

## 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 2021.

### The Financial and Economic Scenario of Bangladesh and the Globe

Despite being hit by multiple waves of the Covid-19 pandemic, quick and decisive actions by the local authorities, supported by the external environment, led to a much faster rebound than regional peers<sup>1</sup>. Bangladesh continues to be among the fastest-growing economies globally over the past decade. While the real GDP growth rate declined from 8.2% to 3.5% in 2020, the IMF (International Monetary Fund) expects that GDP growth will rebound to 4.6% in 2021 and 6.6% in the fiscal year of 2021-2022 (July 2021-June 2022)<sup>2</sup>. To recover fully and achieve its growth ambitions of upper-middle-income country status, Bangladesh needs to address the challenge of containing Covid-19.

This context offers a favourable macroeconomic backdrop for the telecoms market in Bangladesh. There remain sizable opportunities to monetise mobile and fixed data connectivity demand<sup>3</sup>. Data users, both new and existing subs to migrate to 4G, will be a crucial driver of revenue growth, and hence, LTE network expansions will remain the priority for the operators in the short term.

Global economic recovery continues even as the pandemic resurges; however, vaccine access and early policy support remain principal drivers for faster recovery. While the global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022, the uncertainty of new Covid-19 mutations throw shadows on how quickly the pandemic can be expected to overcome<sup>4</sup>.

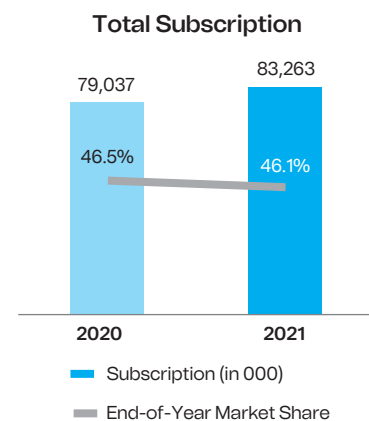
### Covid-19 Impact on the Business

2021 marked the second and third waves of Covid-19 in Bangladesh, triggering the authorities to impose several bouts of lockdowns and restrictions to contain the spread of the virus. The lockdowns and subsequent limits on movement greatly impacted the country's socio-economic activities, adversely affecting top-line growth for Grameenphone. The first year of the pandemic had already left many challenges that had an extremely unfavourable effect on the livelihoods of many people; it also brought about a paradigm shift in our customer behaviour. The economic impact has had a prolonged effect on the population's spending capacity and income level at large.

As a designated emergency service provider, Grameenphone stood steadfast in its commitment to connecting people to what matters most and contributing to society's greater good. The Company continued strengthening its network by changing its operating model, acquiring advanced capabilities from the partners, rolling out new towers and deploying additional spectrum throughout the year. Regional team members have completed extensive market drives to rejuvenate pump energy into the entire physical distribution and managed retail touchpoints. With a strong business continuity plan in place, Grameenphone is strengthening collaboration internally and among the ecosystem partners to drive growth through experience and innovative services safely and responsibly.

### Overall Operating Performance in 2021

Grameenphone generated total revenue of BDT 143.1 billion (2020: BDT 139.6 billion), with a growth of 2.5% in year 2021 compared to the previous year. Operating profit marginally decreased in 2021 due to higher direct cost, market expense and restructuring cost, which was partially offset by topline growth, resulting into 0.2% decrease from last year. Net profit after tax for 2021 stood at BDT 34.1 billion (2020: BDT 37.2 billion). Grameenphone added 4.2 million subscribers in 2021 taking the year-end subscription base to 83.3 million, despite lockdowns during mid of the year triggered by the second wave of Covid-19.



\* Market share based on BTRC published information

<sup>1</sup> IMF Staff Team Projection, Dec 19 – Press Release

<sup>2</sup> World Bank, IMF – Bangladesh Economic Outlooks

<sup>3</sup> Analysis Mason Emerging Asia-Pacific telecoms market: trends and forecasts 2021-2026

<sup>4</sup> IMF Global Economic Outlook October 2021



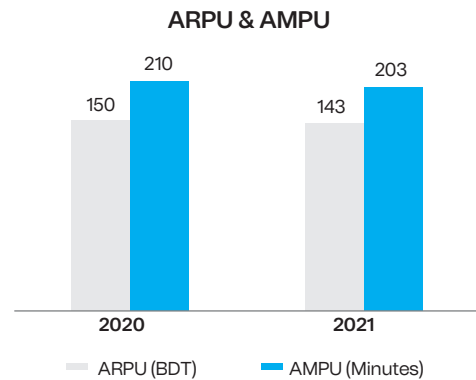
Total number of internet users stood at 44.6 million at the end of 2021 which was 53.5% of its total subscriber base. This also includes 27.6 million 4G data user which was 39.7% higher than last year. Number of 4G sites of Grameenphone reached more than 17,000 while coverage expansion continued in 2021. This has resulted into 96.8% 4G network population coverage for Grameenphone. To facilitate the growing demand of customers, Grameenphone acquired 10.4MHz spectrum at the end of first quarter which was deployed in more than 10,000 sites along with re-farming of 1800MHz band.

Amidst restrictions due to Covid-19, Grameenphone regained top line growth momentum through growth in bundle & data services, supported by deployment of new spectrum and site roll-out in 2021.

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

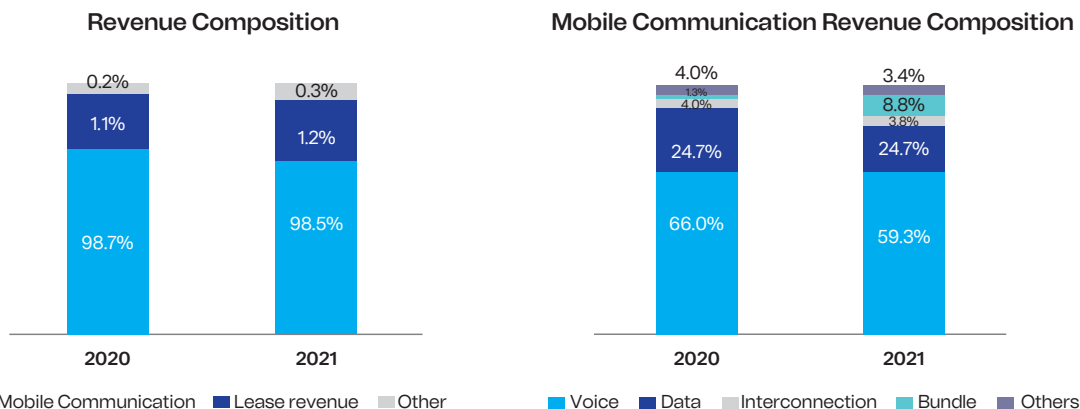
The subscription base of Grameenphone stood at 83.3 million at the end of 2021 with a growth of 5.3% from last year. According to BTRC published information, Grameenphone's subscription market share stood at 46.1% at the year-end, with 0.4pp decrease from last year.

ARPU of Grameenphone decreased at BDT 143 in year 2021 (2020: BDT 150), mainly due to lower contribution from voice & interconnect segment which was partly offset by higher contribution from bundle services. In 2021, AMPU was 203 minutes (2020: 210 minutes) with a decrease of 3.6%, mainly attributed to Covid-19.



### Revenue Performance

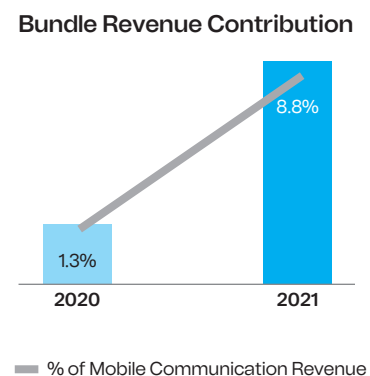
Grameenphone reported total revenue of BDT 143.1 billion for the year 2021 (2020: BDT 139.6 billion), with 2.5% growth. The increase in total revenue mainly came from higher mobile communication revenue, which was driven by higher bundle & data only services, partly offset by lower voice only revenue.



With continued drive through attractive bundle packs, bundle services revenue grew by seven times compared to last year. As a result, bundle revenue mix in mobile communication revenue increased to 8.8% compared to 1.3% in last year.

Revenue from voice only services decreased by 8.1%, while data only revenue increased by 2.3%. Total subscription base grew by 5.3%, along with 8% growth in active internet user.

Interconnection revenue continued to decrease in 2021 with a de-growth of 4.5%. In addition to the increasing proliferation of OTT services (e.g., WhatsApp, Viber, IMO, Facebook Messenger, etc.), interconnect revenue growth in 2021 was further impacted by imposition of SMP directives from third quarter of last year (reduction in national call termination rate).



## Cost and Margin Review

Total operating expense of Grameenphone stood at BDT 79.7 billion (2020: BDT 76.2 billion) with 4.7% increase compared to last year. The growth in operating expense mainly came from higher sales, marketing and commission, salaries & personnel and cost of material and traffic charges, partly offset by lower other operating expenses and depreciation. Higher sales, marketing and commission cost was mainly driven by higher revenue and enhanced market drive to regain growth momentum, which was partly offset by increased share of digital sales. BDT 3.5 billion increase in total revenue and BDT 3.6 billion increase in operating expense resulted into BDT 0.1 billion decrease in operating profit for Grameenphone in 2021. Operating profit margin of Grameenphone stood at 44.3% (2020: 45.4%).

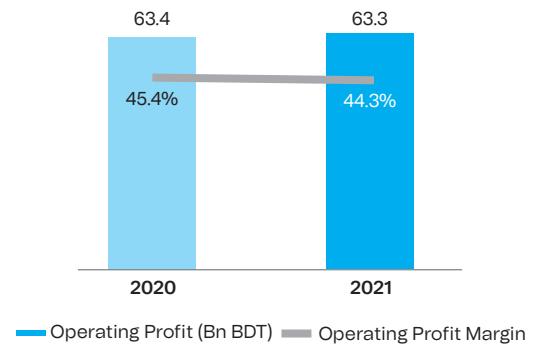
## Profit after Tax

Net profit after tax for 2021 was BDT 34.1 billion (2020: 37.2 billion) with a margin of 23.9%, which was 2.8pp lower compared to last year. BDT 3.1 billion decrease in net profit after tax mainly came from 2.0 billion lower profit before tax and 1.1 billion higher tax expenses. The decrease in profit before tax and increase in tax expense in 2021 was mainly due to favourable one-off impact from provision adjustment in 2020.

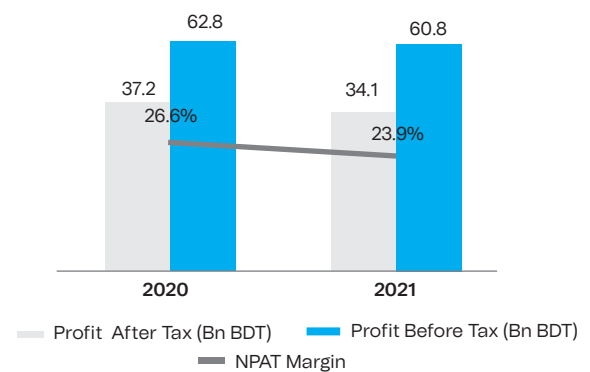
## Capital Expenditure (Capex) and Network Updates

In 2021, Grameenphone reported BDT 37.2 billion as capital expenditure including BDT 11.0 billion for 10.4MHz spectrum acquisition (2020: BDT 13.8 billion), with a 'total capex to sales' ratio of 26.0%. Majority of the investment in 2021 was related to rolling out of 4G sites, capacity increase for data traffic & coverage expansion - all in order to provide superior voice & data experience for the customers. In 2021, Grameenphone rolled out 3,000+ new 4G sites taking the total number of 4G sites at 17,000+, covering 96.8% population under 4G network (2020: 91.1%). With 1,700+ new coverage sites in 2021, Grameenphone's total site locations reached more than 18,000 sites across the country and thus currently providing its telecommunication services covering 99.6% of the total population of the country.

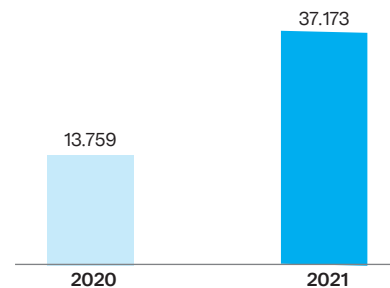
## Operating Profit & Operating Profit Margin



## Profit After Tax & Profit Before Tax



## 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)] with immediate preceding five years are as follows:

Table – 1:

Reported numbers	2021	2020	2019	2018 Restated	2017 Adjusted	2016 Adjusted
<b>Financial Performance (in million BDT)</b>						
Revenue	143,066	139,606	143,656	132,832	128,436	114,862
Operating Profit	63,336	63,440	66,652	56,777	49,340	40,950
Profit before tax	60,821	62,801	63,899	54,848	46,419	37,127
Net Profit after tax	34,129	37,187	34,517	33,363	26,146	21,721
<b>Financial Position (in million BDT)</b>						
Paid-up Capital	13,503	13,503	13,503	13,503	13,503	13,503
Shareholders' equity	49,879	52,108	38,347	36,836	31,388	31,116
Total assets	163,007	148,184	148,734	138,713	130,220	130,500
Total liabilities	113,128	96,077	110,387	101,877	98,832	99,384
Current assets	9,868	9,931	20,999	13,369	20,658	10,941
Current liabilities	85,236	76,656	90,426	82,963	78,274	70,536
Non current assets	153,139	138,253	127,735	125,345	109,562	119,558
Non current liabilities	27,892	19,420	19,961	18,914	20,558	28,848
<b>Cash Flows (in million BDT)</b>						
Net cash generated from operating activities	57,814	33,572	57,393	60,413	57,771	46,152
Net cash used in investing activities	(18,786)	(11,217)	(14,263)	(30,200)	(12,944)	(19,839)
Net cash used in financing activities	(38,878)	(33,517)	(35,308)	(36,699)	(35,336)	(27,553)
<b>Financial Ratios</b>						
Current Asset to Current Liability	0.12	0.13	0.23	0.16	0.26	0.16
Debt to Equity	0.75	0.42	0.62	0.50	0.63	0.87
Operating Profit Margin	44%	45%	46%	43%	38%	36%
Net Profit Margin	24%	27%	24%	25%	20%	19%
Return on Equity	67%	82%	92%	98%	84%	72%
Return on Total Assets	22%	25%	24%	25%	20%	17%
<b>Ordinary Shares Information</b>						
Ordinary Shares outstanding (in million)	1,350	1,350	1,350	1,350	1,350	1,350
Face Value per share	10	10	10	10	10	10
Cash Dividend on paid up capital <sup>1</sup>	250%	275%	130%	280%	205%	175%
Dividend payout <sup>1</sup>	98.91%	100%	51%	113%	106%	109%
NAV per Share <sup>2</sup>	36.94	38.59	28.40	27.28	23.25	23.04
Net Operating Cash Flow per Share <sup>3</sup>	42.82	24.86	42.50	44.74	42.78	34.18
Earnings Per Share <sup>3</sup>	25.28	27.54	25.56	24.71	19.36	16.09

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

<sup>1</sup> Including proposed dividend

<sup>2</sup> Based on BDT 10 equivalent ordinary share outstanding on 31 December

<sup>3</sup> Based on weighted average number of shares of BDT 10 each

Table – 2:

Inflation Adjusted numbers	2021	2020	2019	2018 Restated	2017 Adjusted	2016 Adjusted
<b>Financial Performance (in million BDT)</b>						
Revenue	109,020	112,277	122,108	119,095	121,809	114,862
Operating Profit	48,263	51,021	56,654	50,905	46,795	40,950
Profit before tax	46,347	50,507	54,314	49,176	44,024	37,127
Net Profit after tax	26,007	29,907	29,339	29,912	24,797	21,721
<b>Financial Position (in million BDT)</b>						
Paid-up Capital	10,290	10,860	11,478	12,107	12,806	13,503
Shareholders' equity	38,009	41,907	32,595	33,027	29,769	31,116
Total assets	124,215	119,176	126,425	124,368	123,502	130,500
Total liabilities	86,207	77,269	93,829	91,341	93,733	99,384
Current assets	7,519	7,987	17,849	11,986	19,593	10,941
Current liabilities	64,952	61,650	76,863	74,384	74,236	70,536
Non current assets	116,696	111,189	108,575	112,382	103,909	119,558
Non current liabilities	21,254	15,619	16,967	16,958	19,497	28,848
<b>Cash Flows (in million BDT)</b>						
Net cash generated from operating activities	44,056	27,000	48,784	54,165	54,791	46,152
Net cash used in investing activities	(14,315)	(9,021)	(12,124)	(27,076)	(12,276)	(19,839)
Net cash used in financing activities	(29,626)	(26,956)	(30,012)	(32,904)	(33,513)	(27,553)
<b>Inflation Rate</b>						
	5.54%	5.69%	5.48%	5.78%	5.44%	5.92%

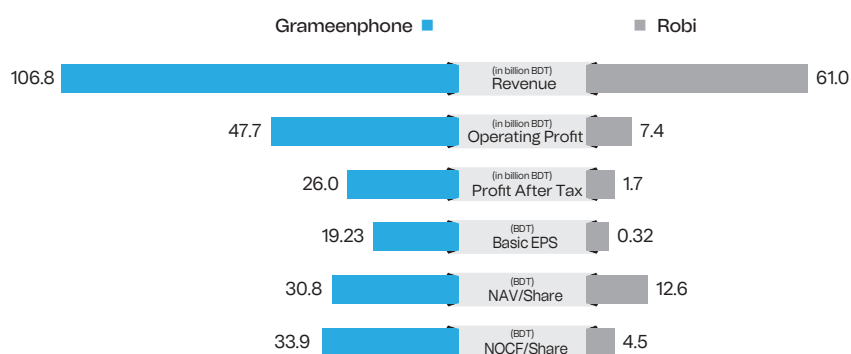
\*Inflation Rate Source: Bangladesh Bureau of Statistics

\*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 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 been enlisted with Dhaka Stock Exchange and Chittagong Stock Exchange on 24 December 2020 and thus enable for a comparative benchmarking. Following is the comparative peer review with Robi Axiata Limited and its subsidiary, based on its latest available 3<sup>rd</sup> Quarter/9 Months Un-audited Financial Statements:

#### Grameenphone VS. Robi (Jan-Sep'21)



### 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 in place to identify Financial Statement risks and implement mitigating controls. The Company has an integrated process that review risks arising from transactions, processes, and people, as well as from the external and regulatory environment. Each year, the Financial Statement risks are reviewed, involving control and process owners, to ensure that Financial Statement assertions are met.

Grameenphone follows a risk-based approach where both standard risks, common to all Telenor Business Units, and local risks, arising from local business processes, people, and regulatory environment, are addressed. Each risk is evaluated against a probability and impact matrix and categorised into a four-point rating scale (Very High, High, Medium, and Low).

Appropriate controls are designed and embedded in the processes to mitigate the identified risks to an acceptable level. 'Risk coverage' is carried out every year to update the control description and enhance control capabilities to ensure the effectiveness and efficiency of risk management.

#### Future Plan of Grameenphone 2022

Grameenphone will continue to capitalise on the data revolution by providing a greater customer experience and providing users more beneficial reasons to use the services. We will continue to invest in our technological capabilities, which will enable us to bring minds and ideas together. One of our focus areas going ahead is to grow responsibly with our partners and within our ecosystems; we will focus on managing our value chain ecosystem while at the same time make a big impact on Bangladesh. Grameenphone has been a partner of Bangladesh's development journey for more than the last two decades and going forward we see our role being strengthened in realising Bangladesh Govt.'s vision of becoming a digital economy and digitally connected society.

These ambitions in our strategy are broken down into the following four key Value Drivers:

1. **Grow Revenue:** Our focus is to continue as a strong customer-focused brand that empowers people with superior connectivity. This means increased focus on digital services made accessible through our growing digital channels, while continuing to focus on a high quality, consistent voice, and data experience across Bangladesh.
2. **Differentiate Data Network Experience:** We are focused on keeping our position as the best voice and data experience provider. This will be achieved through focused site rollout and supporting activities. Increasing readiness for new services within core and beyond and 5G will also enable us to maintain this perception for the future.
3. **Drive Modernisation:** To support our growth and network ambitions, we will continue to drive initiatives that focus on organisational leadership, culture and competence development, alongside continued modernisation in the Technology and Commercial areas.
4. **Responsible Business:** Grameenphone's responsible business strategy will be focused on further strengthening its social impact in the country while facilitating constructive dialogue on the relevant issues. We will drive this with an ambition to be recognised as a socially responsible, caring, modern technology services leader.

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.

We have been at a crossroads in tackling the prolonged Covid effect while building our future-ready capabilities to address leapfrogged customer behaviours. As we continue to face a fragmented value chain governed by a dynamic regulatory regime, we will remain proactive to address regulatory and industry issues and deliver on our strategic ambitions through strong market execution, adding more value to our customers lives.



**Yasir Azman**  
Chief Executive Officer

26 January 2022