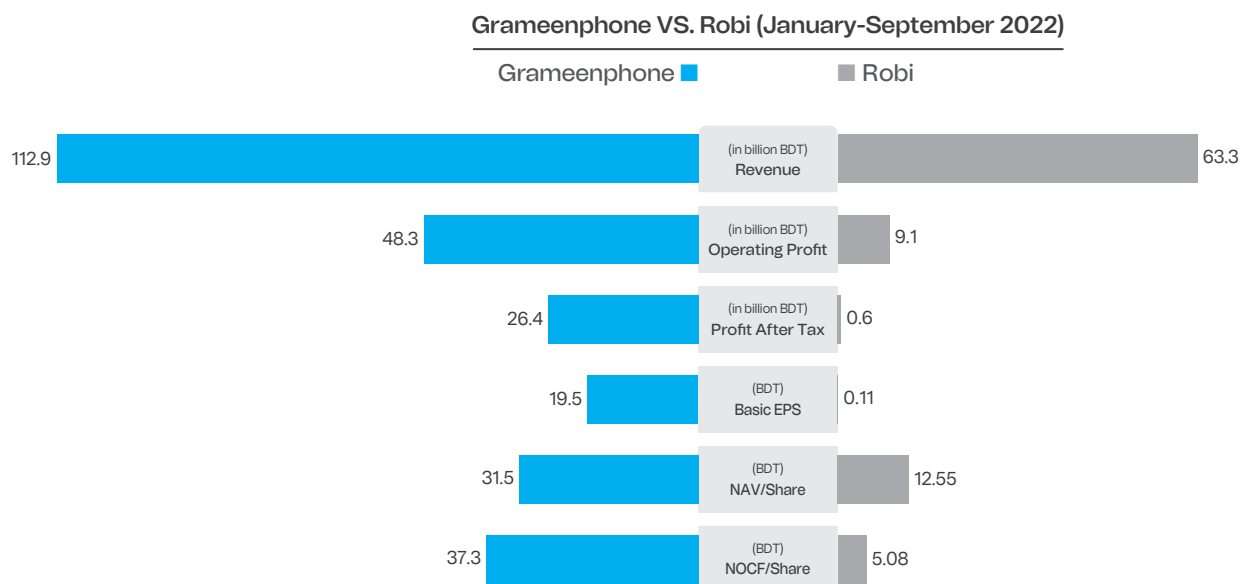
*Inflation Rate Source: Bangladesh Bureau of Statistics

*Since inflation rates are only available for fiscal years, they have been applied for the financial years

Comparison of Financial Performance, Financial Position, and Cash Flow with the peer industry scenario

Peer companies of Grameenphone in the telecommunication industry in Bangladesh include Robi Axiata Limited (Robi), Banglalink Digital Communications Limited and Teletalk Bangladesh Ltd. (Teletalk). Among these three companies, Robi Axiata Limited (Robi) has listed with Dhaka Stock Exchange and Chittagong Stock Exchange and thus allowing for comparative benchmarking.

Following is the comparative peer review with Robi Axiata Limited and its subsidiary, based on Robi's latest available 3rd Quarter/9 Months Un-audited Financial Statements.



Accounting Policies and Estimation for Preparation of Financial Statements

The Financial Statements of Grameenphone have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 2020, relevant guidelines issued by the Bangladesh Securities and Exchange Commission, Financial Reporting Act, 2015 and other applicable laws in Bangladesh. Detail of the accounting policies and estimation used for preparation of the Financial Statements of the Company are disclosed in the notes 2 & 3 of the financial statements.

Changes in Accounting Policies and Estimation

The accounting policies applied are consistent with those applied in the previous financial year.

Risks and Concerns Related to the Financial Statements

Grameenphone has a structured process to identify Financial Statement risks and implement mitigating controls to ensure Financial Statement gives true and fair view of the events and transactions during the period.

The Company has an integrated process to review the risks arising from transactions, processes, and people, as well as from the external and regulatory environment. Every year, Financial Statement risks are reviewed, involving control and process owners, to identify risks effectively so that Financial Statement assertions are met. Grameenphone follows a risk-based approach where both standard and local risks are addressed. Standard Risks are risks common to all Telenor Business Units and Local Risks are Grameenphone specific risks that arise due to local business processes, people and the regulatory environment we operate in. Each risk is evaluated through a probability and impact matrix and categorised into a four-point rating scale (Very High, High, Medium and Low).

Adequate controls are designed for processes to mitigate the identified risks to an acceptable level. "Risk Assessment" is being conducted annually to amend control description and strengthen control mechanism to ensure effective and efficient risk management framework. Risk mitigation status is being monitored through two control-testing methods i.e., self-assessment and direct testing, twice a year (Interim and Year-end). Details of the ICFR activity is presented in the Internal Control over Financial Reporting (ICFR) section of the Annual Report on page 42.

Future Plan of Grameenphone 2023

Grameenphone will continue to capitalise on the data revolution by providing a greater customer experience and providing users with greater benefits. We will continue to invest in our technological capabilities, which will enable us to bring minds and ideas together. Grameenphone has been a partner in Bangladesh's development journey for more than two decades and going forward we see our role being strengthened in realising the Bangladesh government's vision of becoming a Smart Bangladesh and a digitally connected society. As an enabler to these ambitions, we will focus on a sharper strategy, that maximises investment for top-line revenue and EBIDTA growth but also maximises cash flow.

Our strategy is broken down into the following four key Value Drivers:

- 1. Driving Growth:** Our focus will be driving growth through providing a superior network experience to our valued customers. We will continue our effort on digitisation and simplification, as well as greater efficiency in core operations. This will allow Company to invest and scale revenue from beyond core streams.
- 2. Ensure Superior Experience:** Strong emphasis will be put on building IT stability and modernising our digital, billing, and analytics capabilities. Our focus on this key value driver should result in a superior customer experience that strengthens our Network leadership position.
- 3. Drive Modernisation:** The modernisation initiatives will continue through enhancement and swapping of existing resources. Along with that, digitisation and simplification of the customer journey will continue across all digital assets and channels. Greater focus will be placed on developing people front, particularly on building leadership, competence, engagement and HSSE.
- 4. Strengthen BEM:** We will strengthen long-term relations and perception through stakeholder advocacy, narrative creation, addressing social impact, and climate and privacy awareness. We will continue our dialogue with top stakeholders to mitigate ongoing regulatory issues. We will continue to take a socially responsible position by strengthening digital and youth skills, and expanding on Online Safety at the national level and across new/digital business.

The key value drivers outlined above will be driven with a strong emphasis on developing a culture and mindset across the value chain that will establish safety as an integral part of the business.

Our endeavour is to make ourselves future ready while delivering strong results in both customer experience and financials KPIs to meet the expectations from our Shareholders, stakeholders and above all from our customers. As we contend with a fragmented value chain governed by a dynamic regulatory regime, we remain proactive in addressing regulatory and network experience issues and delivering on our strategic ambitions through strong market execution – thereby enhancing the quality of life for our customers.



(Yasir Azman)

Chief Executive Officer (CEO)

30 January 2023

