

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 2023.

The Financial and Economic Scenario of Bangladesh and the Globe

Despite a strong recovery from the COVID-19 pandemic, Bangladesh’s post-pandemic recovery was disrupted in FY23 due to rising inflation, financial sector vulnerabilities, external pressure, energy shortage, declining exports and global economic uncertainty. While the government is taking reform measures to stabilise the economy, concerns remain over the country’s dollar reserve and currency devaluation. The Central Bank reserve dropped by -25% last year, and slow remittance inflows, and an acute dollar shortage continue to hinder foreign payments. Although the real GDP growth for Bangladesh has declined from an initial projection of 7% to 6% in 2023, The International Monetary Fund (IMF) expects GDP growth to continue at 6% in 2024 which is slightly better than emerging and developing Asia of 4.8%. Globally, uncertainties will continue, which will effect growth. IMF has projected global growth to be 2.9% for 2024.

Moreover, the rapid expansion of digital services, such as e-commerce, online education, entertainment and telemedicine presents significant opportunities for telecom operators to diversify their revenue streams and cater to the changing needs of their customers. The government’s focus on digitisation and the development of a digital economy provides a platform for telecom operators to invest in new technologies and expand their services. Though the telecoms market in Bangladesh may face challenges due to economic slowdown, it also presents many opportunities for growth and innovation. Telecom operators need to stay ahead of the curve by continuing to innovate and make the right investment while providing the right customer experience and delivering sustainable growth. By doing so, they can capitalise on the immense potential of the market and emerge as leaders in the industry.

*Source: BB, MF, 2023 reported

Overall Operating Performance in 2023

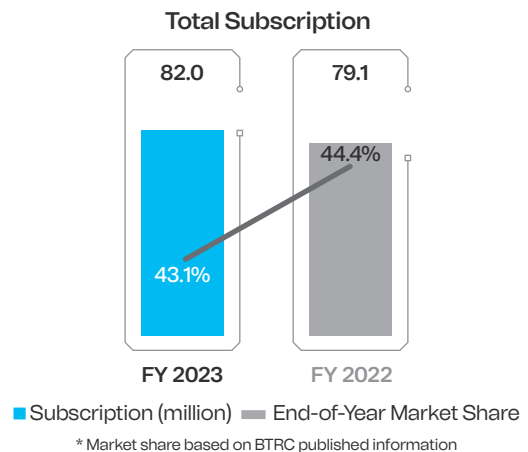
Grameenphone reported total revenue BDT 158.7 billion for the year 2023 (2022: BDT 150.4 billion), with a growth of 5.5% compared to last year. The operating profit increased by 1.3% in 2023 compared to last year. The growth in operating profit was mainly driven by growth in revenue which was partially offset by higher depreciation, energy cost, operation and maintenance and revenue sharing. Net profit after tax for the year 2023 stood at BDT 33.1 billion (2022: BDT 30.1 billion). Grameenphone added 2.8 million subscribers in 2023 after SIM sale restrictions were withdrawn in the beginning of the year 2023. At the end of 2023, Grameenphone’s total subscriber base reached at 82 million, a 3.6% growth from last year.

As per BTRC published information, Grameenphone’s subscription market share stood at 43.1% at the year-end, a 1.3% decrease from last year.

At the end of 2023, total number of internet users stood at 46.6 million which was 57% of the total subscriber base. Out of these internet users, 4G data users stood at 37.6 million, which was 10.1% higher compared to last year.

To facilitate the growing demand for data services, Grameenphone deployed 60MHz of spectrum over more than 2,300 sites across the country. With this spectrum, Grameenphone is positioned much better to strengthen customers data experience and quality services and cater to customers growing high-speed internet needs, contributing towards digital Bangladesh.

Grameenphone continuously maintained topline growth throughout the year amidst a challenging macroeconomic environment, through growth in data services, supported by continued investment in new spectrum deployment, spectrum re-farming, capacity expansion, and new coverage sites in 2023.



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

ARPU of Grameenphone increased at BDT 161 in year 2023 (2022: BDT 149), mainly due to higher contribution from data and voice segment which was partly offset by lower contribution from bundle services. Reported AMPU 189 minutes for the year 2023 (2022: 196 minutes) with a decrease of 3.3%, mainly attributed to macroeconomic challenges and voice call shifting towards OTT platforms.

Revenue Performance

Grameenphone reported total revenue of BDT 158.7 billion for the year 2023 (2022: BDT 150.4 billion), with 5.5% Year-on-Year growth. The increase in total revenue mainly came from higher mobile communication revenue, which was driven by higher voice only and data only services, partly offset by lower bundle service revenue.

Considering the customer's growing needs and BTRC directives to limit the number of data-centric products to 40, Grameenphone introduced exclusive customer-centric data packs during the year. With continued drive through attractive data packs, data revenue grew by 19.5% compared to last year. As a result, data revenue contribution in mobile communication revenue increased to 29.1% compared to 25.6% of the previous year. The growth in data revenue is mainly contributed by usage growth and data user addition, partly offset by lower prices.

For the year 2023, revenue from voice only services increased by 1.3% while bundle service revenue decreased by 5.3%. Bundle service revenue performance was impacted by personalised offers in product portfolio to meet the evolving needs of our customers.

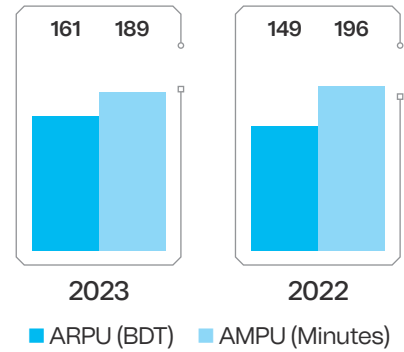
Interconnection revenue improved in 2023 with a 15.8% growth compared to previous year. Interconnect revenue growth mainly contributed by increase in application to person (A2P) messaging service.

Cost and Margin Review

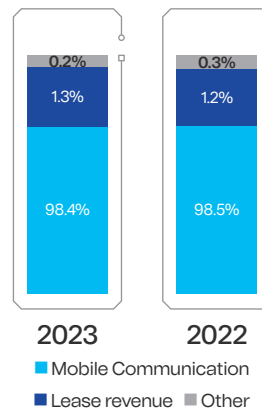
Grameenphone total operating expense in 2023 stood at BDT 94.3 billion (2022: BDT 86.8 billion) with 8.6% increase compared to previous year. The growth in operating expense resulted from higher depreciation and amortisation, energy cost, operation and maintenance, revenue sharing, and other operating expenses. Higher depreciation resulted from acquisition of new spectrum last year, new leased sites and Capex addition during the year. Higher energy cost driven by energy price hike and increased energy consumption. The growth in operation and maintenance cost and revenue sharing resulted from lower service maintenance fees last year due to negotiation outcome and higher revenue respectively.

Compared with last year, total revenue increased by BDT 8.3 billion and operating expenses increased by BDT 7.5 billion, which resulted in BDT 0.8 billion increase in operating profit with an operating profit margin of 40.6% (2022: 42.3%).

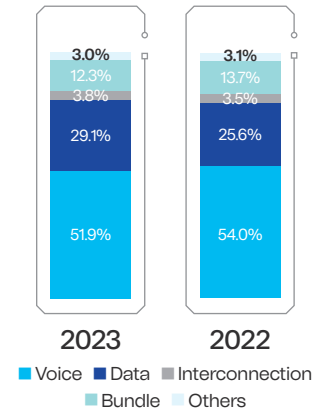
ARPU & AMPU



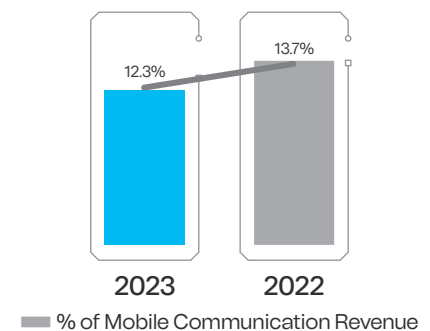
Revenue Composition



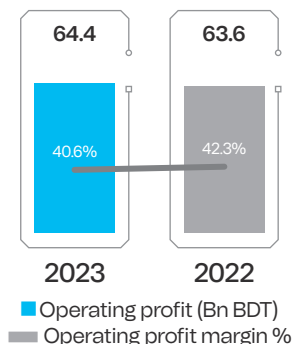
Mobile Communication Revenue Composition



Bundle Revenue Contribution



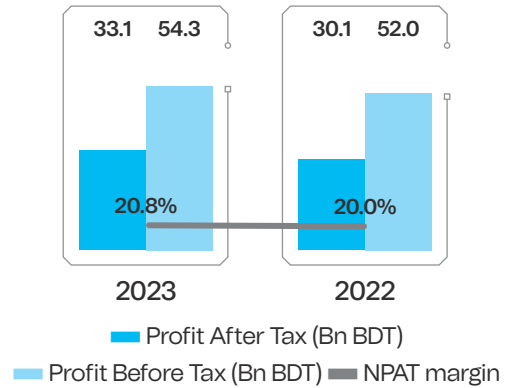
Operating Profit & Operating Profit Margin



Profit after Tax

Net profit after tax for the year 2023 was BDT 33.1 billion (2022: 30.1 billion) with a margin of 20.8%, which was 0.8% higher compared to the previous year. BDT 3 billion increase in net profit after tax resulted from higher profit before tax and lower tax expenses. The growth in profit before tax resulted from higher finance costs last year. The lower tax expense during the year resulted from positive one-off adjustments arising from the settlement of tax dispute and completion of tax assessment. The earnings per share (EPS) for the year 2023 stood at BDT 24.49 as compared to BDT 22.29 for the year 2022, a year-on-year increase of 9.9%.

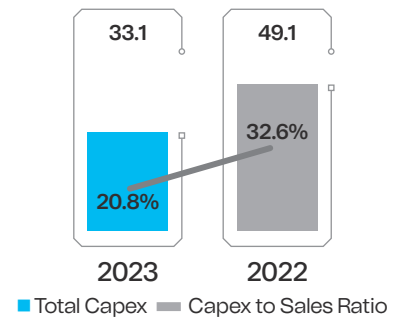
Profit After Tax & Profit Before Tax



Capital Expenditure (Capex) and Network Updates

In 2023, Grameenphone reported BDT 33.1 billion as capital expenditure (2022: BDT 49.1 billion) with a 'total capex to sales' ratio of 20.8% (2022: 32.6%). The majority of the investment in 2023 was related to spectrum deployment, 4G site rollout, capacity expansion, and coverage expansion to ensure improved voice and data experience for our customers. In 2023, Grameenphone rolled out 1,600 plus new 4G sites, bringing the total number of 4G sites to more than 21,200, covering 97.9% of the population under the 4G network. With 1,300 plus new coverage sites in 2023, Grameenphone's total site locations reached more than 21,400, 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	2023	2022	2021	2020	2019	2018 Restated
Financial Performance (in million BDT)						
Revenue	158,716	150,403	143,066	139,606	143,656	132,832
Operating Profit	64,429	63,598	63,336	63,440	66,652	56,777
Profit Before Tax	54,324	51,990	60,821	62,801	63,899	54,848
Net Profit After Tax	33,075	30,092	34,129	37,187	34,517	33,363
Financial Position (in million BDT)						
Paid-up Capital	13,503	13,503	13,503	13,503	13,503	13,503
Shareholders' Equity	66,690	46,211	49,879	52,108	38,347	36,836
Total Assets	200,420	185,087	163,007	148,184	148,734	138,713
Total Liabilities	133,731	138,877	113,128	96,077	110,387	101,877
Current Assets	25,304	12,094	9,868	9,931	20,999	13,369
Current Liabilities	92,198	92,933	85,236	76,656	90,426	82,963
Non-current Assets	175,116	172,994	153,139	138,253	127,735	125,345
Non-current Liabilities	41,533	45,994	27,892	19,420	19,961	18,914
Cash Flows (in million BDT)						
Net Cash generated from Operating Activities	60,601	63,813	57,814	33,572	57,393	60,413
Net Cash used in Investing Activities	(23,597)	(21,571)	(18,786)	(11,217)	(14,263)	(30,200)
Net Cash used in Financing Activities	(23,805)	(41,983)	(38,878)	(33,517)	(35,308)	(36,699)
Financial Ratios						
Current Asset to Current Liability	0.27	0.13	0.12	0.13	0.23	0.16
Debt to Equity	0.80	1.23	0.75	0.42	0.62	0.50

Reported numbers	2023	2022	2021	2020	2019	2018 Restated
Operating Profit Margin	41%	42%	44%	45%	46%	43%
Net Profit Margin	21%	20%	24%	27%	24%	25%
Return on Equity	59%	63%	67%	82%	92%	98%
Return on Total Assets	17%	17%	22%	25%	24%	25%
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	125%	220%	250%	275%	130%	280%
Dividend Pay out ¹	51.03%	98.72%	99%	100%	51%	113%
NAV per Share (BDT) ²	49.39	34.22	36.94	38.59	28.40	27.28
Net Operating Cash Flow per Share (BDT) ³	44.88	47.26	42.82	24.86	42.50	44.74
Earnings Per Share (BDT) ³	24.49	22.29	25.28	27.54	25.56	24.71

¹Gain/loss on disposal of property, plant and equipment has been included in operating profit.

²Including proposed dividend

³Based 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	2023	2022	2021	2020	2019	2018 Restated
Financial Performance (in million BDT)						
Revenue	114,406	118,692	121,595	125,228	136,193	132,832
Operating Profit	46,442	50,189	53,830	56,906	63,189	56,777
Profit Before Tax	39,158	41,028	51,693	56,333	60,579	54,848
Net Profit After Tax	23,841	23,747	29,007	33,357	32,724	33,363
Financial Position (in million BDT)						
Paid-up Capital	13,503	13,503	13,503	13,503	13,503	13,503
Shareholders' Equity	48,071	36,468	42,393	46,741	36,355	36,836
Total Assets	144,467	146,063	138,543	132,922	141,007	138,713
Total Liabilities	96,396	109,595	96,150	86,182	104,652	101,877
Current Assets	18,240	9,544	8,387	8,908	19,908	13,369
Current Liabilities	66,458	73,338	72,444	68,761	85,728	82,963
Non-current Assets	126,227	136,519	130,156	124,014	121,099	125,345
Non-current Liabilities	29,938	36,257	23,706	17,420	18,924	18,914
Cash Flows (in million BDT)						
Net Cash generated from Operating Activities	43,682	50,358	49,137	30,114	54,411	60,413
Net Cash used in Investing Activities	(17,009)	(17,023)	(15,966)	(10,062)	(13,522)	(30,200)
Net Cash used in Financing Activities	(17,159)	(33,131)	(33,043)	(30,065)	(33,474)	(36,699)
Inflation Rate	9.48%	7.70%	5.54%	5.69%	5.48%	5.78%

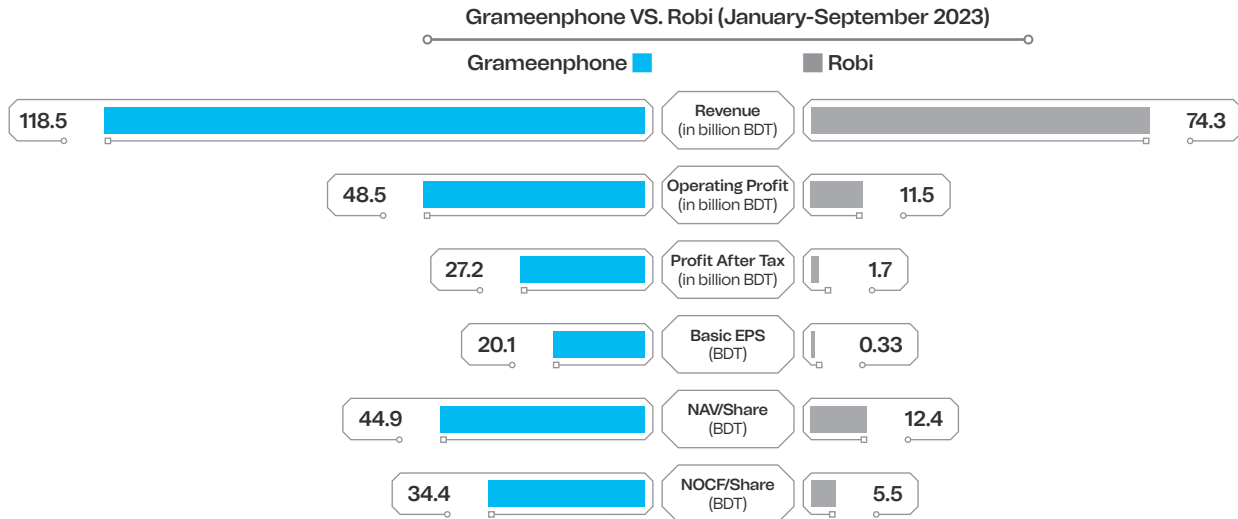
*Inflation Rate Source: Bangladesh Bureau of Statistics

*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 Limited (Teletalk). Among these three companies, Robi Axiata Limited (Robi) has been enlisted with the Dhaka Stock Exchange and Chittagong Stock Exchange and thus enabling for a financial comparative benchmarking.

Following is the comparative peer review with Robi Axiata Limited based on its latest available 3rd Quarter/9 Months Un-audited Consolidated 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. Details of the accounting policies and estimation used for the 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 the Financial Statement gives a 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 Statements risks are reviewed, involving control and process owners, to identify risks effectively so that Financial Statements 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 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 and presented in the Internal Control over Financial Reporting (ICFR) section of the Annual Report on page 45.

Future Plan of Grameenphone 2024

A sharper and transformative strategy, that maximises investment for top-line revenue and EBITDA growth with desired cash flow. Our ambition to be at the forefront of fulfilling evolving customer needs through telecommunications and beyond to stay relevant and win in a rapidly changing, technology-driven business environment. We will have a strong focus on customer experience, diversifying and innovating our service offerings with modernised and scalable Network & IT solutions embedding partnership at the core and building future-fit employees with uplifted leadership and culture. Grameenphone will continue to capitalise on the data revolution by providing a greater customer experience and providing users with greater benefits. We will continue investing in our technological capabilities, enabling us to bring minds and ideas together. Grameenphone has been a partner in Bangladesh's development journey for more than two decades and continuing the same going forward in realising the Bangladesh government's vision of becoming a Smart Bangladesh and a digitally connected society; connecting people is what matters most to us. As an enabler of these ambitions, we will focus on a sharper strategy, that maximises investment for top-line revenue, EBITDA growth, while maximising cash flow.

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

- 1. Sustainability:** Sustainability is of the core of our strategy and operations. It focuses on our entire value chain and how we are practising sustainability across. We will continue to manage the business environment to enable growth while mitigating disputes and safeguarding from possible risk exposure from existing and emerging areas. We will also continue to take a socially responsible position through climate management programme, strengthening digital inclusion, Youth upskilling, and expanding online safety at the national level and across new/digital businesses.
- 2. Customer Experience:** We start and end with customers with an equal focus for consumer and business segments. We will stand on the backbone of providing network leadership through continuous modernisation in the core network to ensure a superior experience for our customers. We continuously understand and predict customer needs through insight and feedback gathering, build tailored solutions through hyper personalisation, develop seamless customer journey and resolving any customer issue proactively and efficiently.
- 3. Transformation:** We focus on building a competent, resilient, and forward-thinking resource pool that thrives in driving a technology-driven business led by strong leaders, robust organisational capability and enabling culture. In the dynamic technology landscape, our journey of Telco to Telco-Tech mostly relies on stepping up in IT capability. Our focus on IT will be on enhancing infrastructure, modernising applications and building strong analytics.
- 4. Growth:** Our primary focus is to maintain voice and grow our data business faster by embracing new products, services, digitisation and innovation and continue exploring core and beyond core services while maintaining premium pricing. We will encourage a culture of continuous learning and experimentation to develop and provide new technologies and solutions to meet the evolving needs of businesses and consumers. We aim to grow with our customers and with our ecosystem partners.

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 effort is to make ourselves future ready while delivering strong results in both customer experience, contributing towards progressing Bangladesh and financials KPIs to meet the expectations of our shareholders, stakeholders and above all our customers. As we contend with a fragmented value chain governed by a dynamic regulatory regime also challenges that we encounter during an economic slowdown we remain proactive in addressing regulatory 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

05 February 2024