

# Directors' Report

## For the Year Ended 31 December 2019

Dear Shareholders, on behalf of the Board of Directors and Management, I welcome you all to the 23rd Annual General Meeting (AGM) of Grameenphone Ltd. We have the pleasure to place herewith the Directors' Report and the Auditor's Report, together with the Audited Financial Statements of the Company, for the year ended 31 December 2019 for your valued consideration, approval and adoption.

### 2019: A Testament to Agility, Challenges and Strong Business Performance

Bangladesh has been on a significant growth trajectory, having become the world's seventh fastest-growing economy by the first quarter of 2019. Grameenphone's communication services have been an integral part of the journey, especially throughout 2019, by exploring innovative and agile ways to support the country's digitalisation ambitions. Through a company-wide focus on customer service, collaboration, co-creation, and innovation, Grameenphone excelled in business performance despite a challenging business environment.

Grameenphone started the year with solid investment plans. However, the challenges kept growing, with the added concern over the erroneous audit demand of BDT 125.8 billion (BDT 12,580 crore), under litigation with the authorities. Grameenphone has approached Bangladesh Telecommunication Regulatory Commission (BTRC) several times to initiate a constructive dialogue towards transparent and amicable resolution to the erroneous audit, however, BTRC did not consider Grameenphone's request and it remained unheeded. This regrettably shows a lack of willingness to find a solution based on the merits of the audit findings. Amid the increasingly challenging regulatory environment, the Company achieved strong business performance through modernisation and execution. New regulations posed some major challenges in the maintenance and expansion of the network.

While there were challenges, the company became more resilient, tested new and more agile ways of work and remained true to its core objective – connecting people to what matters most to them. The Company closed 2019 with 8.15% year-on-year revenue growth over 2018. The business recorded consolidated revenue of BDT 143.66 billion (BDT 14,366 crore) for 2019; earning a yearly average Daily Subscription & Traffic Revenue of BDT 369.21 million (BDT 36.92 crore), a 9.59% increase from that of 2018. Grameenphone's subscriber base grew to 76.46 million subscribers by the end of the year, registering a subscriber base growth of 5.13% from the end of 2018.

Data subscriber growth has been very encouraging as more people are upgrading their handsets to access new digital services and applications over Grameenphone's high-speed 4G/LTE data network. Over 2019, Grameenphone's data customer base hit 40.58 million users, or 53.1% of the total subscriber base. Data revenue has grown at a strong pace and allowed Grameenphone to record 16.98% year-on-year growth from data services.

As with previous years, financial results are underpinned by company-wide focus on operational excellence, customer service, market performance, collaboration and innovation.

Grameenphone continued in its social commitment through the expansion of the Child Online Safety initiative in collaboration with UNICEF and Telenor AS, as well as take more responsibility for the reduction of its carbon emissions from its own operations. We have further strengthened our commitment to establish a sustainable supply chain. Grameenphone's Supplier Conduct Principles (SCP) are based on internationally recognised standards around human rights, health and safety, labour rights, environment and anti-corruption.

### Telecommunication Industry Scenario

Bangladesh is a developing market economy. It's the 39<sup>th</sup> largest in the world in nominal terms and is classified among the Next Eleven emerging-market, middle-income economies and a frontier market. The Bangladesh economy continues to be among the fastest growing economies in the world and saw strong growth in the last fiscal year thanks to stable macro- and export-oriented industry-led growth. However, private sector investments remain insufficient along with declines in Foreign Direct Investment (FDI). World Bank (WB) has forecasted the Gross Domestic Product (GDP) growth rate of Bangladesh at 7.2 per cent for the fiscal year 2019-20, where the government's projection for the same fiscal year in the national budget was 8.2 per cent.



The Telecom sector of Bangladesh is quite formidable and inarguably has made a significant contribution towards Bangladesh's goal of becoming a middle-income country. At the end of 2019, there were 88.1 million unique mobile subscribers in Bangladesh, while total connection reached 164 million, representing connection penetration of 99.1%. The data market has seen steady growth of around 13% with total mobile internet connections standing at 99 million subscribers. With 50% unique mobile internet subscribers, there is still strong potential for further growth in data services.

In 2019, however, the growth of this sector has been turbulent due to various regulatory challenges as the MNOs and the telecom regulator found themselves entangled with issues like Audit, Tower Co. TVAS, VAT registration for BTRC, QoS of MNOs network, etc.

### Telecom Regulatory Environment

The Telecom regulatory environment in Bangladesh has been turbulent throughout the year and is likely to remain challenging for the foreseeable future. The Government still considers the telecom sector as a key revenue source for the national exchequer. In the last budget 2019-20, the taxes for this sector have been increased. Supplementary duty on talk time and data use have been increased from 5% to 10% and taxes on imported smartphones have been increased to 15%. Additionally, a fresh 10% tax on net profit has been imposed if any listed company retains more than 70% of current year's profit while turnover tax has increased from 0.75% to 2%. Finally, SIM tax has been increased from BDT 100 to BDT 200.

BTRC issued claims to both Grameenphone and Robi in the first quarter of 2019 to realise money from a disputed audit claim and subsequently imposed restrictive measures from the second quarter as means to apply pressure on the operators to realise the erroneous audit demand. In the second quarter of the year BTRC reduced internet bandwidth for both operators but later rescinded the order and bandwidth was restored. Since the end of July 2019, the regulator stopped issuing any NOC for equipment import, rollout, and for new products or services, impacting the network expansion plans of the top two mobile operators. These actions by the regulators adversely impacted on network quality and negatively affected customer experience.

The sector has undergone a value chain fragmentation process such as the introduction of the Towerco regime, and TVAS licensing, etc. Network expansion of the mobile operators was hampered by the Towerco regime remaining non-operational due to BTRC's intervention in the bi-lateral agreement process between the Towercos and MNOs. Terms and conditions of TVAS license had carved out the rights of MNOs to some extent. BTRC issued new directives on bulk SMS and corporate SIM sales which again was detrimental to business growth. Furthermore, new IGW and NTTN licenses were issued in the year. The dispute around VAT registration for BTRC came up at the discussion table but the problem is yet to be resolved. In February 2019, BTRC declared Grameenphone as an SMP (Significant Market Power) operator and since then, twice attempted to impose SMP directives, which subsequently did not sustain under legal scrutiny.

The licensing regime in Bangladesh still remains unpredictable and highly fragmented. Streamlining the regulations remains a challenge for the overall telecommunication industry. The regulator has attempted for unification of 2G, 3G and 4G licenses and initiated a consultation process but could not reach an aligned position. The discussions around spectrum pricing too ended without fruitful conclusion. With a view to launch 5G by 2021, BTRC has also initiated another consultation process with the relevant parties in which Grameenphone intends to participate.

### Capital Market Overview 2019

The Bangladesh stock market witnessed its second consecutive negative year with the index falling 28.7% in 2019. The liquidity crunch in the banking sector, gloomy macroeconomic outlook and policy alterations were some of the key drivers behind the negative market performance. Foreign turnover contribution dropped to 7.1% in 2019. While the insurance sector posted the highest gain in 2019, MNCs posted 15.4% yearly loss for 2019.

On the Dhaka Stock Exchange (DSEX), the broad and free-float weighted DSEX index dropped by 17.3% due to financial and large-cap stocks. Daily average turnover value decreased by 14.6% in 2019, compared to the preceding year. Grameenphone share price dropped by 22.2%, closing at BDT 285.8 at year-end with a daily average turnover value of BDT 68 million (BDT 6.8 crore). During the year, the highest value of Grameenphone share price was BDT 417.0 and the lowest was BDT 284.2. Grameenphone market capitalisation on 30 December 2019 stood at BDT 385.92 billion (BDT 38,592 crore), representing 11.4% of the DSE's total equity market capitalisation.

\*Source: Dhaka Stock Exchange

### Product & Services that connect people to what matters most

2019 has been a year for collaboration, innovation and achievements. Grameenphone's core focus was to explore and develop innovative and relevant new products and services that connect people to what matters most to them. However, due to the regulatory impositions, the company was unable to provide innovative services to its customers or invest in network upgradation or maintenance according to plan. Despite imposition of new SMP regulation, increased supplementary duty and SIM tax, and suspension of NOC-approval/intimations, etc. that affected pricing and offers, we focused on remaining transparent and true to our objectives, and providing the best customer experience within our scope.



In line with our strategic objective 'Best in voice and data network,' Grameenphone established a strong nationwide 4G network with 10,000+ BTS – the highest in the industry. 4G campaigns ran throughout the year to bring our customers under the 4G network for a seamless connectivity experience. The company reached deep sea areas with our coverage this year, mainly focusing on the fishermen at sea. On the voice front, the company launched monthly minute packs and a 48 paisa rate cutter to give customers greater convenience and better value. We ended the year with a strong 76.5 million sub-base and 40.6 million data users.

On the digital front, Grameenphone continued to maintain its focus in innovation, relevance and customer engagement. The Grameenphone Payment Orchestration Layer (POL) was launched to connect any gateway or payment processor available in the market and enhance online recharge capability in all digital channels. Grameenphone's self-care app MYGP was enhanced with new features like contextualisation of popular offers, Flexiplan pack gifting, internet loan, as well as 10% data bonus to enhance customer convenience and ensure relevance.

Grameenphone offered live stream services of the ICC World Cup 2019 on Bioscope and MYGP with exclusive Bangla commentary. To create greater affinity with customers we also launched a new point-based loyalty platform that was integrated through MYGP across all relevant channels. The year ended with 11 million active digital users.

Daily, weekly and monthly roaming data and mixed packs for roaming customers at very competitive prices were launched, connecting people beyond national borders through better value and added convenience. 4G handsets were offered at the lowest market price point to give our customers a better data and digital experience. Expanding its portfolio and diving deeper into digital services, Grameenphone launched new IoT products and services such as Smart Home, Smart Surveillance, Smart Attendance, GP Cloud Store, and WTTX routers to cater the connectivity needs of private homes as well as small to large businesses.

In 2019, a device micro-financing programme was initiated, in collaboration with Ferratum & Srijony, to reach rural women and empower them through voice and digital connectivity. As part of regulatory initiatives, changes in data pay-go contract, data campaign validity, supplementary duty, SIM tax and promotional SMS communication in Bangla were implemented across the industry. The company continued to explore new ideas to implement and add value to people's lives, while collaborating with the right partners to support our core objectives.

Grameenphone's quest to connect people to what matters most to them has not only driven financial performance, but also strengthened our brand equity. We received the Ookla Speed Test Award for the second consecutive year as the fastest data network in Bangladesh, and were presented with the Bangladesh Brand Forum Award as the best mobile phone service provider.

### Customer Experience

Grameenphone is committed to provide the best in class experience to its customers. In 2019, Grameenphone continued to digitise and modernise its products and services. The newly introduced online recharge platform has given customers more control and flexibility over their own connections. The MyGP app has been able to maintain a steady user base and continues to grow with the introduction of attractive new features on the platform. The company has been able to maintain its leading position in network quality through the Company's customer feedback system and pain-point reduction initiatives. As a result, customer perception has improved, and the Company has successfully retained its industry-leading position in the Net Promoter Score (NPS).

### Grameenphone driving new Technology in Bangladesh

2019 was a tremendous year of growth amidst intense regulatory challenges. Import of equipment was restricted from July 2019, however, Grameenphone managed to implement and rollout almost all of its growth drivers. In 2019, Grameenphone became the 4G network leader in Bangladesh, rolling out more than 10,000 LTE sites as well as being recognised as the fastest data network in the country. Within two years of launch, almost 50% of the total national data volume is now over our 4G network. This achievement signifies the prioritisation of 4G rollout in this increasingly data savvy and high LTE handset penetration market. In addition to 10,000 LTE sites in the 1800 band, Grameenphone has further launched LTE in 3 MHz of the 900 band in the Divisional Cities. This has ensured good indoor 4G coverage in the major cities.

Capacity of more than 3,200 3G sites was also enhanced to cater to the growing demand for 3G data volumes on the Grameenphone network. At the beginning of 2019, we successfully implemented a 100% data network across the country, meaning all of our base stations are equipped with 3G, 4G or both. Traffic steering and optimisation between 2G, 3G and 4G Technology has ensured that our subscribers receive the best voice and data experience on Grameenphone network.

As a further development VoLTE (Voice over LTE) is at the brink of launch. With all testing and network optimisation completed, the service is now awaiting regulatory clearance. With the launch of VoLTE, customers will be able to enjoy best in class voice calls with HD voice quality and reduced 1-2 second call set up time.



Grameenphone customers now enjoy superior video streaming on the 4G network. This has helped us enhance our very own video streaming service, Bioscope. Other digital services such as MyGP3.0, Tonic, Gpay, Flexiplan, GPMusic, Shoparu, and Shoparu logistics have all been revamped with new architecture and User Interface leading to an improved user experience. MyGP capacity has been enhanced to cater for eight million Monthly Active Users (MAU).

2019 has also seen significant demand for cross service bundling (i.e. telco + non-telco service bundles), which drove Grameenphone to derive and implement the required IT architecture into the system. Design and implementation of IT transformation and agile processes have helped in smooth service operations and product delivery. A Big Data-based Analytics Enabler Platform (AEP) was implemented to fulfil Grameenphone's ambition for personalisation. In accordance with regulatory requirements, Grameenphone has delivered on new VAT SRO directives and corporate on-boarding processes.

Grameenphone has started to transform from IT to Digital Technology. Our IT systems are API-enabled and we have adopted an 'API first' policy for any kind of application development. Cloud platforms are chosen as an enabler for scalability and robustness. Grameenphone has modernised its Information Security systems and processes, and as a part of that change a Defendable Architecture (DA) has been implemented in 2019.

Due to massive construction projects led by the Government, the whole telecom industry has faced a significantly higher number of fibre cuts in 2019 than ever in previous years, which has led to great challenges in maintaining network availability. However, armed with strong surveillance and field teams, the company has managed to be resilient in and reduced network downtime.

Altogether, 2019 was a year of strong network growth and great technological advancement, in line with the business success against a challenging regulatory environment.

### Staying Relevant through Modernisation, Agility and Workforce Diversity

Grameenphone is enroute to becoming a dynamic technology company through sustainable innovation by focusing on its agility and capability. The company is continuously up-skilling our resources with relevant skillsets to stay ahead of the curve in the market. The ICT and digital space continue to be our focus to catalyse our growth as the customers' preferred technology partner. An Agile Way of Work has already been applied in Skitto, Shoparu, MyLife, and in five other projects. Digital employee experiences through enhanced HR self-services continues to encourage and drive agility within Grameenphone.

Grameenphone's guiding principles continue to be strengthened through 'Telenor Behaviours' as part of our cultural initiatives. The company has championed Gender Diversity as a top priority in 2019. Female representation across all Divisional Management teams, involvement of promising females in critical projects are some of the key steps the company has undertaken. In 2019, we recruited 79.2% female employees externally including an exclusively female team of Territory Managers in the salesforce, for the first time in the history of Grameenphone – a feat that is also a national benchmark. We have also seen an inspiring 19% improvement in our Employee Engagement Index.

As part of our modernisation, Grameenphone has explored future-fit organisational-design leading to a de-layered organisation with optimised Span of Control, thus empowering the decision makers who are closer to the action. 2019 ended with a permanent headcount of 2,160.

Grameenphone has had one of its best performance relays in 2019. This has only been possible thanks to a capable and engaged workforce driving towards targets closely aligned with company's vision of Empowering Societies.

### Sustainability Initiatives toward Reducing Inequalities

Grameenphone continues to leverage its digital services and connectivity in innovative ways to address social and environmental challenges. The company is committed to partnering with responsible and impactful social partners to reduce inequalities and empower societies within our field of expertise. The core focus remains on the UN SDG #10 – Reduced Inequalities, and responsible business practices.

In 2019, the company continued on its journey to reduce inequalities through our Child Online Safety program, in partnership with UNICEF and Telenor. The programme aims to create a safer online experience for children. In 2019, the programme directly trained over 590,000 children in over 375 schools and over 1,600 adolescent clubs; the programme also sensitised over 200,000 parents, teachers and guardians. The Child Helpline 1098 with UNICEF continues to play a vital role in providing support to children and adolescents in need of counselling. Significantly, the company's social advocacy campaign on online safety reached over 13 million viewers on social media. The programme also initiated 100 Safe Clubs in 100 schools with an ambition to ensure that online safety practices become a part of daily life.

The company has further bolstered our commitment to establish a sustainable supply chain by ensuring 100% supplier code endorsement, over 800 supply chain inspections and more than 8,000 man-hours of capacity building through on-site and

classroom training. Grameenphone's Supplier Conduct Principles (SCP) are based on internationally recognised standards around human rights, health and safety, labour rights, environment and anti-corruption.

### **Moving toward a reduction in Carbon Footprint**

Grameenphone continually strives to reduce the environmental impact of its operations and services and aims to promote a low-carbon emission society. The company's first priority has been to reduce CO<sub>2</sub> emissions generated from our own operations by improving system efficiency and reducing of overall energy consumption. Grameenphone aims to optimise energy consumption by: i) reducing the dependency on diesel generators, ii) increasing the use of solar energy, and iii) reducing operational travel time. Grameenphone actively works on limiting the use of valuable resources by creating greater environmental awareness among employees and stakeholders.

As a part of its journey towards de-carbonisation, Grameenphone has also initiated several green initiatives to reduce its carbon footprint individually and collectively. Detailed information on the initiatives of the Company towards climate initiatives is provided in the Climate Change section of the Annual Report.

### **Health, Safety and Security**

Grameenphone continuously focuses on improvement of HS&S to facilitate a congenial work environment for its stakeholders i.e. own employees, business partners, vendors and visitors, etc. as an integral part of Grameenphone's core business value. Grameenphone promotes proactive behaviour alongside relevant precautionary practices among its employees and relevant stakeholders to uphold the HS&S culture.

HS&S values are applied consistently from the designing phase of any infrastructure/installation to implementation of safe systems and procedures across the organisation. To evaluate existing conditions and devise a risk-free environment, Grameenphone conducts routine risk assessments and implements control mechanism in the workplace to mitigate any hazards or risks, as per international guidelines, local laws and best practices.

Considering the high risk posed by the transport sector, preventive measures have been incorporated into Grameenphone's transport management system through reinforcement of safety rules such as mandatory seatbelt usage in vehicles, helmet usage for motor bikes, lifejacket usage during waterway travel, and remote limiting of vehicle speeds within a safe range. Different levels of monitoring mechanism have been introduced and checked round the clock on a daily basis.

OneGP, a mobile application for our employees, has also been integrated for employees to proactively address potential hazards and mitigate them on time. Parallel to that, a 24/7 HS&S hotline continues to support employees in order to offer first response in case of breach or detection of hazardous conditions. Ninety training and awareness sessions, covering 1,317 employees and 940 partner resources across the country, were conducted in 2019. A comprehensive annual health check-up was conducted covering 992 employees. Quarterly awareness on psychosocial well-being was carried out to educate employees on healthy lifestyle choices. The Grameenphone fitness & recreation centre is a key component of employee engagement to enhance physical and mental endurance.

Grameenphone Management is committed to improving the HS&S culture and have participated in various HS&S sessions themselves to drive the message across the organisation. The Circle HS&S committee regularly monitors OHS performance in the circles to embed the HS&S culture amongst regional employees and other stakeholders. Moreover, a series of HS&S awareness campaigns were initiated throughout 2019 to maintain the momentum and drive in the importance of the HS&S culture in the Company. Emergency evacuation drills were conducted in all circles. Risk mapping, risk assessment, vehicle inspection, background verification, hazard reporting and mitigation were continued throughout the year. Last but not the least, a HS&S management system review was carried out to re-evaluate and mitigate any new or unaddressed workplace risks.

### **Corporate Governance**

Grameenphone is committed to continually upholding the highest standards of Corporate Governance. We recognise that a robust and sound governance framework is vital in providing a solid foundation for sustainable long-term success of our business and the value creation for GP's stakeholders. The Board of Directors and Management of Grameenphone are pledge bound to continue implementation of the highest standards of Corporate Governance in the Company through a culture of accountability, transparency and well-understood policies and procedures. The Board of Directors of Grameenphone has always played a pivotal role in meeting all stakeholders' interests and is committed to upholding the same in the future as well.

In line with the same, the Company has complied with the conditions as stipulated in the Corporate Governance Code issued on 03 June 2018 by BSEC. In this connection, the status of compliance has been annexed to this report as Annexure-I. Furthermore, a certificate of compliance from ACNABIN, Chartered Accountants, confirming compliance of conditions of Corporate Governance Code, as stipulated under condition 9(i) of the BSEC Code is also annexed to this report as Annexure-VI.



Disclosure/Statements Pursuant to the Provisions of the BSEC's Corporate Governance Code 2018

● **Industry Outlook and Possible Future Developments**

The mobile market value is expected to continue to grow in 2020. Voice continues to be a major player in the market revenue growth, however, current trends indicate that the over the top (OTT) usage will also be growing significantly in the coming months and years. Judging by the steady growth of data usage, the mobile industry will play a pivotal role in transforming the lifestyle of the citizens of Bangladesh. Rapid expansion of mobile broadband and growing smartphone penetration has already facilitated the development of relevant digital content locally. The emergence of new digital services, convergence of technologies/IoT, increased financial inclusion, and falling smartphones prices have resulted in a huge appetite for high speed data.

Telecom and ICT is a highly focused area for the current Government. By 2021, the Government aims to achieve 100% tele-density, 65% internet penetration, fixed-broadband access to at least 50% of the people, and set up 4,553 unions with optical fibre connectivity. Under the Digital Bangladesh vision, the Government plans to create a knowledge-based economy where the production of goods and services are based on knowledge-intensive activities. All initiatives are focusing on e-governance, connecting citizens, developing IT-based human resources and promoting the ICT industry.

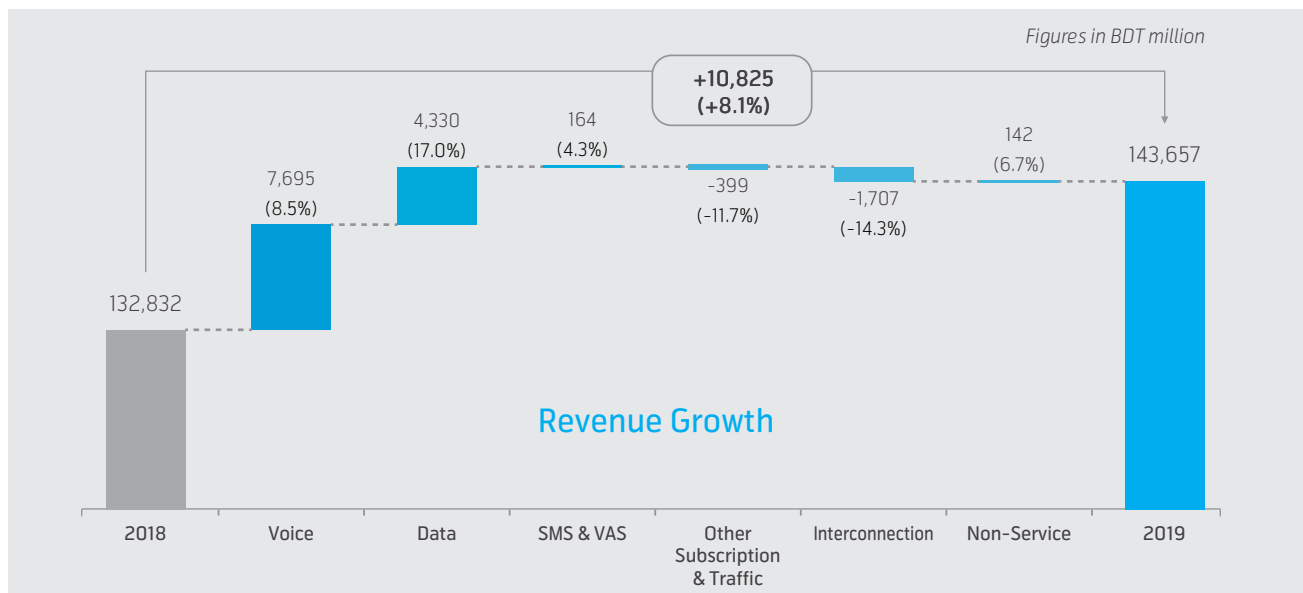
The Government has already established 5,275 digital centres across country to provide 200 types of service to 120 million citizens, starting from birth registration to an online grievance redress system. The Government also aims to boost income from the ICT outsourcing industry up to USD 5 billion by 2020 and has undertaken large scale projects for IT infrastructure, including the establishment several ICT/Hi-tech parks and a tier-IV data centres.

Given the current scenario of Bangladesh Telecom market and Government's ambition of Digital Bangladesh, both the Government and the mobile telecom industry have exciting opportunities for collaboration to accelerate digital transformation for millions of citizens. In order for that to happen, Government, Industry players and all the value chain partners would need to work together. At the moment there are worrying signs with respect to the Government's ability to facilitate the necessary conducive environment for such a transformation.

● **Segment/Product Wise Performance**

Grameenphone essentially provides similar products and services to customers across the country; and reviews revenue performance of its services. A relevant disclosure is provided in the notes to the Financial Statements.

Grameenphone posted BDT 143.7 billion of total revenue for the year 2019 with 8.1% increase compared to the previous year. The growth in total revenue was mainly driven by voice and data services partly offset by lower revenue from interconnection.



Voice revenue has increased by 8.5% from 2018 owing to eight (8) months of favourable impact from the unified tariff implementation in August 2018, partly offset by seven (7) months of unfavourable impact from additional 5% Supplementary Duty implementation in June 2019. Grameenphone added 3.7 million subscribers in 2019 despite increased SIM tax since July 2019 and has seen no dilution in blended Service ARPU (average revenue per user).

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Data revenue has increased by 17.0% from 2018 mainly driven by 9.5% growth in the number of data users and 77.2% growth in data volume in 2019. Data user penetration in Grameenphone's sub-base reached 53.1% in 2019, which was achieved through rolling-out more than 10,000 4G sites, focused investment for network capacity & coverage expansion as well as bringing competitive product & market offers.

'SMS and VAS' includes Content service, SMS and MMS revenue, which grew by 4.3% in 2019.

'Other Subscription & Traffic' mainly includes revenue from bundled services, outbound roaming services and USSD revenue from mobile-financial services. Bundled services revenue was lower, mainly due to a modality change, which was partly offset by growth in USSD revenue in 2019.

Interconnection revenue is generated from the incoming traffic which are originated from outside Grameenphone network. Interconnection revenue was lower by 14.3% in 2019 compared to 2018 following a decrease in incoming minutes from international operators owing to global trend of increased proliferation of OTT services. Additionally, the new domestic interconnection call termination rate introduced by BTRC in the latter part of 2018 had 8 months impact in 2019 and led to only 0.8% growth in domestic interconnection revenue.

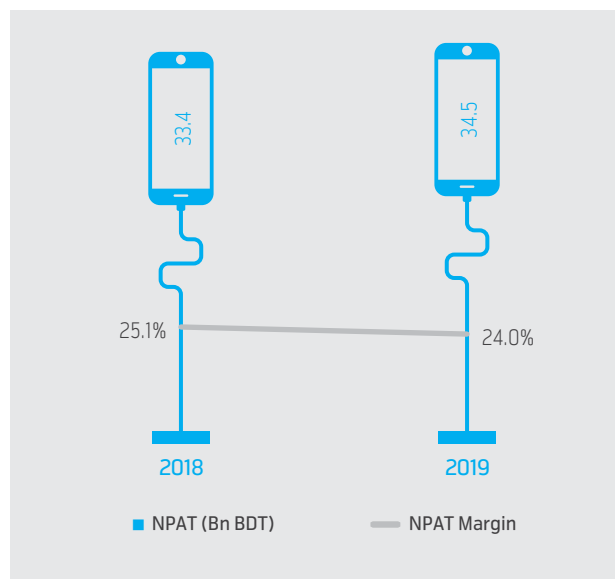
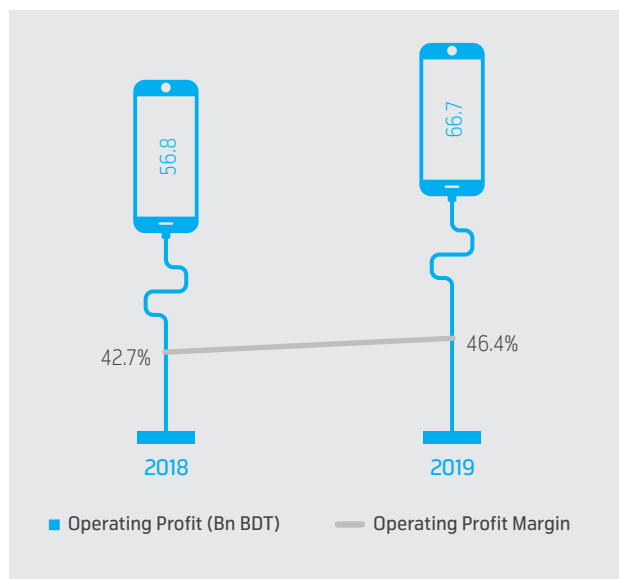
'Non-Service Revenue' segment includes customer equipment, i.e. sales of handsets, internet modems and Vehicle Tracking Systems, and revenue from telecom infrastructure sharing, commission from financial services, etc.

● **Review on Operating Expense, Operating Profit Margin and Net Profit Margin**

Operating expenses consist of cost of material and traffic charges, salaries and personnel cost, operation and maintenance, sales, marketing and commission, revenue sharing, spectrum charges and license fees, depreciation and amortisation expense, and other expenses. Operating expense for 2019 was BDT 77 billion with 1.2% increase compared to last year. The growth in operating expense mainly came from cost of material and traffic charges, commissions, revenue sharing and depreciation, which was mostly offset by robust control over other operating expenses, resulting into growth in operating profit of BDT 9.9 (+17.4%) billion from last year.

In 2019, Grameenphone transitioned from IAS17 to IFRS16, and thereby recognised right-of-use assets and lease liabilities for the leases. This favourably impacted operating profit as BDT 1.1 billion was recognised as Finance cost under IFRS16.

Net profit after tax for 2019 was BDT 34.5 billion with a margin of 24.0%. BDT 1.2 billion growth in net profit after tax came from BDT 9.1 billion growth in profit before tax, which was partly offset by higher tax expense of BDT 7.9 billion, mainly due to higher profit before tax, tax provision for non-deductible expenses and adjustments during the year. As a result, Earnings Per Share (EPS) for the year 2019 stood at BDT 25.56 as compared to BDT 24.71 (restated) for the 2018.



\* 2018 figures are restated



## ● Risks & Concerns

Every business faces uncertainties or risks in its operating environment, which, if not managed and mitigated, would not only disrupt the achievement of its strategic and operational objectives but may also cause losses that could result in financial and reputational loss as well. As with other co-existing companies, Grameenphone's business is also exposed to diverse risks that arise both from internal as well as external fronts. Apart from uncertainties stemming from an unstable regulatory regime, the Company has always been prepared for issues such as competing markets, operational issues, legal knots, interest and exchange rate volatilities, and potential changes in policies at the national or global level. However, Grameenphone has a befitting risk management policy and a periodic monitoring system to address the concerns and uncertainties that are likely to hit the Company's business activities, operations, liquidity and financial position for future performances. This aspect is discussed in the "Enterprise Risk Management" section of the Annual Report on page 57.

## ● Extraordinary gain or loss

As per IAS 1 Presentation of Financial Statements, no items of income and expenses are to be presented as 'extraordinary gain or loss' in the financial statements. Accordingly, no 'extraordinary gain or loss' has been recognised in the Financial Statements.

## ● Related Party Transactions

All transactions with related parties have been made on a commercial basis. Details of related parties and related party transactions have been disclosed in note 41 to the Financial Statements 2019 as per the requirements of relevant IFRS.

## ● Utilisation of Proceeds from IPO

The Grameenphone Initial Public Offering (IPO) was made in 2009 and the fund raised thereby has already been utilised by 30 June 2010 as reported to the regulators. No further equity instrument has been issued since then.

## ● Significant Variance of Financial Statements

No significant variations have occurred between quarterly and final financial performances of the Company during 2019 except for the capitalisation of Right-of-use assets for the initial application of IFRS 16 Leases for the first time in 2019. This aspect is discussed in Note 3.17 and Note 6 on the Financial Statements 2019.

## ● Director Remuneration

No remuneration was given to the Directors of the Board apart from attendance fees in connection with Board and Board Sub-Committee meetings. During the year 2019, attendance fees in connection with Board and Board Sub-Committee meetings were BDT 865,161, which includes the attendance fees to the Local Directors only (2018: BDT 1,325,562, which included payment to Local Directors and amount provisioned for the Foreign Directors). Foreign Directors have decided not to receive the attendance fees of the past and future periods and accordingly, the amount that was provided for in the accounts so far against the attendance fees of the Foreign Directors is reversed this year.

## ● Directors' Declaration on the Financial Statements

The Board is responsible to present a true and fair view of the Company's financial performance and position as a part of good governance; and to that end the Directors confirm to the best of their knowledge that:

- The Financial Statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgements;
- International Financial Reporting Standards (IFRSs) have been followed in preparation of the Financial Statements and any departure therefrom has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored; and
- There is no doubt upon the Company's ability to continue as a going concern.

## ● Declaration of the CEO and the CFO on the Financial Statements

As required under BSEC's Corporate Governance Code, the declaration by the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on Financial Statements 2019 to the Board as prescribed is annexed to this report as Annexure-IV on page 92.





- **Minority Interest**

Grameenphone believes that good Corporate Governance involves open and trusting cooperation between all stakeholders involved in the Company, including the owners of the Company – the Shareholders. The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency and accountability. The Board of Directors shall at all times act in a manner that will be in the best interest of the Company.

- **Management’s Discussion and Analysis**

Management’s Discussion and Analysis signed by the CEO presenting detailed analysis of the Company’s position and operations along with a brief discussion of changes in the financial statements and other requirements of the Corporate Governance Code is disclosed in Annexure-V of this report on page 93.

- **Other Disclosure**

- The financial results of the Company have continued to improve since the IPO in 2009 as reflected in the yearly Financial Statements.
- All significant deviations from the previous year in the operating results of the Company have been highlighted and reasons thereof have been explained.
- The key operating and financial data for the last six years have been disclosed under Financial Analysis section of this Annual Report on page 64.
- Grameenphone has declared interim dividend and recommended final dividend for the year 2019.
- Grameenphone has not declared Bonus Share as Interim and Final Dividend in 2019.
- During 2019, a total of 13 (thirteen) Board meetings were held, which met the regulatory requirements in this respect. The attendance records of the Directors are shown in Annexure-II of this report on page 91.
- Shareholding pattern of the Company as on 31 December 2019 is shown in Annexure-III of this report on page 91.

## Annual Results and Allocations

The Directors take pleasure in reporting the financial results of the Company for the year ended 31 December 2019 and recommended the appropriation as mentioned in the ‘Appropriation of Profit’ table below:

Figures in BDT million

	2019	2018 Restated
<b>Profit available for Appropriation</b>		
Profit/ (Loss) after tax	34,517	33,363
Other comprehensive income (loss), net of tax	77	(211)
Un-appropriated profit brought forward from previous year	15,477	13,762
Adjustment on initial application of IFRS 15 as at January 2018	-	2,678
Impact of correction of errors*	-	(3,733)
<b>Total Amount available for Appropriation</b>	<b>50,070</b>	<b>45,859</b>
<b>Appropriation</b>		
Final Dividend Paid for Previous Year	(20,930)	(13,503)
Interim Dividend Paid for Current Year	(12,153)	(16,879)
Closing Retained Earnings at year end (before Proposed Final Dividend)	16,988	15,477
Proposed Final Dividend for the year (2019: 40% cash and 2018: 155% cash)	5,401	20,930
<b>Retained Earnings after Proposed Dividend</b>	<b>11,587</b>	<b>(5,453)</b>

\* There was an adjustment in the opening balance of retained earnings for the year 2018 for correction of errors of BDT 3,733 million which has reduced the available amount for appropriation. A disclosure regarding the correction of errors is given in note 3.18 to the Financial Statements.

## Contribution to the National Exchequer

Being one of the largest contributors to the National Exchequer for the last several consecutive years, the collective contribution of Grameenphone from inception up to December 2019 was BDT 754.5 billion. During 2019 alone, the Company contributed BDT 85.05 billion to the national exchequer which represents about 59.2% of Grameenphone’s total revenue of 2019. Grameenphone has paid BDT 30.7 billion corporate taxes during 2019.



## Dividend

For the year ended 31 December 2019, the Board of Directors of the Company has paid an Interim Cash Dividend @ 90% of the paid-up capital amounting to BDT 12,152,700,198 which was BDT 9.00 per share of BDT 10 each. Now, the Directors are pleased to recommend a Final Cash Dividend @ 40% of the paid-up capital amounting to BDT 5,401,200,088 which is BDT 4.00 per share of BDT 10 each for the year 2019 out of the divisible profits of the Company for consideration and approval of the Shareholders for distribution. Inclusive of the Interim Dividend of 90% paid already, this would make a cumulative total dividend @ 130% of the paid-up capital of the Company which represents 50.86% of the Profit After Tax for the year 2019 amounting to BDT 17,553,900,286.

The above recommendation of dividend is as per the Board approved dividend policy

## Board of Directors

The composition of the Board of Directors who held office during the year was as below:

1. Mr. M Shahjahan, Grameen Telecom, Director
2. Mr. Md. Ashraful Hassan, Grameen Telecom, Director
3. Mr. Haakon Bruaset Kjoel, Telenor Mobile Communications AS, Director
4. Ms. Parveen Mahmud, Grameen Telecom, Director
5. Mr. Oivind Burdal, Telenor Mobile Communications AS, Director
6. Prof (Dr.) Jamilur Reza Choudhury, Independent Director
7. Mr. Petter Boerre Furberg, Telenor Mobile Communications AS, Director and Chair
8. Dr. Salehuddin Ahmed, Independent Director
9. Mr. Irfan Wahab Khan, Director [effective from 30 June 2019]
10. Mr. Lars Erik Tellmann, Director [effective from 11 December 2019]

## Changes in the Board

During the period under review, there were a number of changes in the Board. Mr. Irfan Wahab Khan joined the Board in June 2019 in place of Mr. Witold Sitek and Mr. Lars Erik Tellmann joined the Board in December 2019 in place of Mr. Gunnar Johan Bertelsen. The Board welcomes Mr. Irfan Wahab Khan and Mr. Lars Erik Tellmann to the Board and looks forward to their enriching contribution to the governance of the Company.

The Board of Directors would also like to take this opportunity to deeply thank and bid farewell to two esteemed Board members for their invaluable contribution to the Board over the years and helping the Board discharge its governance responsibilities towards the Company. The Board wishes them the very best for their future.

## Directors' Appointment & Re-Appointment

With regard to the appointment, retirement and re-appointment of Directors, the Company is governed by its Articles of Association, the Companies Act, 1994 and other related legislations. Accordingly, the following Directors of the Board will retire at this Annual General Meeting. They are, however, eligible for re-appointment:

1. Mr. M Shahjahan
2. Mr. Oivind Burdal
3. Mr. Lars Erik Tellmann

As per the Corporate Governance Code 2018, the tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term. Accordingly, Prof. (Dr.) Jamilur Reza Choudhury, Independent Director is in his 2<sup>nd</sup> term of office and we will place this in the upcoming AGM for approval by the shareholders. Dr. Salehuddin Ahmed, Independent Director is in his 1<sup>st</sup> term of office.

Brief profiles of the Directors being proposed for re-appointment are given on page 31 of the Annual Report, which fulfil condition 1(5)(xxiv) of the Corporate Governance Code of BSEC.

## Appointment of New Chief Executive Officer (CEO)

The Board has appointed Mr. Yasir Azman as the Chief Executive Officer of Grameenphone, with effect from 01 February 2020 in place of Mr. Michael Patrick Foley, who served the Company since May 2017. On this occasion, the Board of Directors would like to thank Mr. Michael Patrick Foley for his valuable contributions to the Company. Mr. Michael Foley has delivered strong financial results in the years he has served as the CEO and led the digital transformation of Grameenphone.

### Appointment of Auditors

As per the Companies Act 1994 and the Articles of Association of Grameenphone, the statutory auditors of the Company, A Qasem & Co, Chartered Accountants, shall retire at this AGM. The Firm, being eligible, has offered their willingness to be re-appointed. The Board recommends their re-appointment for the year 2020 and continuation till the next AGM at the fee of BDT 3.0 million plus VAT.

### Outlook 2020: Agility towards continuing growth

Looking at the new year we are confident that the Company will move forward and achieve new heights. 2020 will probably see similar regulatory challenges and perhaps new asymmetrical directives aimed at slowing down Grameenphone's progress in the market. However, the company has amply demonstrated the agility within the company to face very disadvantage head-on and find a way to grow. As we build for the future, we continue to focus on running our Company with the same rigour and discipline that is expected from us. We believe we have the right assets and long-term strategy in place for sustainable growth.

The telecommunication market in Bangladesh continues to have immense potential for all MNOs and we will do our part to secure our share. In this rapidly evolving and challenging marketplace protecting the interest of our shareholders, providing value to our customers, and continuing to build a strong network in the country remains our priority in 2020. We are committed to our focus on acquiring quality subscribers, while continuing to invest in our strong network and distribution ecosystem to ensure connectivity and access to all the people of Bangladesh.

### Appreciation

The Board of Directors expresses its appreciation to all stakeholders in the company for their support. We would like to particularly thank our shareholders, the management team and employees for the trust bestowed on the Board. The members of the Management Team and the employees have demonstrated their commitment to the Company in the face of a turbulent year; their actions at mitigation and pivoting has enabled Grameenphone to prosper, innovate, collaborate and grow despite occasional setbacks.

In over 22 years of operations in Bangladesh, 2019 has the most turbulent for Grameenphone but the Company has proven its resilience to sustain and grow. Our more than 76 million valued subscribers also deserve our gratitude for the trust that they have bestowed on us. We are confident that with the strengths and resources we possess, we can overcome any new challenges ahead and bring even greater innovation into the fold.

We hope to continue to play a role in the Bangladesh economy and create value for our Shareholders.

For and on behalf of the Board of Directors of Grameenphone Ltd.



**Petter Boerre Furberg**

Chair

27 January 2020

