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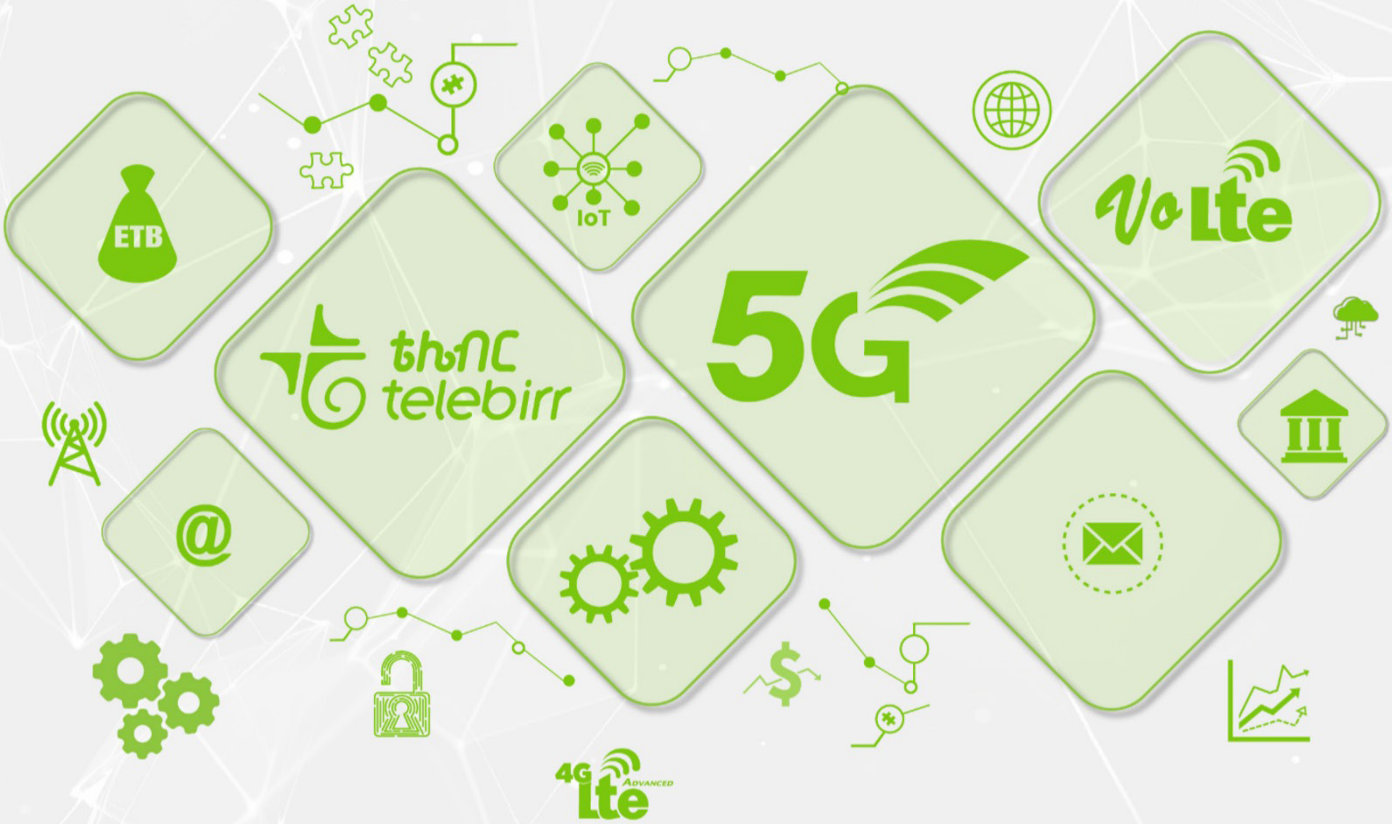
Ethio telecom Share Company Ordinary Share Sale Prospectus



16 October 2024

Realizing Digital Ethiopia

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

This prospectus (the "Prospectus") relating to Ethio Telecom Share Company (the "Company") is issued under the provisions of the Capital Market Proclamation No. 1248/2021 (the "Capital Market Proclamation") for the purpose of giving information to the public regarding the offer of the ordinary shares (the "Ordinary Shares") of the Company (the "Offer") as described in Section 13 of this Prospectus (Details of the Offer). This Prospectus and the Ordinary Shares it offers have been registered by the ECMA under Article 75 and Article 76 of the Capital Market Proclamation.

The registration of this Prospectus and the securities that it offers with the ECMA should not be construed as an endorsement of the Company or a recommendation of the securities that are the subject of this Prospectus. The ECMA assumes no responsibility for the correctness of any statements made, opinions or reports included in this Prospectus.

The Company, the directors (the "Directors") and the executive management (the "Executive Management") of the Company whose names appear in Section 6 of this Prospectus (Directors and Corporate Governance), and Ethiopian Investment Holdings ("EIH"), accept full responsibility for the information contained in this Prospectus. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information or make the expression of such information or opinion misleading or untrue.

Investing in this Offer involves risks. Therefore, this Prospectus should be read in its entirety and, in particular, Section 10 of this Prospectus (Risk Factors), for a discussion of certain risk factors which should be considered by prospective investors in connection with any investment in the Offer.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from an appropriate authorised or licensed independent financial advisor in accordance with applicable Ethiopian law.

Ethio Telecom Share Company

(Incorporated and registered in Ethiopia with Principal Registration number MT/AA/5/0016147/2004)

This Prospectus relates to the sale of 100,000,000 Ordinary Shares at a fixed Offer Price of ETB 300 per share.

Transaction Advisor
D and T ETHIOPIA MANAGEMENT CONSULTING PLC
("Deloitte")

Legal advisor
Tamrat Assefa Liban Law Office

Ordinary Shares as at the date of this Prospectus

Number	Nominal value (ETB)
1,000,000,000	100,000,000,000

IMPORTANT INFORMATION

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities other than the Offer Shares or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, the Offer Shares by any person in any jurisdiction except Ethiopia.

Except in Ethiopia, no action has been taken or will be taken in any jurisdiction that would permit a public subscription of the Offer Shares pursuant to this Prospectus or the possession, circulation or distribution of this Prospectus. Accordingly, the Offer Shares shall not be offered or sold, directly or indirectly, and this Prospectus or any other offering material or advertisement or other document or information in connection with the Offer Shares shall not be distributed or published, in or from any jurisdiction other than Ethiopia.

Any forwarding, redistribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the applicable laws of other jurisdictions. Nothing in this electronic transmission constitutes an offer of securities for sale in any other jurisdiction except Ethiopia. The Offer Shares have not been and will not be registered with any securities regulatory authority of any other jurisdiction or any other country except Ethiopia and, may not be offered, sold, pledged or otherwise transferred in any other jurisdiction or country except Ethiopia.

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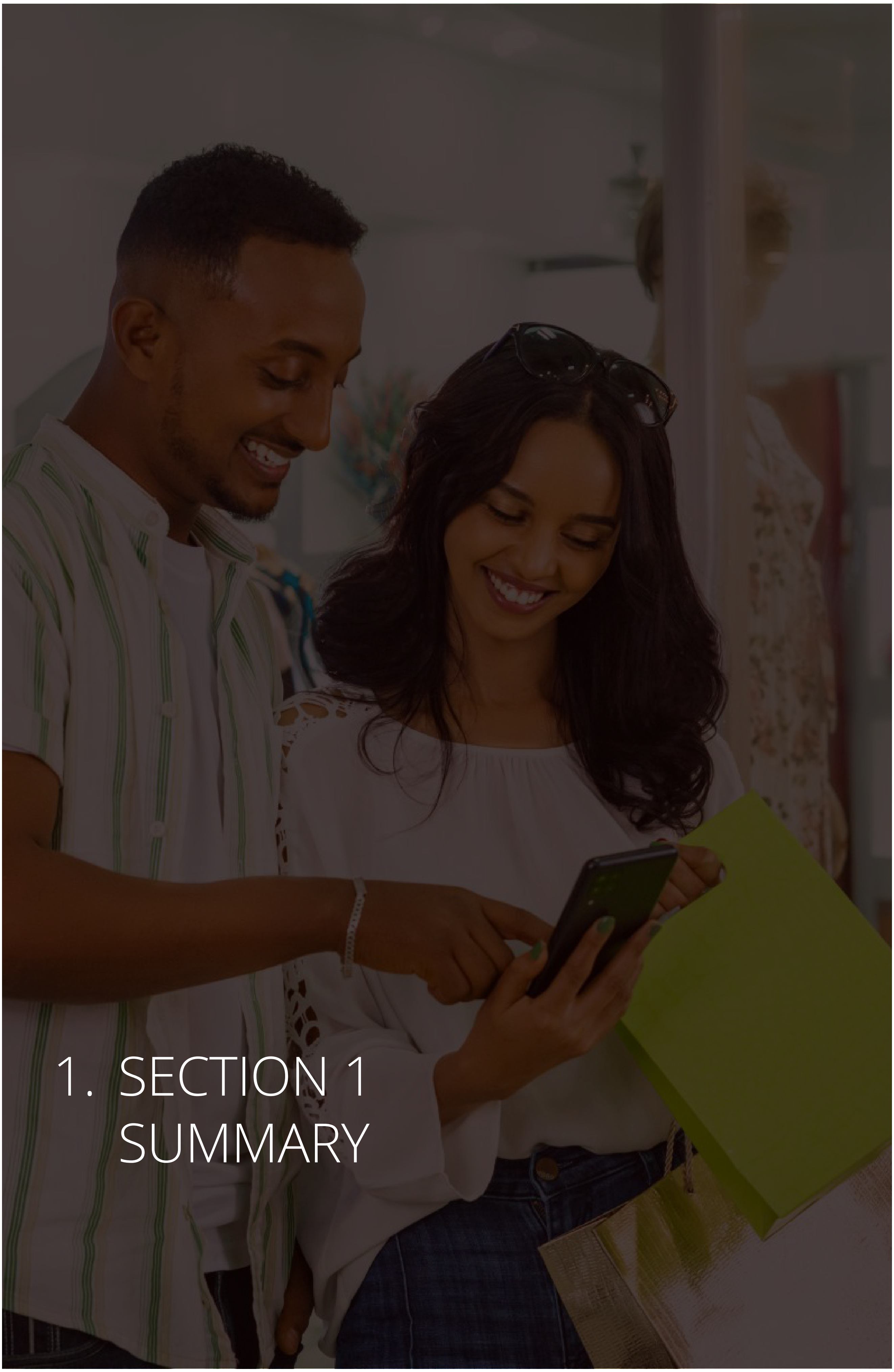


1. SECTION 1 SUMMARY

This summary should be read as an introduction to the Prospectus only. Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole.

1.1. Key information on the Company

1.1.1. The name and domicile of the Company

The legal name of the Company is Ethio Telecom Share Company and its commercial name is Ethio Telecom. The Company is domiciled in Ethiopia. The Company was registered as a Share Company on 1 July 2024 in accordance with the Commercial Registration Proclamation.

1.1.2. Description of the Company

The Company is one of the oldest telecom providers in Africa, having provided telecommunication services over the last 130 years to the population of Ethiopia, building a well-established and recognised brand, trusted across Ethiopia. Prior to the opening of the Ethiopian telecoms market with the entrance of Safaricom in July 2021, the Company was the sole participant across the country, and as at 30 June 2024 had a 94.5% market share with a total telecom subscriber base of 78.3 million. The Company principally operates in three operating segments, being Telecoms, Infrastructure Sharing, and Mobile Financial Services.

The Company's core operating segment is its Telecoms offering which offers an integrated suite of fixed and mobile services serving voice, and data & internet customers. The Company provides subscribers with market-leading services and access through its infrastructure network. The Company's mobile network architecture is designed to accommodate a spectrum of technologies, including 2G, 3G, 4G, and 5G. As at 30 June 2024, the Company has 2G-enabled networks across 99.2% of the population with a 86.2% geographic coverage, and 3G-enabled networks across 98.7% of the population, providing comprehensive coverage. In addition, 4G technologies have been successfully rolled out in 424 cities across Ethiopia, covering 34.6% of the population. As at 30 June 2024, the Company has successfully implemented 5G-enabled networks in 5 cities.

As at 30 June 2024, the Company had 8,538 network towers, of which 8,343 are Mobile Sites, 160 are repeater and optical sites, and 35 are CDMA sites.

The Company, as at 30 June 2024, owned the largest spectrum holding in Ethiopia at over 300+ MHz across 450, 800, 850, 900, 1800, 2100, and 2600 MHz bands. The Company has developed an expansive optical fibre network, covering 21,693Km.

The Company has entered into several strategic partnerships with international telecommunication service providers to ensure international travellers have access to the Company's telecom services when in the country. Additionally, the Company is the leading provider of mobile and technology devices in Ethiopia.

The Company additionally has a significant distribution and sales network with 976 sales outlets and 303,018 local strategic distribution partners as at 30 June 2024 ensuring accessibility and proximity to customers.

In its Infrastructure Sharing segment, the Company allows Safaricom to share in the Company's extensive infrastructure. The Safaricom Infrastructure Agreement was signed in April 2022 and infrastructure sharing began in October 2022. As at 30 June 2024, a total of 1,310 of the Company's towers were shared under this agreement.

In its Mobile Financial Services segment, the Company successfully launched Telebirr in May 2021, which is the Company's mobile financial services solution. During the year ended 30 June 2024 the Company facilitated 547 million transactions at a transaction value of ETB 1,842 billion and had 47.5 million Telebirr subscribers as at 30 June 2024. Telebirr is considered the leading mobile financial service offering currently available in Ethiopia and the Company is leveraging this success in its ambitions of bridging the financial inclusion gap by launching innovative financial products such as microcredit and micro savings in partnership with Dashen Bank and CBE.

1.1.3. Principal activities of the Company

The Company principally operates in three segments, being; Telecoms, Infrastructure Sharing, and Mobile Financial Services.

The Company is Ethiopia's leading provider for telecommunication and mobile financial services. The Company offers an integrated suite of telecommunication solutions to its subscribers which includes mobile voice (pre and post-paid), fixed voice, data & internet (mobile or fixed broadband), international, and devices sales. The Company offers infrastructure sharing through the Safaricom Infrastructure Agreement and mobile financial services through its Telebirr product.

A summary of the Company's revenue and KPIs by operating segment is set out in the table below:

ETB	Year ended 30 June		
	2024	2023	2022
Revenue (millions)			
Telecoms	87,580	69,976	59,443
Infrastructure Sharing	1,473	793	n/a
Mobile Financial Services	2,318	757	6
Revenue from contracts with customers	**91,371**	**71,526**	**59,449**
Telecoms revenue segmentation (millions)			
Mobile voice	44,127	38,089	33,803
Fixed voice	875	603	538
Data & internet	24,048	20,373	16,551
International	10,655	7,039	6,834
Subscription	563	285	305
Devices	4,748	3,412	1,412
National interconnection	396	176	n/a
Enterprise solutions	2,168	n/a	n/a
Total telecoms revenue	**87,580**	**69,976**	**59,443**
Key Performance Indicators			
Telecoms			
Average mobile voice subscribers (m)	72.6	67.7	59.5
Prepaid subscribers (m)	72.2	67.4	59.3
Post-paid subscribers (m)	0.4	0.3	0.3
Average mobile broadband subscribers (m)	37.1	24.6	22.0

ETB	Year ended 30 June		
	2024	2023	2022
Total mobile subscribers (m)	73.8	68.5	60.2
Average fixed voice subscribers (m)	0.8	0.9	0.9
Average fixed broadband subscribers (m)	0.7	0.6	0.5
Average total subscribers (m)	75.4	70.0	61.6
Total subscribers at end of year (m)	78.3	71.9	66.6
Mobile Financial Services			
Average number of Telebirr subscribers (m)	41.6	28.0	14.0
Total Telebirr subscribers at end of year (m)	47.5	34.3	20.9
Total number of transactions (m)	547	320	85

Telecoms

Telecoms includes fixed and mobile (voice and data) service offerings and data & internet (fixed and mobile) service offerings, along with international connectivity solutions and solutions extending beyond basic connectivity. The Company generated telecom revenue of ETB 87,580 million in the year ended 30 June 2024, an increase of 25.2% from ETB 69,976 million in the year ended 30 June 2023, which is primarily driven by an increase of 8.9% in average telecoms subscribers and an increase of 15.5% in total blended telecoms ARPU.

Through mobile service (voice and data), the Company not only offers the traditional mobile voice and data services but also additional value-added services, which include (but not limited to) beep call service, airtime credit services, ring back tone, call signature, call me back service, missed call notification and reachability alert. The Company had 73.8 million total mobile (voice and data) subscribers on its network as at 30 June 2024, which represents 97.8% of total subscribers of the Company. The Company had 72.6 million average mobile voice subscribers in the year ended 30 June 2024, of which 99.4% are on a prepaid tariff. Revenue from the mobile voice services offering was ETB 44,127 million for the year ended 30 June 2024 as compared to ETB 38,089 million in the year ended 30 June 2023.

The Company offers fixed services (voice and data) mainly to its enterprise subscribers who accounted for 2.0% (1.5 million) of total subscribers as at 30 June 2024. The revenue for fixed voice was ETB 875 million for the year ended 30 June 2024 as compared to ETB 603 million for the year ended 30 June 2023.

The Company offers data & internet (fixed and mobile) to both its individual and enterprise subscribers. Average fixed broadband subscribers for the year ended 30 June 2024 were 0.7 million which represented 0.9% of total subscribers while average mobile broadband subscribers during the year ended 30 June 2024 was 37.1 million. The Company generated ETB 24,048 million in the year ended 30 June 2024 as compared to ETB 20,373 million in the year ended 30 June 2023 for their fixed and mobile broadband services.

The Company generates revenue from neighbouring African countries and international telecom service providers. As at 30 June 2024, the Company had roaming agreements with 544 telecommunication providers in 165 countries. The Company generated international revenue from these arrangements of ETB 10,655 million in the year ended 30 June 2024 as compared to ETB 7,039 million in the year ended 30 June 2023.

The Company is Ethiopia's leading provider of digital technology consumer devices. These devices are sold directly to customers through the Company's distribution network of physical and online retail stores. The Company generated ETB 4,748 million from device sales in the year ended 30 June 2024 as compared to ETB 3,412 million in the year ended 30 June 2023.

Infrastructure Sharing

The Company signed the Safaricom Infrastructure Agreement in April 2022 for a five-year sharing of backbone transmission infrastructure and a ten-year sharing of power and tower infrastructure. Infrastructure sharing commenced in October 2022, from which date the Company has generated revenue from the agreement. The Company has continued to support Safaricom and as at 30 June 2024 the Company shares 1,310 of its towers and provides access to its extensive cable networks. The Company generated ETB 1,473 million from infrastructure sharing in the year ended 30 June 2024 as compared to ETB 793 million in the year ended 30 June 2023.

Mobile Financial Services

The Company offers its mobile money offering under the Telebirr brand in all 17 telecom regions throughout Ethiopia and 6 telecom zones in Addis Ababa. Telebirr was launched in Ethiopia in May 2021 and has shown significant growth since inception, as shown by its user base of 47.5 million as at 30 June 2024. Telebirr offers its users a range of services which include loan facilities (microcredit and overdraft facilities), micro savings, bill payments, and airtime and data purchases. For the year ended 30 June 2024, Telebirr revenue was ETB 2,318 million, which has increased from ETB 757 million in the year ended 30 June 2023.

Areas of high growth

The Company, in addition to its core offerings of Telecoms, Mobile Financial Services and Infrastructure Sharing is developing additional propositions to serve its clients. These can be grouped into two categories: digital services & lifestyles, and cloud & enterprise solutions.

1.1.4. Corporate Governance of the Company

The Company is managed by the Board of Directors, which has six members as follows:

1. H.E Temesgen Tiruneh – Chairman;
2. H.E. Dr. Eyob Tekalign – Deputy Chairman;
3. H.E. Ato Worku Gachena – member;
4. H.E. Ato Yodahe Arayaselassie – member;
5. H.E. Ato Muluneh Desalegn – member; and
6. Ato Kasahun Seboka – member.

The Company's Board of Directors is supported by an experienced Executive Management team comprising the Chief Executive Officer, Frehiwot Tamiru Gebremariam, and the Chief Financial Officer, Asseged Ayele Wendimkun. The Executive Management team is supported by Senior Management comprising 23 members. All members of the Board of Directors, Executive Management and Senior Management are Ethiopian nationals.

The Board of Directors has established a finance and risk management subcommittee, a business development and strategic subcommittee, and a human resource management subcommittee. The Board subcommittees have been established to support the operational and day to day running of the Company.

The Company does not anticipate any changes to the composition of the Board of Directors or the subcommittees. The Company is, in anticipation of the Intended ESX Listing, reviewing and preparing for the expected release of the corporate governance code of Ethiopia, which may prescribe additional requirements for the Company.

The Company's current corporate governance practices and policies have been modelled on the board administration guidelines as provided and required by EIH. The SOE Proclamation also sets out corporate governance requirements which are applicable to the Company as a State-Owned Enterprise. The proclamation and the guidelines outline the minimum standards required for the Company, including but not limited to, the composition of the Company's Board of Directors, the sub–committees of the Board, and the terms of reference of the sub-committees.

1.2. Summary of key historical financial information

The tables below set out the Company's key historical financial information for the years indicated as reported in accordance with IFRS. The key historical financial information for the Company set out below has been extracted without material adjustment from Annex 1 (Historical Financial Information) of this Prospectus.

1.2.1. Summary statement of comprehensive income

For the years ended 30 June 2024, 2023, and 2022

	For the year ended 30 June		
	2024	2023	2022
ETB (millions)			
Revenue	91,371	71,526	59,449
Direct costs*	(25,607)	(11,319)	(9,749)
Operating expenses*	(28,607)	(27,700)	(20,872)
Net impairment (losses) / gains on financial and contract assets	(232)	(348)	272
Other income	4,294	5,460	2,315
EBITDA	**41,220**	**37,620**	**31,414**
Depreciation and amortisation	(8,362)	(6,497)	(6,632)
Operating profit	**32,858**	**31,123**	**24,782**
Net finance costs	(3,068)	(2,936)	(6,949)
Profit before income tax	**29,790**	**28,187**	**17,834**
Income tax expense	(10,777)	(10,159)	(8,834)
Profit after tax	**19,013**	**18,028**	**9,000**

* The Company reclassified commissions costs in the year ended 30 June 2024 to direct costs, whereas they were historically recorded in operating expenses. Commissions costs in the year ended 30 June 2024 were ETB 9,982 million as compared to ETB 7,389 million in the year ended 30 June 2023. The Company has not restated the historical financial statements for the years ended 30 June 2023 and 2022 in this regard.

1.2.2. Summary statement of financial position

The Company during the course of the year end audit of the 30 June 2024 financial statements identified errors in the financial statements for the year ended 30 June 2023. The errors have been corrected in the 30 June 2024 audited financial statements through restating the relevant comparative financial statement line items. The Company has elected for the purposes of clarity and understandability to not restate the 30 June 2023 financial statements within the Prospectus, instead the Company has elected to disclose in footnotes and explanations within the body of the Prospectus the impact and changes to the balances that have been restated. The Company considers these restatements as once-off and related to specific circumstances outside of the Company's control. The Company does not expect or envisage similar restatements in future financial periods. The Company has additionally corrected the identified error in its ERP system and the processes within which resulted in the inventory error.

As at 30 June 2024, 2023, and 2022

	As at 30 June		
	2024	2023	2022
ETB (millions)			
Non-current assets			
Property, plant, and equipment*	141,549	50,924	38,858
Right of use assets	1,247	1,208	961
Intangible assets	1,865	1,294	1,608
Other non-current assets	7,311	7,315	7,102
Deferred tax asset*	3,570	3,577	3,931
	155,542	**64,318**	**52,460**
Current assets			
Inventories*	14,921	14,999	6,308
Other current assets	4,566	2,974	3,017
Trade receivables	9,505	6,773	6,530
Other financial assets at amortised cost*	15	92,484	92,511
Cash and cash equivalents	29,643	33,545	28,191
	58,650	**150,775**	**136,557**
Total assets	**214,192**	**215,093**	**189,018**
Equity and Liabilities			
Liabilities			
Non-current liabilities			
Borrowings	13,002	16,928	20,576
Other non-current liabilities	1,848	1,373	1,245
	14,850	**18,301**	**21,821**
Current liabilities			
Borrowings	4,684	5,213	6,703
Contract liabilities	8,099	8,231	6,969
Trade and other payables	63,902	53,636	38,825
Other current liabilities	369	2,753	5,199
Current income tax	8,794	7,245	7,946
	85,848	**77,079**	**65,642**
Total liabilities	**100,698**	**95,380**	**87,463**
Equity attributable to owners			
Capital	100,000	100,000	100,000
Retained earnings *	10,202	17,242	115
Legal reserves	3,252	2,301	1,400
Other reserves	40	170	40
Total equity	**113,494**	**119,713**	**101,555**
Total equity and liabilities	**214,192**	**215,093**	**189,018**

*The Company during the course of the year end audit of the 30 June 2024 financial statements identified errors in the financial statements for the year ended 30 June 2023. The errors have been corrected in the 30 June 2024 audited financial statements through restating the relevant comparative financial statement line items. Detail of the restated financial statement line items are set out below:

- Property, plant, and equipment: The balance of the property, plant, and equipment as at 30 June 2023 was ETB 50,924 million in the 30 June 2023 audited financial statements and has been restated to ETB 129,838 million in the 30 June 2024 audited financial statements. The restatement is a result of the Company recognising the value of buildings and other assets in line with a third party valuation as at 30 June 2023. The assets were previously accounted for at cost as local legislation did not permit the recognition of the valuation of these buildings. The Majority Shareholder on 20 February 2024 approved the Company's recognition of the valuation and as a consequence the Company recognised the value of buildings and other assets at the date of the valuation being 30 June 2023. EIH, and by extension the Government, approved this as part of the capital restructure as covered in the section 2.2 (Incorporation) which additionally resulted in the retrospective settlement of the receivable from Ministry of Finance which is covered below in the restatement of other financial assets at amortised cost.
- Deferred tax assets: The balance of deferred tax assets as at 30 June 2023 was ETB 3,577 million in the 30 June 2023 audited financial statements and has been restated to ETB 3,656 million in the 30 June 2024 audited financial statements. The restatement is principally due to the aforementioned restatement of property, plant and equipment which as a result of recognising the valuation of the buildings has increased the deferred tax assets.
- Inventories: The balance of inventories as at 30 June 2023 was ETB 14,999 million in the 30 June 2023 audited financial statements and has been restated to ETB 11,036 million in the 30 June 2024 audited financial statements. During the year end audit of the financial statements for the year ended 30 June 2024, the Company identified an error in their ERP system which resulted in inventory worth ETB 1,847 million which had been sold, remaining on hand in the system and therefore overstating the inventory balance. Additionally, the Company identified ETB 1,850 million of expenses that had been incorrectly capitalised to inventory, resulting in an overstatement of inventory.
- Other financial assets at amortised cost (current and non-current): The balance of other financial assets at amortised cost (current and non-current) as at 30 June 2023 was ETB 99,585 million in the 30 June 2023 audited financial statements and has been restated to ETB 9,121 million in the 30 June 2024 audited financial statements. The restatement is on account of a retrospective settlement of the receivable from the Ministry of Finance, which was retrospectively settled through the Government allowing the Company to recognise the full value of its buildings and a restructure of the Company's retained earnings. EIH, and by extension the Government, approved the recognition of the valuation of buildings as covered above which is part of the capital restructure as covered in the section 2.2 (Incorporation). The Government determined that allowing the Company to recognise the valuation is appropriate for settling the receivable from the Ministry of Finance. The increase in the valuation allowance resulted in a decrease of the receivable from the Ministry of Finance of ETB 78,914 million, the remaining ETB 11,550 million retrospective settlement was through the restructure of the Company's retained earnings resulting in a decrease in retained earnings of ETB 11,550 million and related decrease in the receivable from the Ministry of Finance.
- Retained earnings: The Company's retained earnings as at 30 June 2023 was ETB 17,242 million in the 30 June 2023 audited financial statements and has been restated to ETB 1,808 million in the 30 June 2024 audited financial statements. The restatement to retained earnings is on account of the aforementioned restatements being the inventory restatement of ETB 3,963 million, deferred tax asset restatement of ETB 80 million (a credit to retained earnings) and the portion of the restatement of other financial assets at amortised cost related to the restructure of the Company's retained earnings of ETB 11,550 million.

1.2.3. Summary statement of Cash flows

For the years ended 30 June 2024, 2023, and 2022

	For the year ended 30 June		
	2024	**2023**	**2022**
ETB (millions)			
Net cash inflow from operating activities	**33,571**	**32,199**	**34,773**
Net cash outflow from investing activities	**(20,093)**	**(17,073)**	**(11,030)**
Net cash outflow from financing activities	**(16,273)**	**(9,506)**	**(9,101)**
Net (decrease) / increase in cash and cash equivalents	(2,795)	5,620	14,642
Cash and cash equivalents at the beginning of the year	33,545	28,191	15,194
Effects of exchange rate changes on cash and cash equivalents	(1,107)	(266)	(1,645)
Cash and cash equivalents at the end of the year	**29,643**	**33,545**	**28,191**

1.2.4. Profit forecast

There is no profit forecast or estimate included in this Prospectus.

1.2.5. Audit report on the historical financial statements

The audit report of the External Auditor on the historical financial statements in Parts B, C, and D of Annex 1 of this Prospectus do not contain any qualifications.

1.2.6. Going Concern

Nothing has come to the attention of the Directors of the Company to indicate that the Company will not remain a going concern for at least twelve months from the date of this Prospectus.

1.3. The Company's transition to a Share Company and privatisation initiatives

The Company was formally re-established as "Ethio-Telecom", being a Public Enterprise, on 29 November 2010 and was registered in the commercial registry on 2 January 2012.

On 14 September 2021, the Government issued a request for proposal for the partial privatisation of the Company. The Government proposed a partial privatisation of the Company by selling up to 40% of the equity share capital of the Company. However, due to the prevailing macroeconomic changes globally and in Ethiopia at that time, the Government decided to postpone the privatisation process and communicated this decision on 18 March 2022.

In May 2022, the ownership and administration of the Company was transferred to the Majority Shareholder. The objectives of the Majority Shareholder include, amongst others, to "optimise investment value through effective ownership and management of state-owned enterprises … as well as serve as a strategic investment arm of the government of Ethiopia through attraction of more investment." Therefore, on 9 February 2023, the Government issued a public advertisement to recommence the Partial Privatisation of the Company and the Government proposed to sell up to 45% of the equity share capital of the Company under the Partial Privatisation process. In addition, the Government set the strategic direction of allowing the general Ethiopian public to participate in the ownership of the Company through the Offer.

To facilitate the Offer of Ordinary Shares as contemplated in this Prospectus, it was necessary for the Company to be converted from a Public Enterprise to a Share Company. Therefore, the board of directors of the Majority Shareholder passed the Conversion Resolutions dated 28 June 2024 that the Company should be converted from a Public Enterprise to a Share Company. The Conversion Resolutions confirmed that the Company's name would be "Ethio Telecom Share Company". The Conversion Resolutions also stated the share capital of the Company and the number of shares which the Company would have post the Conversion. Further, the Conversion Resolutions stated the business purposes of the Company. These are set out in the Company's Memorandum of Association which the chief executive officer of the Majority Shareholder was authorised to sign.

Thereafter, the Company was registered as a Share Company on 1 July 2024 in accordance with the Commercial Registration Proclamation.

The Offer is being made as part of the Company's and the Government's plan for the Company to become a Listed company. This plan is expected to be implemented in two stages. The first stage is through the Offer to which this Prospectus relates, and the second stage is through the Intended ESX Listing as set out in paragraph 1.4.5 below.

The Company, at the time of the Offer, is not aware of any intention of the Majority Shareholder to sell or dispose of any of its holdings in the Company, other than the Offer Shares for which this Offer relates. As at the date of this Prospectus, the Partial Privatisation process has not been suspended. Therefore, the Majority Shareholder may decide following the conclusion of the Offer to offer for sale to other investor(s) all or a portion of the remaining 90.0% of the issued Ordinary Shares which the Majority Shareholder will have if the Offer is taken up in full.

1.4. Key Information about the Ordinary Shares of the Company

1.4.1. Majority Shareholder

As at the date of this Prospectus, the Company is fully owned by the Majority Shareholder, EIH. The Majority Shareholder holds 100% of the Company's Ordinary Shares as at the date of this Prospectus. Following the Offer, it is expected that the Majority Shareholder will hold 90.0% of the issued Ordinary Shares if the Offer is taken up in full.

1.4.2. Terms of the Ordinary Shares

The Ordinary Shares which will be offered under the Offer are issued in Ethiopian Birr and have a par value of ETB 100 each. As at the date of this Prospectus, the authorised and paid-up share capital of the Company is ETB 100 billion divided into 1 billion Ordinary Shares. As at the date of this Prospectus, the Company has one class of shares, being Ordinary Shares.

1.4.3. Rights attaching to the Ordinary Shares

The rights attaching to the Ordinary Shares are uniform in all respects and they form a single class for all purposes. The rights attaching to the Ordinary Shares are set out below:

a. every Ordinary Share shall confer a right to participate in the annual net profits and to a share in the net proceeds on a winding-up;

b. the share in the profits and in the proceeds on a winding-up due to a holder of Ordinary Shares shall be calculated in proportion to his holding in the paid up capital of the Company;

c. every Ordinary Share shall confer voting rights. The voting rights attached to a shareholder shall be in proportion to the amount of capital represented by their Ordinary Shares; and

d. every holder of Ordinary Shares has a preferred right, in proportion to his holding, to purchase cash shares issued on an increase of capital.

In the event of bankruptcy, certain payments will have priority over the shareholders.

Pursuant to the Offer, shareholders will be restricted from offering, selling or contracting to sell, or otherwise transferring or disposing of, directly or indirectly, or announcing an offer of any Ordinary Share (or any interest therein or in respect thereof) or entering into any transaction with the same economic effect as any of the foregoing, during the Lock-in Period, being from the date of completion of the Offer until the date of completion of the Intended ESX listing.

1.4.4. Restrictions on trading of the Ordinary shares

The Ordinary Shares will, immediately on and from the completion of the Offer, be restricted from being traded, sold, transferred or any such arrangement which takes on the nature of transferring ownership of the Ordinary Shares. The Lock-in Period is expected to run until the completion of the Intended ESX Listing.

1.4.5. The Intended ESX Listing

The Company intends to complete the Intended ESX Listing as soon as practicable after completion of the Offer, and within twelve months from the completion of the Offer. For the Company to complete the Intended ESX Listing, certain events, filings, and other activities will need to be complete. This includes, but is not limited to, the following:

- the Company receiving the approval of its Board and shareholders, at the relevant time, to proceed with the Intended ESX Listing;
- the Company being able to attract the desired level of new investors, if any, and the desired valuation of its Ordinary Shares, at the time of the Intended ESX Listing;
- the Company making certain filings and achieving the approval of such from the ECMA;
- the Company receiving approvals, as required, from its regulators, providers of finance, and any other relevant stakeholders;
- the Company implementing the required governance, controls, and other internal processes and procedures required of ESX and ECMA; and
- the ESX itself being launched and established.

There can be no guarantee that the Company will be able to successfully complete the Intended ESX Listing onto the ESX, and/or that the Company can successfully complete the Intended ESX Listing within its desired timeframe. In the event the Company is unable to complete the Intended ESX Listing, the Directors will consider the options available at that time, which are considered to be in the best interest of all shareholders of the Company.

1.5. Key information about the Offer

The Offer Shares comprise 100,000,000 Ordinary Shares at the fixed Offer Price of ETB 300 per share. The Offer Shares are to be sold by the Majority Shareholder.

The Company will not receive any proceeds from the sale of the Offer Shares and all such proceeds will be paid to the Majority Shareholder. The Offer Shares represent 10.0% of the paid-up and issued share capital of the Company immediately prior to the Offer.

1.5.1. The name of Offeror

The Offeror is the Majority Shareholder.

1.5.2. The method of offering and subscription

The Offer will be facilitated by the Company through the Application Platform, a purpose-built application on the Telebirr Superapp, the Ethio Telecom Share Offer application. Prospective Investors can download the Application Platform by searching for Ethio Telecom Share Offer on the Telebirr Superapp. The Application Platform will be accessible from 00:00 (midnight) on 17 October 2024. The Offer is being made solely to Ethiopian citizens who are physically present in Ethiopia.

Prospective Investors can each apply for any number of Ordinary Shares subject to a minimum of ETB 9,900 or 33 Ordinary Shares, and a maximum of ETB 999,900 or 3,333 Ordinary Shares during the Offer Period. The number of applications is not limited or restricted, and as such, a Prospective Investor can make multiple applications for the Offer Shares. However, the total number of Offer Shares per applicant (regardless of the number of applications by such applicant) is limited to and subject to the minimum and maximum number of shares specified above. Prospective Investors are required to pay within 48 hours for their application. Once paid for, applications for the Offer cannot be withdrawn and as such Prospective Investors are advised to exercise caution when applying for the Offer.

Prospective Investors are advised that, in the event there is a material change to the Company during the Offer Period and the Company is required to issue a supplementary prospectus, the Offer will immediately be suspended, and Prospective Investors will be allowed to withdraw their Application as required by the ECMA. The Company does not anticipate such an event.

1.5.3. The period during which the Offer will be open

The Offer Period is expected to run for up to 79 calendar days and is set to commence at 00:00 (midnight) on 17 October 2024 and run until the earlier of 17:00 on 3 January 2025 or when the total applications for the Offer reaches the Application Cap of 200,000,000 Offer Shares.

1.5.4. Actions to make an application for the Offer

The Offer is being managed and executed by the Company. All applications for the Offer must be placed through the Application Platform. Prospective Investors must be eligible to participate in the Offer, that being Prospective Investors must be an Ethiopian citizen and must be physically present in Ethiopia when applying for the Offer. Additionally, Prospective Investors must have access to the Application Platform to make an application for the Offer, and payment for all applications can only be made through Telebirr mobile money. Prospective Investors should ensure they have access to Telebirr and have the appropriate funds available to make the payment for the Offer. Payment for the application is to be made within 48 hours of making the application and is to be paid in full.

In order for Prospective Investors to make an application for the Offer, there are certain actions required in advance, these being:

- be an Ethiopian Citizen and must be physically present in Ethiopia when applying for the Offer;
- register and create an account on the Application Platform;
- have available certain verification documents, being:
  - proof of identification; and
  - proof of delegation / representation and/or power of attorney (in the instance of making an application on behalf of another Prospective Investor);
- have a Telebirr mobile money account; and
- have sufficient funds available to make payment within 48 hours of the application.

The Application Platform has been designed specifically for the purposes of the Offer. This bespoke solution has been developed to be user friendly and easy to follow. Set out below are the necessary steps required by Prospective Investors to be able to make an application for the Offer on the Application Platform.

- Access the Application Platforms through the Telebirr Superapp.
- Create an account using personal details and a telephone number and password. Personal details for the purposes of creating an account include full names, email address, physical addresses and mobile telephone number. A confirmation SMS regarding creating an account will be sent to the registered telephone number provided.
- Once the Offer Period is open, Prospective Investors will be able to login to the Application Platform to make their application. Access to the Application Platform can be made by using their

telephone number and password determined at registration. A verification SMS will be sent to the registered telephone number.

- The Application Platform will prompt and guide Prospective Investors through several forms with certain required fields that require populating and certain documents uploaded, all of which are required to verify the application. The key required information is set out below:
  - Personal details of the Prospective Investor including forename, surname, physical address, mobile and telephone number;
  - Proof of identification of the Prospective Investor (passport, national ID or any other form of certified Ethiopian identification) and in the instance of making an application on behalf of another Prospective Investor through delegation, proof of power of attorney; and
  - the Application Shares, being the number of Offer Shares included as part of the application, subject to the minimum and maximum number of shares as set out in this Prospectus.
- On completion of the application form and uploading the required documents, Prospective Investors will be required to confirm the application. Confirmation of the application initiates the payment process. An SMS and/or email will be sent to the Prospective Investor indicating that their application is in process.
- Payment for each application will comprise (i) payment for the Application Shares at a rate of ETB 300 per Offer Share; together with (ii) payment of the Sales Service Fee of 1.5% or ETB 4.50 (excluding VAT) per Offer Share.
- Payment for the application must be made within 48 hours to avoid the application being automatically cancelled. Each application for the Offer will have a Telebirr payment link attached to it. Prospective Investors must follow the link and make suitable payment. Once payment is complete, Prospective Investors should navigate back to the summary landing page, where the status of the application will change to paid. At this stage the application is considered a Submitted Application.
- For each Submitted Application, the Company will undertake a verification process to ensure that all appropriate information as per the Submitted Application is appropriate, accurate and can be verified. The Company reserves the right to reject a Submitted Application at their discretion, after payment has been received, which is subject to the completion of the appropriate verification by the Company.
- Prospective Investors will be informed by SMS and/or email if their verification has been successful or if their application for the Offer is unsuccessful as a result of verification checks. Where the verification is completed successfully, the application is considered finished and the Submitted Application will become a Successful Application.
- The Application Platform will be closed from making applications for the Offer at the end of the Offer Period. At this time, no further applications for the Offer can be made.

The aforementioned actions are practical steps required by Prospective Investors to make an application for the Offer.

If Prospective Investors are in any doubt as to the action they should take, they are recommended to seek their own financial advice immediately from an appropriate authorised or licensed independent financial advisor in accordance with applicable Ethiopian law.

1.5.5. The procedures for allotment and return of monies (where relevant)

The Company intends to make available and allot the 100,000,000 Ordinary Shares under the Offer to the Ethiopian public. The Company cannot guarantee Prospective Investors who have made a

Successful Application for the Offer that they will be successful in being issued the allotment that they applied for or any allotment of the Offer (that is, a Successful Application does not guarantee that the applicant will receive the number of Ordinary Shares applied for). The allotment of Offer Shares is at the discretion of the Company to ensure that the Offer meets its stated objective, which is to maximise public participation in the ownership of the Company.

There is no over–allotment option included in this Offer. As such, in the event of an over-subscription of the Offer (that is, applications for the Offer exceed 100,000,000 Ordinary Shares at the end of the Offer Period), the Company will use an algorithm to determine the number of Offer Shares to be allotted in respect of each Successful Application. The algorithm will be broadly on a pro rata basis, however it may be weighted to ensure smaller applications are appropriately given a larger proportion of their allotment. In addition, the algorithm will also reflect adjustments such that applicants will receive whole numbers of shares where a true pro rata will give fractional shares which is not possible. The exact algorithm to be applied will be determined at the discretion of the Company based on factors such as the extent of an over-allotment, and the number of applicants for each number of Offer Shares between the minimum and maximum. The allotment of the Offer Shares will not be impacted by the timing of when a Prospective Investor makes an Application.

Overall the algorithm will ensure that each Successful Application receives the highest possible number of Offer Shares from the number applied for, whilst ensuring the Offer meets its stated objective.

Subsequent to the end of the Offer Period, the Company will complete verification of any remaining Submitted Applications and also complete the allotment of the Offer Shares in respect of Successful Applications. This period of verification and allotment will run up to 24 January 2025, although in the event that the Offer Period closes earlier than 3 January 2025 due to the Application Cap being achieved, the period of verification and allotment may end at an earlier date. The Company anticipates announcing results of the allotment approximately 1 week thereafter. An SMS and/or email setting out the number of Offer Shares successfully allotted (the "Allotted Shares") and the number of Offer Shares not allotted (the "Not Allotted Shares") in respect of each Successful Application will be sent to the associated registered email address and mobile telephone number at the same time.

The Company, upon completion of the allotment, will return all monies (including the related portion of the Sales Service Fee) received in relation to unsuccessful applications, or in relation to monies for the Not Allotted Shares for Successful Applications, within 10 Working Days of the announcement of the results of the allotment.

Where the offer is under-subscribed (that is, applications for the Offer are less than 100,000,000 Ordinary Shares), the Company and EIH will consider the most appropriate course(s) of action in order to meet the objectives of the Offer. In this instance, Prospective Investors are likely to receive a full allotment of their Application Shares.

Prospective Investors should be aware of the length of time between applying for the Offer and the receipt of Allotted Shares and/or reimbursement of monies for unsuccessful applications or Not Allotted Shares, which could be up to 15 weeks. The Company expressly reserves the right to determine, at any time prior to the completion of the Offer, not to proceed with the Offer. If such right is exercised, the Offer (and arrangements associated with it) will lapse and any money received in respect of the Offer will be returned to Prospective Investors without interest. The Company considers the period from any Prospective Investor's Application to the completion of the Offer insufficient to warrant interest to accrue to Prospective Investors.

Prospective Investors will have their monies used as payment for Submitted Applications securely held in an independent, separate, and restricted account within Telebirr. The account has been set up solely for the Offer. Access and use of the account is restricted, and solely for the purpose of the Offer. The monies will be held in the separate Telebirr account and held separately until such time as the allotment is announced, at which point the Company will commence the process of transferring the gross proceeds for the Offer Shares to EIH, the Sales Service Fee to the Company's accounts, and then monies for unsuccessful applications and/or Not Allotted Shares (including the related portion of the Sales Service Fee) will be transferred back to the relevant applicants as set out above. The separate account has been designed with strict access controls ensuring that Prospective Investors' monies are securely held in the account and that the monies are protected from being used for any other purpose other than the Offer. Once payment has been received into the separate account these monies are restricted from being moved, transferred, or used for any purpose other than the Offer.

1.5.6. Timetable

Each of the times and dates in the table below is indicative only and may be subject to change without further notice:

Expected timetable of events

	Time & Date
Publication of this Prospectus	18:00 on 16 October 2024
Commencement of the Offer Period	00:00 (midnight) on 17 October 2024
Closure of the Offer Period	17:00 on 3 January 2025*
Completion of allotment and verification	24 January 2025*
Announcement of the results of allotment	31 January 2025*
Return of monies in respect of unsuccessful application and/or Not Allotted Shares	14 February 2025*
Crediting of Ordinary Shares to Prospective Investor accounts	14 February 2025*

Unless otherwise stated, all above stated times are East Africa Time.

* In the event that the Offer Period closes earlier than 3 January 2025 due to the Application Cap being reached as set out in section 1.5.3, the date of closure of the Offer Period and all subsequent dates in the timetable set out above may be earlier than the dates shown.

1.5.7. An estimate of the total expenses of the Offer

The Offer Expenses including, amongst others, the securities registration fee payable to the ECMA, the Company's professional advisors' fees (including Transaction Advisor, legal and audit fees) and the advertising and marketing costs of the Offer are estimated to be ETB 410 million. The Company will bear the Offer Expenses incurred in relation to the Offer.

The Company will charge a Sales Service Fee equal to 1.5% of the total value of the Prospective Investor's application for the Offer and is charged to Prospective Investors on application of the Offer. The related Sales Service Fee on Not Allotted Shares and on unsuccessful applications is refundable.

1.5.8. A brief description of the reasons or purpose for the Offer

The objective of the Offer is to allow the Ethiopian public to participate in the ownership of the Company.

The Directors believe the Offer is a natural progression of the Company as a key step to the Company's Intended ESX Listing.

1.5.9. Estimated net amount and use of the proceeds

Pursuant to the Offer, the Majority Shareholder will make available 100,000,000 Ordinary Shares at the Offer Price of ETB 300 per share, raising gross proceeds of ETB 30,000,000,000. The Company will not receive any proceeds from the sale of the Offer Shares, all of which will be paid to the Majority Shareholder.

1.5.10. What are the key risks of the Offer?

- Minority protection rights are provided in the Commercial Code but the Majority Shareholder will retain a significant interest in, and may continue to exert substantial influence over, the Company following the Offer and the Majority Shareholder's interests may differ from those of the incoming shareholders.
- The Company may not be able to, or may decide not to, pay dividends on the Ordinary Shares at a level anticipated by shareholders, which could reduce Prospective Investors' returns on the Ordinary Shares.
- The issuance of additional Ordinary Shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.
- There is currently no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained. Therefore, the Prospective Investors may have to own/hold the Ordinary Shares for a long period of time with no option to transfer those Ordinary Shares and exit their investments if the Company does not complete the Intended ESX Listing for any reason.
- The Company has developed the Application Platform for Prospective Investors to participate in the Offer. Prospective Investors will only be able to participate in the Offer through the Application Platform. While the Company has been diligent in the development of the Application Platform (including carrying out appropriate tests to ascertain its capacity and functionality), the Application Platform may not function as expected and this may negatively impact the application process or other functions being carried out through the Application Platform. Such failure by the Application Platform may result in delays during the application process including failure to access the Application Platform altogether in the event of a significant or complete system breakdown.

1.6. What are the key risks that are specific to the Company?

Any investment in the Ordinary Shares involves numerous risks and uncertainties related to the Company. The Company believes that the following risks are the key risks that relate to the Company, based on the probability of their occurrence and the expected magnitude of their negative impact. The occurrence of one or more of these risks, alone or in combination with other events or circumstances, may materially adversely affect the Company's business, financial condition and operating results. In that event, the value of the Company's securities could decline and investors could lose all or part of their investment.

1.6.1. Risks related to the Conversion

1.6.1.1. Key risks relating to privatisation of the Company and its conversion from a Public Enterprise to a Share Company

The Conversion involved the transfer of all the assets of the Public Enterprise to the Share Company including, amongst other assets, real estate property and titles, licenses, registrations, consents and goodwill. All of the Company's liabilities were also transferred from the Public Enterprise to the Share Company.

However, the Company will have to undertake the administrative task of obtaining updated title documents and licenses reflecting the new name of the Company.

The Company's ownership of its real estate property is not adversely impacted by the fact that the title deeds do not bear the correct name of the Company. However, it may be a challenge to use the properties that bear the Company's former name as collateral for financing arrangements. Further, certain licenses may require specific actions to be taken, failing which the transfer of such license from the Public Enterprise to the Share Company would be ineffective. In addition, there is a risk that various legacy issues which are currently unknown may arise which will have an adverse effect on the Company's business, financial condition and results of operations.

1.6.1.2. The no objection letter requested from Ericsson in relation to the conversion of the Company to a Share Company is still pending and raises the potential for a dispute

The Company and Ericsson entered into a financing agreement to govern the financing of the TEP by Ericsson. Under the financing agreement, the Company covenants that as long as it has any outstanding obligations under the agreement it will maintain its corporate existence as a Public Enterprise established pursuant to the provisions of the Ethio Telecom Establishment Council of Ministers Regulation No. 197/2010. As at the date of the Conversion, the Company had outstanding obligations under the financing agreement, and as at 30 June 2024, the balance on this financing agreement was USD 19,049,955, or ETB 1,113,907,948. Therefore, the Company sent a letter requesting for a no objection confirmation from Ericsson prior to the Conversion of the Company's legal form from a Public Enterprise to a Share Company. However, as at the date of the Conversion, Ericsson had not issued its no objection letter in relation to the Conversion of the Company and as at the date of this Prospectus, the Company's request is still under consideration by Ericsson. This raises the potential for a dispute with Ericsson regarding whether there has been a breach of the financing agreement. A dispute with Ericsson in relation to the above may have an adverse effect on the Company's reputation, financial position, and results of operations.

1.6.2. Key risks relating to the business and industry of the Company

1.6.2.1. The Company may face increased competition in the Ethiopian market

The Company operates in an increasingly competitive environment in Ethiopia, particularly with respect to pricing and market share, across its markets and segments, which may adversely affect its revenue and margins. In 2019, the Government liberalised the telecommunications sector through, amongst other actions, the enactment of the CS Proclamation. Prior to the market liberalisation, the Company was the sole telecommunication services provider in Ethiopia. However, following the market liberalisation, Safaricom entered the telecommunications market in Ethiopia. Therefore, it is possible that the Government will issue telecommunications licenses to new market entrants in the future and this would further increase competition in the Ethiopian telecommunications market. The entry of Safaricom in the telecommunications market in Ethiopia has resulted in increased competition in the telecommunications market in Ethiopia. While the Company remains the most dominant player in the telecommunications market in Ethiopia with a 94.5% market share as at 30 June 2024, Safaricom has, since its market entry, acquired a minority portion of the market and as at 30 June 2024, Safaricom had a 5.5% market share.

1.6.2.2. The Company's revenue is derived from its operations and subscribers in Ethiopia, which makes the Company vulnerable to political or economic instability in Ethiopia.

The Company's revenue is derived from operations and subscribers in Ethiopia. The Company relies on this revenue to pay its operating expenses, fund its capital expenditures and meet its other obligations that may arise from time to time.

Consequently, political or economic instability in Ethiopia, which may be due to disturbances of a political nature in parts of the country, as well as a reversal or significant modification of critical economic policies, may have adverse effects on the Company.

Accordingly, the Company's business, financial condition and prospects depend significantly on the economic and political conditions prevailing in Ethiopia.

1.6.2.3. Mobile financial services are subject to a new and evolving regulatory environment.

Mobile financial services involve cash handling, exposing the Company to risk of fraud and money laundering, imposition of fines or other penalties and potential reputational damage, including as a result of misconduct or collusion by the Company's mobile money partners or agents. While the Company uses enhanced controls, the risk of fraudulent activity by individuals employed by or working in partnership with the Company cannot be eliminated completely. Additionally, technical or administrative errors could result in customer losses for which the Company could be responsible, and the Company may be liable for fraud and problems related to inadequately securing the Company's payment systems.

1.6.2.4. Fluctuations in foreign currency exchange could increase the operating and debt servicing costs of, and the financial burden on, the Company

As the Company presents its financial statements in Birr, it is exposed to risks related to the translation of revenue, assets and liabilities denominated in other currencies apart from Birr. Consequently, the Company is exposed to risks related to fluctuating exchange rates used for the translation of its revenue, assets and liabilities denominated in foreign currencies into Birr at the reporting dates.

The Company has limited foreign currency transactional exposure to exchange risk as it receives a significant proportion of its revenue in Birr. However it has entered into a number of contracts in foreign currency (primarily, the United States Dollar, the Euro and the Japanese Yen). This has given rise to revenue, assets and liabilities in different currencies, which are all exposed to foreign exchange rate fluctuations. This foreign exchange rate fluctuation risk could be exacerbated by the NBE's recent shift to a market-determined foreign exchange regime with limited interventions as part of ongoing reforms to the foreign exchange regime in Ethiopia. In this regard, the Birr to the

USD exchange rate increased from a bid/ask of 57.33/58.47 as at 30 June 2024 to 112.40/123.64 as at 30 September 2024. Unless the Company's revenue increased at the same rate at which the exchange rate of Birr to USD increased, the Company's foreign currency transactions have become more expensive compared to previous financial periods. Therefore, any increase in the exchange rate of Birr to USD such as the one mentioned above could have a material adverse effect on the Company's business, financial condition and prospects.

1.6.3. Key Risks relating to legal and regulatory matters and litigation

1.6.3.1. The Company's licenses, permits, frequency allocations or other authorisations required to operate its existing network or to expand its operations or any other required licences, permits or other authorisations may be subject to finite terms, ongoing review or periodic renewal, any of which may result in modification, suspension or early termination.

The operation of telecommunications networks, mobile money services and the provision of related services are regulated in Ethiopia. The Company's operating licences or authorisations specify the services it is permitted to offer. The operating licences are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to such licences may be amended from time to time. There can be no assurance that the relevant authorities will not take any action that could materially adversely affect the Company's operations. If the Company fails to renew any of its licences or spectrum allocation, it may lose the ability to continue to operate the relevant business and the realisable value of its relevant network infrastructure and related assets may be materially adversely affected.

1.6.3.2. Changes to the tax laws of the country in which the Company operates or changes to the Company's tax profile could result in a higher tax expense or a higher effective tax rate on the Company's worldwide earnings.

The Company is subject to changing tax laws and regulations in Ethiopia. The Company's tax expense is based upon the tax laws in effect in Ethiopia at the time that the expense was incurred. A change in these tax laws or regulations or in their interpretation or in the valuation of the Company's deferred tax assets, which are beyond the Company's control, could result in a materially higher tax expense or a higher effective tax rate on the Company's earnings. Additionally, any expansion into new jurisdictions could adversely affect the Company's tax profile and significantly increase its future cash tax payments.

1.6.3.3. The Company could experience breaches of privacy laws and other information security requirements, which may materially adversely affect its reputation, lead to penalties and fines, subscriber lawsuit and/or loss of subscribers or hinder its ability to gain new subscribers.

The Company retains a significant amount of subscriber and employee personal data and may be exposed to breaches of privacy laws and other information security requirements which could result in the unauthorised dissemination of personal data about its subscribers or employees. If severe customer data security breaches are detected, the relevant government authority could sanction the Company, and such sanctions could include a temporary suspension of operations. These factors, individually or in the aggregate, could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

1.6.4. Key Risks relating to the Company's structure

Minority protection rights are provided in the Commercial Code, but the Majority Shareholder will retain significant interest in, and may continue to exert substantial influence over, the Company following the Offer and the Majority Shareholder's interests may differ from those of the incoming shareholders.

Immediately following the completion of the Offer, the Majority Shareholder will continue to own 90.0% of the issued share capital of the Company if the Offer is taken up in full. As a result, the Majority Shareholder will possess sufficient voting power to have an influence on all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. The Memorandum of Association of the Company will govern the relationship between the Majority Shareholder and the incoming shareholders and there will be no other agreement governing such relationship. Since the establishment of the Company as a Share Company, the Company's management and affairs are governed under the Commercial Code. While the support of the Government and EIH has historically helped to drive and encourage the Company's success, the interests of the Majority Shareholder may not always be aligned with those of the incoming shareholders or the Company and there can be no assurance that the resolution of any matter that may involve the interests of the Majority Shareholder will be resolved in what all incoming shareholders would consider to be their best interests or the best interests of the Company.

1.7. Persons responsible for the information disclosed

The Company, the Directors and Executive Management of the Company whose names appear below, and EIH accept full responsibility for the information contained in this Prospectus. The Directors can be reached at the registered address of the Company. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information or make the expression of such information or opinion misleading or untrue.

- H.E Temesgen Tiruneh – Chairman of the Board;
- H.E Dr. Eyob Tekalign – Deputy Chairman of the Board and member of the Finance & Risk Management subcommittee;
- H.E Ato Worku Gachena – member of the Board and the Business Development & Strategy subcommittee;
- H.E Ato Muluneh Desalegn – member of the Board and the Finance & Risk Management subcommittee;
- H.E Ato Yodahe Arayaselassie – member of the Board and the Human Resource Management subcommittee;
- H.E Ato Kasahun Seboka – member of the Board and the Human Resource Management subcommittee;
- Frehiwot Tamiru Gebremariam – Chief Executive Officer; and
- Asseged Ayele Wendimkun – Chief Financial Officer.

1.8. Transaction Advisor responsibility statement

D and T ETHIOPIA MANAGEMENT CONSULTING PLC ("Deloitte") is a duly licensed security investment advisor with the ECMA, under the licensing authority given to the ECMA under the

Capital Market Proclamation. Deloitte has been engaged by the Company to act as its Transaction Advisor. Deloitte is acting exclusively for the Company and no one else in connection with the Offer. Deloitte does not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for the giving of advice in relation to the Offer or any transaction, matter or arrangement referred to in this Prospectus.

Deloitte in its role as Transaction Advisor is responsible for and only for;

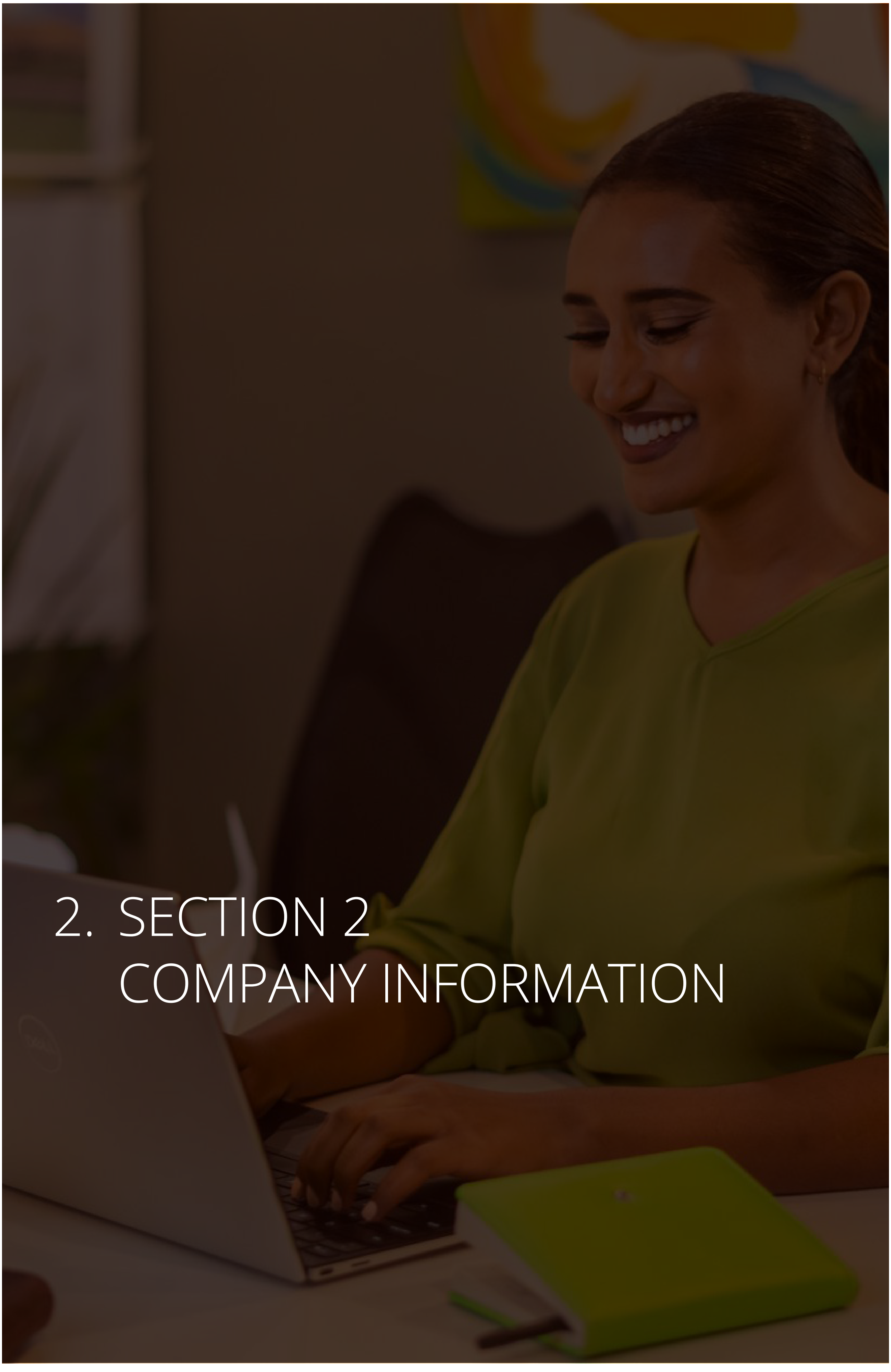
- Advising, and guiding the Company in complying with laws and regulations in relation to the Offer;
- Taking all reasonable steps to brief the Board, Executive Management and management of their responsibilities and obligations in relation to the Company, its shareholders and other stakeholders;
- Coordinating the preparation of the registration statement and other transaction documents;
- Coordinating the activities of other professional parties to the Offer; and
- Filing of the registration statement including the Prospectus or offer documents with the ECMA including responding to any question or clarifications that ECMA sought on behalf of the Company.

Save for Deloitte's responsibilities set out above, Deloitte does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Offer, and nothing in this document should be relied upon as a promise or representation in this respect, whether or not to the past or the future. Deloitte and their respective affiliates accordingly disclaim to the fullest extent permitted by law all and liability arising in tort, contract or otherwise which they might otherwise have in respect of this document or any such statement. No representation or warranty, express or implied, is made by Deloitte or any of its affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not in the past or future.

1.9. The External Auditor's responsibility statement

The Directors and Executive Management of the Company are responsible for preparing the Company's financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and as adopted in Ethiopia. It is the responsibility of the External Auditor to form an opinion on the financial statements for the years ended 30 June 2024, 30 June 2023 and 30 June 2022 as included in Annex 1 of the Prospectus and to report their opinion to the Company's shareholder and Board of Directors. The External Auditor has provided their consent for the reproduction of such opinions in Annex 1 of this Prospectus.

Save for any responsibility arising under the Capital Market Proclamation to any person as and to the extent there provided, to the fullest extent permitted by law, the External Auditor does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with the opinion on the financial statements, required by and given solely for the purposes of complying with the Capital Market Proclamation, consenting to its inclusion in the Prospectus.



2. SECTION 2
COMPANY INFORMATION

2.1. Legal and commercial name of the Company

The legal and commercial names of the Company are Ethio Telecom Share Company and Ethio Telecom, respectively.

2.2. Incorporation

The legal name of the Company is Ethio Telecom Share Company. The Company is domiciled in Ethiopia. The Company's history dates back 130 years, and the Company was formally re-established as "Ethio-Telecom" on 29 November 2010 under the Ethio-Telecom Establishment Council of Ministers Regulation No. 197/2010 (as amended by the Ethio-Telecom Establishment (Amendment) Council of Ministers Regulation No. 480/2021) and was registered in the commercial registry on 2 January 2012 under registration number MT/AA/5/0016147/2004.

On 14 September 2021, the Government issued a public advertisement in relation to a request for proposal for the Partial Privatisation of the Company. Pursuant to the public advertisement, the Government: (a) proposed a Partial Privatisation of the Company by selling up to 40% of the equity share capital of the Company; and (b) invited proposals in relation to the Partial Privatisation from interested parties who could add value to the Company by bringing best practices in terms of operations, infrastructure management and next generation technological capabilities. The proposed Partial Privatisation of the Company was part of the Government's plans to privatise Public Enterprises based on the framework set out in the Privatisation Proclamation. Further, based on the Privatisation Proclamation, the objectives of the privatisation programme were to broaden the role of the private sector in the Ethiopian economy, improve the efficiency of Public Enterprises, enhance their competitiveness, increase their access to capital, and enhance the quality and accessibility of their services. However, due to the prevailing macroeconomic changes globally and in Ethiopia at that time, the Government decided to postpone the Partial Privatisation process and communicated this decision through a press release dated 18 March 2022.

Pursuant to a communication issued by the Office of the Prime Minister on 13 May 2022, it was confirmed that in accordance with Article 54(3) of Proclamation No. 1263 and Article 8 of the EIH Regulation, the ownership and administration of the Company was transferred to the Majority Shareholder. The objectives of the Majority Shareholder include, amongst others, to "optimise investment value through effective ownership and management of state-owned enterprises … as well as serve as a strategic investment arm of the government of Ethiopia through attraction of more investment."

Therefore, on 9 February 2023, the Government issued a public advertisement to recommence the Partial Privatisation of the Company and the Government proposed to sell up to 45% of the equity share capital of the Company under the Partial Privatisation process. In addition, the Government set the strategic direction of allowing the general Ethiopian public to participate in the ownership of the Company through the Offer.

To facilitate the Offer of Ordinary Shares as contemplated in this Prospectus, it was necessary for the Company to be converted from a Public Enterprise to a Share Company through the Conversion. Therefore, in accordance with the Majority Shareholder's privatisation mandate specified in Article 54(3) of Proclamation No. 1263 and the pre-privatisation activity set out in Article 6(1) of the Privatisation Proclamation, the board of directors of the Majority Shareholder resolved on 28 June 2024 through the Conversion Resolutions that the Company should be converted from a Public Enterprise to a Share Company. The Conversion Resolutions confirmed that the Company's name would be "Ethio Telecom Share Company". The resolutions also stated the share capital of the Company and the number of shares which the Company would have post-Conversion, as set out below. Further, the Conversion Resolutions stated the business purposes of the Company. These are set out in the Company's Memorandum of Association which the chief executive officer of the Majority Shareholder was authorised to sign.

Thereafter, the Company was registered as a Share Company on 1 July 2024 in accordance with the Commercial Registration Proclamation. The Conversion resulted in a fundamental change to the Company's authorised and paid up capital. The authorised capital of the Company immediately preceding the Conversion and as at 30 June 2024 was ETB 400 billion of which ETB 100 billion was paid up in cash and in kind. The authorised share capital of the Company immediately following the Conversion to a Share Company and as at the date of this Prospectus is ETB 100 billion, the entirety of which is paid up in cash and in kind. The Company's share capital immediately following the Conversion, and at the date of this Prospectus is set out in the table below:

Share capital immediately following the Conversion and as at the date of this Prospectus.	
Authorised share capital (ETB)	100,000,000,000
Number of issued shares	1,000,000,000
Par value per share (ETB)	100
Paid up share capital (ETB)	100,000,000,000

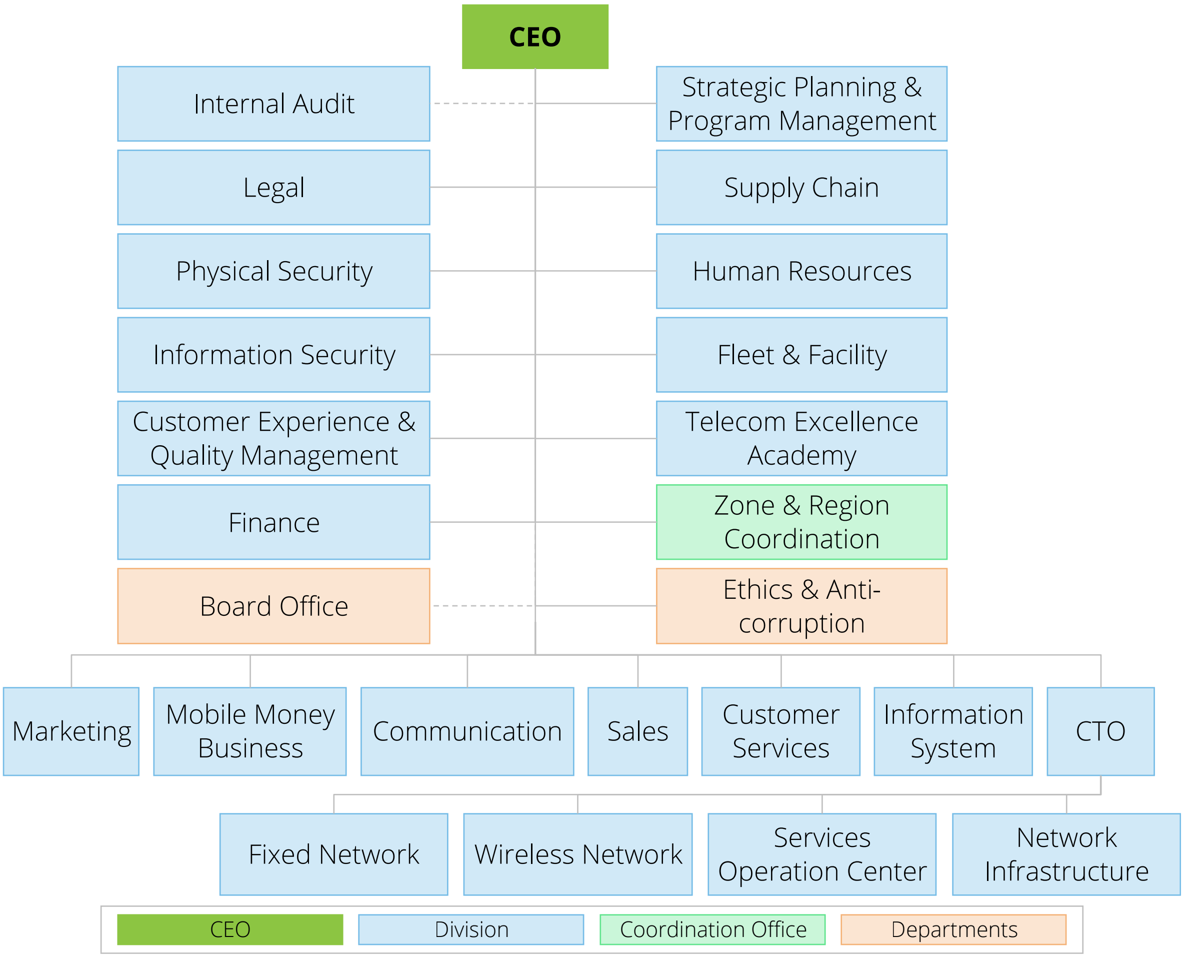
As at the date of this Prospectus, the Company has one class of shares, being the Ordinary Shares.

The Company at the time of the Offer is not aware of any intention of the Majority Shareholder to sell or dispose of any of its holdings in the Company, other than the Offer Shares for which this Offer relates. As at the date of this Prospectus, the Partial Privatisation process has not been completed or suspended. Therefore, the Majority Shareholder may decide following the conclusion of the Offer to offer for sale to other investor(s) all or a portion of the remaining 90.0% of the issued Ordinary Shares which the Majority Shareholder will have if the Offer is taken up in full.

2.3. Organisational structure

The Company is a sole legal entity. The Company is therefore neither part of a group structure nor has any subsidiary companies. The Company operates in three segments, being Telecoms, Infrastructure sharing, and Mobile financial services. The central management and operational functions are based in Addis Ababa where the day-to-day activities of the Company are managed and performed. The management function is responsible for directing and providing support to the regional offices and branches. The Company operates both its Telecom and Mobile financial services in 23 Regions in Ethiopia.

The operational organisational structure of the Company is as detailed below:



2.4. Intended ESX Listing

Subsequent to the completion of the Offer, the Company intends to List its Ordinary Shares on the ESX through the Intended ESX Listing.

In order for the Company to complete the Intended ESX Listing, certain events, filings, and other activities will need to be completed. This includes, but is not limited to, the following:

- The Company receiving the approval of its Board and shareholders, at the relevant time, to proceed with the Intended ESX Listing;
- The Company being able to attract the desired level of new investors, if any, and the desired valuation of its Ordinary Shares, at the time of the Intended ESX Listing;
- The Company making certain filings, and achieving the approval of such from the ECMA;
- The Company receiving approvals, as required, from its regulators, providers of finance, and any other relevant stakeholder;
- The Company implementing the required governance, controls, and other internal processes and procedures required by ESX and ECMA; and
- The ESX itself being launched.

The Company intends to complete its Intended ESX Listing as soon as practicable after completion of the Offer, and within twelve months.

There can be no guarantee that the Company will be able to successfully List on the ESX, and/or that the Company can successfully complete its Intended ESX Listing within its desired timeframe. In particular, various matters are outside the control of the Company, including, but not limited to, the receipt of various approvals, and the successful and timely launch of the ESX, as outlined above.

In the event the Company is unable to complete the Intended ESX Listing, the Directors will consider the options available at that time, which are considered to be in the best interest of all shareholders of the Company. The Company will consider alternative options to ensure that shareholders will be able to trade their shares. These options include, but are not limited to:

- The Company may pursue an alternative listing venue for the Company's Ordinary Shares such as an alternative stock exchange;
- The Company may develop its own trading platform to enable shareholders their right to buy and sell their Ordinary shares; and/or
- The Company may make an offer to the Ordinary Shareholders to buy back their Ordinary Shares.

2.5. Description of the Company's financing arrangements

The Company is financed through equity attributable to owners, borrowings, cash and cash equivalents, and cash generated from operations. As at 30 June 2024 the Company has total equity attributable to owners of ETB 113,494 million, borrowings (including lease liabilities) of ETB 18,716 million, and cash and cash equivalents of ETB 29,643 million. The Company relies on its existing financing arrangements for its day-to-day operations and capital expenditure requirements. The Company does not have committed financing available to draw on and does not forecast requiring additional financing arrangements as at the date of this Prospectus to finance the day-to-day operations of the Company. The Company may, as required, explore relevant financing for future capital expenditure programmes to finance the expansion of the Company in line with its strategy. At the date of this Prospectus the Company has not entered into any additional financing arrangements. The Company and the Directors of the Company will consider the best available options that are in the best interest of the Company and the shareholders.

The Company does not expect any changes to its financing arrangements as a result of the Offer. The components of the Company's financing are set out below, and a discussion and analysis of each of the components of the Company's financing arrangements are included in Section 5.11 (Borrowings, lease liabilities, commitments, contingencies, off–balance sheet arrangements and retirement benefit schemes).

Equity attributable to owners

	As at 30 June		
	2024	2023	2022
ETB (millions)			
Equity attributable to owners			
Capital	100,000	100,000	100,000
Retained earnings*	10,202	17,242	115
Legal reserves	3,252	2,301	1,400
Other reserves	40	170	40
Total equity	**113,494**	**119,713**	**101,555**

*The Company's retained earnings as at 30 June 2023 was ETB 17,242 million in the 30 June 2023 audited financial statements and has been restated to ETB 1,808 million in the 30 June 2024 audited financial statements. The restatements that impact retained earnings are the Inventory restatement of ETB 3,963 million (a debit to retained earnings), the deferred tax asset restatement of ETB 80 million (a credit to retained earnings) and the restatement of other financial assets at amortised costs related to the restructure of the Company's retained earnings of ETB 11,550 million(a debit to retained earnings). Details of the restatements are covered in Section 5.9 (Analysis of historical financial position)

On 1 July 2024 the Company converted to a Share Company through the Conversion. The net impact on the capital position of the Company was nil as the capital of ETB 100,000 million was converted to authorised share capital of ETB 100,000 million. Details of the Conversion are included in Section 2.2 (Incorporation).

Borrowings (including lease liabilities)

The Company's borrowings (including lease liabilities) as at 30 June 2024, 2023, and 2022 are set out below. As at the date of this Prospectus there have been no material changes to the Company's borrowings (including lease liabilities) since 30 June 2024.

		Year ended 30 June		
	Average maturity	2024	2023	2022
ETB (millions)				
Government loan	15 years	7	7	10
Promissory notes	8 years – 14 years	17,679	22,133	27,269
Lease liability	6 months to 15 years	1,030	988	832
Total		**18,716**	**23,128**	**28,111**
Of which current		4,982	5,554	7,015
Of which non– current		13,734	17,574	21,096

The principal source of the Company's borrowings as at 30 June 2024 are financing agreements which are secured by the promissory notes.

The financing agreements are with various vendors for the enterprise, next generation network and TEP. The Government undertook the GTP between 2011 and 2015 under which the Company was entrusted with the development of the telecommunications aspects of the GTP and the Company embarked on the TEP. The TEP involved various swap and new build projects implemented in phases and financed by Ericsson, ZTE and Huawei. The terms of the financing agreements are set out in Section 5.11 (Borrowings, lease liabilities, commitments, contingencies, off–balance sheet arrangements and retirement benefit schemes) and Section 9.1 (Financing agreements relating to the TEP).

The government loan relates to the on-lending facility from the Japanese government. The loan principal is JPY 118,973 (ETB 1,970), bearing interest at the rate of 0.75% per annum and repayable in 30 semi-annual instalments, and the loan is expected to mature in 2029.

The Company does not have undrawn facilities in respect of either the promissory notes or the government loan as at 30 June 2024 or as at the date of this Prospectus.

Covenants

Under the financing agreement between the Company and Ericsson, the Company covenants that as long as it has any outstanding obligations under the agreement it will maintain its corporate existence as a Public Enterprise established pursuant to the provisions of the Ethio Telecom Establishment Council of Ministers Regulation No. 197/2010. The financing agreement further provides that among other things, failure to perform or observe any obligation, covenant or undertaking to be performed or observed and such failure not being remedied within 30 days would constitute an event of default. The financing agreement provides for the consequences of events of default and permits Ericsson, in addition to any other remedies provided in the agreement or by applicable law, in its absolute discretion to elect to:

- cancel any portion of the commitment to make available credit to the Company;
- declare that the loan and all other sums payable under the agreement have become immediately due and payable on demand; and
- enforce all or any of its rights and remedies under the agreement.

The Company is also required to provide its audited financial statements to Ericsson as soon as such statements becomes available, and in any event not later than 180 days after the end of each fiscal year.

In order to facilitate the Offer of the Ordinary Shares the Company was required to convert from a Public Enterprise to a Share Company through the Conversion. Therefore, the Company requested a no-objection letter from Ericsson to avoid breaching its covenants under the financing agreement as the Company had outstanding obligations under the financing agreement as at the date of the Conversion. As at the date of this Prospectus, the Company has not received the requested no objection letter from Ericsson. The request for the no objection letter is still under consideration by Ericsson and based on the ongoing discussions with Ericsson, the Company understands that following the receipt of certain information and clarifications Ericsson will issue the letter. The Company has outlined in Section 10.1.2 (The no objection letter requested from Ericsson in relation to the conversion of the Company to a Share Company is still pending and raises the potential for a dispute) a risk factor relating to the Company not receiving the aforementioned letter.

Under the financing agreements between the Company and ZTE and between the Company and Huawei for the TEP, the Company is required to provide information on its business including its audited financial statements within 120 days after the end of each Ethiopian fiscal year and its unaudited interim semi-annual financial statements within 60 days of each Ethiopian half year.

The Offer and the Intended ESX Listing are not expected to have any impact on the financing arrangements of the Company.

2.6. External Auditors

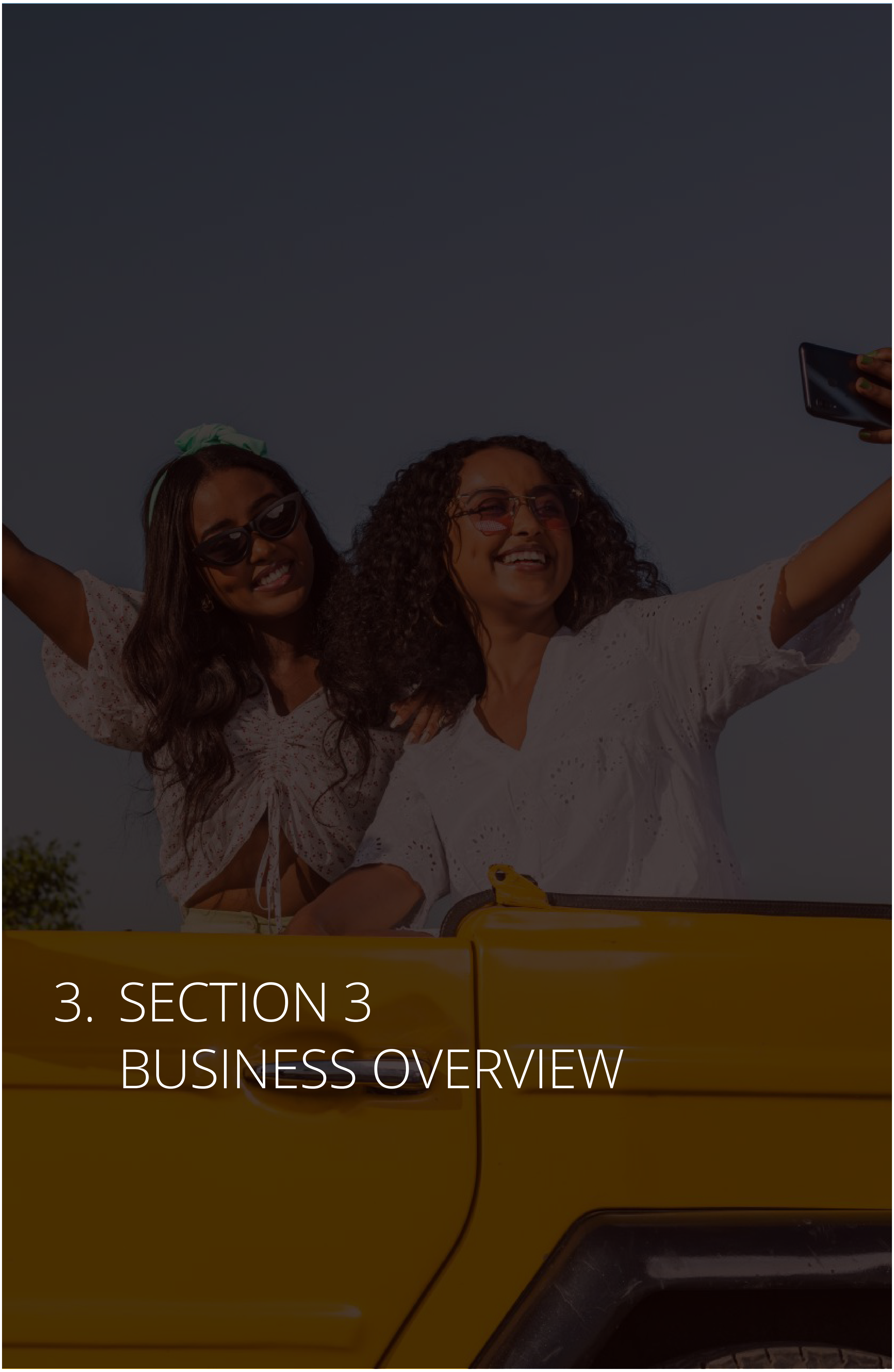
The Company's External Auditors for the years covered by the Historical Financial Information set out in Section 7.1 of this Prospectus are:

Audit Services Corporation
Kazanchis
Yeka SubCity
Addis Ababa
Ethiopia

The Audit Services Corporation is authorised to undertake audits in Ethiopia under a mandate from the Office of the Federal Auditor General which is responsible under the Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995 for the audits of the financial statements produced by ministries and other agencies of the federal government and is accountable to the House of Peoples' Representatives and, between sessions, shall be accountable to the president of Ethiopia. The Audit Services Corporation is a member of the Ethiopian Accounting and Auditing Board of Ethiopia.

The Audit Services Corporation was established under the Audit Service Corporation Proclamation No. 126/1977, and subsequently reestablished under the Audit Service Corporation Regulation No. 11/2021 as an autonomous Government organ having juridical personality of its own and is administered by a board. The board of the Audit Services Corporation consists of several high-ranking Federal Government officials including the Federal Auditor General acting as the Chairperson of the board of the Audit Services Corporation. The Audit Services Corporation is a member of the Accounting and Auditing Board of Ethiopia.

The Audit Services Corporation will continue to serve as the external auditors of the Company following the Offer. The Company at the date of this Prospectus has no intention in changing External Auditors.



3. SECTION 3
BUSINESS OVERVIEW

Third party information

The following information relating to the Company's macroeconomic situation and industry includes certain information extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no material facts have been omitted which would render the reproduced information inaccurate or misleading.

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors' estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from a variety of internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by the IMF, The World Bank, NBE, GSMA, EIU, AfDB, Afrexim Bank, UNEP and GEF.

While the Directors believe the third-party information included herein to be reliable, the Company has not independently verified such third-party information. The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

3.1. Industry Overview

3.1.1. African macroeconomic overview

Economic growth in Africa is expected to remain resilient, averaging 2.6%[1] in 2024 despite the persistence of the restrictive monetary policies in major global economies. Growth is forecast to increase to 3.8% in 2025[1], predicated by growth in consumer purchasing power, on account of an abating inflation and the expected easing of monetary policy tightening stances.

Africa remains the last frontier for significant leaps in economic transformation. The continent's long-term growth is expected to be driven by four main factors:

i. **A vast and youthful population**: In 2023, Africa's aggregate population stood at 1,400 million, with persons between the ages of 0-14 years accounting for 42.0%[1]. This is in comparison to the global average of 25.0%. In the long run, the youthful population is expected to transform into the world's largest working population, thereby yielding significant demographic dividends.

ii. **Intercontinental integration**: Ongoing push for Africa to integrate through trade and movement will drive long term growth in Africa. Integration of regional trading blocs and full implementation of the African Continental Free Trade Area will further push towards resolving Africa's large and untapped export potential. In 2023, Africa's intra-exports trade stood at USD 110,400 million, which represented 14.9% of the continent's total exports, up from 13.7% in 2022[2]. There is, however, significant growth potential, which could see the value of intra-continental trade reach levels similar to Asia and Europe, which had 60.0% and 70.0%, respectively[2].

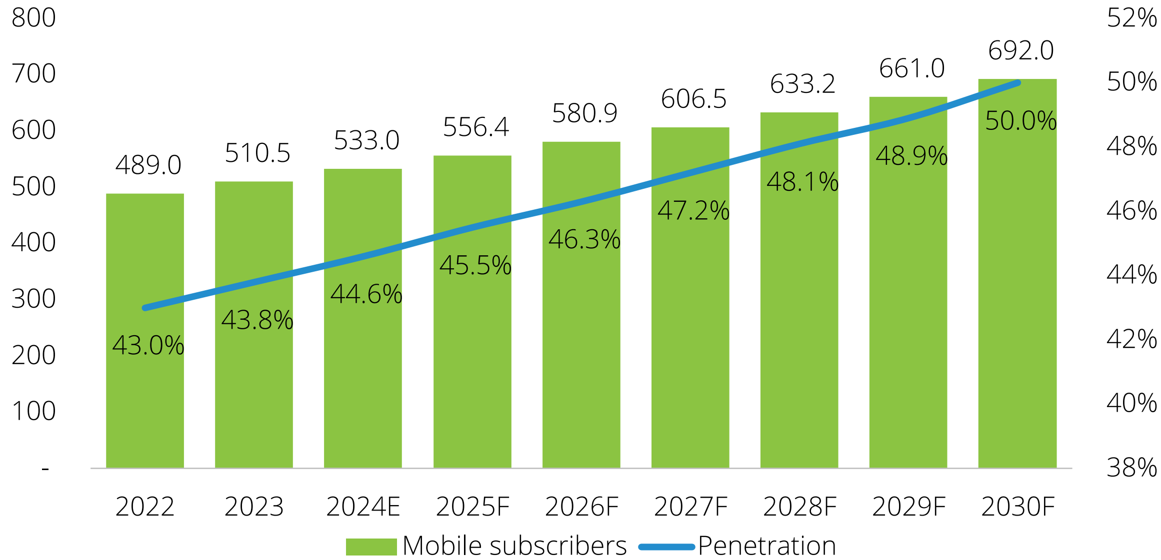
1. EIU.
2. Afrexim Bank

iii. **Vast arable land and wealth of minerals**: Africa is estimated to hold 65.0% of the world's remaining uncultivated arable land[3], 10.0% of the world's internally renewable freshwater sources[3], and 30.0% of the world's mineral reserves[4]. These, contextualised against the dire climate change challenges, present an opportunity for Africa to grow its economies through agriculture, manufacturing, export, and minerals.

iv. **Growth in the telecommunication sector**: In 2022, the mobile industry added an aggregate value of USD 170.0bn to the Sub-Saharan African economy[5], signifying the pivotal role that the sector plays. Empirical studies have demonstrated that investment in information and telecommunication infrastructure would stimulate inclusive growth by an average of 0.4% - 0.7%[6]. This, coupled with the forecast telecommunication capital expenditure of USD 75.0bn between 2023 and 2030[5], further compounds the potential for growth in this sector in Africa.

3.1.2. Introduction to the Sub-Saharan Africa telecommunications market

Sub-Saharan Africa mobile subscription and penetration



Source: GSMA

The telecommunication market in Sub-Saharan Africa presents a large unaddressed market opportunity, with a predominance of 3G technology and a mobile penetration rate averaging at 43.8% in 2023[5]. This rate is anticipated to see a 1.9% CAGR from 2024 to reach 50.0% by 2030 and generate a revenue of USD 58.5bn, up from USD 46.9bn in 2023[5]. The expansion of the telecommunication sector across the African continent is central to driving economic growth and spur growth in other sectors. The drivers and trends expected to shape the transformation of Africa's telecommunications landscape in the decade comprise:

i. **Increasing adoption of 4G and 5G**: While 3G remains the dominant technology in the African region, the adoption of 4G has accelerated mainly driven by the increasing demand for faster speeds among younger consumers. 4G adoption in Africa is forecast to more than double from 24.3% in 2023 to 49.0% in 2030[5]. This will be driven mainly by continued network upgrades and efforts to make 4G devices more affordable. 5G adoption has also been gaining momentum due to operators' efforts to modernise and prepare their networks. 5G adoption is forecast to accelerate in the second half of the decade, rising to 17.0% by 2030[5].

3. African Development Bank
4. United Nations Environmental Program
5. GSMA
6. Nchake, M. A., & Shuaibu, M. (2022). Investment in ICT infrastructure and inclusive growth in Africa. Scientific African, 17, e01293

ii. **Improving smartphone access:** In 2023, smartphone penetration in Sub-Saharan Africa was estimated to stand at 54.6%, up from 51.0% in 2022[5]. This has largely been on account of the decline in the average price of smartphones in Africa in the last few years, although the cost still remains unaffordable for many. To balance between producing affordable devices and gaining market share, operators will have to offer a range of innovations, including device financing plans and instalment payments, which will drive penetration to a forecast 88.0% by 2030.

iii. **Entrance of new players and joint ventures**: There has been an increase in the entrance of new players in previously isolated markets in Africa. Private investors are also increasingly forming joint ventures to accelerate the deployment of fibre networks and offer long-term returns to investors and customers.

Collaboratively, these factors are expected to drive the aggregate Sub-Saharan Africa mobile subscriptions to 692 million in 2030 up from 510.5 million in 2023. Regionally, over the same period, the East African Community is forecast to experience the highest growth, with penetration increasing to 59.0% from 48.4%[5].

3.1.3. Africa mobile money overview

In many African countries, mobile money has transitioned into a mainstream financial service. The significance of mobile money became particularly pronounced during the peak of the COVID-19 pandemic, with millions embracing digital payments, often for the first time for their everyday necessities. In the post-COVID-19 era, mobile money services have demonstrated a growth trajectory continuing to show resilient growth, surpassing pre-pandemic rates. Sub-Saharan Africa remained the global epicentre of mobile money, accounting for 47.7% (835 million) of mobile money registered accounts globally in 2023[5].

In terms of new registrations, Sub–Saharan Africa contributed 73.1% (159 million) of newly registered accounts globally, with West Africa accounting for the highest share at 82 million, followed by Eastern Africa at 60 million, Central Africa at 16 million, and Southern Africa at 4 million[5]. GSMA estimates that USD 912,000 million was transacted in Sub–Saharan Africa using mobile money, highlighting its paramount importance in financial inclusion. GSMA further states that mobile money agents have a reach of over 100 times that of ATMs and 200 times that of bank branches. As of 2023, there are 1,329 registered mobile agents in Sub–Saharan Africa per 100,000 adults[5], compared to 7 ATMs and 4 commercial banks per 100,000 adults[7], emphasising the pivotal role of mobile money in financial inclusion.

The growth of unique mobile money subscribers is expected to continue over the next 6 years, with Nigeria and Ethiopia expected to account for almost a third of total subscribers by 2030[5]. The key trends that are expected to shape the mobile ecosystem in Africa comprise:

i. Increased 5G adoption that is expected to improve network efficiency.

ii. Increased collaboration and innovation in fintech which is expected to lead to diversification of product offerings, particularly in the payments segment.

iii. The emergence of new AI tools and use cases that are expected to improve network operability and customer service.

iv. Improving smartphone access.

7. World Bank.

GSMA categorises Ethiopia and Nigeria as medium-prevalence mobile money markets. These two countries have recently implemented regulations permitting mobile money providers to launch services. In 2018, the Central Bank of Nigeria introduced the payments service bank, enabling mobile network operators to offer licensed financial services. Similarly, in 2020, the National Bank of Ethiopia introduced regulations allowing mobile network operators and other entities to offer mobile money services.

3.1.4. Ethiopia macroeconomic overview

Ethiopia has been one of the fastest-growing economies in Sub-Saharan Africa and globally, with real GDP growth having averaged 6.5% per annum between 2019 and 2023[1]. In comparison, the SSA average growth, over the same period, stood at 1.9%, while the global average stood at 2.2%[1].

Ethiopia's GDP grew by 6.5% in 2023[1], predominantly on the back of heavy government expenditure of public infrastructure and utilities and growth in the services sector. In addition, private investments were pivotal to GDP growth. Ethiopia has one of the highest FDIs in Africa, which stood at USD 3,300 million in 2023[1]. This accounted for 7.9% of Sub-Saharan Africa's total FDIs.

Subsequently, the country's GDP is expected to grow by 6.1% in 2024[8], owing to the temporary debt repayment suspension by its bilateral lenders in the first half of the year, policy reforms that are expected to attract FDIs, higher energy exports and sustained rebound in the services sector.

In a bid to further liberalise its economy, Ethiopia has implemented a series of policy reforms, key of which is the shift in currency regime from managed to floating. In July 2024, with the aim of resolving the structural and liquidity challenges of the country, the National Bank of Ethiopia announced the shift to a market-determined foreign exchange regime, with limited interventions[9]. As a result, the Birr to the dollar exchange rate moved from a bid/ask of 57.33/58.47 as at 30 June 2024, to 112.40/123.64 as at 30 September 2024, representing a depreciation of 96.1%.

To mitigate the expected inflationary impact of the policy reform in the short term, the Government moved to subsidise critical commodities including fuel and fertilisers as well as supplement salaries to cushion private consumption. Details of the Company's expected impact of the currency regime are outlined in section 5.2 (Key factors affecting the Company's results of operations).

In the long run, Ethiopia's GDP growth is forecast to trend above both the African and global average, with growth being driven by:

i. **Sustained public and private investment**: The Government, in line with the home-grown economic reform agenda, will continue to invest in public infrastructure and utilities. In tandem, the private sector is expected to grow its investments in Ethiopia, with FDIs forecast to reach USD 5,800 million by 2028[1].

ii. **Continued liberalisation of the economy**: The Government's economic liberalisation is expected to drive long-term growth, as multiple sectors benefit from private investment, best-in-class business management practices, and private sector efficiency.

iii. **High exports**: Exports, in line with the export-oriented industrialisation strategy, is expected to not only reduce the current account deficit but drive economic growth. Ethiopia's value of exports is forecast to reach USD 11,370 million by 2028[1].

8. International Monetary Fund.
9. National Bank of Ethiopia.

iv. **High population**: Ethiopia is the second most populous country in Africa. Further, similar to its African peers, the country has a majority youthful population with persons between 0-14 years accounting for 40.0% of the population[9].

3.1.5. Ethiopia's telecommunication market

The Ethiopian mobile market has grown steadily between 2020 and 2024 with the number of subscribers growing by 70.5%, from 48.6 million subscribers as of 30 June 2020 to 82.9 million subscribers as of 30 June 2024[10]. Growth has primarily been due to network expansion in underserved areas, broadening of the service offerings in the sector, the proliferation of low-cost handsets, and the adoption of smartphones.

Until October 2022, the Company was Ethiopia's sole telecommunication services provider and is currently the most dominant player, with its total subscriber base of 78.3 million, translating to a 94.5% market share as at 30 June 2024.

Safaricom is the second entrant into the market, having received the telecommunication and mobile money licenses in 2021 and 2023, respectively. The minority player in the market, Safaricom had a total subscriber base of 4.6 million as at 30 June 2024[11], translating to a market share of 5.5%.

According to the Fitch report on the telecommunications industry in Ethiopia, Eritrea, and Djibouti for 2023, the monthly blended ARPU in Ethiopia increased from ETB 135 in 2022 to ETB 144 in 2023. This was mainly due to reinforced network coverage and expanded products and service offerings by the telecommunications operators.

The Ethiopian telecommunication market is expected to continue to see growth as a result of:

- Adoption of smartphones, which will drive growth in data revenue;
- An uptake of mobile financial services, with most subscribers using them to settle money transfers and bill payments;
- Investment in improving network quality, as well as expanding the 4G and 5G coverage; and
- Digital solutions, value added services solutions, usage expansion and enterprise solutions.

3.1.6. Ethiopia mobile money overview

The Ethiopian mobile money market has undergone a significant transformation over the last three years, driven by a strategic initiative to enhance financial inclusion. This transformative shift was driven by the Government's Homegrown Economic Reform Agenda, which would see the liberalisation and expected privatisation of the telecoms sector and granting of mobile money services licenses to non-banking institutions, including MNOs.

Consequently, Telebirr, Ethio Telecom's mobile money platform was launched in May 2021 and in August 2023, MPESA, the mobile money platform offered by Safaricom, was launched. Since its initiation, Telebirr's mobile money users have grown to 47.5 million users as at 30 June 2024.

10. Ethiotelcom and Safaricom reports.
11. Safaricom Telecommunications Ethiopia Plc quarterly reports

Growth in the mobile money market is expected to be driven predominantly by the push for digitisation under the country's digital transformation strategy, a youthful population with high technology adoption rates, and continued expansion of the use of the mobile money platforms.

3.1.7. Competitive landscape

The Company operates in two distinct sectors, telecommunications and mobile financial services. The competitive landscape for both of these are described below.

Telecommunications

The telecommunication sector in Ethiopia has two main players: the Company and Safaricom. Safaricom was issued its telecom license in July 2021, making it Ethiopia's second telecom license. The Government launched tenders for new private telecoms licenses in July 2023 as part of a strategy to attract a second privately-owned mobile operator to the market. However, this was rescinded in November 2023.

The Company is the dominant player in the sector, controlling a market share of 94.5% as at 30 June 2024, while Safaricom had a 5.5% market share[10], as measured by subscriber base. The Government expanded the telecommunications licensing framework in May 2023, fostering competition and promoting diverse service offerings for the benefit of its citizens. The existing barriers to entry into the sector are expected to keep the sector at low concentration, with market share trading between the two companies.

Mobile financial services

In March 2020, the NBE implemented a transformative Directive on Payment Instrument Issuers, enabling local non-bank entities, including MNO's, and fintech (e.g., ArifPay, BelCash, Chapa, and Kifiya) to participate in mobile money services.

The Company launched and began operating Telebirr in May 2021. Telebirr has been successful in penetrating the market as a result of its access to the Company's existing telecom customer base and the Government's digitisation policy that further accelerated uptake. The Company was one of the first in the country to offer the MFS product and benefitted from being one of the first market participants. The Company has seen several attempts by other market participants to take market share. However, Telebirr has not been impacted by this and has seen strong retention coupled with strong customer growth and support from government initiatives such as the requirement for all fuel purchases in the Country to be made through Telebirr, which supported the adoption of Telebirr. Since the launch in May 2021, the Company has processed 952 million transactions with a transaction value of ETB 2,600 billion.

The Company's principal competition is MPESA, Safaricom's MFS offering. Although an offering that has performed well in other parts of the continent, MPESA has not been able to reach the same levels of penetration in Ethiopia.

3.1.8. Network and infrastructure

The Company owns the largest spectrum holding in Ethiopia at over 300+ MHz across 450, 800, 850, 900, 1800, 2100, and 2600 MHz bands. As at 30 June 2024, the Company also owns over 8,500 tower sites, with 21,693 Km of fibre networks spread across Ethiopia and over 12,000 Km of metro fibre. The below table lists the current spectrum holdings of the Company.

Spectrum band	Holding	Technology application
1800 MHz	75 MHz	LTE Advanced and GSM
2600 MHz	70 MHz	LTE Advanced
2100 MHz	60 MHz	UMTS
900 MHz	35 MHz	UMTS and GSM
800 MHz	30 MHz	LTE Advanced
850 MHz	25 MHz	CDMA
450 MHz	7 MHz	CDMA
783.5GHz	500 MHz	5G New radio

3.1.9. Market outlook

As at 30 June 2024, the Ethiopian mobile market stood at 82.9 million subscribers[10]. This, in comparison to an estimated population of 128.1 million people[1], translating to a market penetration of 64.7%. The large unaddressed market, coupled with Ethiopia's youthful population, which is forecast to grow at an annual average rate of 2.4% between 2024 and 2030[1], provides potential for scaling of telecommunication operations in Ethiopia.

Continued adoption of smartphones, which is forecast to reach 89.0% by 2030[5], in tandem with the expansion of the 4G and 5G network coverages will drive uptake of data services and in turn, is expected to drive growth in income from this segment.

Further, the economic transformation agenda, coupled with the forecast multi-sectoral growth, will drive the adoption of new innovative service offerings including cloud-based computing and storage services as well as the expansion of the mobile money service.

Predicated by the multisectoral growth and particularly the services sector, the enterprise market segment has seen rapid growth and is quickly becoming a significant source of revenue for telecommunication service providers. Demand for services such as cloud hosting, business broadband, corporate call signature and bulk SMSs is increasing as businesses look to innovate and expand.

3.2. Company overview

The Company was founded in 1894 by Emperor Menelik II under the name Central Administration of Telephone and Telegraph System of Ethiopia. Over the years, the Company has undergone a series of transformations and name changes. In 1907, the Company was renamed to The Central Office of Post, Telegraph, and Telephone System of Ethiopia, followed by the Ministry of Post and Telegraph and Telephone in 1910. Subsequent changes included adopting the name The Provisional Military Government of Socialist Ethiopia Telecommunication Services in 1975 and becoming the Ethiopian Telecommunication Authority in 1981.

In 1996, Ethiopia's telecommunication sector experienced a significant restructuring, resulting in the separation of the Ethiopian Telecommunication Authority into two institutions: The Ethiopian Telecommunication Authority and ETC. In 2010, a pivotal shift occurred when the Ethiopian government acknowledged the integral role of telecommunications in development and designated it as a strategic priority. This shift resulted in the rebranding of ETC to its current identity, Ethio Telecom.

Since 2010, the Company has consistently demonstrated a commitment to innovation through significant product launches. Key milestones include the introduction of 4GLTE in 2015 and the launch of 4GLTE Advanced in 2020, which was regionally rolled out in 2021. Also in 2021, the Company expanded its services into financial services with the introduction of Telebirr mobile money. Continuing this trajectory, 2022 marked the Company's entry into 5G technology, showcasing its dedication to staying at the forefront of cutting-edge advancements. In 2023, the Company enhanced its service offering with the introduction of modular data center services, alongside the Telecloud service and the innovative Telebirr Superapp. The Company has continued its commitment and dedication of providing advance telecom technologies to all and has actively pursued the regional rollout of 5G and continued rollout of 4G and as at 30 June 2024 5G is available in 5 cities and 4G in 424 cities.

Beyond the Company's connectivity offerings, the Company, in collaboration with Dashen and CBE banks, launched MFS contributing to bridging the financial inclusion gap. The Company offers two distinct services with Dashen Bank, namely Mela (microcredit) and Sanduq (micro saving), as well as with CBE bank Enderas (microcredit) and Sinq (micro saving). From August 2022 to 30 June 2024, under its mobile financial service lines, the Company facilitated ETB 12,880 million as micro-credit and ETB 13,350 million as micro-savings, underlining its commitment to both technological excellence and fostering financial inclusion.

The Company, as outlined in Section 2.2 (Incorporation), underwent a corporate structure transformation through the Conversion. The Conversion resulted in the Company becoming a Share Company on 1 July 2024, which allowed the Company to pursue its objectives of becoming a Listed company through the Offer, for which this Prospectus relates, and then the subsequent Intended ESX Listing.

3.3. Principal activities of the Company

The Company principally operates in three segments, Telecoms, Infrastructure sharing, and Mobile financial services.

The Company is Ethiopia's leading provider of telecommunication and mobile financial services. The Company offers an integrated suite of telecommunication solutions to its subscribers which includes mobile voice (pre and postpaid), fixed voice, data & internet (mobile or fixed broadband), and international devices sales. The Company offers its infrastructure sharing to Safaricom through the Safaricom Infrastructure Agreement and mobile financial services through its Telebirr product. Additionally, the Company provides digital & lifestyle services and cloud & enterprise solutions, which are recent propositions and included within the Infrastructure sharing operating segment. The below considers each of these principal activities.

3.3.1. Telecoms

The Company has categorised its mobile voice and data services into two main categories individual and enterprise. This categorisation is designed to tailor its mobile voice and data offering to the wants and needs of each customer segment.

In the individual category, the Company provides prepaid, post-paid, and hybrid plans to its subscribers. With prepaid plans, subscribers can choose a pay-as-you-go tariff, paying for services as needed, or opt for a package plan where they purchase data or voice in bulk before using. These options cover not only the core services but also the value-added sevrvices. The Company offers the following non exhaustive list of value-added services to its subscribers in the individual category.

01.	**Beep call service**	This service offers prepaid mobile voice subscribers the possibility to make calls even when they are out of airtime or have a low balance. The recipient of the call will receive a missed call indicating that someone tried to reach them.
02.	**Call me back service**	This service allows a subscriber to send a call me back SMS to other Ethio Telecom subscribers free of charge. This service has no limitation on usage.
03.	**Missed call notification**	This service will notify subscribers via SMS about incoming calls missed due to poor network conditions, out-of-coverage, or the phone being turned off.
04.	**Call signature**	This service allows a text to be displayed on a mobile phone during a call. It allows subscribers to customise the text to be displayed and share it when making or receiving a call.
05.	**Reachability alert**	This service notifies a caller via SMS when a call recipient's mobile network becomes active after being unreachable due to poor network conditions, out-of-coverage, or the phone being turned off.
06.	**Call divert**	This service allows a subscriber to forward their incoming calls to a secondary phone at a fee.
07.	**Call barring**	This service allows a subscriber to restrict or bar certain types of incoming and outgoing calls on their mobile phones.
08.	**Application to Person SMS**	This service is a type of SMS where software applications run by an enterprise send a text message to subscribers. This communication technique is typically one-way, with messages not requiring a direct response.
09.	**Short code-based services**	These services also known as short numbers are shorter-than-normal telephone numbers used in SMS and MMS to enable messages to be sent to mobile subscribers. Similar to telephone numbers, short codes are unique to each operator at the technological level and are designed for ease of memory and efficiency.
10.	**Airtime credit**	This service enables prepaid mobile subscribers to top up mobile airtime on a credit basis when subscribers don’t have sufficient balance. The borrowed credit is repaid upon the next recharge.

11.	**Package credit**	This service enables prepaid mobile subscribers to purchase mobile voice, or data packages on credit when subscribers have insufficient balance. The borrowed credit is repaid upon the next recharge.
12.	**Social media pack**	This service is a subscription-based discounted data offering with daily/weekly/monthly data bundles for accessing popular and specially selected social media platforms, such as Facebook, YouTube, TikTok, Telegram, and WhatsApp.
13.	**Rich communication services**	This service offers subscribers more modern, interactive, and feature-enhanced messaging capabilities, such as unlimited/8000 text characters, high quality/resolution photos, delivered, read, and typed receipts, group chatting, location sharing, video calls and messages, document sharing, and audio clips.
14.	**Balance transfer**	This service enables prepaid mobile subscribers to transfer airtime from their prepaid mobile account to another prepaid mobile account.
15.	**Normal caller ringback tone (CRBT)**	This service enables a caller to hear a customised tone or a song instead of the traditional beep tone while calling. When an individual (person A) places a call to another individual (person B) who has subscribed to a CRBT service, person A is able to listen to a music or song chosen by person B.
16.	**Calling CRBT**	This service allows a mobile voice subscriber to select and personalise the audio content they hear while calling other subscribers.
17.	**Tele drive**	This service enables subscribers to back-up their contacts, pictures, videos, SMS, and other files into one secured place for future access. It is a simple way that allows the subscriber to keep/store their phone data, SIM contacts, files, photos, audio, and video.
18.	**Mobile advertising service**	Mobile advertising is an advertisement that has been optimised for mobiles and is primarily targeted towards advertising across mobile devices such as smartphones, and tablets. Mobile advertising is an aspect of mobile marketing that allows brands to directly target subscribers via SMS, MMS, voice, websites, and apps.
19.	**Ad CRBT**	This service offers enterprises the opportunity to leverage CRBT services as an advertising platform. Ad CRBT enables effective promotion of products, and services, public announcement, and other marketing campaigns.
20.	**Star name**	This service aims to avail for the Company's subscribers a virtual short number that will allow them to get a second number on their existing SIM as per their selection of specific name, nick name or brand name.

In the enterprise category, the Company offers prepaid, post-paid, and hybrid plans. For prepaid plans, subscribers can choose either a pay-as-you-go option or a package plan. The primary difference between individual and enterprise categories lies in the features of the available packages. Enterprise packages are customised for businesses, offering different features compared to individual packages, such as closed user group packages, which are packages that are designed to offer both mobile and voice services to a group of users such as employees within the same organisation. Another key difference between the categories is the validity period of the packages. In the individual category, the Company provides packages with limited validity periods, starting from as short as a day, whereas in the enterprise category, the shortest validity period offered is a month. The Company also offers a VSAT service under the enterprise category, which is the installation of small satellites at the enterprise's premises. The VSAT is meant to help enterprises reliably transfer data, video, and voice in locations where the territorial network is not available as a backup. The Company offers the following popular value-added services to its subscribers in the enterprise category:

- Domain name service – The Company acts as a registrar and allows enterprises to register and manage domain names for their websites.
- Email service – The Company provides essential infrastructure, tools, and support for enterprises to establish and manage email communication.
- Web hosting service – The Company provides essential infrastructure that allows enterprises' websites access.
- Virtual private network connections service – This service allows enterprises to establish secure and encrypted connections to the internet.

Fixed line services

The Company has segmented its fixed line services into two main categories – fixed voice and fixed data. Fixed voice service was launched in 1894 during the Company's founding while fixed data services was launched in 1997. The Company offers both services to individuals and enterprises with enterprises being the key target market segment.

Furthermore, the Company offers these fixed service lines, which include both voice service and fixed broadband, through various service bundles with the latter leveraging fibre-based technologies, tailored for both individual and enterprise use.

International

The Company has also entered into partnerships with other telecom providers in neighbouring countries who provide the Company with various services. These include partnerships in interconnection agreements with STC, Etisalat, and IDT, enabling seamless exchange of calls, texts, and data between the Company's network and its partners. The Company has additionally entered into a roaming agreement with China Mobile, AT&T, Verizon Wireless, Proximus PLC, and Tele2 AB (SWEIQ), allowing customers to access mobile services, including calls, texts, and data while traveling internationally. The Company has roaming agreements with 544 telecommunication providers in 165 countries as at 30 June 2024.

3.3.2. Infrastructure sharing

As a result of the Company's significant infrastructure presence and its ambitions to support the Government in providing more access to telecoms services and improving the quality of the service to Ethiopians, the Company signed the Safaricom Infrastructure Agreement. Infrastructure sharing commenced in October 2022, from which date the Company has generated revenue from the agreement. As part of the Safaricom Infrastructure Agreement, the Company is responsible for the operations and management of the infrastructure that is shared under the agreement.

The Company shares three types of infrastructure, these include:

1. power and tower sharing – Safaricom has applied for power and tower sharing sites and as at 30 June 2024 shared 1,310 sites with the Company;
2. backbone transmission capacity sharing – linking between two cities; and
3. switching room collocation service – space for deployment of backbone transmission equipment.

The Company generated ETB 1,473 million from Infrastructure sharing in the year ended 30 June 2024 as compared to ETB 793 million in the year ended 30 June 2023.

3.3.3. Mobile financial services

The Company provides its mobile financial services under the Telebirr brand across all 17 telecom regions and 6 telecom zones in Addis Ababa. Launched in May 2021, Telebirr has exhibited substantial growth since its inception. For the year ended 30 June 2024, the Company had 42 million average number of Telebirr subscribers using mobile financial services, up from 28 million for the year ended 30 June 2023, and recognised ETB 2,318 million in revenue from Telebirr in the year ended 30 June 2024, up from ETB 757 million in the year ended 30 June 2023. Users of Telebirr benefit from a diverse range of services, including the basic Telebirr service, financial savings and credit services, payment integration, and the ability to purchase other Company products. Within the basic Telebirr service, the Company facilitates cash deposits, cash withdrawals, money transfers (between bank and wallet or vice versa), and person-to-person or person-to-group money transfers. In the financial credit service offering, the Company offers two distinct services with Dashen Bank, namely Mela (microcredit) and Sanduq (micro saving), as well as with CBE bank Enderas (microcredit) and Sinq (micro saving). Under payment integration, users can make utility payments, settle government service charges, and purchase various other Company services, including airtime as well as 35 plus application-based services. In the year ended 30 June 2024, the Company has additionally launched Telebirr integration with ATMs in partnerships with select commercial banks allowing customers to withdraw cash from their mobile money account.

3.3.4. Areas of high growth

The Company, in addition to its core offerings of Telecoms, Mobile financial services, and Infrastructure sharing, is developing additional propositions to serve its clients. These can be grouped into two broad categories, digital & lifestyle services and cloud & enterprise solutions. These propositions are being developed and are not seen as standalone operating segments of the Company, at this stage, with the expectation of these contributing significant performance to the Company in the future. During the year ended 30 June 2024, the Company launched 27 new digital & lifestyle services, along with 32 new offerings in the cloud & enterprise solutions. Further detail of these high-growth propositions is included below.

3.3.4.1. Digital & lifestyle services

The Company is at the forefront of delivering innovative digital & lifestyle services, content-based services, and other services that create value for the Company's individual and enterprise subscribers. Moreover, the Company sees a significant opportunity in leveraging key relationships with strategic partners in bringing additional services to customers to enhance the user experience. The Company offers access to its digital & lifestyle services through several channels including directly through the Telebirr SuperApp and in some instances directly through the service's own applications. Additionally, some select services can be accessed through a USSD code and the Company offers enterprises the opportunity to integrate the Company's API to their websites or applications for additional routes for consumers to access the Company's services.

As part of bringing competitive and diversified digital & lifestyle services, the Company offers the following services:

Sewasew music streaming	Sewasew is the Company's music streaming solution through a subscription model giving subscribers access to varying packages and access to a large library of music and audio.
Mayya TV	Mayya TV is a local video streaming service that offers a comprehensive collection of Ethiopian live TV and radio channels, as well as on-demand videos to customers.
IGADO+ IPTV	IGADO+ IPTV is a subscription-based IPTV streaming service that allows subscribers to get access to TV channels, streaming, video content & communication to watch a unique collection of live entertaining, and video on-demand movies and documentaries on an internet connected device with USSD channel and with data/ connectivity packages options.
Lifestyle Kidjo	Lifestyle Kidjo is a premium subscription-based platform that provides age-appropriate educational content for children including videos and games.
Lifestyle Docubay	Lifestyle Docubay is a premium subscription-based platform that provides access to a wide range of premium content and up-to-date local and international documentaries.
Digital lottery	Digital lottery service is a lottery service that offers lottery customers an easy, user-friendly, and all-inclusive digital-based lottery service that can be conducted online through digital platforms using retail agents POS machines.
Admas lottery service	Admas lottery service is a digital lottery service offered in collaboration with the National Lottery Administration and enables customers to purchase a lottery ticket through the Telebirr mobile money platform. Once the tickets are purchased, the ticket number and draw date will be sent via SMS.
Telewin	Telewin is the Company's digital mobile gaming platform providing registered players with the opportunity to play a variety of games for select prizes.
Telegame Appland	Telegame Appland is a gaming platform that provides customers access to play and download games from a long list of internationally and locally developed games at affordable prices
Hope Entertainment IVR	Hope Entertainment interactive voice response (IVR) is a service that allows subscribers to access a range of entertainment options such as music, news, comedy contents, and more by interacting with the system through voice commands.

The Company continues to identify opportunities in digital & lifestyle services in Ethiopia and has subsequent to 30 June 2024 begun the process of developing a brokerage and digital sub brokerage solution. The Company is in the process of acquiring a brokerage platform which will be accessible through the Telebirr Superapp and the Company's websites.

3.3.4.2. Cloud & enterprise solutions

Cloud & enterprise solutions is a new offering that was launched in January 2022. Telecloud provides services to institutions seeking computing resources and off-site data backup solutions without the need to build their own data center or acquire additional infrastructure. The Company offers a range of solutions under the cloud solutions which includes IaaS, PaaS, and SaaS. Under IaaS, the Company offers cloud computing services, backup services, storage services, network services, and security services. With cloud computing services customers can get secure, scalable, on-demand computing resources, enabling them to flexibly deploy applications and workloads. The storage service provides stable, secure, efficient, and easy-to-use cloud storage that lets customers store virtually any volume of data in any format and access it from anywhere.

Under the PaaS offering, the Company offers cloud container engine and MySql services. Cloud container engine service is a fully hosted service for enterprises to build, run, and scale containerised applications, while MySql service helps enterprises quickly deploy and scale relationship data systems for MySql on the cloud.

Under the SaaS offering, the Company offers U-learning, one office, and a video management system. U-learning is a cloud-based learning platform with the functionality of teacher management, student management, course builder and content management, smart classroom tools, online exam assessment, and system management. One office is a complete productivity and collaboration platform providing best-in-class security, on Telecloud. The video management system collects video from cameras and other sources, records/stores that video on a storage device, and provides an interface to both view the live video and access recorded video.

During the year ended 30 June 2023, the Company launched several working partnerships with private providers to support in building the Company's cloud based solutions such as contact center services, ERP development, file management and automated email solutions. These working partnerships are seen as a key strategic initiative to bring third party expertise together with the Company's demonstrated expertise of delivering high quality products and services. The Company has continued this approach into the year ended 30 June 2024 having launched additional products and expanding on existing successful initiatives, the most notable launches in the year ended 30 June 2024, under the Tele SaaS service are the Tele ERP solution, Tele meet/video conferencing plan, Tele contact center solution, and Tele e-learning. Tele ERP provides a fully integrated enterprise resource planning system that supports automation and processes in various business functions. Tele meet/video conferencing is a platform for virtual meetings and video conferencing, which allows users to share screens, exchange ideas, and work together in real-time, enhancing communication and productivity. Tele contact center solution is a center used for receiving or transmitting a large volume of inquiry, complaints and feedback via telephone. Tele e-learning is an educational platform offered by Tele cloud Solution, providing online learning resources and tools for students and educators. This platform facilitates distance learning, offering a variety of courses, lectures, and interactive materials that can be accessed remotely.

Additionally, the Company has established a competitive data center and cloud offering and as at 30 June 2024, the Company has 5 data centers including a switching room in Addis Ababa. The Company previously had 8 data centers as at 30 June 2023 but through consolidating to 5 has seen increased efficiency and as at 30 June 2024 has 26 pods equipped with 8,736 IT servers, supporting a total load of 4.2MW as compared to 30 June 2023 where the Company had 20 pods and 6,720 servers which had a total load capacity of 3.2MW. These are sustained on 12,555Km of metro and 21,693Km of fibre, which includes up to 6 fibre directions connectivity with automatic switch-over functionality. As at 30 June 2024, the Company has collocated 103 companies.

As at 30 June 2024, there were 329 public and private institutions using different telecloud services like computing and storage. 24 customers, mostly financial institutions, use the Company's modular data center witnessing its security and affordability.

3.3.5. Distribution and sales

The Company primarily distributes its services through physical locations across its geographical footprint, encompassing 976 sales outlets as at 30 June 2024. These sales outlets are divided into two main categories: Company-owned outlets, totalling 496, and franchisee shops, numbering 480. The Company has segmented its outlets into ten sub-categories:

- 25 premium service centre
- 199 residential service centre
- 150 kiosk service centre
- 66 movable kiosk
- 18 kiosk corners
- 28 enterprise service centre
- 9 industry park corners
- 480 franchise service centres
- 1 online sales / telegebeya

The Company has also entered into agreements with approximately 303,018 partners who mainly sell airtime, sim cards, and value-added services to its customers. The Company had 65 main distributors, approximately 12,636 sub-distributors, and approximately 289,312 retail distributors as at 30 June 2024. The Company strategically engages various retail touch points including large format retail stores, kiosks, sim-selling outlets, and Telebirr branches as well as agents to enhance its service accessibility and distribution channels.

Retail touch point	Description
Large format retail stores	Large brick-and-mortar stores that provide all the Company's services. Large format retail stores can be owned and operated by the Company, or operated by franchisees, which comprise approximately 49% of the Company's stores as at 30 June 2024.
Minishops and kiosks	Brick-and-mortar shops (in the case of minishops) and small open-air fibre structures (in the case of kiosks) operated by exclusive franchise partners with a primary focus on selling prepaid cards. As at 30 June 2024, there are 216 total kiosks.
Recharge selling outlets	Fixed or mobile sales points for airtime, which are typically, multi-brand sales points. Recharge selling outlets purchase airtime from Company distributors for resale.
SIM selling outlets	Fixed sales points for SIM cards, which are typically multi-brand sales points. SIM selling outlets purchase SIM cards from Company distributors for resale and are able to conduct the company's KYC process at the POS.
Telebirr branches	Fixed branches operated by franchisees that maintain a direct billing relationship with the Company, which are intended to provide a secure setting for Telebirr subscribers transacting in higher amounts. Though focused on Telebirr services, branches can also sell SIM cards and airtime.
Telebirr agents	Individuals or businesses that are contracted to facilitate Telebirr transactions for customers. They can also register new subscribers and teach subscribers how to make the best use of the Telebirr services.

3.4. Operations and employees

3.4.1. Network infrastructure

The Company's network infrastructure can be aggregated into five categories, namely:

- Mobile infrastructure;
- Tower infrastructure;
- Fibre infrastructure;
- Spectrum; and
- Fixed line.

3.4.1.1. Mobile infrastructure

As at 30 June 2024, the mobile network architecture comprises 8,538 strategically positioned towers designed to support a spectrum of technologies, including 2G, 3G, 4G, and 5G. The multi-generational towers, capable of simultaneously accommodating various technologies on the same infrastructure, facilitate seamless coexistence ensuring comprehensive coverage for areas with diverse technology needs, and serving devices with varying capabilities. As at 30 June 2024, the distribution of these towers stands at 7,620 for 2G, 8,327 for 3G, 3,376 for 4G, and 189 for 5G. Notably, the network infrastructure utilises equipment from leading telecommunications manufacturers such as Huawei, Ericsson, and ZTE.

As at 30 June 2024, the Company has 2G-enabled networks across 99.2% of the population, and 3G-enabled networks across 98.7% of the population. 4G technologies have been successfully rolled out in 424 cities across Ethiopia, covering 34.6% of the population. In the year ended 30 June 2024, expansion of the 4G mobile network was completed at 966 sites, and the 3G network was expanded to 682 sites. As at 30 June 2024, 5G services were available in 5 large cities with implementation efforts underway in additional cities. The mobile network's capacity as at 30 June 2024 stands at 86.1 million subscribers.

The Company's spectrum holding and technology application by spectrum band as of 30 June 2024 is shown in the table below:

Band name	Current usage	Technology application
3500 MHz	100 MHz	5G
2600 MHz	20 MHz	4G
2100 MHz	20 MHz	3G + 4G
1800 MHZ	35 MHz	2G + 4G
P-900 MHz	15 MHz	2G + 3G
850 MHz	7.52 MHz	CDMA
800 MHz	10 MHz	4G
450 MHz	2.5 MHZ	CDMA

GSM (2G) is a globally accepted standard for digital cellular communication and operates in the 900, 1800, and 1900 MHz frequency bands. Many GSM 900 and GSM 1800 systems are integrated to operate as a single network, referred to as a dual-band network, and capitalise on dual-band GSM handsets that switch automatically and imperceptibly between 900 and 1800 MHz network towers, as and when needed, according to the availability of unused voice channels within a particular radio channel in either the 900 or 1800 MHz band.

The GSM standard is considered inferior to advanced second-generation and 3G digital standards based on CDMA technologies. This is because CDMA technologies have demonstrated more efficient use of radio frequency spectrum as compared to GSM. This efficiency enables mobile cellular networks based on CDMA to provide service to more subscribers with a given amount of spectrum.

In addition, 3G CDMA technologies, which are used to provide UMTS, offer significantly greater data transmission capabilities as compared to GSM, that is, where a GSM network can provide a basic data transmission speed of 9.6 kbps, a network based on 3G CDMA technology should enable speeds of 0.5 to 7.2 MBps.

LTE represents the fourth generation (4G) technology. LTE is designed to provide faster data transmission speeds, improved network capacity, and reduced latency compared to its predecessors. LTE operates on multiple frequency bands, allowing for greater flexibility and global compatibility. With 4G technology, users can experience high voice quality while 4G wireless users can easily stream high-definition video and audio. 4G also enables wireless broadband, which provides a way for users to get internet connectivity without the need for a fixed, wired connection from an internet service provider. As an interim step up from 3G, LTE provides more bandwidth than 3G, without achieving the full bandwidth network speed minimum of 100 MBps that 4G promises.

After successfully launching the 4G LTE network across both urban and rural areas in 2021 and implementing further enhancements, in the year ended 30 June 2024 the Company expanded its 4G network penetration reaching 424 cities and covering 34.6% of the population. This accomplishment ensured a reliable signal, resulting in commendable data speeds, call quality, and overall network performance. Consequently, the Company exceeded its goals for the year ended 30 June 2024 in urban areas, by achieving a 100% success rate in establishing setup times (the connection between a client, like a web browser, and a server using HTTP) in less than 15 seconds. Additionally, the download/upload setup time was also optimised to 0.05 seconds. This has allowed its subscribers to experience reduced latency, high voice quality, and better download speed, resulting in a more responsive user experience.

5G, or the fifth generation, has emerged as the latest standard. 5G offers even higher data speeds, lower latency, and increased capacity, making it a crucial enabler for the internet of things and other advanced technologies. It offers the promise of increased bandwidth with peak speeds as high as 20 gbps, which is dramatically more than the 100 MBps specified by 4G. 5G operates on multiple frequency bands, enhancing flexibility and spectrum efficiency, and ensuring global compatibility. This capability enables 5G networks to adapt to diverse deployment scenarios and deliver optimal performance across a wide range of applications, marking a significant improvement from 4G and providing enhanced adaptability and efficiency in the evolving landscape of mobile communication. 5G offers much faster connection speeds than previous networks while also being more reliable with higher response times and greater capacity with less power consumption.

In May 2022, the Company launched the 5G network, starting in Addis Ababa and later expanding to selected regions. The primary strategic objective of this deployment was to enhance the service quality of the network technologies, as 5G technology is promised to support up to 100 times more connected devices per unit area compared to 4G LTE. As at 30 June 2024, the Company successfully piloted and commercialised 5G network in 5 cities including Addis Ababa and Dire Dawa. With implementation underway in additional 3 cities, network expansion is a major capital investment focus going forward. The Company considers 4G LTE and 5G rollout as critical to the digitalisation of Ethiopia allowing consumers to enjoy the use of innovative products such as the Company’s tele engage, web hosting, smart education (U learning), and OneOffice, leveraging its improved speed, lower latency, and increased capacity.

3.4.1.2. Towers infrastructure

Towers play a pivotal role in modern telecommunication services as integral components of network infrastructure. These structures are vital for enabling wireless communication, providing the essential framework to support diverse telecommunications functions. Each cell tower is equipped with its designated frequency band and base station. The Base Station typically encompasses transmitter-receiver equipment for communication with mobile phones within the cell’s range, an antenna for signal transmission, power supply equipment, and a tower housing antenna.

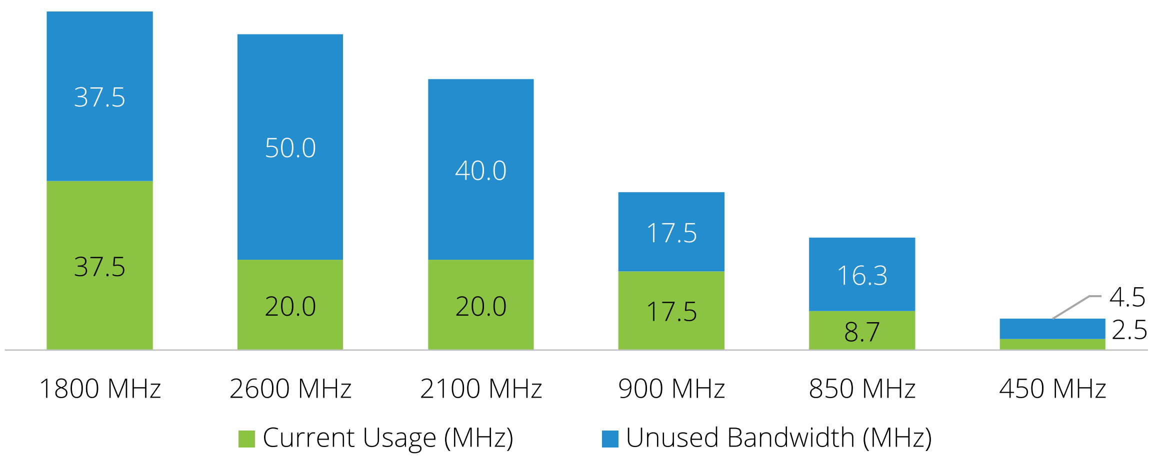
Furthermore, each Base Station is intricately connected to a controller, which, in turn, is linked to a transcoder and a mobile switching center. The transcoder plays a crucial role in converting voice signals between different digital communication technologies. The mobile switching center serves as a linchpin, connecting the mobile network seamlessly to the broader network. This connection allows calls to be directed to and from other mobile operators, fixed networks, or other mobile users within the same network. This multifaceted system ensures the smooth flow of communication and connectivity within the telecommunication network, emphasising the dynamic and critical role of cell towers in modern technology.

As at 30 June 2024, the Company had 8,538 network towers, of which 8,343 are Mobile Sites, 160 are repeater and optical sites, and 35 are CDMA sites. As at 30 June 2024, 85.6% of network towers were ground based and the remaining 14.4% were rooftop based.

All network towers are configured with battery storage, and as at 30 June 2024 more than 45.7% of sites have backup generators with a total of 18.9% off-grid sites configured with solar power. 58.3% of the sites are connected to the EMS. To ensure an uninterrupted network coverage, as at 30 June 2024 the Company has deployed 15,943 security personnel at tower sites.

3.4.1.3. Spectrum

The Company has access to a rich inventory of spectrum assets reaching across different bands (typically in the 450MHz, 800MHz, 850MHz, 900MHz, 1,800MHz, 2,100MHz, and 2,600MHz bands), facilitating the efficient use of spectrum for coverage and the upper frequencies for optimal coverage and capacity. The graph below showcases spectrum usage by spectrum band as at 30 June 2024.



3.4.1.4. Fibre infrastructure

The Company has developed an expansive optical fibre network, as at 30 June 2024 covering 21,693Km throughout Ethiopia, featuring 12,555 Km of metro fibre strategically deployed in Addis Ababa and regional towns. This robust network efficiently connects the capital city, Addis Ababa, to major cities and establishes crucial links to border gateways like Djibouti, Sudan, Kenya, and Somalia routes in multiple directions.

As at 30 June 2024, 85.6% of the fibre network is underground for enhanced reliability, while the remaining 14.4% is aerial. In terms of cable types, 62.6% consists of terrestrial cables, with 29.7% designated as OPGW, 6.7% for backhaul, and 1% for all-dielectric self-supporting. This strategic distribution contributes to improved connectivity across diverse regions.

3.4.1.5. Fixed line

A fixed line, in telecommunications, refers to a physical, land-based connection that provides voice services and fixed broadband. Between 2021 and 2024, the Company strategically enhanced its fixed line services, comprising voice and fixed broadband. This initiative involved substantial expansions, upgrades, and rehabilitations, such as expanding and rehabilitating 241,176Km copper lines in Addis Ababa and selected regions. Additionally, the Company rehabilitated 140Km of metro cables and installed fibre connections on 1,179 one-hop microwave sites with 80% of Addis Ababa city network upgraded from microwave connections to fibre to accommodate the growing 4G and 5G network. These efforts collectively aimed to increase network availability, improve service quality, and address the growing demand. Currently, the Company offers broadband speeds ranging from 5MBps to 100MBps on fibre connections for residences and enterprises with the Company gradually upgrading its copper cables to optical fibre cables to offer fast and reliable speed and connection.

3.4.2. Employees

The Company has an employee base comprising of 16,783 permanent and 7,061 non-permanent staff as at 30 June 2024. The table below presents the split of employees categorised by full-time and contract status for the last three years:

	As at 30 June		
Function	**2024**	**2023**	**2022**
Permanent employees	16,783	17,207	17,774
Agency employees	4,549	4,549	4,549
Security employees	2,455	2,600	2,581
Other fixed term employees	57	66	134
Total contracted employees	**23,844**	**24,422**	**25,038**
Regional security personnel*	15,943	15,577	14,052
Total	**39,787**	**39,999**	**39,090**

* The Government hires regional security personnel as part of their effort to protect national infrastructure. The Company pays these personnel on behalf of the Government, however, these individuals are contracted by the Government. This arrangement is contingent on the ongoing needs and decisions of the Government as various network infrastructures are built in different regions of the country that may require security to ensure uninterrupted infrastructure installation and operation of the Company.

The Company's employees in Ethiopia are unionised, and the Company's relationship with each of these unions is governed by a collective bargaining agreement with the Company implementing various policies and strategies such as competitive compensation and benefits, career development, and education opportunities to retain its key personnel.

3.5. Principal markets

The Company operates in, and wholly serves Ethiopia, operating country wide serving 23 network coverage regions and covering 99.2% of the population as at 30 June 2024 through its diversified operations.

3.5.1. Business segment analysis

The Company has divided its operations into three business segments: Telecoms, Infrastructure sharing, and Mobile financial services. The table below presents the split of revenue by business segments for the years stated.

ETB (millions)	Year ended 30 June		
Segment	**2024**	**2023**	**2022**
Telecoms	87,580	69,976	59,443
Infrastructure sharing	1,473	793	n/a
Mobile financial services	2,318	757	6
Total revenue from contracts with customers	**91,371**	**71,526**	**59,449**

The Company additionally generates other income. Other income totalled ETB 4,294 million, ETB 5,460 million, and ETB 2,315 million in the years ended 30 June 2024, 2023, and 2022, respectively. Additional analysis of revenue from contracts with customers and other income are included within Section 5 (Management discussion and analysis on operations and financial results).

3.6. Important events and developments

The Company launched internet services in 1997, followed by mobile services in 1998. In 2006, it introduced 3G technology and simultaneously enhanced its fixed and mobile infrastructure. The year 2010 marked a transformative moment as the Company underwent a name change, becoming Ethio Telcom from Ethiopia Telecommunication Corporation. The Company then launched 4G LTE in 2015, followed by the establishment of Telecom Excellence Academy in 2016. The evolution continued with the introduction of 4G LTE Advanced in 2020, with a regional rollout in 2021. Venturing into financial services, the Company expanded its portfolio with the launch of mobile money in May 2021 under the Telebirr brand. The Company further expanded its services by launching 5G in 2022 and has continued the expansion by rolling it out regionally. In 2023, the Company continued its strategic expansion, introducing modular data center services and Telecloud. The Company also unveiled the Telebirr Superapp in 2023, adding a versatile touch to its comprehensive suite of offerings.

After the successful rollout of the Telebirr Superapp the Company continues to expand on its functionality and applications available therein and in June 2024 the Company expanded its Telebirr SuperApp ecosystem by introducing Tele Engage, a unified social media platform that allows users to transact, communicate, and share multimedia content. Additionally, Telebirr SuperApp saw the launch of Tele TV, offering on-demand Ethiopian movie streaming services, further boosting the app's offering.

The Company, as outlined in the Section 2.2 (Incorporation), while continuing to increase its value proposition to its customers reached a significant milestone on 1 July 2024 as it was converted to a Share Company pursuant to the Conversion. The Conversion was undertaken in preparation for issuing shares to the public, for which this Prospectus relates, and in preparation for the subsequent Intended ESX listing.

3.7. Business strategy and objectives

The Company's vision is to be a leading digital solutions provider in Ethiopia, with the mission to providing reliable communication and digital financial services to simplify life and accelerate digital transformation of Ethiopia. The Company, in pursuing its mission and vision, has identified and prioritised five major goals, which include:

- Enhancing customer satisfaction;
- Diversifying revenue streams;
- Retaining market and value share;
- Increase efficiency and productivity; and
- Increase profitability.

To achieve these goals, the Company has six strategic themes, which are designed to shape the Company's direction and focus. These themes are:

- Leader within the industry;
- Sustainable business growth;
- Achieving results through data-driven innovation;
- Strategic metrics for operational excellence;
- Leading brand; and
- People centric high performing Company.

3.7.1. Leader within the industry

The Company places a strong emphasis on prioritising exceptional customer service. The Company aims to achieve this by adopting a customer-centric approach and utilising analytical marketing alongside big data mining. This strategic combination allows the Company to gain a deep understanding of individual behaviours and micro-segments. Once done, the Company will be able to simplify the customer journey and be able to develop tailored, and affordable, solutions to its customers.

3.7.2. Sustainable business growth

The Company's primary objective is to ensure sustainable growth. This involves increasing revenue through the enhancement of core services, diversification of international business streams, expansion of the subscriber base, retention of high-value customers, and effective management of revenue leakage. Additionally, the Company aims to explore alternative financing options, investments, and payment modalities, enter new markets, optimise costs through streamlined and standardised operational activities, digitise its financial management system to generate business insights, and deploy an effective and efficient internal control system to maintain a healthy financial position.

3.7.3. Achieving results through data-driven innovation

The Company's strategic focus is centred on excelling in the delivery of innovative solutions to customers. This involves deploying enabling technologies, optimising existing telecom infrastructure, and efficiently managing networks. Additionally, the Company aims to provide value-added cloud-based solutions, support enterprises with comprehensive offerings, and adopt disruptive technologies. The strategic vision extends to diversifying business models, expanding in the wholesale market, leading in open business for content development, and delivering solutions beyond the telecom sector. Furthermore, there is a dedicated focus on broadening the financial services portfolio through enhanced fintech solutions and the digitisation of the payment ecosystem.

3.7.4. Strategic metrices for operational excellence

The Company is focused on achieving organisational agility through comprehensive digital transformation. The first step involves enhancing working systems and automation, laying the foundation for increased efficiency. The strategy then progresses to fostering innovation by establishing a dedicated research and development center and promoting in-house solutions. This emphasis on innovation is complemented by continuous incremental improvement in productivity and efficiency, aligning operational activities with the organisation's vision and mission.

A pivotal aspect of the strategy involves practicing data-driven swift decision-making, aiming to shorten lead time and time-to-market. The next logical step entails improving partnership management, fostering win-win relationships with business partners and stakeholders. This collaborative approach is supported by digital solutions, contributing to improved partnership dynamics.

Enhancing organisational security is another crucial component of the strategy, involving proactive measures against information and infrastructure security threats. Simultaneously, the organisation is committed to ensuring effective enterprise risk management and business continuity. The logical sequence of these strategies reflects a cohesive and strategic approach to attaining organisational agility through digital transformation.

3.7.5. Leading brand

The Company's strategic commitment is to enhance its reputation and brand value through an ESG-centric approach. This involves expanding affordable connectivity and digital solutions, contributing significantly to socio-economic development. Additionally, the Company is involved in corporate social responsibility in sectors such as education, health, environmental protection, green legacy, and eco-tourism, among others, fostering a sense of ownership within society. Environmental responsibility is also paramount, with efforts to reduce carbon emissions, build an energy-efficient network, rely on renewable energy sources, and transition to a paperless digital operation. Furthermore, the Company practices responsible corporate governance, engaging in ethical business practices and ensuring transparency and accountability by placing compliance at the center of its operations.

3.7.6. People-centric high performing company

The Company is focused on transforming into a high-performing digital company. Key strategies include competitive talent management aligned with corporate priorities, innovative recruitment techniques for attracting top talent, and the development of digital skills. The Company places a strong emphasis on employee engagement by fostering a robust corporate culture, improving internal communications, empowering employees, ensuring transparency and accountability, and implementing performance-based payment structures. Additional efforts aim to enhance employee satisfaction and retention through improvements in ergonomics, employee experience management, and the provision of competitive compensation and benefits packages. The Company also underscores the importance of enhancing leadership capabilities to mobilise the workforce effectively toward a shared vision, aligning with the Company's overarching ambition.

3.8. Key dependencies

The Company relies on key partners in five core areas of its operations: RAN, optimisation tools, indoor solutions, financial services, and roaming services.

3.8.1. RAN

The RAN, which is a component of mobile infrastructure, is responsible for connecting individual devices, such as mobile phones or other wireless devices, to the broader telecommunications network. It includes various components such as Base Stations, antennas, and other radio equipment. The Company is dependent on Huawei, ZTE, and Ericsson as its sole suppliers for RAN components.

3.8.2. Optimisation tools

Optimisation tools are a set of technologies utilised to enhance the performance, efficiency, and overall functionality of a telecommunications network. They play a critical role in enhancing operational efficiency by optimising network performance and managing traffic effectively. The Company is reliant on smart technologies, Lillybelle and Infovista, for optimisation tools. These tools are developed by third-party suppliers and the Company is dependent on them for their continued quality enhancements.

3.8.3. Indoor solutions

Indoor solutions are a set of technologies designed to provide reliable and efficient wireless connectivity within indoor spaces such as buildings, offices, malls, and other enclosed environments. The Company is reliant on Huawei, ZTE, Gren Tech, Smart Technologies, Webzone, and Belfone as its sole suppliers for indoor solution technologies.

3.8.4. Financial services

Telebirr facilitates transactions between customers and offers microcredit and micro-savings services in partnership with local commercial banks. Current legislation doesn't allow companies without the appropriate licenses to perform certain banking activities, such as microcredit and micro-savings services. The Company, and as such Telebirr, is unable to provide these services on its own and is dependent on partnerships with Dashen and CBE to provide access to these activities.

3.8.5. Roaming services

As at 30 June 2024, the Company has 544 roaming agreements in 165 countries providing telecom services to its customers who travel internationally. The Company's roaming services are contingent upon these partnerships which are critical to ensuring uninterrupted connectivity to the Company's customers across borders.

3.9. Competitive positions

The Company operates in three segments, being Telecoms, Infrastructure sharing, and Mobile financial services as outlined in section 3.3 (Principal Activities). The Company is a market leader in both Telecoms and MFS in Ethiopia. As at 30 June 2024, the Company holds a 94.5% market share of the telecoms market in Ethiopia, with a single competitor in Safaricom. The Company was the first provider of MFS in Ethiopia and is considered the market leader due to the quality of the product and extensive network. Additionally, with an extensive distribution network of 976 sales outlets, the Company has established a competitive edge over its competitors. The Company considers the below factors as critical to its competitive position across these sectors.

3.9.1. Distribution network

As at 30 June 2024, the Company's distribution network comprises 976 sales outlets across its geographical footprint. Among these, 496 are Company-owned outlets, while the remaining 480 are franchisee shops. The Company has a wider geographical and population coverage than its competitor, Safaricom.

3.9.2. Ethio Telecom's robust infrastructure offers a ready network

As at 30 June 2024, the Company boasts an extensive network infrastructure with 8,538 network towers, including 8,343 Mobile Sites, 160 repeater and optical sites, and 35 CDMA sites. Additionally, the Company has strategically deployed an expansive optical fibre network covering 21,693Km throughout Ethiopia, including 12,555Km of metro fibre in key locations such as Addis Ababa and regional towns. The Company is the market leader with regards to its deployed infrastructure and holds the majority of the telecoms infrastructure in Ethiopia. The Company is actively supporting the Government in its telecommunication liberalisation initiatives by entering the Safaricom Infrastructure Agreement to share the Company's infrastructure. The Company sees infrastructure sharing arrangements as a significant growth opportunity, financially and in its ambitions of increasing its infrastructure technologies.

3.9.3. Owing to the large unbanked population, mobile financial services offer a significant opportunity for revenue diversification

According to the National Bank of Ethiopia, the population to bank branch ratio stands at 11,516:1, with nearly 32.7% of all bank branches concentrated in the capital city, Addis Ababa. Further, it is estimated that that only 45.0% of the population is banked[12]. This points to extensive opportunities for enhancing financial inclusion, especially among the unbanked population, through mobile banking channels. The launch of the Company's Mobile Financial Services pioneered the mobile money landscape for non-bank players. Safaricom's M-PESA subsequent arrival exemplifies Ethiopia's national digital transformation initiative in attracting players and driving positive change. This strategic positioning sets the Company as a pioneer in expanding access to financial services, laying the groundwork for further growth and market leadership.

3.9.4. Strong financial performance on the back of stable operating metrics

The Company's business is profit-generating as set out in section 5 (Management discussion and analysis on operations & financial results). Even with an increase in competitors, the Company can leverage its larger economies of scale than its counterparts, to safeguard its ability to generate profit for its shareholders.

3.10. Recent and future investments

The Company's recent and future investments primarily relate to capital expenditure as the Company seeks to offer best-in-class infrastructure and technological capabilities to its customers. Where necessary the Company will invest resources in new offerings to support its ambitions of

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diversifying its revenue streams. Such examples are the construction of data centers and the costs associated with developing the Telebirr Superapp.

The Company has undertaken ETB 19,661 million Capex investments across various of its resources including network assets, power equipment, buildings, motor vehicles, servers, and spare parts during the year ended 30 June 2024 and is expected to spend ETB 81,447 million in the year ended 30 June 2025. The Company's recent and future investments are set out below.

3.10.1. Network assets

During the year ended 30 June 2024, the Company has invested ETB 12,941 million into its network assets, across its wireless network, network infrastructure, fixed network, information security, and information systems. This has allowed the Company to rehabilitate, upgrade, and optimise its network assets allowing the Company to offer a secure and reliable network and services to its subscribers.

3.10.1.1. Wireless network

In the wireless network division, the Company made significant investments, deploying cutting-edge 5G technology, expanding 4G LTE and 3G new sites, enhancing 3G carriers, deploying indoor solutions, and improving both its core network and microwave backhaul capabilities.

The Company is expected to continue investing in its wireless network in the year ended 30 June 2025 to enhance its network capabilities by integrating the latest 5G technologies and optimisation tools into its wireless network infrastructure and expanding its reach across different regions.

3.10.1.2. Network Infrastructure

In the network infrastructure division, the Company has initiated several key projects. This includes the development of 26 pods for the modular data center. These pods are expected to enhance data storage capabilities and support the efficiency of the Company's digital operations. Additionally, efforts have been directed towards improving power availability across 561 sites, and other various network infrastructure components, ultimately optimising energy usage and ensuring a more stable operation. Enhancements to energy management systems for 1,080 sites completed with an additional 3,105 sites in progress as at 30 June 2024. In the domain of access, for OFC, the Company has completed 767 Km of new optical link OFC laying, and 278 Km of OFC rehabilitation as at 30 June 2024. These achievements underscore the Company's dedication to strengthening its optical infrastructure ensuring robust and efficient network connectivity.

The Company is expected to continue its commitment to advancing its network infrastructure with plans to install power systems, towers, and modular data centers in new sites in the year ended 30 June 2025.

3.10.1.3. Fixed network

Under the fixed network, the Company has undertaken various projects to enhance its infrastructure and services. The multi-service access gateway has been successfully upgraded as at 30 June 2024. This upgrade ensures optimal performance and compatibility with modern communication needs.

The Company is currently undertaking a public switched telephone network swap, with the project substantially complete as at 30 June 2024, aiming to upgrade network technology. Simultaneously, the Company is investing in new multi-service access nodes to enhance its telecommunications infrastructure.

The Company is upgrading its optical network distribution and has completed more than half of its upgrading work as at 30 June 2024. Optical network distribution, in the telecommunications industry, involves the distribution of data signals using optical fibre technology. It utilises thin strands of glass or plastic, known as optical fibres, to transmit voice, data, and multimedia content through light pulses. This innovative technology facilitates high-speed and high-capacity communication, ultimately contributing to the overall efficiency and performance of telecommunications networks.

The Company has successfully completed the optical distribution network installation, which involved developing 178,598 lines in Addis Ababa and close regions to meet the increasing demand of fixed broadband customers. In addition, the Company has also accomplished the rehabilitation of 91,116 lines of copper.

The Company is also investing in advancing its fixed network capabilities by undertaking the installation of fibre. The Company has continued to support Safaricom with access to the Company's infrastructure, and as at 30 June 2024 the Company shares 1,310 of its towers and provides access to its extensive cable networks. The Company generated ETB 1,473 million from Infrastructure sharing in the year ended 30 June 2024 from Safaricom.

The Company is presently investing in deploying 300 mini-OLTs, which are compact versions of traditional OLTs. These mini OLTs are instrumental in managing and controlling data traffic across the optical fibre network.

The Company is expected to continue investing in its fixed network assets in the year ended 30 June 2025, to complete the ongoing projects and initiate other rehabilitation and upgrading projects in different regions.

3.10.1.4. Information security

The Company has launched 15 projects in its information security division. Notable projects include the equipment identity registration system project, meant to manage lists of international mobile equipment identity numbers, thereby contributing to a standardised environment and ultimately increasing accessibility. Another project is the service provider gateway project, which provides scalable security in the mobile network which will provide another layer of protection for the traffic across the network.

The Company is expected to continue investing in information security in the year ended 30 June 2025 to successfully implement the 12 projects ultimately scaling up its information security operations.

3.10.1.5. Information systems

The Company has launched 16 projects in the information system division. Key projects include the upgrading of its mobile value-added services system which is set to deliver new and enhanced functionalities to meet evolving user needs. The project has made significant progress with the project substantially complete by 30 June 2024. The Company has also invested in cloud computing services, covering corporate solutions, operation support systems, policy and charging rules function & traffic detection function, e-top up, mobile-VAS, internet protocol contact center, and cloud service. This strategic investment aims to enhance the efficiency and capabilities of its telecommunications infrastructure. Additionally, the Company has directed investments into its financial and digital payment system to improve the overall efficiency and effectiveness of its financial and digital payment services.

With more than 16 projects underway, the Company is expected to successfully complete its upgrading and optimisation projects and launch additional projects.

3.10.2. Building

To increase the accessibility and operational efficiency of its services the Company during the year ended 30 June 2024 invested ETB 8,143 million into development projects including the construction of various projects such as regional offices, shops, and warehouses.

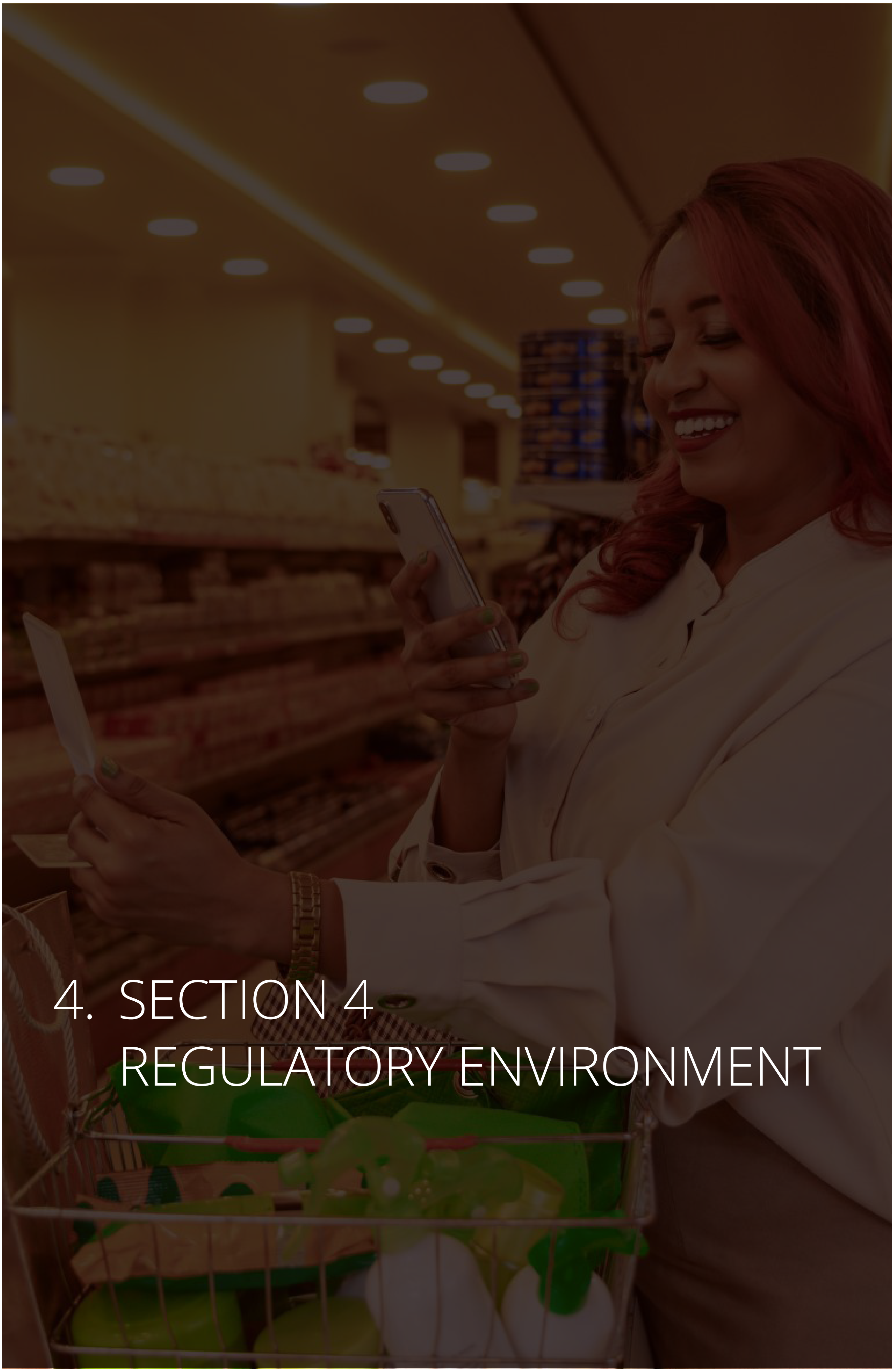
3.10.2.1. Facilities and fleet

The Company has launched several projects in the facilities and fleet division, including notable projects that include the construction of 11 regional office buildings to increase accessibility. The Company is also constructing 28 retail shops with the goal of increasing accessibility and has completed the construction of 6 shops as at 30 June 2024. The Company is also constructing 6 warehouses and completed the construction of 1 warehouse as at 30 June 2024.

The Company is expected to continue investing in the facilities and fleet operations in the year ended 30 June 2025. The Company also plans to introduce additional projects that will further enhance the accessibility of its services.

3.11. Business interruptions

The Company has had no material business interruptions in the preceding 12 months which have had a material effect on the Company’s financial performance or position.



4. SECTION 4
REGULATORY ENVIRONMENT

The Company operates in the highly regulated telecommunications and mobile financial services sectors in Ethiopia. This section sets out the material regulations and regulatory framework for these two sectors.

4.1. Regulatory framework for the telecommunications sector

The primary legislation governing the telecommunications sector in Ethiopia is the CS Proclamation and the directives made thereunder.

Article 19 (1) of the CS Proclamation provides that telecommunications services, including ownership of a telecommunications operator or a telecommunications network, shall be open without limitation to private investors including both domestic and foreign investors. As of the date of this Prospectus, only the Company and Safaricom have full-service unified telecommunications services licenses to provide telecommunications services in Ethiopia. It is noted that Safaricom is owned by non-Ethiopian investors.

The directives made under the CS Proclamation govern various aspects of the services provided by companies involved in the Ethiopian telecommunications sector (such as the Company) including but not limited to interconnection, licensing, infrastructure sharing and collocation, quality of services, lawful tariffs, competition and consumer rights and protection.

Other relevant proclamations that impact the services provided by companies involved in the Ethiopian telecommunications sector (such as the Company) include Protection of Telecommunications and Electric Power Networks Proclamation No. 464/2005, Computer Crime Proclamation No. 958/2016, the Electronic Signature Proclamation No.1072/2018 and Electronic Transaction Proclamation No. 1205/2020.

4.1.1. Salient features of the CS Proclamation

The CS Proclamation, and the regulations and directives made thereunder, are the key legislation governing the telecommunications sector in Ethiopia. It was promulgated following the Government's decision to liberalise the telecommunications market and allow for more than one operator in the provision of telecommunications services in order to enhance the economic and social development of Ethiopia.

4.1.2. Industry regulator

The CS Proclamation established the ECA as the principal regulatory authority for the communications sector in Ethiopia. The ECA's objectives are to promote the development of high-quality, efficient, reliable, and affordable communications services throughout Ethiopia; to promote a competitive market for the achievement of these goals; and to promote accessibility and interests of consumers.

The ECA's powers and duties include regulating tariffs relating to communication services, issuing licenses to and supervising operators of communications services as well as modifying, renewing, or revoking such licenses. The ECA is also responsible for safeguarding consumers interests, investigating complaints and resolving disputes between communication services operators or such operator(s), and consumers amongst other duties.

4.1.3. Market competition regulation

The CS Proclamation as supplemented by the Telecommunications Competition Directive is the primary legislation relating to the telecommunications market regulation in Ethiopia. These laws aim to promote competition by prohibiting certain anti-competitive practices such as:

a. engaging in any conduct that has the purpose or effect of substantially lessening competition in any telecommunications market;

b. entering into any agreement or arrangement with another person that has the purpose or effect of substantially lessening competition in any telecommunications market;

c. entering into horizontal agreements (when they have the purpose or effect of substantially lessening competition):

    i. to fix a price or non-price term of a service; or

    ii. to set a floor for the price of a service; or

    iii. to share or divide markets according to geographic location, types of consumers, or agreements not to enter a market.

The ECA is vested with the exclusive power to determine, pronounce upon, administer, monitor, and enforce compliance of all persons with competition laws and directives as it relates to the Ethiopian communications services market.

The Company, as a telecommunications operator in Ethiopia, is required to comply with all the above-stated requirements relating to telecommunications market competition.

4.1.4. Consumer protection

The CS Proclamation as supplemented by the Telecommunications Consumer Rights and Protection Directive is the primary legislation relating to consumer protection in the telecommunications market in Ethiopia. As a telecommunications operator in Ethiopia, the Company is required to comply with the provisions of the CS Proclamation and the Telecommunications Consumer Rights and Protection Directive.

In this regard, the ECA is vested with the power to issue directives in order to ensure that the interests of consumers of communications services are protected. In particular, the ECA is required to ensure that each telecommunications operator establishes a code of conduct that will specify the rights of consumers, including a consumer's right to lodge a complaint with the telecommunications operator or the ECA. Each telecommunications operator's code of conduct is to be approved by the ECA.

4.1.5. Quality of services

The CS Proclamation as supplemented by the Telecommunications Quality of Services Directive No. 794/2021 is the primary legislation regulating the quality of services provided by telecommunications operators. A telecommunications operator in Ethiopia (such as the Company) is required to meet the prescribed quality of services parameters, perform measurements on quality of services from time to time and submit the quality of services reports to the ECA. In the event of contravention of quality of services requirements, customers should not be required to pay for services not received. Also, affected customers are required to be compensated by the telecommunications operator in terms of tangible service benefits.

Further, based on these laws, telecommunications operators are required to issue to the public an advance notice of planned major outage and to promptly notify ECA of any unplanned service degradation and service outages of services.

4.1.6. Anti-money laundering act and anti-money laundering regulations

In 2013, the Government enacted the AML Proclamation. The AML Proclamation provides that legal persons established in Ethiopia are required to maintain adequate, accurate and current information on their beneficial owners and control structures. In addition, Ethiopia has a number of exchange control directives issued by the NBE, which is the main regulatory body for the financial sector in Ethiopia. The AML Proclamation applies to the Company as it is a legal entity established in Ethiopia.

The AML Proclamation and the National Bank of Ethiopia Establishment (as amended) Proclamation No. 591/2008 outlaws foreign exchange transactions except with banks or other dealers authorised by the NBE and grants the NBE a range of other powers related to foreign exchange control.

The AML Proclamation applies to the Company as it is a legal entity established in Ethiopia.

4.1.7. Data protection laws

The law governing personal data in Ethiopia is the Personal Data Protection Proclamation No. 1321/2024. In addition, the right to data privacy is reflected in other laws, proclamations and regulations, as stated below. The Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995 establishes the right to privacy. Also, the CS Proclamation under Article 6(25) establishes the responsibility of the ECA to promote information security, data privacy, and protection. The various legislation addressing data protection highlight the importance of obtaining express consent from the data subject for collecting, processing and transferring personal data.

The Company retains a significant amount of subscribers' personal data, such as its subscribers' names, addresses, gender, nationality and mobile phone numbers. Therefore, the Company is required to comply with relevant legislation relating to data privacy and protection, some of which are highlighted in this section.

a. In relation to consumer privacy, a Telecommunications Consumers Rights and Protection Directive, a telecommunications operator is required to develop a policy for the protection of consumer privacy for the proper collection, use, and protection of information collected on consumers.
b. The consumer privacy protection policy shall clearly state what personal data will be collected, the use of that data, possible third-party exchange or disclosure of that data, and choices available to consumers regarding the collection, use and disclosure of the collected data.
c. Telecommunications operators are prohibited from selling, sharing or exposing a consumer's personal data to a third party without the consumer's explicit consent and should implement appropriate safeguards to protect the consumer's personal data from unauthorised access and use.
d. If a telecommunications operator's data is compromised, without undue delay, and not later than 72 hours after having become aware of it, the telecommunications operator is required to notify the consumer and the ECA and take immediate action necessary to protect and secure the network and the consumer against any adverse impact as a result of the compromise.

e. The following are minimum standards a telecommunications operator is required to maintain to protect consumer privacy:

   i. all collection, processing, and maintenance of personal data on consumers should comply with the laws of Ethiopia;

   ii. the personal data on consumers should not be processed and maintained for purposes other than those originally identified and communicated to the consumers;

   iii. a telecommunication operator is required to provide consumers choices with regard to the collection, use, and disclosure of personal data collected about them;

   iv. personal data collected on consumers should not be kept longer than one year after the telecommunication operator has ended its service to the consumer;

   v. information on consumers should not be transferred to any party unless:

      1. by court order; or

      2. the consumer has specifically agreed, by his written consent or other verifiable means, to transfer his personal data; and

   vi. consumers' personal data should only be processed in a server or data center located in Ethiopia.

4.2. Licensing framework for the telecommunications sector

4.2.1. Licence requirement

The CS Proclamation empowers the ECA to issue licenses for the operation and provision of communications service by way of a class or individual licenses on such terms and conditions as the ECA may from time to time determine, including the term of the license. Further, the CS Proclamation prohibits any person from operating a communications service in Ethiopia without obtaining a license from the ECA. This section provides relevant information about the Company's license.

4.2.2. The Company's operating license

The Company has a UTS License issued by the ECA which is valid for 15 years and which will expire on 2 February 2037.

Under the Telecommunications Licensing Directive a UTS License is defined as a license issued by the ECA for the planning, building, operating, and maintaining of mobile and fixed networks that include switched networks, irrespective of media (wireline – copper, fibre, cable, wireless, satellite), international gateways, internet exchanges, and technology capable of offering any electronic communication services including, but not limited to, voice inclusive of internet telephony, data, text, and video embracing the principles of technology and service neutrality anywhere within Ethiopia, and to send and receive telecommunications services to and from outside Ethiopia.

Some of the salient features of the Company's UTS License are set out below:

a. The UTS License is a nationwide license that permits the Company to provide telecommunications services in Ethiopia or internationally by the use and operation of an international gateway, howsoever delivered, whether over a fixed, mobile, or satellite network and provided by any technical means and using any approved technical standard and whether to other licensees or end consumers. The CS Proclamation defines "telecommunications service" as the provision by a licensee of the conveyance of telecommunications by voice, text, or data, whether directly to the public or indirectly to end users or other third parties including telecommunications operators and includes the provision of internet access and backhaul (transmission networks and towers).

b. The UTS License requires the Company to, amongst other things, interconnect its telecommunications network including its internet and data communications networks with the networks of other licensed telecommunications operators in Ethiopia, adhere to the national roll-out targets, adhere to certain quality of service standards and file quality service reports with the ECA, comply with the spectrum band allocation, operate and apply the allocated numbering resources and comply with certain environmental and social sustainability standards.

c. A license issued to a telecommunications operator (such as the UTS License) may be revoked if the telecommunications operator's license has expired and has not been renewed or if the telecommunications operator:

    i. breaches the provisions of the Telecommunications Licensing Directive or other directives enacted under the CS Proclamation;

    ii. is in breach of any of the conditions attached to the license and fails to rectify the breach or reach an agreement with the ECA as to the process and timeline determined by the ECA for rectifying such breach;

    iii. stops performing the activity for which the license is granted for 6 months;

    iv. has engaged in fraud or submitted false information to the ECA or other agencies of the government in order to obtain the license;

    v. has filed for bankruptcy, liquidation, or dissolution and/or has been unable to fulfil its financial and fiduciary duties;

    vi. fails to begin its operations within 12 months of receiving its license or fails to meet the specified conditions of its license obligations;

    vii. engages in an act of conflict with the public interest;

    viii. transfers, re-assigns, or leases the license without the prior approval of the ECA; or

    ix. requests that the ECA should revoke its license.

d. Article 33(3) of the Telecommunications Licensing Directive provides that whenever the ECA proposes a notice of revocation to revoke a license, it shall issue a notice of revocation to the telecommunications operator and the telecommunications operator shall be provided 45 Working Days to respond to the ECA to respond to the ECA's notice of intention to revoke a license. The ECA is required under Article 33(4) to render a final decision taking into account any arguments the telecommunications operator presents in opposition to the ECA's decision to revoke its license.

e. Further, the ECA is, under Article 34(1) of the Telecommunications Licensing Directive, entitled to suspend a license fully or in part for a period not exceeding six months for the following reasons:

    i. to examine the occurrence of any of the grounds stated under Article 33 of the Telecommunications Licensing Directive; and

ii. the ECA considers that the grounds are not sufficient to revoke the license. However, defects are required to be corrected within a specified time.

f. Pursuant to Article 34(2) and (3) whenever the ECA decides to suspend a license it is required to notify the telecommunications operator and provide a period of 30 Working Days to respond to the ECA's decision to suspend the license. Further, the ECA is required to render a final decision taking into account any arguments presented by the telecommunications operator in its response to the ECA's notification to suspend its license.

4.2.3. Regulatory notifications and/or consents for change of control or transfers or changes in shareholding and directorship

The UTS License requires the Company to provide information to the ECA in the form and within the timelines prescribed under applicable laws and regulations in the event of changes to its shareholding and/or voting rights. Further, the Company is subject to a requirement that its sole shareholder at the time of the issue of the UTS License is required to continue owning at least 51.0% of the Company for the first three years and at least 33.3% of the Company for the next two years. Any changes greater than the aforesaid limitations require the approval of the ECA.

Further, the Telecommunications Licensing Directive, requires a telecommunications operator to seek the ECA's approval before consummating any proposed change of ownership, merger or control of the telecommunications operator if the change of shareholding would increase the percentage holding of a shareholder already holding or who as a result of such sale or transfer, would hold (directly or indirectly) 25.0% or more of the issued shares then in issue having voting or economic rights in the telecommunications operator.

In addition, the Telecommunications Competition Directive provides that an acquisition or merger shall be deemed to have occurred when a person or group of persons directly or indirectly acquire shares, or assets, of an authorised provider of telecommunications services. The Directive also provides that any person who proposes to enter into a merger shall request the prior approval of the ECA for the merger.

As the sale of shares pursuant to the Offer set out in this Prospectus will result in changes to the Company's shareholders and shareholding, the Company has notified the ECA about the Offer and the potential changes to its shareholding pursuant to the Offer. The ECA has provided its approval to the Company in respect of the proposed offer for sale of 10% of the Company's share capital pursuant to the Offer.

4.2.4. Key industry regulatory issues

This section sets out key regulatory issues which impact operators in the telecommunications sector in Ethiopia, such as the Company.

a. Spectrum allocation

The ECA is responsible for assigning frequencies to be used in telecommunications service, radio communications service and for radio and television broadcasting. The Telecommunications Licensing Directive provides that the radio frequency spectrum for a unified telecommunications operator (such as the Company) shall be assigned or reassigned at the time of the license award. In line with this regulation, the ECA, at the time of issue of the UTS License, allocated/assigned certain spectrum bands to the Company.

b. Interconnection

The CS Proclamation, the Telecommunications Interconnection Directive, and the Telecommunications Infrastructure Sharing and Collocation Directive No. 793/2021 establish the framework for interconnection in Ethiopia. The Company has the right and obligation to interconnect its telecommunications network, including its internet and data communications networks, with the networks of any other licensed telecommunications operators in Ethiopia, upon making a reasonable request by or to such telecommunications operators and in accordance with applicable laws and regulations.

The ECA may review interconnection agreements to ensure conformity with the provisions of the CS Proclamation, the Telecommunications Interconnection Directive and other applicable laws, and may intervene whether on its own initiative or if requested by a party to an agreement and make binding decisions, changing provisions of such interconnection agreements that are inconsistent with any such applicable laws. Further, the ECA may intervene, on its own initiative or upon request by a party to an agreement, if parties fail to achieve consensus on the terms and conditions of interconnection or fail to interconnect within a reasonable timeframe or as specified under the applicable laws as well as resolve disputes between parties.

c. Tariff setting

The CS Proclamation as supplemented by the Telecommunications Lawful Tariffs Directive are the primary legislation relating to tariff setting by telecommunications operators in Ethiopia.

The CS Proclamation provides that telecommunications operators in Ethiopia may set their own tariffs for the services they provide. However, telecommunications operators are required to charge lawful tariffs for their services. Lawful rates should be just, reasonable and not unduly discriminatory among users or classes of users. Save for telecommunications operators that have been found by the ECA to possess significant market power (as defined in the CS Proclamation or other applicable laws), all tariffs by telecommunications operators shall be presumed lawful and they shall not be required to file such tariffs with the ECA.

The ECA is vested with the power to review and control tariffs of any licensed telecommunications operator (such as the Company) and to develop directives for setting tariffs in order to ensure that such tariffs are lawful. Further, the ECA, may, on its own motion or in response to a petition filed by an interested party, initiate proceedings to observe whether the tariffs of any telecommunications operator (such as the Company) are lawful.

d. Technical standards and duties to end customers

Based on the relevant provisions of the CS Proclamation, telecommunications operators in Ethiopia are required to comply with certain technical standards regarding radiocommunications and telecommunications equipment including customer premises equipment. The ECA may, by public notice, specify any radiocommunications and telecommunications equipment technical efficiency that requires its approval before it may be connected to a telecommunications system.

e. Universal service obligations

The ECA is mandated to determine the goal of universal access including by establishing and administering mechanisms for financial support of universal access. Under the CS Proclamation, 'universal access' is defined as the availability to all users, regardless of their geographic location, of communications services of a quality specified by the ECA and at suitable prices. The universal access fund is established under the CS Proclamation and its purpose is to support universal access to communications service in Ethiopia.

4.3. Regulatory framework for the mobile financial services sector

4.3.1. Legislation and policy

a. The mobile money sector in Ethiopia is governed by the National Payment System Proclamation and, the Payment Instrument Issuers Directive. These laws empower the NBE to issue licenses to telecommunications operators to: (i) issue payment instruments; (ii) cash-in and cash-out at agents; (iii) undertake local money transfers including domestic remittances, load to electronic money or bank account, transfer to electronic money or bank account; (iv) domestic payments including purchases from merchants, bill or utility payments; and (v) over-the-counter transactions.

b. No person, except the NBE, may be an operator of a system unless such person is authorised by the NBE. Under the National Payment System Proclamation, a system is defined to include payment, clearing and settlement system.

Therefore, the Company is an operator of a system based on the Company's mobile money operations branded Telebirr by which the Company provides digitalised financial services to its customers. As stated in previous sections of this Prospectus, the services include cash in, cash out, airtime top up, cash transfer, fund raising, mobile remittance, merchant transaction payments, cash deposits, microcredit and various utility payment services.

c. Payment instrument issuers are prohibited from undertaking any of the following actions without the prior written approval of the NBE:

   i. issue a payment instrument and introduce related service or product;

   ii. change or enhance its payment instrument, systems, procedures, mode of operation, product and service features;

   iii. merge with or takeover the business of another person;

   iv. enter into any arrangement that brings changes to its primary business;

   v. amend its memorandum of association; and

   vi. change its name meant to do with the payment instrument issuing business.

d. A minimum capital of Birr 50,000,000 or equivalent in foreign currency shall be contributed in cash and the amount deposited in a blocked account with a bank in the name of the payment instrument issuer under formation.

e. Article 15(6) of the Payment Instrument Issuers Directive requires a person other than a government owned enterprise engaged in some other business and intending to be licensed as a payment instrument issuer to do so by establishing a separate entity (a subsidiary) exclusively for that purpose.

4.3.2. Industry regulator

Ethiopia's mobile money sector is regulated by the NBE. The NBE has the power to authorise persons to issue payment instruments and to oversee payment instrument issuers, their systems, agents and outsourcing counterparties.

The NBE's oversight over payment instrument issuers, including the Company, involves licensing, continuing compliance, management, anti-money laundering and KYC requirements, customer protection, electronic money float and trust account management, amongst others.

Some of the key requirements which payment instrument issuers are required to comply with together with the regulatory oversight powers vested in the NBE in relation to those issues are set out below.

4.3.2.1. Continuing compliance requirements

Article 13(2) of the Payment Instrument Issuers Directive requires payment instrument issuers to keep a record and submit to the NBE the following information, amongst others, within 7 calendar days after the end of every quarter:

i. account type, account level and account balance of users by group (like individual, merchant, agent), region, gender;

ii. number of accounts opened and closed during the reporting month by region and as individual (including gender), merchants, agents;

iii. the number of active and inactive accounts held by the payment instrument issuer by category, region, age and gender;

iv. total value and volume of transactions processed by the payment instrument issuer by indicating each type of transaction, such as cash-in, cash-out, over-the-counter, local money transfer, domestic payments and inward international remittance;

v. outstanding amount of electronic money held by the payment instrument issuer;

vi. number and amount of pension schemes by type, gender and region;

vii. number and amount of international inward remittance;

viii. balance in float accounts;

ix. number, duration and reason for system interruption and subsequent measures taken to resolve the issue;

x. number of reported customers' complaints by product/service type, agent location and their respective status as solved, not solved or in progress;

xi. any cyber security breach and data loss;

xii. all actual and attempted frauds with amounts involved;

xiii. detailed description of the incident including: dates, suspected fraudster, the occurrence, involved parties, agent location and subsequent measures taken;

xiv. the description shall at least answer the questions of how, why, what, when and the like; and

xv. fraud reports shall be sent to the NBE within 5 Working Days after the incident.

A payment instrument issuer is also subject to the following obligations:

i. to provide access to the NBE to its payment instrument issuance system to facilitate remote monitoring of electronic money issuance. In addition, a bank holding trust account for licensed payment instrument payment issuer is, under Article 13(4) of the Payment Instrument Issuers Directive, also required to provide access to the NBE for the statements balance of the trust account.

ii. to prepare financial statements in accordance with IFRS;

iii. to audit its books of accounts annually by authorised independent external auditors and submit the report to the NBE within 90 calendar days after the end of the fiscal year; and

iv. a government enterprise licensed to issue payment instruments is required to maintain a separate book of accounts for its payment instrument issuance-related business than its other businesses and shall prepare financial statements and report to the NBE.

4.3.2.2. Directors and executive management

The appointment of the directors of a government-owned payment instrument issuer may be approved by the NBE in accordance with the established regulation. Also, the appointment of a senior executive officer of a government-owned payment instrument issuer who will be responsible for leading the payment instrument issuance business requires the prior written approval of the NBE. In addition, the Payment Instrument Issuers Directive sets out the requirements and conditions to be fulfilled for approving the appointments of directors and senior executive officers of a licensed payment instrument issuer such as the Company.

4.3.2.3. Customer protection

A payment instrument issuer is required to ensure maximum customer protection while carrying out their business. Further, a payment instrument issuer is required to put in place a mechanism for customer support, complaint handling and dispute management with the necessary resources.

Further, a payment instrument issuer is required to safeguard the funds of a user of a payment instrument by not making them commingled at any time with the funds of third parties and making them insulated against the claims of other creditors of the payment instrument issuer.

In addition, a payment instrument issuer is required to ensure that the payment instrument that it issued is not being used for illegal activities including cryptocurrency trading and illegal foreign exchange trade.

4.3.2.4. Anti-money laundering and KYC requirements

The Payment Instrument Issuers Directive sets out various anti-money laundering and KYC requirements which payment instrument issuers are required to observe. A payment instrument issuer is required to define acceptable identification documents in line with the Payment Instrument Issuers Directive. In addition, a payment instrument issuer is required to comply with the minimum customer due diligence requirements for the different levels of know your customer while maintaining and operating electronic accounts.

A payment instrument issuer and its agents are required to strictly comply, at all times, with the requirements of the AML Proclamation.

4.3.2.5. Revocation or suspension of a payment instrument issuer license

Pursuant to Article 16(3) of the Payment Instrument Issuers Directive, the NBE is entitled to suspend or revoke an authorisation or license, if the payment instrument issuer:

i. ceases to operate, liquidates, is wound up or dissolved;

ii. fails to comply with the Payment Instrument Issuers Directive and other related provisions;

iii. obtains the authorisation or license based on false or misleading information; and/or

iv. compromises public trust.

4.3.2.6. Foreign participation and local shareholding requirements

Under the former regime set out in the Repealed Payment Instrument Issuer Directive (now repealed by the Payment Instrument Issuers Directive) a licensed payment instrument issuer which was not a government enterprise was required to be a Share Company as defined in the Commercial Code of Ethiopia, in which the capital was fully owned by Ethiopian nationals or foreign nationals of Ethiopian origin or jointly owned by Ethiopian nationals and foreign nationals of Ethiopian origin. This restriction has been removed under the Payment Instrument Issuers Directive and is therefore no longer applicable.

4.3.3. Recent regulatory changes

a. The Payment Instrument Issuers Directive came into force on 6 October 2023. Pursuant to Article 19(1) of the Payment Instrument Issuers Directive, the Payment Instrument Issuers Directive repealed and replaced the Licensing and Authorisation of Payment Instrument Issuer Directive Nos. ONPS/01/2020, ONPS/03/2021 and ONPS/06/2022. Article 19(2) of the Payment Instrument Issuers Directive further provides that no directives, customary practices may, insofar as they are inconsistent with the provisions of the Payment Instrument Issuers Directive, apply with respect to matters provided in the Payment Instrument Issuers Directive.

b. Under the former regime set out in the Repealed Payment Instrument Issuer Directive, there were several restrictions which have been removed under the new Payment Instrument Issuers Directive. These restrictions include the following:

   i. a company (other than a company wholly owned by the Government) was required to be a Share Company as defined in the Commercial Code of Ethiopia, in which the capital is fully owned by Ethiopian nationals or foreign nationals of Ethiopian origin or jointly owned by Ethiopian nationals and foreign nationals of Ethiopian origin. This restriction on Ethiopian shareholding has been removed under the new Payment Instrument Issuers Directive;

   ii. no person other than the Government was permitted to hold more than 20.0% of the shares of a licensed payment instrument issuer. This restriction has been removed under the new Payment Instrument Issuers Directive; and

   iii. a company other than a government enterprise was required to have a minimum of 10 shareholders. This restriction has also been removed under the Payment Instrument Issuers Directive.

c. Article 17 of the Payment Instrument Issuers Directive provides that any person in the business of issuing payment instruments with a license or authorisation given by the NBE before the coming into force of the Payment Instrument Issuers Directive shall comply with the provisions of the Payment Instrument Issuers Directive within 6 months after the Payment Instrument

Issuers Directive enters into effect. This 6-month period expired on 6 April 2024 (as the effective date of the Payment Instrument Issuers Directive is 6 October 2023) and the Company is in compliance with the Payment Instrument Issuer Directive.

4.4. Licensing framework for the mobile money sector

4.4.1. Payment instrument issuer license

Pursuant to Payment Instrument Issuers Directive, entities involved in the payment instrument issuer business are required to obtain a license or a written authorisation from the NBE. An entity intending to undertake payment instrument issuer business is required to be established as i) an enterprise fully owned by the Government and satisfying the conditions set out in the Payment Instrument Issuers Directive, or (ii) a subsidiary of a telecoms operator or a payment instrument issuer or a payment system operator or a bank and satisfying the conditions set out in the Payment Instrument Issuers Directive, or (iii) a company satisfying the conditions set out the Payment Instrument Issuers Directive.

4.4.2. The Company's payment instrument issuer license

The Company holds a license to conduct payment instrument issuer business in Ethiopia for 2023/2024. The license is non-transferable and is renewable every year. The license contains an annotation which states that "it is prohibited to undertake any other business except those authorised under this license" and the type of business which is authorised under the license is "payment instrument issuer". This annotation appears to suggest that the Company is prohibited from undertaking its telecommunication business together with the payment instrument issuer business.

However, it should be noted that under the the Payment Instrument Issuers Directive, a person other than a Government owned enterprise which is engaged in some other business and intends to be licensed as a payment instrument issuer is required to do so by establishing a separate entity exclusively for that purpose. The payment instrument issuer license was first issued to the Company in 2021 while the Company was a Public Enterprise that was fully owned by the Government. Therefore, the Company was not required to establish a separate subsidiary to undertake its payment instrument issuer business.

4.5. Transitioning regulatory regimes

The Company's history dates back 130 years, and the Company was formally reestablished pursuant to the Ethio-Telecom Establishment Council of Ministers Regulation No. 197/2010, as amended by the Ethio-Telecom Establishment (Amendment) Council of Ministers Regulation No. 480/2021 (Establishment Regulation) as a Public Enterprise.

As a Public Enterprise, the Company was, in accordance with Article 2(2) of the Establishment Regulation, governed by the Public Enterprises Proclamation. Further, Article 3 of the Establishment Regulation stated that the supervising authority of the Company would be a body designated by the Government. In this regard, Article 6 of PEHAA Regulation provides that PEHAA Regulation shall oversee public enterprises, the list of which is annexed to the PEHAA Regulation. The Public Enterprise listed as no. 2 on that list is the Company, thus confirming PEHAA as the supervising authority of Ethio Telecom at that time.

In October 2021, EIH was established under Proclamation No. 1263. The objectives of EIH as provided under Article 54(2) of Proclamation No. 1263 include, amongst others, to "optimise investment value through effective ownership and management of state-owned enterprises …" Article 54(3) of Proclamation No. 1263 further clarifies that irrespective of the Public Enterprises Proclamation and the Privatisation Proclamation, EIH shall "*takeover and manage state-owned assets that may be assigned to it by the government; establish subsidiaries; decide on its subsidiaries' increase or reduction of capital, sale, amalgamation, division, spin-off, or any other restructuring either by taking over one or more subsidiary companies or by the formation of a new company* …"

Based on Article 8 of the EIH Regulation, upon the request of the CEO of EIH and with the approval of EIH's board of directors, the ownership of a "state-owned asset" (defined in the EIH Regulation as a state-owned enterprise over which the Federal Government has full or partial ownership) shall be transferred to EIH.

In the PMO's Letter dated 13 May 2022, it was confirmed that in accordance with Article 54(3) of Proclamation No. 1263 and Article 8 of the EIH Regulation, the Board of Directors of EIH had passed a decision that several organisations, including the Company, should be administered under EIH.

Article 54(3) of Proclamation No. 1263, Article 8 of the EIH Regulation and the PMO's Letter lead to the conclusion that Ethio Telecom is currently owned by EIH.

The Company was registered as a Share Company on 1 July 2024, pursuant to the Conversion. Accordingly, the Commercial Code and other relevant Ethiopian laws (which are applicable to a Share Company) apply to the Company.

4.6. Application of the Commercial Code

The Company was formally established as "Ethio Telecom" on 29 November 2010 under the Ethio-Telecom Establishment Council of Ministers Regulation No. 197/2010 (as amended by the Ethio Telecom Establishment (Amendment) Council of Ministers Regulation No. 480/2021) and was registered in the commercial registry on 2 January 2012 under registration number MT/AA/5/0016147/2004. The Company was subsequently registered as a Share Company on 1 July 2024 in accordance with the Commercial Code.

This section sets out certain key provisions of the Commercial Code which govern the Company as a Share Company and highlight critical differences between the management of the Company as a Public Enterprise and as a Share Company.

4.6.1. Salient features of the Company

a. The Company is constituted as a Share Company which is defined as a company whose capital is fixed in advance and divided into shares and whose liabilities are met only by the assets of the company.

b. The obligation of the shareholders of a Share Company (such as the Company) is limited to making the contribution which they pledged to make to the company.

c. The capital of a Share Company may not be less than ETB 50,000 and the amount of the par value of each share may not be less than ETB 100. The Company has satisfied the minimum capital and par value requirements for a Share Company.

4.6.2. Corporate governance

a. A Share Company is required to have not less than 3 or more than 13 directors elected by the shareholders. Two-thirds of the members of the board of directors may not play a role in the day-to-day management of the affairs of the company. Persons who are not shareholders may be elected as members of the board of directors. However, the number of non-shareholder directors may not exceed one-third of the total membership of the board of directors.

b. Pursuant to Article 30 of the Memorandum of Association, shareholders of the Company will be entitled to nominate the number of directors corresponding to the proportion of their shareholding. Further, this Article provides that directors will be appointed in an ordinary general meeting of the shareholders of the Company. Considering that EIH will have 90% shareholding after the completion of the Offer, EIH will retain significant control over the appointment of the directors of the Company. However, such control will be exercised having regard to relevant provisions of the Memorandum of Association, the Commercial Code, the Payment Instrument Issuer Directive and other applicable laws that the Company is subject to as it pertains to the appointment or removal of the directors of the Company

c. Relevant details of the Board of Directors of the Company and its corporate governance are set out in Section 6 (Directors and Corporate Governance). There are no expected changes to the structure of the Company's Board of Directors. Appointment or removal of Directors of the Company will be in accordance with the Memorandum of Association of the Company, the Commercial Code, together with other applicable laws which the Company is subject to (including but not limited to the Payment Instrument Issuer Directive and the SOE Proclamation).

d. A person has to meet the following requirements to qualify as a director of a Share Company:

   i. minimum age specified by a memorandum of association or law, if any;

   ii. be of good moral character;

   iii. no record of conviction of breach of trust, theft, robbery or other similar criminal offences while serving as a promoter, director, manager, member of supervisory board or auditor or holding any other managerial position or under any other circumstance; and

   iv. compliance with other requirements set by the memorandum of association or another law, if any.

e. The directors of a Share Company are responsible for exercising duties imposed on them by law, memorandum of association, and resolutions of general meetings of the shareholders. Specifically, and without prejudice to the generality of the foregoing, the board of directors is required to (amongst others):

   i. manage the company's finances with a view to ensuring that the company has adequate capital and liquidity to meet its liabilities in a timely manner;

   ii. ensure that the company's governance arrangements are such as to ensure the proper monitoring of the company's financial statements and position;

   iii. make certain that sufficient procedures for risk management and internal control are established;

   iv. provide the supervisory board, if any, all information needed for the performance of the duties of the supervisory board in a timely manner; and

    v. prevent damage to the company; or where prevention is not possible, mitigate adverse impact of acts which are prejudicial to the company.

f. The directors of a Share Company have various fiduciary duties under the Commercial Code. These fiduciary duties are set out below:

    i. Duty of Loyalty: Directors are required to act in the way they consider, in good faith, would be the most likely to promote the success of the company; they are required to act for the benefit of shareholders as a whole. In discharging this duty, a director is required to have regard to the long-term interests of the company, the interests of the company's employees, the interest of the company's creditors and the impact of the company's operations on the community and environment.

    ii. Duty to exercise independent judgment: A director to exercise independent judgment in the exercise of his responsibilities.

    iii. Duty of care and diligence: A director is required to discharge his responsibility with care, skill and diligence. The director shall be liable for damages caused to the company and shareholders due to lack of care or diligence on his part.

    iv. Duty to disclose conflict of interest: Each director is required to inform the board of directors of any situation that may involve a conflict of interest between his own and the company's interest. Where a director is in any way, directly or indirectly, interested in a proposed transaction, contract entered into or any other relationship with the company, he is required to declare the nature and extent of that interest to the other directors.

    v. Benefits from third parties: A director may not without the consent of the non-beneficiary directors or the shareholders accept a gift or other type of benefit from a third party conferred by reason of his or her being a director. A person who ceases being a director of a company continues to be subject to this requirement.

g. A director is disqualified from voting at a board meeting on any matter regarding which the approval of the board is required to prevent conflict of interest such as regarding a proposed agreement between the director and the company and the benefits from third parties.

h. Directors are jointly and severally liable to the company for damages caused by failure to carry out their duties. Directors have the burden of proof for showing that they have exercised due care and diligence.

i. The board of directors of a Share Company may decide to create committees consisting of directors to review matters as and when it deems appropriate, recommend a course of action, if need be. The board of directors of a Share Company are also vested with the power to determine the composition and powers of the committees that it establishes without exceeding the powers vested in the board itself.

j. The board of directors is required to establish an audit committee consisting of members of the board alone. A director who takes part in the day-to-day management of the company is restricted from being a member of the audit committee.

k. Directors shall receive an annual remuneration the amount of which shall be fixed by a general meeting and charged against general expenses. Further, an ordinary general meeting of the company may also decide to give to the directors a specified share in the net profits of a financial year provided that such amount may not exceed 10.0% of the amount distributed as dividend in that fiscal year.

Pursuant to Article 304(6) of the Commercial Code, the MOTRI may, having regard to the financial position of the company, the salaries and benefits of the company's employees and taking into account the need to create a healthy business environment, on the request of shareholders representing at least 10.0% of the capital, order the reduction of the remuneration of the directors given under Article 304(2) of the Commercial Code where it considers such remuneration to be excessive.

4.6.3. Information rights

Under the Commercial Code, the shareholders of a Share Company are entitled to the following information rights (amongst others):

a. Every shareholder may at all times inspect and take copies of the following documents kept at the head office:
    i. balance sheet, profit and loss accounts and inventories;
    ii. reports submitted by the directors and by the auditors to the general meetings relating to the 3 preceding financial years;
    iii. minutes and attendance sheets of these meetings;
    iv. a resolution to be submitted to the meeting;
    v. a register of persons affiliated with the company as indicated under Article 311 of the Commercial Code;
    vi. the name of the highest paid employee of the company and the total amount of payment effected to such a person in the financial year; and
    vii. a register of the shareholders of the company.
b. A shareholder has a right to inspect or take copies of the above stated documents by applying to the MOTRI or any other concerned government authority where a company refuses to comply with the requirement under Article 381(1) of the Commercial Code.
c. A shareholder is entitled to request access to additional information which is necessary to take a position on the agenda submitted for a general meeting and the board is obliged to provide access to such additional information. However, the board of directors of a Share Company may refuse to provide such additional information where disclosure of the information is prohibited by law or doing so would in the board's opinion cause significant damage to the Company.
d. A Share Company is required to have a website and to promptly post the following information on such website:
    i. the memorandum of association and amendments thereto (if any);
    ii. notices regarding the general meetings and related information;
    iii. approved audit reports;
    iv. report on transactions involving conflict of interest;
    v. annual reports and information submitted to the MOTRI pursuant to the Commercial Code or other laws;
    vi. information that should be publicised according to the memorandum of association; and

vii. other information necessary for shareholders, creditors and stakeholders which does not jeopardise the interest of the company.

4.6.4. Financial reporting

a. The directors of a Share Company are, at the end of each financial year, required to prepare a detailed inventory of the properties of the Company and a balance sheet. The directors of a Share Company are required to draw up a balance sheet and a profit and loss account and prepare a report on the state of the Company's activities and affairs during its last financial year. Such report is required to give detailed information on the profit and loss account, an exact statement of the total amount of remuneration of the directors, members of the supervisory board, if any, and auditors, and proposals for the distribution of dividend, if any.

b. The inventory, balance sheet, profit and loss account and the directors' report are required to be submitted to the auditors, the MOTRI or any other relevant government authority, if any, not less than 40 days before the notices calling the annual general meeting are dispatched.

c. The Commercial Code provides that the net profits of a company comprise the net receipts for the financial year after deduction of general costs and other charges, and of amortisation and allowances. The profit for distribution is the profit for the financial year less previous losses and plus additional revenue and any distribution from the reserve funds specially approved by the general meeting.

d. 5.0% of the net profits of the company shall be transferred each year to its legal reserve fund but this obligation ceases once the amount of net profits transferred to the legal reserve fund amounts to 5.0% of the company's capital.

4.6.5. Dividends

The relevant laws governing the dividend policy of the Company are set out in Section 7.7 of this Prospectus.

4.6.6. Minority protection rights, regulatory oversight of share companies by MOTRI and any other government authority

a. The MOTRI may issue directives necessary for the proper implementation of the Commercial Code and other regulations issued under Article 4 of the Commercial Code by the Council of Ministers.

b. The MOTRI is required to establish and administer a federal commercial register having nationwide application in Ethiopia. The MOTRI should undertake registration of traders and business organisations (such as the Company whose legal form is a Share Company).

c. The MOTRI or any other Government authority authorised by law may, on its own motion, appoint inspectors to conduct an investigation where it has good reason to believe that the operations of the Company are such as may reveal:

i. fraud committed or likely to be committed on creditors of the company;

ii. acts prejudicial to the rights of certain shareholders;

iii. illegal or fraudulent activities; or

iv. acts which constitute criminal offence.

d. MOTRI or any other relevant government authority is required to, upon a request by shareholders representing at least 10.0% of the capital of the Company, appoint one or more inspectors to conduct an investigation and report whether the management of the Company has been conducted in a manner that jeopardises the interest of minority shareholders or that of the Company. The applicants are required to bear expenses incurred in connection with the investigation. However, where the investigation reveals that the allegation is true, the Company is required to refund the expenses to the shareholders (that is, the applicants).

e. The MOTRI or any other relevant government authority may on its own motion or upon request by any interested person, call a general meeting if there is a compelling reason and a general meeting is not called under Article 366 (1) or if calling such meeting would take a long time.

4.6.7. Shareholder meetings

A general meeting of shareholders is the highest decision-making organ in a Share Company. Convening and holding of general meetings of the shareholders of the Company will be undertaken in accordance with the Memorandum of Association of the Company and the Commercial Code. In this regard, Article 21 of the Memorandum of Association provides that an ordinary general meeting shall be held once a year at the head office of the Company or such other place in Ethiopia as may be permitted under applicable laws.

Further, Article 19 of the Memorandum of Association provides that shareholders may take part in an annual general meeting in person or by electronic means or where all shareholders agree a decision may be taken by asking the shareholders to state their position on a text of resolutions in writing or through electronic means without calling a meeting. Further details of the manner in which the Company will convene and hold general meetings are set out in Section 8.2 (Memorandum of Association).

4.7. Application of the SOE Proclamation

The registration of the Company as a Share Company as a result of the Conversion from a Public Enterprise to a Share Company pursuant to the Privatisation Proclamation creates a new legal recognition of the Company under the law which will subject the Company to operational requirements as set out in the SOE Proclamation. The SOE Proclamation was signed into law on 16 May 2024 and published and made effective on 27 June 2024.

This section sets out certain key provisions of the SOE Proclamation which govern the Company as a State-Owned Enterprise. In addition, the section sets out some of the extensive powers and responsibilities vested in a State Holding Company, which, with respect to the Company, is the Majority Shareholder. The Board is cognisant that the SOE Proclamation is applicable to the Company and it will endeavour to ensure that the Company complies with the provisions of the Proclamation.

4.7.1. Requirement of compliance with the SOE Proclamation

The SOE Proclamation provides that a business organisation formed by the conversion of a wholly state-owned enterprise into a Share Company pursuant to the Privatisation Proclamation shall be considered as a State-Owned Enterprise. As the Company became a Share Company following the Conversion, it is a State-Owned Enterprise and the provisions of the SOE Proclamation apply to it.

The objectives of the SOE Proclamation include the following, amongst others:

i. requiring State-Owned Enterprises to operate efficiently, profitably and competitively in the economy; providing the Government, as an owner, with adequate return on its investment in State-Owned Enterprises in line with industry standards; and

ii. promoting fiscal sustainability and ensure that the fiscal risks associated with State-Owned Enterprises are effectively managed.

4.7.2. Provisions of the memorandum of association of a State-Owned Enterprise

The Proclamation states that the memorandum of association of a State-Owned Enterprise should contain certain provisions including the following:

a. the business objective for which the State-owned enterprise is established and the for- profit economic activities it will be engaged in;

b. any public service obligation expected to be delivered by the enterprise;

c. the authorised capital;

d. the amount of paid-up capital both in cash and, if any, in kind;

e. a provision which states that the State-Owned Enterprise shall not be liable beyond its total assets;

f. a provision which authorises the State-Owned Enterprise to open branches;

g. the right of the State-Owned Enterprise to establish a subsidiary, with its own legal standing upon approval of the State Holding company or the Council of Ministers; and

h. the duration for which the State-Owned Enterprise is established.

4.7.3. Corporate Governance

4.7.3.1. Board of Directors:

a. Constitution of the board of directors

The SOE Proclamation provides that members of the board of directors including the chairperson and the deputy chairperson shall be appointed and the number of members shall be between 5 and 11 members. The SOE Proclamation further provides 1 member of the board should be elected from among the workers by the general assembly of the workers. However, a leader of a trade union should not be a member of the board.

A person who has been an employee of a State-Owned Enterprise during the previous 3 years would not be eligible to be a member of the board. The term of a board member is 3 years with the option of renewal for a second term.

The SOE Proclamation provides that the State Holding Company in the selection of the board members shall ensure that the board of the State-Owned Enterprise achieves country wide composition, inclusiveness, gender balance and that the selection is merit based.

The SOE Proclamation provides that a State Holding Company may, at any time remove a board member in writing where there are sufficient and justifiable grounds that make the member unfit for the position of a board member.

b. Qualifications of board members

The SOE Proclamation provides that board members are to be appointed on merit and are required to meet the 'fit and proper criteria' as set out by the State Holding Company. The board members are required to have the educational qualifications, experience and skill necessary for the achievement of the objectives of the State-Owned Enterprise they serve in. The SOE Proclamation states that not less than 1/3 of the board shall be independent with a minimum of 5 years of experience, drawn from diverse professional backgrounds.

c. Duties and Responsibilities of the board

The SOE Proclamation provides that the board is required to execute its duties and responsibilities with due care and in the name of the State-Owned Enterprise. The board is required to take all reasonable precautions and measures to prevent actual and potential conflict of interest. The SOE Proclamation provides that the board is required to meet at least once every month.

The SOE Proclamation states that the duties and responsibilities of the board of a State-Owned Enterprise including the following:

i. approving the corporate policy and business plan setting the key performance indicators and strategic direction of the State-Owned Enterprise;

ii. appointing the chief executive officer of the State-Owned Enterprise in consultation with the State Holding Company;

iii. considering the structure, salary scale, allowance and benefits of the State-Owned Enterprise;

iv. in consultation with the State Holding Company, providing incentivisation to the staff of the State-Owned Enterprise based on the performance and profit of the State-Owned Enterprise;

v. reviewing and providing guidance on the major action plans, risk management and compliance policy and procedures;

vi. approving annual budgets and setting performance objectives in line with the framework established by the State Holding Company;

vii. in consultation with the State Holding Company, approving the borrowing of the State-Owned Enterprise;

viii. approving quarterly, semi-annual and annual financial statements of the State-Owned Enterprise in accordance with international financial reporting standards;

ix. determining sector specific sustainable debt/equity ratio of the State-Owned Enterprise in line with industry standard to manage debt viability of the State-Owned Enterprise; and

x. establishing and approving a code of conduct governing the board and employees of State-Owned Enterprise and reviewing the content and operation of the code at least once every 2 years.

d. Duties and responsibilities of board members

The SOE Proclamation provides, amongst other duties and responsibilities, that board members of a State-Owned Enterprise shall:

i. act in good faith and in the best interest of the State-Owned Enterprise in discharging their responsibilities;

ii. act with reasonable care and diligence in line with the provisions of the Commercial Code and applicable code of good corporate governance;

iii. not use improperly obtained information as a result of their position as board member; and

iv. disclose to the board and the State Holding Company any conflict of interest that may hinder the proper performance of their duties and functions as board members.

e. Duties and responsibilities of the CEO

The SOE Proclamation provides, amongst other duties and responsibilities, that the CEO of a State-Owned Enterprise shall:

i. organise, direct, administer and control the State-Owned Enterprise following the strategies and policies approved by the board;

ii. represent the State-Owned Enterprise in all dealings with third parties and either directly or through delegation to a legal representative represent the State Owned Enterprise in legal proceedings brought by or against the State Owned Enterprise;

iii. employ, assign and dismiss executive officers and define their functions subject to the approval of the board;

iv. employ, assign and dismiss other employees in accordance with the internal regulations of the State-Owned Enterprise and determine their salaries and allowances;

v. open, operate, and close bank accounts for the State-Owned Enterprise and report to the board when opening and closing bank accounts;

vi. enter into short-term loan contracts that will be paid between 6 to 18 months for the purpose of providing the working capital of the State-Owned Enterprise as authorised in the budget and consistent with the business plan provided that the maximum amount of money borrowed shall be determined by the directive issued by the board;

vii. borrow money on a long term basis with the approval of the board;

viii. prepare and submit to the board the internal regulations as well as the work program and budget of the State Owned Enterprise and implement the same upon approval; and

ix. implement and cause the implementation of the decisions of the board.

f. Liability of the CEO

The SOE Proclamation also provides that the CEO shall be liable for damages caused to the State-Owned Enterprise through the CEO's negligence or intentional actions.

4.7.3.2. Competitive business environment

The SOE Proclamation states that a State-Owned Enterprise shall neither be advantaged nor disadvantaged compared to other commercial entities as a result of its Government ownership. A

State-Owned Enterprise is to operate in a competitive business environment by adopting a code of good corporate governance structures and policies.

4.7.4. Information disclosure

State-Owned Enterprises are required to maintain a website, and provide access to the following information:

i. the latest audited financial reports including audit results;

ii. annual reports;

iii. information about members of the board and executive officers of the State-Owned Enterprise including updates on all board appointments, removals and resignations;

iv. minutes and resolutions of the board, except those containing information the board considers to be commercially or strategically sensitive; and

v. any other relevant information on the State-Owned Enterprise that may be of public interest.

4.7.5. Decisions requiring approval

The SOE Proclamation provides that the prior written approval of a State Holding Company is required before a State-Owned Enterprise engages in any of the following:

i. incurs a liability that is 50% over the amount of its total assets;

ii. incorporates a subsidiary;

iii. engages in joint investment;

iv. makes an investment of any amount outside Ethiopia; and

v. anything that is prescribed by any law as requiring the prior approval of the State Holding Company.

Requests from State-Owned Enterprises for capital adjustments are also to be evaluated and decided on by the State Holding Company. The development of comprehensive annual and long-term business plans and the signing of performance agreements that include financial and non-financial measures, key performance indicators, and strategic targets is influenced and overseen by the State Holding Company.

4.7.6. Financial reporting

a. Accounting principles

A State-Owned Enterprise is required to keep books of accounts and prepare financial reports following International Financial Reporting Standards as per the Financial Reporting Proclamation which:

i. correctly record and explain its transactions and financial position and performance;

ii. will enable financial statements to be prepared and audited in accordance with the SOE Proclamation; and

iii. will enable other financial reports required by the SOE Proclamation and other relevant laws to be prepared.

b. Financial year

The SOE Proclamation provides that the financial year of a State-Owned Enterprise shall be the Ethiopian fiscal year that begins on Hamle 1 and ends on Sene 30 of the Ethiopian Calendar. However, the SOE Proclamation also provides that if the State-Owned Enterprise is unable to use the financial year in accordance with the Ethiopian Calendar due to previous performance or work outside of Ethiopia, it may use a different financial year with the permission of the State Holding Company it is owned by. Such as the Company, with its financial year ending on the 30 June.

c. Appointment of auditors

The SOE Proclamation states that the accounts of each State-Owned Enterprise are to be audited by independent external auditors appointed by the State Holding Company according to International Standards on Auditing. Further, the board, with the consent of the State Holding Company has the power to determine the term and payment of the external auditors.

d. Annual report

A State-Owned Enterprise is required to close its accounts at least once a year. The annual closing of accounts should be completed not later than 3 months after the end of a financial year and the report should be submitted to a State Holding Company.

The annual report should:

i. include the audited financial statements for the financial year to which it relates;

ii. include the report of the auditor for those financial statements; and

iii. compare the actual performance of the State-Owned Enterprise during the financial year to which the report relates with the targets set in its business plan for that financial year.

The SOE Proclamation requires that a copy of the State-Owned Enterprise's annual report should be forwarded by the State Holding Company to the MoF to enable fiscal risk monitoring and analysis.

A State-Owned Enterprise is required to arrange for the publication of the full annual report together with audited financial statements on a medium where the public will have access to it and on the website maintained by the State-Owned Enterprise within 1 month after the report is submitted to the State Holding Company. A State-Owned Enterprise is also required to submit to the State Holding Company a quarterly, semi-annual and annual report of the operations of the State-Owned Enterprise for the period to which it relates no later than 2 months after the end of the period. The quarterly, semi-annual and annual reports are required to:

i. state to what extent the State-Owned Enterprise and, if any, its subsidiaries have achieved the business goals specified in its business plan for the financial year; and

ii. include any other matter that the State Holding Company has directed the State-Owned Enterprise to include.

e. Reserve fund

The SOE Proclamation requires every State-Owned Enterprise to establish and maintain a legal reserve fund and to annually transfer 5% of its net profits to the legal reserve fund until such reserve fund equals 20% of the capital of the State-Owned Enterprise. The 20% threshold under the SOE Proclamation is higher than the threshold set out under the Commercial Code which is 5% of the share capital of a Share Company. The legal reserve fund may be utilised for covering losses and unforeseeable expenses and liabilities.

4.7.7. Dividends

The SOE Proclamation provides that the amount of state dividend to be paid to the MoF by a State Holding Company is to be determined by a State Holding Company based on the Government approved dividend policy.

4.8. Application of Capital Market Proclamation

Prior to the registration of the Company as a Share Company, it was a Public Enterprise controlled by the Government. The Company's registration as a Share Company with publicly owned shares will introduce a new ownership structure for the Company which will be subject to a different set of laws and operational requirements as summarised below.

4.8.1. Regulatory compliance and oversight by the ECMA

a. The Capital Market Proclamation established the ECMA as an autonomous Government regulatory authority with oversight over the capital market in Ethiopia.

b. The powers and duties of the ECMA include (amongst others) to:

   i. take administrative measures for the breach of the Capital Market Proclamation or the regulations or directives made thereunder including levying or financial penalties, publishing administrative findings of malfeasance by any person, suspending or cancelling licences or authorisations, or other administrative measures;

   ii. conduct off-site surveillance activities and onsite inspections with or without prior notice;

   iii. inquire into the affairs of, or give directions to, any person to which the ECMA has granted a license, and any public company, the securities of which are publicly offered or traded on an approved securities exchange or on an over-the-counter market;

   iv. regulate and oversee the issue, and subsequent trading, both in primary and secondary markets, of securities;

   v. supervise the listing and delisting of securities; and

   vi. prescribe notices or guidelines on corporate governance of a company whose securities have been issued to the public or a section of the public.
   Therefore, the Company will be subject to the regulatory oversight of the ECMA subsequent to the completion of the Offer.

c. As at the date of this Prospectus, the ECMA has not published any regulations or guidelines on corporate governance which are applicable to a company whose securities have been issued to the public. However, the Company notes that there are open, regular communication channels with the Company's regulators, including the ECMA, to allow the Company to stay abreast of any new regulations and ensure ongoing compliance. The Company has established a formal process for reporting on public company regulatory compliance to its Board to ensure that any compliance issues are dealt with in a timely manner and the related impact is considered for financial reporting purposes.

d. The Company has a regulatory function that is comprised of 21 personnel within the Company's strategy division. This function is split into three components:

   i. stakeholder management;

   ii. compliance; and

   iii. complaints.

This regulatory function is responsible for overseeing the Company's regulatory and compliance activities, monitoring regulatory compliance obligations and ensuring adherence to regulatory reporting deadlines. The regulatory team have an established online database of laws and regulations that they are required to comply with in order to track regulatory and compliance obligations. The regulatory function monitors compliance monthly and provides a status report to the Company's senior management, monthly.

4.8.2. Public offering and trading of securities

The Capital Market Proclamation requires that a publicly traded security shall be registered by the ECMA prior to the offer or placement. An issuer is required to obtain approval from the ECMA for its prospectus prior to issuing or advertising any securities for a public offering. The issuer is required to sign and file a statement of registration with the ECMA in a prescribed form and to pay a prescribed fee.

4.8.3. Ongoing disclosure obligations

a. Article 77 (1) of the Capital Market Proclamation requires an issuer of securities (such as the Company) that are the subject of a public offer, or which are publicly held to inform the ECMA, shareholders of the issuer and other holders of its securities as soon as reasonably practicable of any information relating to the issuer and its subsidiaries, if any, that:

   i. is necessary to enable them and the public to appraise the financial position of the issuer and of its subsidiaries; and

   ii. is necessary to avoid the establishment of a false market in its securities or might reasonably be expected to materially affect the market price of its securities.

b. Further, Article 77(5) of the Capital Market Proclamation requires an issuer to keep the public informed of all matters which affect the value of the securities, immediately upon their becoming known to the directors of the issuer, by placing an advertisement in a newspaper of general circulation and by reports to the ECMA and to any securities exchange on which they are listed. The ECMA is also empowered under Article 77(6) of the Capital Market Proclamation to issue additional requirements regarding disclosure of material information in a directive.

All issuers of public offerings shall disclose their audited financial statements in accordance with directives issued by the ECMA or rules issued by the securities exchange and approved by the ECMA.

4.8.4. Brokerage and digital sub brokerage services

a. The Capital Market Proclamation requires that any person (such as the Company) seeking to conduct or participate in brokerage services or any activity that is deemed by the ECMA to be an activity in securities and which is to be regulated in accordance with the Capital Market Proclamation, must be licensed by the ECMA in accordance with Article 55.

b. A company intending to undertake brokerage business must meet specific requirements in order to be licensed including (i) minimum capital thresholds; (ii) satisfaction of the fit-and-proper criteria set out in the Capital Market Proclamation; and (iii) satisfactory internal organizational and risk management structure.

c. Amongst other requirements, a licensed company is required to:

   i. establish a compliance system aimed at preventing, detecting, and correcting violations of securities laws;

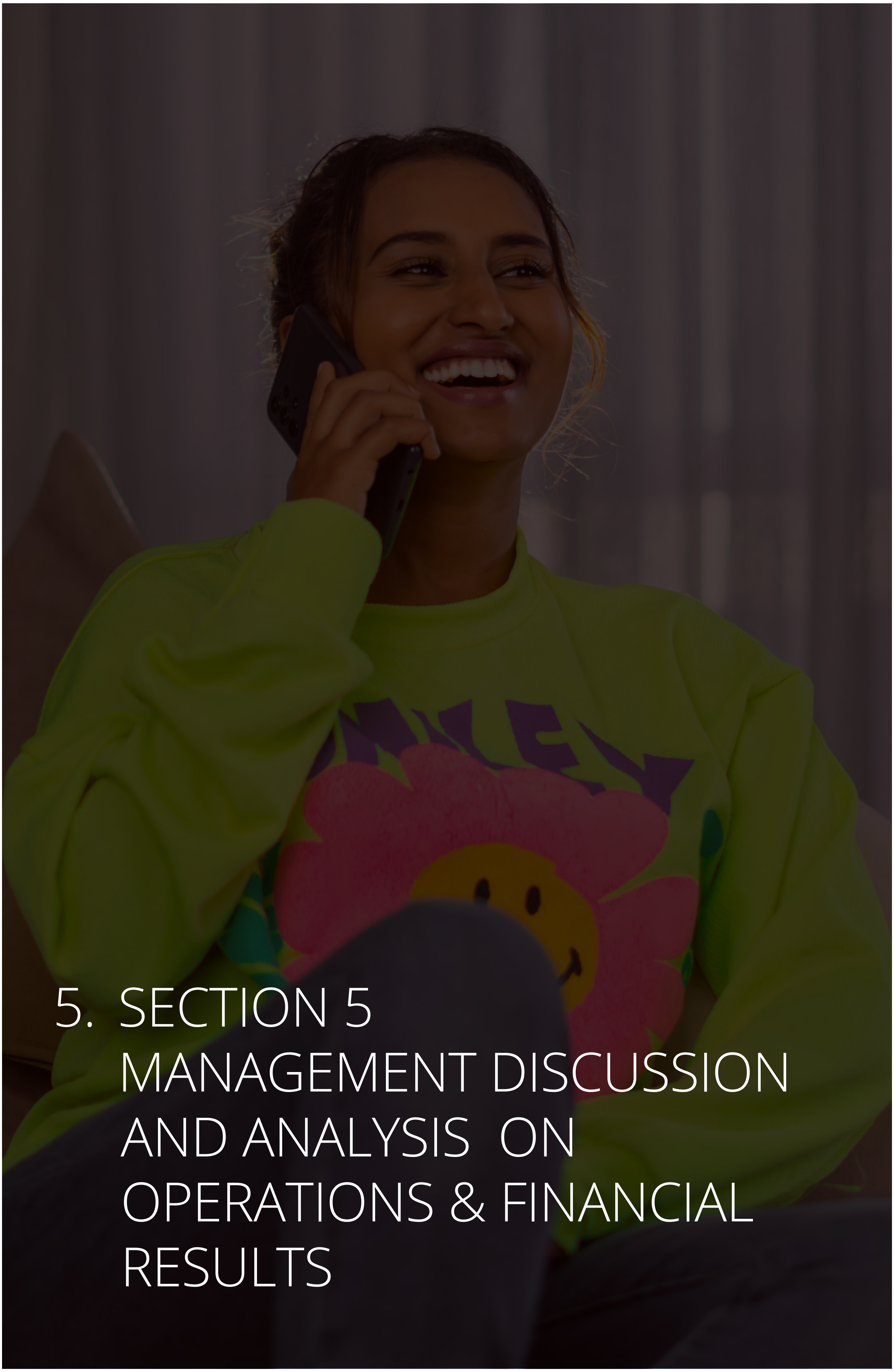
   ii. establish and maintain books, records, and detailed and accurate accounts that reflect transactions or transfers of ownership of the assets of the licensed company. These records, books and accounts must comply with accounting standards set by the pertinent government organ and must be kept for at least 10 years from the date of preparation, or until any dispute between the licensed entity and a client is resolved, whichever is longer. These documents shall be subject to inspection and auditing at any time by the ECMA or an assigned authority;

   iii. maintain records concerning client identity and retain records that permit tracing of funds and securities in and out of brokerage and bank accounts related to securities transactions;

   iv. establish an internal control system with respect to the review of accounts. This system should include: (i) the development of guidelines and procedures for supervision, risk management, and prevention of conflicts of interest; (ii) execution of operations according to general or special authorizations obtained from a relevant department; (iii) ensuring the independence of asset disposition under such authorizations; (iv) periodic comparison of registered assets during appropriate periods of time; and (v) taking necessary action in response to any material changes while maintaining accurate records that allow for the preparation of financial statements in accordance with relevant accounting standards; and

   v. appoint an external auditor approved by the ECMA. An individual may not be qualified to be appointed as an external auditor if he is a shareholder, director, or employee of the licensed entity, or if he is related to such individuals by consanguinity or affinity to the first degree. Similarly, an auditing firm may be disqualified for appointment if any partner or member of the audit team falls into these categories. The ECMA may issue directives on the minimum professional knowledge and experience required of external auditors appointed to audit a licensed company.

The Capital Market Proclamation stipulates, under Article 106(6), that any person who performs a regulated capital market activity, such as brokerage services, without a valid license from the ECMA shall be punishable with a fine of no less than Birr 150,000 and no more than Birr 300,000, as well as rigorous imprisonment of no less than 7 years and no more than 15 years.



5. SECTION 5
MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS & FINANCIAL RESULTS

The following discussion of the Company's financial condition and results of operations as of and for the financial years ended 30 June 2024, 2023, and 2022, should be read in conjunction with the information set out in Section 7 "Financial information", Section 3 "Business overview", and the information relating to the Company's business included elsewhere in this Prospectus.

This management's discussion and analysis of the Company has been prepared based on the Company's Historical Financial Information, which has been prepared in accordance with IFRS.

All the financial information in this section has been presented in Ethiopian Birr unless otherwise stated. The amounts have been rounded to the nearest thousands (Birr' 000), millions (Birr million) or billions (Birr billion), and accordingly, if the numbers mentioned in the tables are summed, their sum may not correspond to the totals mentioned in those tables or to the Company's Historical Financial Information.

5.1. Overview

The Company is Ethiopia's leading provider of telecommunication and mobile financial services. The Company offers an integrated suite of telecommunication solutions to its subscribers which includes fixed (voice and data), mobile (voice and data), broadband (fixed and mobile), infrastructure sharing, mobile financial services, digital services & lifestyle, and cloud & enterprise solution services.

Overview of the financial performance of the Company for the year ended 30 June 2024

In the year ended 30 June 2024 the Company generated ETB 91,371 million in revenue from contracts with customers, an increase of 27.7% from ETB 71,526 million in the year ended 30 June 2023. The Company has seen strong performance across all three of its operating segments being telecoms, infrastructure sharing and mobile financial services. The Company saw telecom revenue increase by 25.2% from ETB 69,976 million in the year ended 30 June 2023 to ETB 87,580 million in the year ended 30 June 2024. The year ended 30 June 2024 saw total telecom subscribers increase to 78.3 million as at 30 June 2024, up from 71.9 million as at 30 June 2023.The Company additionally saw strong performance in blended ARPU that increased by ETB 12.3 to ETB 91.6 in the year ended 30 June 2024, up from ETB 79.3 in the year ended 30 June 2023. Telecom revenue contributed 95.9% to total Company revenue from contracts with customers in the year ended 30 June 2024, down from 97.8% in the year ended 30 June 2023, as a result of an increased contribution from mobile financial services, which during the year ended 30 June 2024 saw revenue increase by 206.2% to ETB 2,318 million as compared to ETB 757 million in the year ended 30 June 2023. The Company saw continued and wide adoption of Telebirr and saw Telebirr customers grow to 47.5 million subscribers as at 30 June 2024 as compared to 34.3 million as at 30 June 2023. The Company additionally saw strong performance in its infrastructure sharing operating segment which in the year ended 30 June 2024 generated ETB 1,473 million in revenue as compared to ETB 793 million in the year ended 30 June 2023.

During the year ended 30 June 2024 the Company recorded ETB 41,220 million in EBITDA as compared to ETB 37,620 million in the year ended 30 June 2023. The Company benefitted from a company-wide cost optimisation programme that resulted in an estimated ETB 4,500 million of cost optimisations in the year ended 30 June 2024. The benefits from the cost optimisation programme were offset by higher operating costs, specifically employee benefits expenses which increased ETB 2,021 million to ETB 14,441 million in the year ended 30 June 2024 and sundry expenses which increased ETB 5,233 million to ETB 6,802 million in the year ended 30 June 2024 as a result of the change in the excise tax proclamation which became effective on the 27 April 2023. Despite tough global economic conditions and a global cost of living crisis which has seen the highest levels of inflation in decades, the Company was able to achieve an EBITDA margin of 45.1% in the year ended 30 June 2024 which is down from 52.6% in the year ended 30 June 2023.

The Company's financial position improved with net asset value increasing 7.3% from a restated ETB 199,660 million as at 30 June 2023 to ETB 214,192 million as at 30 June 2024. The Company's total debt decreased from ETB 23,128 million as at 30 June 2023 to ETB 18,716 million as at 30 June 2024. Additionally, the Company's leverage ratio remained consistent at (0.27)x as at 30 June 2024 as compared to (0.28)x as at 30 June 2023. The Company during the course of the year end audit of the 30 June 2024 financial statements identified errors in the financial statements for the year ended 30 June 2023. The errors have been corrected in the 30 June 2024 audited financial statements through restating the relevant comparative financial statement line items. The restatements impact the net asset value for the year ended 30 June 2023 by ETB 15,433 million, details of the restatements are set out in section 5.9 (Analysis of historical financial position)

A summary of the Company's revenue and Key Performance Indicators by operating segment is set out in the table below:

ETB		Year Ended 30 June	
Revenue (millions)	**2024**	**2023**	**2022**
Telecoms	87,580	69,976	59,443
Infrastructure Sharing	1,473	793	n/a
Mobile Financial Services	2,318	757	6
Revenue from contracts with customers	**91,371**	**71,526**	**59,449**
Select Key Performance Indicators			
Telecoms			
Average mobile voice subscribers (m)	72.6	67.7	59.5
Prepaid subscribers(m)	72.2	67.4	59.3
Post-paid Subscribers (m)	0.4	0.3	0.3
Average mobile broadband subscribers (m)	37.1	24.6	22.0
Total mobile subscribers (m)	73.8	68.5	60.2
Average fixed voice subscribers (m)	0.8	0.9	0.9
Average fixed broadband subscribers (m)	0.7	0.6	0.5
Average total subscribers (m)	75.4	70.0	61.6
Total subscribers at end of year (m)	78.3	71.9	66.6
Blended ARPU (ETB)	91.6	79.3	78.6
Mobile voice ARPU (ETB)	50.7	46.9	47.3
Mobile broadband ARPU (ETB)	42.5	53.5	48.5
Fixed broadband ARPU (ETB)	618.7	669.5	689.6
Fixed voice ARPU (ETB)	87.4	57.9	49.2
Mobile Financial services			
Telebirr ARPU (ETB)	4.6	2.3	-
Average number of Telebirr subscribers (m)	41.6	28.0	14.0
Year-end Telebirr subscribers (m)	47.5	34.3	20.9
Total number of transactions (m)	547	320	85
Infrastructure KPIs			
Total number of network towers	8,538	8,048	7,730
Total number of shared towers	1,310	813	n/a
Total number of data centers	5	8	8

The Company operates in three operating segments; Telecoms, Infrastructure sharing and Mobile financial services.

Telecoms

Telecoms includes voice (fixed and mobile) service offerings and data & internet (fixed broadband and mobile broadband) service offerings, international services, and device sales.

Through mobile service (voice and broadband), the Company not only offers the traditional mobile voice and broadband services but also additional value-added services. The Company had 73.8 million total mobile (voice and broadband) subscribers on its network as at 30 June 2024, representing 97.8% of total subscribers of the Company. Of the total 72.6 million average mobile voice subscribers, 99.4 % (72.2 million) are on a prepaid tariff, with the residual 0.6% (0.4 million) on a post-paid tariff. Revenue from the mobile services offering (voice and broadband) was ETB 63,030 million for the year ended 30 June 2024, comprising 72.0 % of total telecom revenue.

The Company offers fixed services (voice and data) mainly to its enterprise subscribers who accounted for 2.0% (1.5 million) of total subscribers for the year ended 30 June 2024. The revenue for fixed services (voice and broadband) was ETB 6,021 million for the year ended 30 June 2024.

The Company offers broadband services (fixed and mobile) to both its individual and enterprise subscribers. Average fixed broadband subscribers for the year ended 30 June 2024 were 0.7 million, which represented 0.9% of total subscribers while average mobile broadband subscribers for the year ended 30 June 2024 was 37.1 million.

The Company has also entered into partnerships with other international telecom providers in neighbouring countries who provide the Company with various services. The Company has roaming agreements with 544 telecommunication providers in 165 countries. The Company generated sales from international revenue from these arrangements and roaming agreements of ETB 10,655 million in the year ended 30 June 2024.

The Company is the leading provider of mobile and digital enabling devices in Ethiopia. These consumer devices are procured from international suppliers and are sold as individual products direct to consumer or as part of a bundled contracted service. The Company generated device sales of ETB 4,748 million in the year ended 30 June 2024.

Infrastructure sharing

As a result of the Company's significant infrastructure presence and its ambitions to support the Government in providing more access to telecom services and improving the quality of the service to Ethiopians, the Company signed the Safaricom Infrastructure Agreement. Infrastructure sharing commenced in October 2022, from which date the Company has generated revenue from the agreement.

The Company shares three types of infrastructure:

- power and tower sharing – Safaricom has applied for power and tower sharing sites and as at 30 June 2024, the Company shares 1,310 sites;
- backbone transmission capacity sharing – linking between two cities; and
- switching room collocation service – space for deployment of backbone transmission equipment.

The Company has continued to support Safaricom with access to the Company's infrastructure, and as at 30 June 2024, the Company shares 1,310 of its towers and provides access to its extensive cable networks. The Company generated ETB 1,437 million from Infrastructure sharing in the year ended 30 June 2024 from Safaricom.

Included within infrastructure sharing, is revenue generated from the Company's data centers and cloud package rentals, which together generated ETB 104 million of revenue in the year ended 30 June 2024.

Mobile financial services

The Company offers its mobile money offering under the Telebirr brand in all 17 telecom regions throughout Ethiopia and 6 telecom zones in Addis Ababa. Telebirr was launched in Ethiopia in May 2021 and has shown significant growth since inception, as shown by its user base of 47.5 million as at 30 June 2024. Telebirr users can access the service through a USSD interface and/or the Telebirr Superapp that was launched in March 2023. Telebirr offers its users a range of services which include loan facilities (microcredit and overdraft facilities), micro savings, bill payments, and airtime and data purchases. For the year end 30 June 2024, Telebirr revenue was ETB 2,318 million, comprising 2.5% of total revenue from contracts with customers.

Other income

Other income totalled ETB 4,294 million, ETB 5,460 million, and ETB 2,315 million, in the years ended 30 June 2024, 2023, and 2022, respectively. A material component of other income is income generated through one–off discounts and free technology solutions gifted to the Company as part of incentives by the Company's key suppliers. These incentives are offered to the Company as a means of demonstrating the latest technology that the Company can look to deploy in the future. The Company generated income from these incentives of ETB 3,670 million, ETB 3,795 million, and ETB 2,088 million in the years ended 30 June 2024, 2023, and 2022, respectively.

5.2. Key factors affecting the Company's results of operations:

The results of the Company's operations have been, and will continue to be, affected by many factors, some of which are beyond the Company's control. This section sets out certain key factors that have affected the Company's results of operations in the years under review and could affect its results of operations in the future.

5.2.1. The Company's Telecoms operating segment has seen sustained growth in revenue, which is then the primary driver of the Company's profitability

The Company has seen Telecom revenue increase at a CAGR of 21.4% from ETB 59,443 million in the year ended 30 June 2022 to ETB 87,580 million in the year ended 30 June 2024. There are several factors that impact the Company's telecom revenue growth, including but not limited to: sustained growth in subscriber metrics and stable ARPU metrics; expansion of network coverage; favourable Ethiopian market environment; mobile device penetration; and the liberalisation of the Ethiopian telecom market. Each of these factors have been elaborated on in more detail below.

5.2.1.1. Sustained growth in subscriber metrics and stable ARPU metrics.

The Company's financial performance is significantly impacted by its telecoms operating segment. The below is an extract of the telecoms performance and Key Performance Indicators over the three years ended 30 June 2024, 2023, and 2022.

	Year ended 30 Junee					
Telecom Revenue ETB (millions)	**2024**	**2023**	**2022**	**CAGR 2022 – 2024**	**% change 2023 – 2024**	**% change 2022 – 2023**
Mobile voice	44,127	38,089	33,803	14.3%	15.9%	12.7%
Prepaid	42,549	36,965	32,754	14.0%	15.1%	12.9%
Post-paid	1,578	1,124	1,048	22.7%	40.4%	7.2%
Fixed voice	875	603	538	27.5%	45.0%	12.2%
Total data & internet	24,048	20,373	16,551	20.5%	18.0%	23.1%
Mobile broadband	18,903	15,808	12,827	21.4%	19.6%	23.2%
Fixed broadband	5,146	4,564	3,724	17.6%	12.7%	22.6%
International	10,655	7,039	6,834	24.9%	51.4%	3.0%
Subscriptions	563	285	305	35.9%	97.6%	(6.6%)
Devices	4,748	3,412	1,412	83.4%	39.1%	141.7%
National interconnection	396	176	n/a	n/a	125.4%	n/a
Enterprise solutions	2,168	n/a	n/a	n/a	100.0%	n/a
Total telecom	**87,580**	**69,976**	**59,443**	**21.4%**	**25.2%**	**17.7%**
Total subscribers at end of year (m)	78.3	71.9	66.6	8.5%	8.9%	8.0%
Average total subscribers (m)	75.4	70.0	61.6	10.7%	7.7%	13.6%
Average mobile voice subscribers (m)	72.6	67.7	59.5	10.4%	7.2%	13.7%
Average fixed voice subscribers (m)	0.8	0.9	0.9	(4.3%)	(3.9%)	(4.7%)
Average mobile broadband subscribers (m)	37.1	24.6	22.0	29.7%	50.6%	11.6%
Average fixed broadband subscribers (m)	0.7	0.6	0.5	24.4%	22.0%	26.2%
Blended ARPU (ETB)	91.6	79.3	78.6	8.0%	15.5%	0.9%
Mobile voice ARPU (ETB)	50.7	46.9	47.3	3.5%	8.0%	(0.9%)
Mobile broadband ARPU (ETB)	42.5	53.5	48.5	(6.4%)	(20.6%)	10.4%
Fixed broadband ARPU (ETB)	618.7	669.5	689.6	(5.3%)	(7.6%)	(2.9%)
Fixed voice ARPU (ETB)	87.4	57.9	49.2	33.2%	50.9%	17.7%

The telecoms business represented 95.9% of total revenue from contracts with customers in the year ended 30 June 2024, with revenue and profitability directly influenced by the number of active subscribers and their corresponding ARPU. As at 30 June 2024 the Company had total subscribers across all telecom services of 78.3 million up from 66.6 million as at 30 June 2022, reflecting a CAGR of 8.9%. The Company has performed well with respects to sustained growth across its core business, specifically within mobile and fixed as set out below.

Mobile

The Company's average mobile voice subscribers increased to 72.6 million for the year ended 30 June 2024, up from 59.5 million for the year ended 30 June 2022, representing a CAGR of 10.4%. Additionally, the company saw an increase in the mobile voice ARPU by a CAGR of 3.5% from ETB 47.3 in the year ended 30 June 2022, compared to ETB 50.7 in the year ended 30 June 2024. Consequently, the mobile voice revenue increased at a CAGR of 14.3% from ETB 33,803 million in the year ended 30 June 2022 to ETB 44,127 million in the year ended 30 June 2024. Over this same period the Company saw average mobile broadband subscribers increase by a CAGR of 29.7% from 22.0 million for the year ended 30 June 2022 to 37.1 million for the year ended 30 June 2024. The increase in average mobile broadband subscribers was offset by a decrease in mobile broadband ARPU by a CAGR of 6.4% down to ETB 42.5 in the year ended 30 June 2024 from ETB 48.5 in the year ended 30 June 2022, resulting in an increase in the mobile broadband revenue at a CAGR of 21.4% from ETB 12,827 million in the year ended 30 June 2022 to ETB 18,903 million in the year ended 30 June 2024.

Fixed

The Company has grown its average fixed broadband subscribers by a CAGR of 24.4% to 0.7 million for the year ended 30 June 2024 from 0.5 million for the year ended 30 June 2022. Fixed broadband ARPU decreased at a CAGR of 5.3% to ETB 618.7 in the year ended 30 June 2024 from ETB 689.6 in the year ended 30 June 2022. As a consequence, the Company's fixed broadband revenue increased at a CAGR of 17.6% from ETB 3,724 million in the year ended 30 June 2022 to ETB 5,146 million in the year ended 30 June 2024.

The fixed voice subscribers decreased by a CAGR of 4.3% to 0.8 million as at 30 June 2024 from 0.9 million as at 30 June 2022. The fixed voice ARPU has increased by a CAGR of 33.2% to ETB 87.4 in the year ended 30 June 2024, up from ETB 49.2 in the year ended 30 June 2022. Primarily as a consequence of the aforementioned increase in ARPUs, the Company's fixed voice revenue increased at a CAGR of 27.5% from ETB 538 million in the year ended 30 June 2022 to ETB 875 million in the year ended 30 June 2024.

5.2.1.2. Expansion of network coverage

The Company sees continued opportunity in its telecommunication services and has continued investing in the market. As a result, the Company has achieved significant penetration and coverage across Ethiopia, providing essential telecommunications services to a broad range of subscribers. As at 30 June 2024, the Company's network covers over 99.2% of the population, with a total of 8,538 towers and 21,693 Km of fibre optic cable. The Company's extensive network infrastructure enables management to provide reliable and high-quality voice and data services to its subscribers, including those in remote and rural areas. The Company's focus on expanding its network coverage and improving the quality of its services has been a key driver of its growth and success in the Ethiopian market. The Company's network coverage has expanded from 95.0% at 30 June 2022 to 99.2% as at 30 June 2024.

In tandem with its robust growth in mobile and fixed services, the Company has significantly invested in network infrastructure to cater to its subscribers' evolving needs. The Company has expanded its 3G, 4G, and 5G coverage across Ethiopia, with a focus on improving network quality and increasing data speeds. As at 30 June 2024, the Company's 3G coverage reached 98.7% of the population, while 4G coverage reached 34.6%. Additionally, the Company has launched 5G services in Addis Ababa, Adama, Dire Dawa, Jigjiga, and Harar cities. In addition to its 5G services, the Company has also invested in LTE technology to provide its subscribers with faster data speeds and improved network quality. As at 30 June 2024, the Company's LTE coverage reached 34.6% of the population. The Company's investments in 3G, 4G, 5G, and LTE technologies demonstrate its commitment to providing its subscribers with access to the latest telecommunications innovations.

The expansion of the Company's network is a key driver in the increase in the overall number of subscribers to its Telecoms services, and the increase in the number of data subscribers, as set out in section 5.2.1.1 above.

5.2.1.3. Favourable Ethiopian market environment

The Company believes that Ethiopia possesses favourable demographic and economic profiles for a telecommunications operator. The Company anticipates that the demand for telecommunications services and its subscriber base will continue to grow in tandem with favourable macroeconomic conditions, which will remain key drivers of the Company's revenue. Ethiopia experienced a GDP growth of 6.5% in 2023, an increase from the 5.3% recorded in 2022 and a slight decrease from the 6.3% recorded in 2021. The decrease from 2021 was attributed to the lingering effects of the COVID-19 pandemic, spill overs from the Russia-Ukraine war, and the conflict in the Tigray region during the first half of the year. Despite these challenges, Ethiopia's GDP is estimated to increase to 6.1% in 2024. Factors contributing to this outlook include political stability, a resurgence in the services sector, and anticipated liberalisation and privatisation in the banking and sugar sectors. However, the recurring conflict in the north-western Amhara region is expected to dampen growth in 2024.

The overall growth in GDP is one of the key drivers of the overall increases in ARPU. In addition, the Company has been able to maintain consistent and reliable profitability and has been successful in its ability to pass on inflationary costs on to its subscribers. The Company was able to maintain strong EBITDA margins of between 45.1 – 52.8% whilst growing EBITDA by a CAGR of 9.5% from 30 June 2022 to 30 June 2024, The Company has seen similar performance in profit after tax recording ETB 19,013 million in the year ended 30 June 2024, increasing at a CAGR of 28.3% from ETB 9,000 million in the year ended 30 June 2022.

5.2.1.4. Ethiopian mobile device penetration is increasing.

The Company continues to benefit from mobile device penetration in Ethiopia with a growing number of people accessing mobile phones and smartphones. Ethiopia's aggregate mobile subscription stood at 89.2 million as of 30 June 2024, up from 74.7 million as at 30 June 2023[10]. This translated to a mobile penetration rate of 63.9% as at 30 June 2024, up from 59.1% as at 30 June 2023.

National network coverage in Ethiopia has also been expanding, with mobile network operators investing in infrastructure to improve coverage and connectivity. According to the ECA, the national network coverage for mobile services was estimated to be around 85.0% in 2020. In comparison, as at 30 June 2024 the coverage of 3G services in Ethiopia is estimated to be around 98.7% of the population, while 4G coverage is estimated to be around 33.0% of the population. In the year ended 30 June 2023, the Company launched 5G services in select areas and is now commercially operational in 5 large cities in Ethiopia as at 30 June 2024.

Mobile network coverage in Ethiopia is also influenced by the country's geography and population distribution. According to the World Bank, approximately 80.0% of Ethiopia's population lives in rural areas, which can present challenges for mobile network operators in terms of providing coverage and connectivity. However, estimates suggest that approximately 66.7% of the area of Ethiopia is considered reachable by mobile network, and the Company has strategically invested in key areas giving access to mobile network and as a result the Company has a 2G coverage of 99.2% as at 30 June 2024.

As a result of the Company's penetration, this results in both an increase in the number of total subscribers and higher number of smart phones, which in turn leads to increased revenue as described in section 5.2.1.1 above. Additional details with regards to Ethiopian mobile device penetration are set out in section 3.1.5 (Ethiopia's telecommunication market).

5.2.1.5. Ethiopian competitive landscape

In 2019, Ethiopia's telecommunications industry underwent a significant transformation with the liberalisation of the sector, which led to the entry of a new competitor, Safaricom, into the market on 9 July 2021 (License grant date). Safaricom began trading and sharing in the Company's infrastructure in October 2022. This liberalisation was part of the Government's efforts to modernise Ethiopia's telecommunications infrastructure and increase access to telecommunications services for its citizens.

Despite the entry of Safaricom, the Company remains the dominant player in the Ethiopian telecommunications market, with an estimated market share of subscribers of 94.5% as at 30 June 2024, attributable to the strong customer satisfaction and high-quality services and products offered nationwide. The Company has not seen a material impact to their growth and performance because of the additional competition. The Company has supported Safaricom through the Safaricom Infrastructure Agreement, which in the year ended 30 June 2024 generated revenue of ETB 1,473 million from Infrastructure sharing. The Company see this as a growth opportunity whilst supporting the Government in its ambitions of providing more access and options to consumers. The number of customers/subscribers as a percentage of the population is also expected to increase, with continued urbanisation, rural infrastructure development, and continued 5G rollout.

5.2.2. Infrastructure

The Company has made significant investments in its network infrastructure to provide reliable and high-quality voice and data services to its subscribers across Ethiopia. As at 30 June 2024, the Company had 976 sales outlets and 8,538 towers, covering over 99.2% of the population as at 30 June 2024. The Company has continued to expand its network coverage, adding 545 towers in the year ended 30 June 2024 alone. This expansion has enabled the Company to provide essential telecommunications services to subscribers in remote and rural areas, as well as in urban centres ensuring they reach the previously unconnected.

In addition to expanding its network coverage, the Company has also invested in laying fibre optic cable across Ethiopia. The Company is focused on improving network quality and providing data speeds which has been a key driver of its growth and success.

The Company has also invested in building data centers and cloud computing capability to support its growing customer base. The Company's data centers provide secure and reliable hosting services for businesses and individuals, while its cloud computing capability enables subscribers to access computing resources on-demand. The Company's 5 data centers and cloud package rental income in the year ended 30 June 2024, resulted in ETB 104 million revenue for the year. The Company's investment in data centers and cloud computing capability demonstrates its commitment to providing its subscribers with access to the latest telecommunications innovations.

To support its network expansion and infrastructure investments, the Company has made significant capital expenditures. In the years ended 30 June 2024 and 2023, the Company's capital expenditures totalled ETB 19,661 million and ETB 17,895 million, respectively, with a significant portion of this investment going towards network expansion and infrastructure improvements. The Company's focus on investing in its network infrastructure and improving the quality of its services has been a key driver of its growth and success in the telecommunications industry. It has also resulted in an increase in the total network assets portion of the Company's property, plant and equipment from ETB 14,273 million as at 30 June 2022 to ETB 28,240 million as at 30 June 2024.

The Company from time to time may experience business interruptions including instances where infrastructure may be damaged as a result of conflict, natural disasters or manmade interference. Although instances of business disruption have occurred, the Company has not experienced material business interruptions during the years ending 30 June 2024 ,2023 and 2022. The Company has a strong track record of bringing impacted infrastructure back online. For example, with the recent conflict in several areas of Ethiopia the Company has successfully restored 1,177 Mobile Sites and 570 Km of fibre optic cables.

5.2.3. Mobile financial services and other innovation growth engines

The Company's financial performance has been positively impacted by its innovative approach towards MFS and its cloud and data center expansions.

In MFS, the Telebirr platform has been a significant contributor to the Company's recent financial success. Since the launch of the Telebirr platform in May 2021, the number of users has grown to 47.5 million as at 30 June 2024 from 20.9 million as at 30 June 2022. This growth can be attributed to the diverse number of services incorporated on the system, the direct access to the Government office systems, convenience, and accessibility of the platform, which has made it easier for subscribers to access financial services. The platform has also enabled the Company to reach previously underserved areas, resulting in an increase in the number of customers.

Revenue from mobile financial services was ETB 2,318 million in the year ended 30 June 2024 as compared to ETB 6 million in the year ended 30 June 2022. In the year ended 30 June 2022 the primary focus of the Company was attracting new subscribers to the Telebirr platform, and to do so initially the services were not charged for. During the year ended 30 June 2023 the Company began charging subscribers for the service, and this, together with the broad adoption, has resulted in the significant increase in revenue.

The continued opportunity for the Company in the MFS space is significant. According to NBE only 25.0% of the Ethiopian population has access to formal financial services. This presents a significant opportunity for the Company to capture a larger market share and increase its revenue. The Company has demonstrated its ability to leverage its existing infrastructure and customer base by introducing new and innovative services, such as microloans and insurance.

The Company's cloud and data center expansions have also contributed to its financial performance. Cloud and data center generated revenue of ETB 104 million for the year ended 30 June 2024 up from ETB 46 million for the year ended 30 June 2023. The expansion has also enabled the Company to provide more reliable and secure services, which has helped to build trust with its customers.

The continued opportunity for the Company in the cloud and data center space is significant. This presents an opportunity for the Company to capture a larger market share and increase its revenue. The Company plans to expand its cloud and data center services to provide more advanced and sophisticated services to its customers, such as AI and machine learning, which can further enhance its financial performance.

5.2.4. Ethiopian currency regime change

As outlined in section 3.1.4 (Ethiopia macroeconomic overview), on 29 July 2024 the Government launched a change in currency regime from managed to floating. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and JPY. The exact impact of the currency regime change is not known and will only impact the future financial performance and position of the Company. However as at 30 September 2024 the USD/BIRR exchange rate has depreciated 96.1% from a bid/ask of 57.33/58.47 as at 30 June 2024 to 112.40/123.64 and JPY/Birr exchange rate has depreciated 108.3% from a bid/ask of 0.36/0.36 as at 30 June 2024 to 0.75/0.83 as at 30 September 2024.

The Company's financial position and its financial performance are exposed to foreign currency fluctuations. The financial statement line items from its statement of financial position that are materially exposed to foreign currency are trade receivables, cash and cash equivalents, trade payables and borrowings. The below table sets out the portion of the aforementioned financial statement line items that were in USD and JPY for the years ended 30 June 2024, 2023, and 2022.

Year ended	2024		2023		2022	
Foreign currency	**USD'000**	**JPY'000**	**USD'000**	**JPY'000**	**USD'000**	**JPY'000**
Trade receivables	63,999	-	64,632	-	63,023	-
Cash and cash equivalents	211	-	27,576	-	61,752	-
Trade and other payables	(330,945)	-	(304,953)	-	(198,657)	-
Borrowings	(308,376)	(18,139)	(405,439)	(19,582)	(587,886)	(27,134)

The Company's historical financial position exposure to the impacts of foreign currency is impacted materially by the amount of outstanding foreign creditors and borrowings. The Company's key suppliers are international providers who are expected to continue invoicing and charging in USD. The Company has no current alternative but to continue to use these international suppliers to ensure the Company is able to provide its customers with the expected service it is known to deliver and as such will continue to be exposed to the foreign currency risk on these suppliers. The Company, as outlined in section 5.11 (Borrowings, lease liabilities, commitments, contingencies, off-balance sheet arrangements and retirement benefit schemes), has USD denominated borrowings that have an average maturity of 8 years to 14 years, and as such will remain a foreign currency risk of the Company. The Company as a result of its material foreign currency denominated debt is sensitive to the impact of foreign currency movements, if in the event the Birr materially depreciates or appreciates against the USD the Company's financial performance will be impacted by a foreign exchange loss or gain, respectively.

The financial statement line items from the Company's statement of profit and loss that are materially exposed to foreign currency are revenue from contracts with customers, direct costs, operating costs and finance costs. The below table sets out the portion of the aforementioned financial statement line items that in USD and JPY for the years ended 30 June 2024, 2023, and 2022.

Year ended	2024		2023		2022	
Foreign currency	**USD'000**	**JPY'000**	**USD'000**	**JPY'000**	**USD'000**	**JPY'000**
Revenue from contracts with customers	203,696	n/a	158,991	n/a	143,503	n/a
Direct costs	(124,062)	n/a	(75,294)	n/a	(56,912)	n/a
Operating costs	(8,508)	n/a	(5,186)	n/a	(4,284)	n/a
Finance costs	(27,425)	-	(21,728)	-	(14,525)	-

The Company's historical financial performance exposure to the impacts of foreign currency is impacted materially by the value of its sales made to international customers quoted in USD, expenses incurred from international suppliers, and the impact of translations of financial position financial statement line items as referred to above. The Company will continue to sell its services to international customers and will benefit from a depreciating Birr or suffer from an appreciating Birr. The Company as outlined above has no current alternative but to continue to use international suppliers and therefor incur USD denominated expenses to ensure the Company is able to provide its customers with the expected service it is known to deliver and as such will continue to be exposed to the foreign currency risk on these suppliers resulting in a loss for the Company in a scenario of a depreciating Birr, or a gain in the scenario of an appreciating Birr.

5.3. Description of key line items

Revenue

The Company principally generates revenue from providing telecommunication services such as access to network, airtime usage, messaging, internet services, cloud solution service, infrastructure rentals, and sales of mobile devices as well as from mobile financial services.

Direct costs

The Company's direct costs include access circuit costs; consumable materials costs; network maintenance costs and cost of equipment sales.

Operating expenses

Operating expenses represent the costs incurred for the day to day operating of the Company. These costs are primarily made up of employee benefits, commissions, sundry expenses, travelling, rent, utilities, maintenance, and other operating expenses. The below provides more detail on the material line items:

Employee benefits expense

Employee benefits expense represents the cost of all short-term and long-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid, and other contributions, which are recognised in the period in which the employee renders the related service.

Commission

Commission expenses relate to commissions paid to the Company's agents and distributors for airtime sales, new connections, use of electronic top up services and promotion of short code services to suppliers. These include upfront commissions, target commissions, short code commissions, incentive commissions, and other commissions.

Other operating expenses

Other operating expenses include costs incurred for advertisement & publicity, stationery, entertainment and refreshments, uniforms, fuel, insurance, training, audit fees, land and building tax and legal provisions.

Net impairment losses on financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised costs. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

Other income

Other income represents gains from sale of property plant and equipment, write down/write up on inventory and property, plant and equipment, building rent fee, grant income, sundry expenses, and sundry income.

Depreciation and amortisation

Depreciation consists of depreciation charges on the property, plant, and equipment, and investment property. Depreciation is calculated and recorded on a straight-line method calculated on the basis of cost less residual values over the estimated useful lives of the assets.

Amortisation consists of amortisation on right of use assets and intangible assets.

Right of use assets amortisation is calculated and recorded on a straight-line basis over the remaining lease term of the leased asset.

Intangible assets amortisation is calculated and recorded over the life of the contract for each intangible asset. The Company's intangible assets comprise licence fees and IRUs for spectrum and bandwidth.

Finance income

Finance income primarily comprises interest income on deposits and realised and unrealised gains on foreign exchange transactions.

Finance costs

Finance costs primarily comprise interest expenses relating to borrowings and finance leases and other borrowing costs, as well as realised and unrealised losses on foreign exchange transactions. Interest expense pertains to interest on the loan from the Japanese government and interest on the US Dollar denominated promissory notes.

Income tax (expense)/credit

Income tax (expense) / credit comprises current and deferred income tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity, in which case the related income tax is recognised accordingly.

Profit after tax

Profit after tax for the year consists of operating profit adjusted for finance cost, finance income, net non-operating income, and tax expense.

Basis of the Company's operating segments and reportable operating segments

The Company's historical financial statements for the years ended 30 June 2024, 30 June 2023, and 30 June 2022 have been prepared on the basis of IFRS. In considering the required disclosures as the Company transitions to a listed company, the Directors considered the impact of IFRS 8 'Operating segments'. The Chief Operating Decision Makers or CODM of the Company, as defined in IFRS 8, is considered to be its Board of Directors and Executive Management.

In assessing the Company's operating segments, the CODM evaluated:

- the parts of the Company that engage in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Company's CODM to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Company, through the CODM's assessment, has identified three operating segments, being Telecoms, Mobile financial services and Infrastructure sharing. IFRS 8.11 requires that only reportable operating segments are disclosed in the financial statements. A reportable operating segment is an operating segment as defined by IFRS 8 that also exceeds certain quantitative thresholds, namely being at least 10% of revenue, profit before tax and/or total assets. The Directors performed an assessment of the financial contribution of each identified operating segment for every year covered by the Historical Financial Information, up to and including the year ended 30 June 2024, and determined that only the telecoms operating segment exceeded the required quantitative thresholds as prescribed in IFRS 8.13. The Company has therefore elected for the purposes of the Historical Financial Information to only disclose one reportable operating segment, being the aggregation of its telecom, infrastructure sharing and mobile financial services, as permitted by IFRS 8.12.

The Directors have elected for the purposes of this Prospectus to disclose the Company's three operating segments. The Directors have made this election to ensure Prospective Investors have adequate insight into the financial performance and position of the Company. The Company expects, as the Mobile financial services and Infrastructure sharing operating segments mature, that they will be required to be disclosed separately under IFRS 8 as a reportable operating segment in future financial statements once the quantitative thresholds are exceeded.

Recent accounting pronouncements

There are no standards, amendments, interpretations that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions except IFRS S1 General requirement for disclosure of sustainability related financial information and IFRS S2 Sustainability disclosure standard climate related information disclosures, which the Company is expected to apply after 1 July 2024 (effective date).

Basis for the going concern assumption

The Company's historical financial statements have been prepared on a going concern basis and the Directors confirm the Company will continue in operation in the foreseeable future. The Directors take into account all factors likely to affect the future performance and financial position, including the Company's cash flows, solvency and liquidity positions, borrowing facilities and all the risks and uncertainties relating to business activities. The External Auditors of the Company have satisfied their requirements of the Company's going concern basis and have issued an unqualified audit opinion on the historical financial statements for the years ended 30 June 2024, 2023 and 2022. Details of the External Auditors assessment of the going concern basis can be found in Annex 1 (Historical Financial Information).

5.4. Description of Non-IFRS Measures

This Prospectus contains certain Non-IFRS measures that are not defined or recognised under IFRS, including EBITDA, EBITDA Margin, Operating Free Cash Flow, and Leverage Ratio.

The Directors use the Non-IFRS measures to measure operating performance and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of the Company's operating cash flow and liquidity. These measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculations of these measures and the criteria upon which these measures are based can vary from company to company and therefore may not be comparable to other similarly titled measures used by other companies. These measures, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and have inherent limitations as analytical tools.

The Directors believe the following metrics to be the Non-IFRS Measures used by the Company to help evaluate growth trends, establish budgets, and assess operational performance and efficiencies. Non-IFRS Measures have inherent limitations as analytical tools and should not be considered in isolation or as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.

The Directors believe that these Non-IFRS Measures, in addition to IFRS measures, provide an enhanced understanding of the Company's results and related trends, therefore increasing transparency and clarity into the core results of the business. The Directors believe the following metrics are useful in evaluating the Company's operating performance:

- EBITDA;
- EBITDA Margin;
- Leverage Ratio; and
- Operating Free Cash Flow

The inputs of the calculation of each metric of the non-IFRS measures have been obtained from the Historical Financial Information set out in section 7.1 of this Prospectus for the respective financial years and are consistent with the basis of preparation.

Each Non–IFRS Measure is described more fully below.

EBITDA

The Company defines EBITDA as profit for the year before income tax expense, net finance costs, depreciation, and amortisation. The Directors view EBITDA as a useful measure because it is used to analyse the Company's operating profitability. EBITDA is the measure used by the Directors to assess the trading performance of the business.

The following tables provide EBITDA for the years indicated.

	Year ended 30 June		
	2024	2023	2022
ETB (millions)			
Profit for the year	**19,013**	**18,028**	**9,000**
Income tax expense	10,777	10,158	8,834
Net finance costs	3,068	2,936	6,949
Depreciation and amortisation	8,362	6,497	6,631
EBITDA	**41,220**	**37,620**	**31,414**

EBITDA Margin

The Company defines EBITDA Margin as the EBITDA divided by total revenue from contracts with customers. The Company considers the EBITDA Margin to be a meaningful measure to assess the operational performance of the business.

The following table provides EBITDA Margin for the years indicated.

	Year ended 30 June		
	2024	**2023**	**2022**
ETB (millions)			
EBITDA	41,220	37,620	31,414
Total revenue from contracts with customers	91,371	71,526	59,449
EBITDA Margin (%)	45.1%	52.6%	52.8%

EBITDA and EBITDA margin have limitations as analytical tools. Some of these limitations are:

- They do not reflect the Company's cash expenditures or future requirements for capital expenditure or contractual commitments;
- They do not reflect changes in, or cash requirements for, the Company's working capital needs;
- They do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt; and
- Although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA and EBITDA Margin does not reflect any cash requirements for such replacements.

Leverage Ratio

The Company defines Leverage Ratio as net debt divided by EBITDA. The Directors view the Leverage Ratio to be a meaningful measure to monitor the Company's ability to cover its debt through its earnings. Leverage Ratio has limitations as an analytical tool.

Leverage Ratio in isolation provides a limited view of the financial strength and must be looked at in conjunction with other ratios and parameters to obtain a comprehensive view. It also does not, in isolation, adequately reflect the future borrowing needs of the Company to invest in long-term capital-intensive growth objectives.

Leverage Ratio is a financial measure that examines how much capital comes from debt and therefore assess the ability of the Company to meet its financial obligations. The higher the debt and the lower the EBITDA, the higher the ratio. High and uncontrolled levels of debt can raise questions for shareholders and the future operations of a company. If a company's operations can generate a higher rate of return than the interest rate on its loans, then the debt can facilitate growth.

The Company's Leverage Ratio is relatively low for a telecom business. This indicates the Directors' aim to maintain a debt light capital structure.

	Year ended 30 June		
	2024	2023	2022
ETB (millions)			
Borrowings and lease liabilities	**18,716**	**23,128**	**28,111**
Adjusted for:			
Cash and cash equivalents	(29,643)	(33,545)	(28,191)
Net funds	**(10,927)**	**(10,416)**	**(80)**
EBITDA	41,220	37,620	31,414
Leverage Ratio	(0.27)x	(0.28)x	(0.0)x

Operating Free Cash Flow

The Company defines Operating Free Cash Flow as net cash generated from operating activities before income tax paid, changes in working capital, other non-cash items, less capital expenditures. The Company views Operating Free Cash Flow as a key liquidity measure, as it measures the cash the Company generates after accounting for cash outflows to support operations and maintain its capital assets.

The following table provides Operating Free Cash Flow for the years indicated:

	Year ended 30 June		
	2024	2023	2022
ETB (millions)			
Net cash generated from operating activities	33,571	32,199	34,773
Income tax paid	8,823	10,560	9,391
Changes in working capital	2,155	7,788	14,594
Non-cash items	10,449	6,785	11,735
Purchase of property plant and equipment	(19,661)	(17,895)	(11,423)
Operating Free Cash Flow	**35,337**	**39,438**	**59,070**

5.5. Description of financial and non-financial Key Performance Indicators

The Directors consider revenue, EBITDA, and capital expenditure to be the primary financial KPIs used by the Company to help evaluate growth trends, establish budgets, and assess financial performance and efficiencies.

EBITDA is a Non-IFRS Measure, with inherent limitations in analytical value. See section 5.4 (Description of Non-IFRS Measures) for a description of EBITDA, along with an explanation of its relevance, the reconciliation to the most directly comparable measures calculated and presented in accordance with IFRS, and a discussion of its limitations.

Operational KPIs

The Directors consider ARPU and number of subscribers to be the primary operational KPIs used by the Company. The definitions of each of the KPI's used by the Company are set out below:

Blended ARPU: the average revenue earned per user per month, which is derived by dividing total revenue earned during the relevant period by average active subscribers during the relevant period and dividing the results by the number of months in the relevant period.

Voice ARPU: the average voice revenue earned per user per month, which is derived by dividing total voice revenue earned during the relevant period by the average voice subscribers during the relevant period and dividing the result by the number of months in the relevant period.

Broadband ARPU: the average broadband revenue earned per user per month, which is derived by dividing total broadband revenue earned during the relevant period by the average broadband subscribers during the relevant period and dividing the result by the number of months in the relevant period.

Telebirr ARPU: the average mobile financial services revenue earned per user per month, which is derived by dividing total mobile financial services revenue earned during the relevant period by the average Telebirr subscribers during the relevant period and dividing the result by the number of months in the relevant period.

Subscribers: total number of users/customers who pay to use a service provided by the Company

Average active subscribers: total subscribers that have carried out any revenue generating event in the prior 30 days on a rolling basis either through voice calls, SMS, data usage or mobile financial services transaction.

Average active data subscribers: total subscribers that consumed at least 96.7mb on the Company's 3G, 4G or 5G network in the prior 30 days on a rolling basis.

Average telecoms subscribers: total subscribers that use the mobile voice and data as well as the fixed voice and data services.

Telebirr subscribers: total subscribers that use the Telebirr platform.

Voice ARPM: the average voice revenue earned per minute which is derived by dividing total voice revenue by total number of minutes per annum.

5.6. Currency presentation

Unless otherwise indicated, all references in this Prospectus to "Ethiopian BIRR" or "BIRR" or "ETB" are the lawful currency of Ethiopia.

The Company procures goods and services from international suppliers and transacts and settles in the supplier's local currency. Outstanding payables are translated to Ethiopian Birr at the respective balance sheet dates in line with IFRS. The Company additionally has third-party debt, specifically promissory notes and government debt which are denominated in JPY and USD.

5.7. Selected financial and operational Key Performance Indicators

The Company uses financial and operational KPIs to evaluate growth trends, forecast financial information, establish budgets, and assess financial and operational performance and efficiencies.

The table below sets out the Company's financial and operational KPIs by business line for the years indicated.

	Year ended 30 June		
	2024	2023	2022
ETB millions, unless otherwise stated			
Revenue/operational KPIs			
Revenue from contracts with customers	91,371	71,526	59,449
Revenue growth (%)	27.7%	20.3%	7.1%
Blended ARPU (ETB)	91.6	79.3	78.6
Mobile voice ARPU (ETB)	50.7	46.9	47.3
Mobile broadband ARPU (ETB)	42.5	53.5	48.5
Fixed broadband ARPU (ETB)	618.7	669.5	689.6
Fixed voice ARPU (ETB)	87.4	57.9	49.2
Mobile money ARPU (ETB)	4.6	2.3	0.0
Average total subscribers (m)	75.4	70.0	61.6
Average mobile voice subscribers (m)	72.6	67.7	59.5
Prepaid subscribers(m)	72.2	67.4	59.3
Post-paid subscribers (m)	0.4	0.3	0.3
Average fixed voice subscribers (m)	0.8	0.9	0.9
Average mobile broadband subscribers (m)	37.1	24.6	22.0
Average fixed broadband subscribers (m)	0.7	0.6	0.5
Average mobile money subscribers (m)	41.6	28.0	14.0
Year-end total Telebirr subscribers (m)	47.5	34.3	20.9
Average data users (m)	37.8	25.5	22.5
Voice traffic (minute, bn)	160.7	119.8	88.9
Mobile voice ARPM (ETB)	0.2	0.3	0.3
Data traffic (GB '000)	934.1	596.2	306.5
OPEX KPIs			
OPEX growth (%)	3.3%	32.7%	7.5%
Average employee headcount (number)	16,783	17,207	17,774
Profitability KPIs			
EBITDA	41,220	37,620	31,414
EBITDA Margin (%)	45.1%	52.6%	52.8%
Net profit margin (%)	20.8%	25.2%	15.1%

	Year ended 30 June		
	2024	2023	2022
Liquidity KPIs			
Net funds	(10,927)	(10,416)	(80)
Leverage Ratio	(0.27)x	(0.28)x	(0.00)x
Operating Free Cash Flow	35,337	39,438	59,070
Infrastructure KPIs			
Total number of network towers	8,538	8,048	7,730
Fibre network (KM)	21,693	13,579	12,855
Backbone + OPGW (KM)	21,468	21,484	22,421
Number of primary data centers	5	8	8
Infrastructure Capex KPIs (ETB millions)			
Total capital expenditure	19,661	17,895	12,001
Network assets	12,941	11,011	4,544
Power equipment	2,541	1,721	683
Buildings	2,136	1,763	3,686
Servers	-	2,346	2,179
Other	2,044	1,054	909

For more information on these metrics and the Company's use of Non-IFRS Measures, please see section 5.4 (Description of Non–IFRS Measures) and section 5.5 (Description of financial and non–financial Key Performance Indicators).

5.8. Analysis of historical financial performance for the year ended 30 June 2024, 2023, and 2022

The tables below set out the Company's historical statements of comprehensive income for the years ended 30 June 2024, 2023, and 2022 and have been extracted without material adjustment from Annex 1 (Historical Financial Information) of this Prospectus.

Statement of comprehensive income

For the years ended 30 June 2024, 2023, and 2022

	2024	2023	2022
ETB (millions)			
Revenue from contracts with customers	91,371	71,526	59,449
Direct costs*	(25,607)	(11,319)	(9,749)
Operating expenses*	(28,607)	(27,700)	(20,872)
Net impairment (losses) / gains on financial and contract assets	(232)	(348)	272
Other income	4,294	5,460	2,315
EBITDA	**41,220**	**37,620**	**31,414**
Depreciation and amortisation	(8,362)	(6,497)	(6,632)
Operating profit	**32,858**	**31,123**	**24,782**
Finance income	11	32	82
Finance costs	3,078	(2,968)	(7,031)
Profit before income tax	**29,790**	**28,187**	**17,834**
Income tax expense	(10,777)	(10,159)	(8,834)
Profit after tax	**19,013**	**18,028**	**9,000**
Other comprehensive income net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Remeasurement (loss)/gain on post-employment benefits obligations	(186)	186	92
Deferred tax asset/(liability) on remeasurement gain	56	(56)	(27)
Total comprehensive income for the year	**18,883**	**18,158**	**9,064**

* The Company reclassified commissions costs in the year ended 30 June 2024 to direct costs, whereas historically they were recorded in operating expenses. Commissions costs in the year ended 30 June 2024 were ETB 9,982 million as compared to ETB 7,389 million in the year ended 30 June 2023. The Company has not restated the historical financial statements for the years ended 30 June 2023 and 2022 in this regard.

Results of operations for the year ended 30 June 2024 compared to the year ended 30 June 2023

Revenue

The Company recognises revenue from three operating segments, namely Telecoms, Mobile financial services, and Infrastructure sharing.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Telecoms	87,580	69,976	25.2%
Infrastructure sharing	1,473	793	85.8%
Mobile financial services	2,318	757	206.2%
Total revenue from contracts with customers	**91,371**	**71,526**	**27.7%**

Total revenue increased by ETB 19,845 million, or 27.7%, to ETB 91,371 million in the year ended 30 June 2024 as compared to ETB 71,526 million in the year ended 30 June 2023.

The overall increase in total revenue was primarily due to the increase of ETB 17,604 million or 25.2% in telecoms revenue, which is primarily driven by an increase of 8.9% in average telecoms subscribers and an increase of 15.5% in total blended telecoms ARPU. Revenue also increased as a result of infrastructure sharing and mobile financial services operating segments increasing revenue by 85.8% and 206.2%, respectively, in the year ended 30 June 2024 as compared to the year ended 30 June 2023, which is a result of infrastructure sharing with Safaricom commencing in October 2022, and increased adoption of Telebirr products as a mobile money solution. A more detailed analysis by operating segment is set out below.

Telecoms revenue contributed 95.9% of total revenue in the year ended 30 June 2024, and 97.8% of total revenue in the year ended 30 June 2023. Telecoms revenue increased by 25.2% from ETB 69,976 million in the year ended 30 June 2023 to ETB 87,580 million in the year ended 30 June 2024. The Company analyses revenue in the Telecoms segment by certain product groups. The below table summarises the revenue recognised in these product groups.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Mobile voice	44,127	38,089	15.9%
Fixed voice	875	603	45.0%
Data & internet	24,048	20,373	18.0%
International	10,655	7,039	51.4%
Subscription	563	285	97.6%
Devices	4,748	3,412	39.1%
National interconnection	396	176	125.4%
Enterprise solutions	2,168	n/a	100.0%
Total telecoms	**87,580**	**69,976**	**25.2%**

Mobile voice revenue increased by 15.9% from ETB 38,089 million in the year ended 30 June 2023, to ETB 44,127 million in the year ended 30 June 2024. This increase is primarily driven by an increase of 7.2% in average mobile voice subscribers from 67.7 million in the year ended 30 June 2023, to 72.6 million in the year ended 30 June 2024. Additionally, mobile voice revenue has benefitted from an increase in mobile voice ARPU of ETB 3.8 or 8.0% from ETB 46.9 in the year ended 30 June 2023, to ETB 50.7 in the year ended 30 June 2024. The increase in the mobile voice revenue is also attributable to the strong subscriber growth and growth in mobile voice ARPU as the Company continues to introduce new and revamped products and expands its value-added services. The Company saw a decrease of voice revenue ARPM of 18.4% from ETB 0.28 in the year ended 30 June 2023 to ETB 0.23 in the year ended 30 June 2024, which is largely as a result of the total voice traffic increasing at 34.2% from 119,764 million minutes in the year ended 30 June 2023 to 160,740 million minutes in the year ended 30 June 2024.

Fixed voice revenue increased by 45.0% from ETB 603 million in the year ended 30 June 2023, to ETB 875 million in the year ended 30 June 2024. This increase was primarily driven by an increase of 50.9% in fixed voice ARPU to ETB 87 in the year ended 30 June 2024 from ETB 58 in the year ended 30 June 2023, partly offset by a decrease in the number of fixed voice subscribers by 3.9% to 0.8 million in the year ended 30 June 2024 from 0.9 million in the year ended 30 June 2023.

Data & internet revenue increased by 18.0% from ETB 20,373 million in the year ended 30 June 2023, to ETB 24,048 million in the year ended 30 June 2024. This increase was primarily driven by an increase in average broadband subscribers, with an increase in average mobile broadband subscribers of 50.6% from 24.6 million in the year ended 30 June 2023 to 37.1 million in the year ended 30 June 2024, together with an increase in fixed broadband subscribers of 22.0% from 0.6 million in the year ended 30 June 2023 to 0.7 million in the year ended 30 June 2024. Over the same period mobile broadband ARPU decreased by 20.6% from ETB 54 in the year ended 30 June 2023, to ETB 43 in the year ended 30 June 2024, while fixed broadband ARPU decreased by 7.6% from ETB 670 for the year ended 30 June 2023 to ETB 619 in the year ended 30 June 2024. The increase in mobile broadband revenue is attributable to the continued expansion of 4G coverage, where the coverage of 4G networks expanded to 34.6% at 30 June 2024 from 33.0% at 30 June 2023, reaching 424 cities as at 30 June 2024 by adding 124 cities in the year ended 30 June 2024; together with an increase in smartphone penetration, which increased to 42.0% as at 30 June 2024 from 40.4% as at 30 June 2023.

International revenue, which comprises international roaming and international partnership agreements for services rendered by the Company for their international partners, increased by 51.4% from ETB 7,039 million in the year ended 30 June 2023, to ETB 10,655 million in the year ended 30 June 2024. This increase was primarily driven by an increase in demand and increasing international visitors travelling to Ethiopia and using internet and voice services. The Company has continued expanding its partnerships with international carriers and as at 30 June 2024 the Company has roaming agreements with 544 telecommunication providers in 165 countries up from roaming agreements of 522 as at 30 June 2023.

Subscription revenue increased by 97.6% from ETB 285 million in the year ended 30 June 2023, to ETB 563 million in the year ended 30 June 2024, as a result of strong net customer additions in the year ended 30 June 2024. The Company saw average total subscribers increase 7.7% from 70.0 million in the year ended 30 June 2023 to 75.4 million in the year ended 30 June 2024.

Devices revenue increased by 39.1% from ETB 3,412 million in the year ended 30 June 2023, to ETB 4,748 million in the year ended 30 June 2024, driven primarily by a rollout of new devices and including more premium products such as the Apple iPhone in the year ended 30 June 2024.

National interconnection revenue increased by 125.4% from ETB 176 million in the year ended 30 June 2023 to ETB 396 million as at 30 June 2024. National interconnection revenue is the amount receivable from Safaricom when Safaricom subscribers in Ethiopia call or send SMS's to a subscriber of the Company. The increase is attributable to an increase in Safaricom subscribers and the consequential increase in Safaricom's subscribers interacting with the Company's network through calling and SMS.

Enterprise solutions revenue of ETB 2,168 million for the year ended 30 June 2024 is a new revenue stream in the year and relates to the Company launching its beyond connectivity solutions to enterprises during the year ended 30 June 2024.

Infrastructure sharing revenue increased ETB 680 million or 85.8% from ETB 793 million in the year ended 30 June 2023 to ETB 1,473 million in the year ended 30 June 2024. As at 30 June 2024, there were 1,310 towers shared with Safaricom as compared to 813 towers as at 30 June 2023. As the Safaricom Infrastructure Agreement, and Safaricom's commencement of operations, only commenced during the year ended 30 June 2023, the increase is attributable to a full years' worth of infrastructure sharing revenue being recognised in the year ended 30 June 2024 as compared to a part of the year in the year ended 30 June 2023 as well as the aforementioned increase in the tower infrastructure that is shared with Safaricom.

Infrastructure sharing revenue in the year ended 30 June 2024 and 2023 also includes revenue related to cloud and data center revenue of ETB 104 million and ETB 46 million, respectively.

Mobile financial services revenue relates to the Company's operating business Telebirr. Mobile financial services revenue increased by ETB 1,561 million from ETB 757 million in the year ended 30 June 2023, to ETB 2,318 million in the year ended 30 June 2024. This increase was primarily due to mobile money subscriber growth. Telebirr saw an increase in average subscribers of 48.7% from 28.0 million for the year ended 30 June 2023, to 41.6 million for the year ended 30 June 2024. The Company has seen strong growth in mobile money ARPU increasing 105.9% from ETB 2.3 for the year ended 30 June 2023 to ETB 4.6 for the year ended 30 June 2024. The increase in mobile money ARPU is attributable to the increase in transactions facilitated by Telebirr, which saw total transactions facilitated of 547 million with a transaction value of ETB 1,842 million in the year ended 30 June 2024 as compared with total transactions facilitated of 320 million with a transaction value of ETB 153 million in the year ended 30 June 2023. The Company initially on launch and during a period of the year ended 30 June 2023 offered Telebirr for free as a means of attracting subscribers. The Company has during the year ended 30 June 2024 monetised all existing products which has contributed to the ramp up of mobile money ARPU and mobile financial services revenue.

Direct costs

Direct costs increased by ETB 14,288 million or 126.2% from ETB 11,319 million in the year ended 30 June 2023 to ETB 25,607 million in the year ended 30 June 2024. Overall, the primary drivers for the increase in direct costs is the increase in revenue of 27.7% outlined above and a reclassification of commission costs. The Company reclassified commissions costs in the year ended 30 June 2024 to direct costs, whereas they were historically recorded in operating expenses. Commissions costs in the year ended 30 June 2024 were ETB 9,982 million as compared to ETB 7,389 million in the year ended 30 June 2023. A more detailed analysis of direct costs by cost type is set out below.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Network access costs	4,514	3,184	41.8%
Network maintenance and support	2,928	2,213	32.3%
Handset and other device costs	4,694	3,441	36.4%
Commission	9,982	n/a	100.0%
Purchase of materials	3,489	2,480	40.7%
Total direct costs	**25,607**	**11,319**	**126.2%**

Network access costs increased by 41.8% to ETB 4,514 million in the year ended 30 June 2024, as compared to ETB 3,184 million in the year ended 30 June 2023. Network access costs are directly linked to the Company providing capacity gateway. These costs increase in line with subscriber growth and the Company providing additional incremental capacity. The suppliers of these costs are international carriers, and these costs are impacted by the depreciation of USD/BIRR. Additionally, the Company during the year ended 30 June 2024 expanded its international internet capacity programme with a strategic partner Djibouti Telecom of Canar 20G resulting in incremental costs to the Company.

Network maintenance and support costs increased by 32.3% to ETB 2,928 million in the year ended 30 June 2024, as compared to ETB 2,213 million in the year ended 30 June 2023. These costs increase in line with revenue as the Company seeks to maintain and support its existing network and its ongoing expansion. These costs have additionally been impacted by inflation.

Handset and other device costs increased by 36.4% to ETB 4,694 million in the year ended 30 June 2024, as compared to ETB 3,441 million in the year ended 30 June 2023. The increase is largely in line with the corresponding increase in devices revenue which increased 39.1% as set out above.

Commission costs were historically recorded as operating expenses for the years ending 30 June 2023 and 2022. The Company has for the year ended 30 June 2024 elected to record these under direct costs as this is more in line with the nature of these costs. Commission costs for the year ended 30 June 2023 were ETB 7,389 million as compared to ETB 9,982 million for the year ended 30 June 2024. The increase of 35.1% is attributable to the increase in total revenue from contracts with customers excluding infrastructure sharing. Additionally, the Company, as part of attracting customers to Telebirr, contracted mobile money agents to attract customers who earn commissions based on customer additions, which are new costs for the year ended 30 June 2024.

Purchase of materials costs increased by 40.7% to ETB 3,489 million in the year ended 30 June 2024 from ETB 2,480 million in the year ended 30 June 2023. These costs relate to spare parts, acquisition of power equipment, and consumables. This increase is attributed to the growth of the Company and the impacts of inflation.

Operating expenses

Operating expenses increased by ETB 907 million, or 3.3%, from ETB 27,700 million in the year ended 30 June 2023 as compared to ETB 28,607 million in the year ended 30 June 2024. This increase was primarily due to the growth of the Company, together with the impact of the reclassifications of commissions cost to direct costs as set out above. A more detailed analysis of operating expenses by cost type is set out below.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Employee benefit expense	14,441	12,420	16.3%
Commission*	n/a	7,389	n/a
Sundry expenses	6,802	1,569	333.5%
Travelling	806	562	43.3%
Rent, utilities and maintenance	2,487	1,922	29.4%
Other operating expense	4,071	3,836	6.1%
Total operating expenses	**28,607**	**27,700**	**3.3%**

*Management's discussion and analysis related to the commission costs for the year ended 30 June 2024 are covered in the direct costs section.

Employee benefits expenses increased by 16.3%, to ETB 14,441 million in the year ended 30 June 2024 from ETB 12,420 million in the year ended 30 June 2023. The increase is principally due to salary and wage inflation. The Company rebased salaries effective 1 July 2023 with an average increase of 20.0% to support employees with the high cost of living and inflation. The increase in salaries was offset by a reduction in total head count of permanent employees of 2.5% from 17,207 as at the 30 June 2023 to 16,783 million as at 30 June 2024.

Sundry expenses increased by ETB 5,233 million to ETB 6,802 million in the year ended 30 June 2024 from ETB 1,569 million in the year ended 30 June 2023. Sundry expenses comprise of office telecommunications expenses, consulting services, fringe benefits to employees, telephone service discounts, penalties, and excise duty. The increase was driven by changes in excise duty. The Government amended its excise tax proclamation no.1186 in 2020 with effective date of 27 April 2023. The amendment resulted in a reduction of goods that are exempt from excise tax resulting in greater costs borne by the Company. The Company expects these costs to continue being non-deductible and are not aware of any further similar announcements in this regard.

Travelling costs increased by 43.4% to ETB 806 million in the year ended 30 June 2024 from ETB 562 million in the year ended 30 June 2023. The Company increased its travel allowance for all staff effective 1 July 2023 on account of the higher fuel prices and general inflation as seen in hospitality for when boarding is required.

Rent, utilities and maintenance expenses increased by 29.4% to ETB 2,487 million in the year ended 30 June 2024 from ETB 1,922 million in the year ended 30 June 2023. The increase is on account of general expansion of the Company and inflationary increases on existing contracts on rental agreements and utility providers.

Other operating expenses increased by 6.1%, to ETB 4,071 million in the year ended 30 June 2024 from ETB 3,836 million in the year ended 30 June 2023. Other operating expenses comprise of expenses such as advertisement & publicity, fuel, and bank charges. The increase is largely on account of the increase in fuel price for the Company which has increased in line with the expansion of the Company and the price of fuel increasing as a result of the BIRR/USD depreciating.

Net impairment losses on financial assets

Net impairment losses on financial assets relates to the expected credit losses on trade receivables in accordance with IFRS 9. Net impairment losses on financial assets decreased by ETB 115 million from ETB 348 million in the year ended 30 June 2023 to ETB 232 million in the year ended 30 June 2024. The Company increased its provision for impairment losses from ETB 3,076 million as at 30 June 2023 to ETB 3,308 million as at 30 June 2024, as a result of a marginal increase in the expected credit losses of the Company.

Other income

Other income decreased by ETB 1,166 million from ETB 5,460 million in the year ended 30 June 2023 to ETB 4,294 million in the year ended 30 June 2024. Other income primarily comprises gains from sale of property, plant and equipment, inventory writebacks, property, plant and equipment writebacks, and sundry income. The decrease in other income primarily relate to Inventory writebacks which relate to the reversal of previously written down inventory balances that were taken to their net realisable value. Inventory writebacks decreased ETB 1,073 million from ETB 1,364 million in the year ended 30 June 2023 to ETB 291 million in the year ended 30 June 2024, on account for inventory balances as at 30 June 2024 not requiring material write backs to their net realizable value. The remaining components of other income have not seen a material movement from the year ended 30 June 2023.

EBITDA

EBITDA increased by ETB 3,600 million or 9.6% from ETB 37,620 million in the year ended 30 June 2023 to ETB 41,220 million in the year ended 30 June 2024. The increase in the year is a result of revenue from contracts with customers increasing by ETB 19,845 million and offset by higher direct costs and operating expenses which increased by ETB 14,288 million and ETB 907 million, respectively. Other income additionally decreased ETB 1,165 million as compared to the year ended 30 June 2023.

Depreciation and amortisation

Depreciation and amortisation increased by ETB 1,865 million or 28.7% to ETB 8,362 million in the year ended 30 June 2024 from ETB 6,497 million in the year ended 30 June 2023. The movement in the balance is made up as follows:

- Depreciation of property, plant and equipment increased by ETB 1,744 million, or 30.1% which was driven by an increase in PPE additions of ETB 103,069 million for the year ended 30 June 2024 as the Company brought assets under construction into use;
- Depreciation charge of right of use asset increased by ETB 41 million, or 10.6% which was due to right of use assets additions amounting to ETB 181 million for the year ended 30 June 2024; and
- Amortisation of intangible assets increased by ETB 80 million, due to intangible assets additions of ETB 575 million and reclassifications from WIP of ETB 399 million for the year ended 30 June 2024.

Operating profit

Operating profit increased by ETB 1,735 million or 5.6% from ETB 31,123 million in the year ended 30 June 2023 to ETB 32,858 million in the year ended 30 June 2024. The increase in the year is a result of an increase in EBITDA of ETB 3,600 million, offset by an increase in the depreciation and amortisation charges of ETB 1,865 million.

Net finance costs

Net finance costs increased by ETB 132 million or 4.5% from ETB 2,936 million in the year ended 30 June 2023 to ETB 3,068 million in the year ended 30 June 2024. The primary driver is the increase in the net foreign exchange losses, which increased by ETB 132 million to ETB 2,150 million in the year ended 30 June 2024 from ETB 2,017 million in the year ended 30 June 2023. The Company's largest foreign exchange exposure is USD/BIRR. Net finance costs were marginally offset by a reduction of interest expenses of ETB 29 million from ETB 775 million for the year ended 30 June 2023 to ETB 746 million for the year ended 30 June 2024 as the Company settled outstanding borrowings during the year.

Income tax expense

Income tax expense increased by ETB 618 million, or 6.1%, from ETB 10,159 million in the year ended 30 June 2023 to ETB 10,777 million in the year ended 30 June 2024. This increase was largely due to the following factors;

- The increase in the Company's overall profitability which saw an increase of profit before tax of ETB 1,604 million as compared to the year ended 30 June 2023;
- The Company's released a credit from its deferred tax balances of ETB 523 million from the reversal of temporary differences for the year ended 30 June 2024; and
- The Company incurred a prior period tax adjustment of ETB 263 million in the year ended 30 June 2024 following the completion of the annual tax audit.

Profit after tax

Profit after tax for the year ended 30 June 2024 increased by ETB 985 million, or 5.5% to ETB 19,013 million for the year ended 30 June 2024 from ETB 18,028 million in the year ended 30 June 2023. The increase was driven by the increase in operating profit of ETB 1,735 million, which was partly offset by the increase in net finance costs of ETB 132 million and an increase in the income tax charge for the year of ETB 618 million.

Remeasurement gain/ (loss) on post-employment benefits obligations

Remeasurement gain/ (loss) on post-employment benefits obligations decreased by ETB 372 million from ETB 186 million gain in the year ended 30 June 2023 to ETB 186 million loss in the year ended 30 June 2024. The decrease in the year was because of the remeasurement of the funeral benefit and gratuity benefit as a result of a change to the actuarial assumptions.

Deferred tax (liability)/ asset on remeasurement gain or loss

Deferred tax (liability)/ asset on remeasurement gain or loss increased by ETB 112 million from ETB 56 million expense in the year ended 30 June 2023 to ETB 56 million income in the year ended 30 June 2024. The balance moved in line with the movement in the remeasurement gain in the year as set out above.

Results of operations for the year ended 30 June 2023 compared to the year ended 30 June 2022

Revenue

The Company recognises revenue from three operating segments, namely Telecoms, Mobile financial services, and Infrastructure sharing.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Telecoms	69,976	59,443	17.7%
infrastructure sharing	793	n/a	n/a
Mobile financial services	757	6	13,332.6%
Total revenue from contracts with customers	**71,526**	**59,449**	**20.3%**

Total revenue increased by ETB 12,077 million, or 20.3 %, to ETB 71,526 million in the year ended 30 June 2023 as compared to ETB 59,449 million in the year ended 30 June 2022.

The overall increase in total revenue was primarily due to the increase of ETB 10,533 million or 17.7% in Telecoms revenue, which is primarily driven by an increase of 13.6% in average Telecoms subscribers and an increase of 0.9% in total blended Telecoms ARPU. Revenue also increased as a result of infrastructure sharing and mobile financial services operating segments contributing material revenue for the first time in the year ended 30 June 2023, which is a result of infrastructure sharing with Safaricom commencing in October 2022, and the introduction of new Telebirr products in August 2022. A more detailed analysis by operating segment is set out below.

Telecoms revenue was 97.8% of total revenue in the year ended 30 June 2023, and 99.9% of total revenue in the year ended 30 June 2022. Telecoms revenue increased by 17.7% from ETB 59,443 million in the year ended 30 June 2022 to ETB 69,976 million in the year ended 30 June 2023. The Company analyses revenue in the Telecoms segment by certain product groups. The below table summarises the revenue recognised in these product groups.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Mobile voice	38,089	33,803	12.7%
Fixed voice	603	538	12.2%
Data & internet	20,373	16,551	23.1%
International	7,039	6,834	3.0%
Subscription	285	305	(6.6%)
Devices	3,412	1,412	141.7%
National interconnection	176	n/a	100%
Total telecoms	**69,976**	**59,443**	**17.7%**

Mobile voice revenue increased by 12.7% to ETB 38,089 million in the year ended 30 June 2023, as compared to ETB 33,803 million in the year ended 30 June 2022. This increase is primarily driven by an increase of 13.7% in average mobile voice subscribers to 67.7 million in the year ended 30 June 2023, as compared to 59.5 million in the year ended 30 June 2022. The increase in subscribers has been offset by the decrease in mobile voice ARPU by ETB 0.4 or 0.9% to ETB 46.9 in the year ended 30 June 2023, as compared to ETB 47.3 in the year ended 30 June 2022. The increase in the mobile voice revenue is also attributable to the introduction of new and revamped products and an expansion of value-added services. The Company saw a decrease of voice revenue ARPM of 19.1%

from ETB 0.35 in the year ended 30 June 2022 to ETB 0.28 in the year ended 30 June 2023, which is largely as a result of the total voice traffic increasing at 34.8% from 89,000 million minutes in the year ended 30 June 2022 to 120,000 million minutes in the year ended 30 June 2023.

Fixed voice revenue increased by 12.2% to ETB 603 million in the year ended 30 June 2023, as compared to ETB 538 million in the year ended 30 June 2022. This increase was primarily driven by an increase of 17.7% in fixed voice ARPU from ETB 49 in the year ended 30 June 2022 to ETB 58 in the year ended 30 June 2023, partly offset by a decrease in the number of fixed voice subscribers by 4.7% from 0.9 million in the year ended 30 June 2022 to 0.9 million in the year ended 2023.

Data & internet revenue increased by 23.1% to ETB 20,373 million in the year ended 30 June 2023, as compared to ETB 16,551 million in the year ended 30 June 2022. This increase was primarily driven by an increase in average data subscribers, with an increase in average mobile broadband subscribers of 11.6% to 24.6 million in the year ended 30 June 2023 as compared to 22.0 million in the year ended 30 June 2022, together with an increase in fixed broadband subscribers of 26.2% to 0.6 million in the year ended 30 June 2023 as compared to 0.5 million in the year ended 30 June 2022. Over the same period mobile broadband ARPU increased by 10.4% to ETB 54 in the year ended 30 June 2023, as compared to ETB 48 in the year ended 30 June 2022, while fixed broadband ARPU decreased by 2.9% to ETB 670 for the year ended 30 June 2023 as compared to ETB 690 in the year ended 30 June 2022. The increase in mobile broadband revenue is attributable to the expansion of 4G coverage, where the coverage of 4G networks expanded from 20.0% at 30 June 2022 to 33.0% at 30 June 2023, reaching 300 cities as at 30 June 2023 by adding 164 cities in the year ended 30 June 2023; together with an increase in smartphone penetration, where smartphone penetration increased from 36.0% at 30 June 2022 to 42.0% at 30 June 2023, with 1.1 million smartphones added in the year ended 30 June 2023, further driving data consumption.

International revenue, which comprises international roaming and international partnership agreements for services rendered by the Company for their international partners, increased by 3.0% to ETB 7,039 million in the year ended 30 June 2023, as compared to ETB 6,834 million in the year ended 30 June 2022. This increase was primarily driven by an increase in demand and increasing international visitors travelling to Ethiopia and using internet and voice services.

Subscription revenue relates to onboarding charges that are payable by subscribers when they join across all product lines associated with arranging the contract with the Company. Subscription revenue decreased by 6.6% to ETB 285 million in the year ended 30 June 2023, as compared to ETB 305 million in the year ended 30 June 2022, as a result of total net subscribers added being less than that added in the year ended 30 June 2022.

Devices revenue increased by 141.7% to ETB 3,412 million in the year ended 30 June 2023, as compared to ETB 1,412 million in the year ended 30 June 2022, driven primarily by a rollout of new devices and product bundling by the Company in the year ended 30 June 2023. This is in line with the Company's strategy of providing greater options for customers, which has increased the number of device products offered to include modems, tablets, laptops, ideahubs and other similar technological devices. The Company has additionally added bundling as part of their strategy to drive the digital transformation in Ethiopia, offering contracts and devices that has supported the increase in device sales.

National interconnection revenue of ETB 176 million in the year ended 30 June 2023 is the amount receivable from Safaricom when Safaricom subscribers in Ethiopia call or send SMSs to a subscriber of the Company. The arrangement was set up upon the entrance of Safaricom to the market.

Infrastructure sharing revenue of ETB 793 million in the year ended 30 June 2023 primarily relates to the Safaricom Infrastructure Agreement. Safaricom entered into an agreement with the Company in May 2022 to share tower and certain other infrastructure, in line with the Government issuing Safaricom their license in July 2021. Safaricom commenced operations in Ethiopia in October 2022. As at 30 June 2023, there were 813 towers shared with Safaricom. As the Safaricom Infrastructure Agreement, and their commencement of operations, only commenced in the year ended 30 June 2023, the Company only has revenue in this segment in that year.

Infrastructure sharing revenue in the year ended 30 June 2023 also includes revenue of ETB 46 million relating to cloud and data center revenue, which represents a new proposition by the Company in future high growth areas.

Mobile financial services revenue relates to the Company's operating business Telebirr. Revenue increased by ETB 751 million to ETB 757 million in the year ended 30 June 2023, as compared to ETB 6 million in the year ended 30 June 2022. This increase was primarily due to mobile money subscriber growth. Telebirr saw an increase in average subscribers of 99.9% to 28 million for the year ended 30 June 2023, as compared to 14 million for the year ended 30 June 2022.

In August 2022, the Company launched two products to support the closing of the Ethiopian financial inclusion gap, these being Telebirr Mela and Telebirr Sanduq. Telebirr Mela, is the Company's microcredit service that has processed 2.2 million transactions at a value of ETB 3.8 billion since launch to 30 June 2023. Telebirr Sanduq, the Company's micro savings services, has processed 0.7 million transactions with a total value of ETB 3.3 billion since launch to 30 June 2023.

In addition, the Company engaged in successful marketing of the Telebirr platform to attract customers which contributed to the increase in subscribers. In the year ended 30 June 2022, only the e-money transaction fee was recognised as revenue. The revenue from e-money transaction fee amounted to ETB 396 million in the year ended 30 June 2023 as compared to ETB 6 million in the year ended 30 June 2022. The additional products that were launched in the year ended 30 June 2023 saw additional associated service revenue increase, predominantly related to microcredit services amounting ETB 361 million in the year ended 30 June 2023 as compared to ETB nil in the year ended 30 June 2022.

Direct costs

Direct costs increased by ETB 1,570 million (16.1%) to ETB 11,319 million in the year ended 30 June 2023 from ETB 9,749 million in the year ended 30 June 2022. Overall, the primary driver for the increase in direct costs is the corresponding increase in revenue of 20.3% set out above. A more detailed analysis of direct costs by cost type is set out below.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Network access costs	3,184	2,261	40.8%
Network maintenance and support	2,213	1,779	24.4%
Handset and other device costs	3,441	4,310	(20.2%)
Purchase of materials	2,480	1,399	77.2%
Total direct costs	**11,319**	**9,749**	**16.1%**

Network access costs increased by 40.8% from ETB 2,261 million in the year ended 30 June 2022 to ETB 3,184 million in the year ended 30 June 2023. The increase was driven by the rise in international interconnect voice and data, and this was due to an increase in gateway capacity to maximise revenue and satisfy customers.

Network maintenance and support costs increased by 24.4% from ETB 1,779 million in the year ended 30 June 2022 to ETB 2,213 million in the year ended 30 June 2023. The increase is driven by the rise in costs relating to service support for the platform and associated costs related to the service level agreements for telecom infrastructure.

Handset and other device costs decreased by 20.2% from ETB 4,310 million in the year ended 30 June 2022 to ETB 3,441 million in the year ended 30 June 2023. The decrease is primarily due to certain costs recorded in the year ended 30 June 2022 that related to devices purchased in prior years, whereas there we no such costs in the year ended 30 June 2023.

Purchase of materials costs increased by 77.2% from ETB 1,399 million in the year ended 30 June 2022 to ETB 2,480 million in the year ended 30 June 2023. These costs relate to spare parts, acquisition of power equipment, and consumables. This increase is attributed to the growth of the Company and the impacts of high-cost inflation seen during the period.

Operating expenses

Operating expenses increased by ETB 6,828 million, or 32.7%, to ETB 27,700 million in the year ended 30 June 2023 as compared to ETB 20,872 million in the year ended 30 June 2022. This increase was primarily due to the growth of the Company, which saw an increase of revenues of 20.3% in the year as set out above, together with wage and other cost inflation. A more detailed analysis of operating expenses by cost type is set out below.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Employee benefit expense	12,420	9,449	31.4%
Commission	7,389	5,891	25.4%
Sundry expenses	1,569	2,363	(33.6%)
Travelling	562	471	19.3%
Rent, utilities and maintenance	1,922	1,197	60.6%
Other operating expense	3,836	1,501	155.6%
Total operating expenses	**27,700**	**20,872**	**32.7%**

Employee benefits expenses increased by 31.4%, from ETB 9,449 million in the year ended 30 June 2022 to ETB 12,420 million in the year ended 30 June 2023. The increase is principally due to salary and wage inflation.

Commission costs increased by 25.4%, from ETB 5,891 million in the year ended 30 June 2022 to ETB 7,389 million in the year ended 30 June 2023. Commissions relate to commissions on sales made by distributors, and the increase in these costs is primarily attributed to the increase in revenues in the corresponding period, as set out above.

Sundry expenses decreased by 33.6% from ETB 2,363 million in the year ended 30 June 2022 to ETB 1,569 million in the year ended 30 June 2023. Sundry expenses comprise of office telecommunications expenses, consulting services, fringe benefits to employees, telephone service discounts and penalties. The decrease year on year is mainly driven by office telecommunications expense which decreased from ETB 732 million in the year ended 30 June 2022 to ETB 342 million in the year ended 30 June 2023.

Travelling costs increased by 19.3% from ETB 471 million in the year ended 30 June 2022 to ETB 562 million in the year ended 30 June 2023. Travelling costs have increased due to the expansion of the Company and the associated increase in demand for field expertise across the country for maintenance and support.

Rent, utilities and maintenance expenses increased by 60.6% from ETB 1,197 million in the year ended 30 June 2022 to ETB 1,922 million in the year ended 30 June 2023. The increase is due to an increase in rent expenses for vehicles which increased by ETB 114 million due to the demand associated with the expansion of the Company, and an increase in maintenance costs of ETB 187 million.

Other operating expenses increased by 155.6%, from ETB 1,501 million in the year ended 30 June 2022 to ETB 3,836 million in the year ended 30 June 2023. Other operating expenses comprise of expenses such as advertisement and publicity, fuel, and bank charges. The increase is primarily attributable to increased advertisement and publicity expenses, which was due to the promotion and launch of various new products. The Company also saw a 304% increase in fuel costs from ETB 345 million in the year ended 30 June 2022 to ETB 1,398 in the year ended 30 June 2023 as a result of Government's elimination of fuel subsidies.

Net impairment losses on financial assets

Net impairment losses on financial assets relates to the expected credit losses on trade receivables in accordance with IFRS 9. Net impairment losses on financial assets increased by ETB 619 million in the year ended 30 June 2023 from a credit of ETB 272 million in the year ended 30 June 2022 to a debit of ETB 348 million. The Company increased its provision for impairment losses to ETB 3,076 in the year ended 30 June 2023 from ETB 2,728 million in the year ended 30 June 2022, as a result of a marginal increase in the expected credit losses of the Company.

Other income

Other income increased by ETB 3,145 million to ETB 5,460 million in the year ended 30 June 2023 from ETB 2,315 million in the year ended 30 June 2022. Other income primarily comprises inventory writebacks and sundry income. The increase in these costs relate to:

- Inventory writebacks relates to the reversal of previously written down inventory balances that were taken to their net realisable value. The balance increased from a cost of ETB (596) million in the year ended 30 June 2022 to income of ETB 1,364 million in the year ended 30 June 2023. The movement in the balance relates primarily to spare parts that had been written down in previous periods, but the write down was reversed in the year ended 30 June 2023; and
- Sundry income relates mainly to the recognition of one–time discounts on signed service level agreements for the benefit of the Company, and the receipt of free products received from suppliers recognised at fair value. Sundry income increased from ETB 2,313 million in the year ended 30 June 2022 to ETB 3,904 million in the year ended 30 June 2023 as a result of an increase in benefits and grants received from key suppliers.

EBITDA

EBITDA increased by ETB 6,206 million or 20% to ETB 37,620 million in the year ended 30 June 2023 from ETB 31,414 million in the year ended 30 June 2022. The increase in the year is a result of revenue increasing by ETB 12,078 million and offset by higher direct costs and operating expenses which increased by ETB 1,570 million and ETB 6,828 million, respectively. Other income additionally increased ETB 3,145 million as compared to the year ended 30 June 2022.

Depreciation and amortisation

Depreciation and amortisation decreased by ETB 135 million or 2.0% from ETB 6,632 million in the year ended 30 June 2022 to ETB 6,497 million in the year ended 30 June 2023. The movement in the balance is made up as follows:

- Depreciation of property, plant and equipment increased by ETB 70 million, or 1.2% which was driven by an increase in PPE additions of ETB 9,308 million for the year ended 30 June 2023 as the Company brought assets under construction into use;
- Depreciation charge of right of use asset increased by ETB 41 million, or 12.1% which was due to right of use assets additions amounting to ETB 381 million; and
- Amortisation of intangible assets decreased by ETB 251 million, which is the main contributor to the decrease of the overall depreciation and amortisation balance. The decrease was driven by software assets that were fully amortised in the year ended 30 June 2022 therefore no amortisation was charged for these assets in the year ended 30 June 2023.

Operating profit

Operating profit increased by ETB 6,341 million or 26% to ETB 31,123 million in the year ended 30 June 2023 from ETB 24,782 million in the year ended 30 June 2022. The increase in the year is a result of an increase in EBITDA of ETB 6,206 million and a decrease in the depreciation and amortisation charges of ETB 135 million.

Net finance costs

Net finance cost decreased by ETB 4,013 million or 57.7% to ETB 2,936 million in the year ended 30 June 2023 from ETB 6,949 million in the year ended 30 June 2022. The primary driver is the decrease in the net foreign exchange losses, which decreased by ETB 3,869 million from ETB 5,887 million in the year ended 30 June 2022 to ETB 2,017 million in the year ended 30 June 2023. The Company's largest foreign exchange exposure is USD/BIRR.

Income tax expense

Income tax expense increased by ETB 1,325 million, or 15.0%, to ETB 10,159 million in the year ended 30 June 2023 from ETB 8,834 million in the year ended 30 June 2022. This increase was largely due to two factors;

- The increase in the Company's overall profitability and taxable income from the new revenue streams during the year, which saw an increase of profit before tax of ETB 10,353 million as compared to the year ended 30 June 2022; and
- The Company incurred a prior period tax adjustment of ETB 1,459 million in the year ended 30 June 2022 following the completion of the annual tax audit.

Profit after tax

Profit after tax for the year ended 30 June 2023 increased by ETB 9,028 million, or 100.3% from ETB 9,000 million for the year ended 30 June 2022 to ETB 18,028 million in the year ended 30 June 2023. The increase was driven by the increase in operating profit of ETB 6,341 million, the decrease in net finance costs of ETB 4,013 million and was offset by an increase in the income tax charge for the year of ETB 1,325 million.

Remeasurement gain/ (loss) on post-employment benefits obligations

Remeasurement gain/ (loss) on post-employment benefits obligations increased by ETB 94 million to ETB 186 million in the year ended 30 June 2023 from ETB 92 million in the year ended 30 June 2022. The increase in the year was because of the remeasurement of the post-retirement medical benefit as a result of a change to the actuarial assumptions. The principal driver is related to the change in the forecasted inflation rate of all benefits which was reduced from 18.5% in the year ended 30 June 2022 to 13.6% in the year ended 30 June 2023.

Deferred tax (liability)/ asset on remeasurement gain or loss

Deferred tax (liability)/ asset on remeasurement gain or loss increased by ETB 28 million to ETB 56 million in the year ended 30 June 2023 from ETB 27 million in the year ended 30 June 2022. The balance moved in line with the movement in the remeasurement gain in the year as set out above.

5.9. Analysis of historical financial position

The table below sets out the Company's historical statements of financial position as at 30 June 2024, 2023, and 2022 and has been extracted without material adjustment from Annex 1 (Historical Financial Information) of this Prospectus.

The Company during the course of the year end audit of the 30 June 2024 financial statements identified errors in the financial statements for the year ended 30 June 2023. The errors have been corrected in the 30 June 2024 audited financial statements through restating the relevant comparative financial statement line items. The Company has elected for the purposes of clarity and understandability to not restate the 30 June 2023 financial statements within the Prospectus, instead the Company has elected to disclose in footnotes and explanations within the body of the Prospectus the impact and changes to the balances that have been restated. The Company considers these restatements as once-off and related to specific circumstances outside of the Company's control, the Company does not expect or envisage similar restatements in future financial periods. The Company has additionally corrected the identified error in its ERP system and the processes within which resulted in the inventory error.

Statement of financial position

As at 30 June 2024, 2023 and 2022			
	2024	**2023**	**2022**
ETB millions			
Non-current assets			
Property, plant and equipment*	141,549	50,924	38,858
Right of use assets	1,247	1,208	961
Intangible assets	1,865	1,294	1,608
Investment property	209	214	-
Other financial assets at amortised cost	7,101	7,101	7,102
Deferred tax asset*	3,570	3,577	3,931
	155,542	**64,318**	**52,460**
Current assets			
Inventories*	14,921	14,999	6,308
Other assets	4,566	2,974	3,017
Trade receivables	9,505	6,773	6,530
Other financial assets at amortised cost*	15	92,484	92,511
Cash and cash equivalents	29,643	33,545	28,191
	58,650	**150,775**	**136,557**
Total assets	**214,192**	**215,093**	**189,018**
Liabilities			
Non-current liabilities			
Borrowings	13,002	16,928	20,576
Provisions	160	128	84
Lease liabilities	732	647	520
Defined benefit liabilities	957	597	640
	14,850	**18,301**	**21,821**
Current liabilities			
Borrowings	4,684	5,213	6,703
Contract liabilities	8,099	8,231	6,969
Trade and other payables	63,902	53,636	38,825
Provisions	20	32	14
Lease liabilities	298	341	312
Defined benefit liabilities	51	76	69

As at 30 June 2024, 2023 and 2022

	2024	2023	2022
ETB millions			
Dividend payable	-	2,304	4,804
Current income tax	8,794	7,245	7,946
	85,848	**77,079**	**65,642**
Total liabilities	**100,698**	**95,380**	**87,463**
Equity attributable to owners			
Capital	100,000	100,000	100,000
Retained earnings*	10,202	17,242	115
Legal reserves	3,252	2,301	1,400
Other reserves	40	170	40
Total equity	113,494	119,713	101,555
Total equity and liabilities	**214,192**	**215,093**	**189,018**

* The Company during the course of the year end audit of the 30 June 2024 financial statements identified errors in the financial statements for the year ended 30 June 2023. The errors have been corrected in the 30 June 2024 audited financial statements through restating the relevant comparative financial statement line items. Detail of the restated financial statement line items are set out below;

- Property, plant, and equipment: The balance of the property, plant, and equipment as at 30 June 2023 was ETB 50,924 million in the 30 June 2023 audited financial statements and has been restated to ETB 129,839 million in the 30 June 2024 audited financial statements. The restatement is a result of the Company reccognising the value of buildings and other assets in line with a third party valuation as at 30 June 2023. The assets were previously accounted for at cost as local legislation did not permit the recognition of the valuation of these buildings. The Majority Shareholder on 20 February 2024 approved the Company's recognition of the valuation and as a consequence the Company recognised the value of buildings and other assets at the date of the valuation being 30 June 2023. EIH, and by extension the Government, approved this as part of the capital restructure as covered in the section 2.2 (Incorporation) which additionally resulted in the retrospective settlement of the receivable from Ministry of finance which is covered below in the restatement of other financial assets at amortised cost.
- Deferred tax assets: The balance of deferred tax assets as at 30 June 2023 was ETB 3,577 million in the 30 June 2023 audited financial statements and has been restated to ETB 3,656 million in the 30 June 2024 audited financial statements. The restatement is principally on account for the aforementioned restatement of property, plant and equipment, which as a result of recognising the valuation of the buildings has increased the deferred tax assets.
- Inventories: The balance of Inventories as at 30 June 2023 was ETB 14,999 million in the 30 June 2023 audited financial statements and has been restated to ETB 11,036 million in the 30 June 2024 audited financial statements. During the year end audit of the financial statements for the year ended 30 June 2024, the Company identified an error in their ERP system which resulted in inventory worth ETB 1,847 million which had been sold remaining on hand in the system and overstating the Inventory balance. Additionally, the Company identified that ETB 1,850 million of expenses that had been incorrectly capatalised to inventory, resulting in an overstatement of Inventory.
- Other financial assets at amortised cost (current and non-current): The balance of other financial assets at amortised cost (current and non-current) as at 30 June 2023 was ETB 99,585 million in the 30 June 2023 audited financial statements and has been restated to ETB 9,121 million in the 30 June 2024 audited financial statements. The restatement is on account of a retrospective settlement of the receivable from the ministry of finance, which was retrospectively settled through the Government allowing the Company to recognise the full value of its buildings and a restructure of the Company's retained earnings. EIH and by extension the Government approved the recognition of the valuation of buildings as covered above which is part of the capital restructure as covered in the section 2.2 (Incorporation). The Government determined that allowing the Company to recognise the valuation is appropriate for settling the receivable from the Ministry of Finance. The increase in the valuation allowance resulted in a decrease of the receivable from the Ministry of Finance of ETB 78,914 million, the remaining ETB 11,550 million retrospective settlement was through the restructure of the Company's retained earnings resulting in a decrease in retained earnings of ETB 11,550 million and related decrease in the receivable from the Ministry of Finance.
- Retained earnings: The Company's retained earnings as at 30 June 2023 was ETB 17,242 million in the 30 June 2023 audited financial statements and has been restated to ETB 1,808 million in the 30 June 2024 audited financial statements. The restatement to retained earnings is on account of the aforementioned restatements being the inventory restatement of ETB 3,963 million, deferred tax asset restatement of ETB 80 million (a credit to retained earnings) and the portion of the restatement of other financial assets at amortised cost related to the restructure of the Company's retained earnings of ETB 11,550 million.

Assessment of the financial position as at 30 June 2024 compared to 30 June 2023

Property, plant and equipment

Property, plant and equipment increased by ETB 90,625 million from ETB 50,924 million as at 30 June 2023 to ETB 141,549 million as at 30 June 2024. The below table represents a summary of the property, plant and equipment for the year ended 30 June 2024.

	Network assets	Power equipment	Buildings*	Motor vehicles	Servers	Spare parts	Other equipment	WIP	Total
Opening net book amount 1 July 2023	**17,721**	**2,716**	**8,561**	**1,478**	**1,457**	**89**	**1,304**	**17,597**	**50,924**
Adjustment of valuation on Buildings	**-**	**-**	**78,914**	**-**	**-**	**-**	**-**	**-**	**78,914**
Reclassifications	9,553	1,523	1,717	-	-	(180)	-	(13,013)	(399)
Additions	5,930	146	134	166	-	226	531	12,527	19,661
Disposals	-	-	-	(5)	-	-	(17)	-	(22)
Depreciation charge	(4,963)	(682)	(586)	(218)	(574)	(55)	(451)	-	(7,530)
Closing net book amount 30 June 2024	**28,240**	**3,703**	**88,742**	**1,421**	**883**	**80**	**1,368**	**17,112**	**141,549**

The balance of property, plant, and equipment as at 30 June 2023 was ETB 50,924 million in the 30 June 2023 audited financial statements and has been restated to ETB 129,839 million in the 30 June 2024 audited financial statements. The restatement is a result of the Company recognising the value buildings and other assets in line with a third-party valuation as at 30 June 2023. The assets were previously accounted for at cost as local legislation did not permit the recognition of the valuation of these buildings. The Majority Shareholder on 20 February 2024 approved the Company's recognition of the valuation and as a consequence the Company recognised the value of buildings and other assets at the date of the valuation being 30 June 2023. EIH, and by extension the Government, approved this as part of the capital restructure as covered in the section 2.2 (Incorporation) which additionally resulted in the retrospective settlement of the receivable from Ministry of finance which is covered below in the restatement of other financial assets at amortised cost.

Other than the aforementioned restatement, the increase in the year primarily comprises additions of ETB 19,661 million, offset by a depreciation charge of ETB 7,530 million. The additions in the year relates to Capex in the ordinary course of operations of the Company. The Capex incurred in the year ended 30 June 2024 relate to an increase in work in progress, which relates to assets under construction, aimed at providing sustainable and high-quality customer services specifically related to 4G/LTE and 5G rollouts regionally.

Right of use assets

Right of use assets increased by ETB 39 million from ETB 1,208 million as at 30 June 2023 to ETB 1,247 million as at 30 June 2024. The increase was primarily due to an ETB 282 million remeasurement of existing leases under IFRS; new leases entered of ETB 181 million in the year relating primarily to roof top leases, antennas, and advertisements; offset by a depreciation charge of ETB 424 million.

Intangible assets

Intangible assets increased by ETB 571 million from ETB 1,294 million as at 30 June 2023 to ETB 1,865 million as at 30 June 2024. The increase is a result of a ETB 575 million of additions in the year related to network licenses and software development of ETB 542 million and ETB 33 million, respectively. The Company additionally reclassified ETB 34 million and ETB 365 million from work in progress to network licenses and software development, respectively. The increase in the year was offset by an amortisation charge in the year of ETB 403 million.

Investment property

Investment property decreased ETB 5 million to ETB 209 million as at 30 June 2024 from ETB 214 million as at 30 June 2023. The decrease in the year is related to a depreciation charge of ETB 5 million.

Deferred tax asset

Deferred tax asset was largely flat with a marginal decrease of ETB 7 million or 0.2% from ETB 3,577 million as at 30 June 2023 to ETB 3,570 million as at 30 June 2024. The deferred tax asset balance for the year ended 30 June 2023 was restated to ETB 3,656 million on account of the Company recognising the retrospective valuation on the buildings as covered in the above section property, plant and equipment. The deferred tax asset, when considering the restated position of ETB 3,656 million as at 30 June 2023 decreased ETB 86 million to ETB 3,570 million as at 30 June 2024.

Inventories

Inventories decreased by ETB 78 million from ETB 14,999 million as at 30 June 2023 to ETB 14,921 million as at 30 June 2024. The balance of inventories as at 30 June 2023 was ETB 14,999 million in the 30 June 2023 audited financial statements and has been restated to ETB 11,036 million in the 30 June 2024 audited financial statements. During the year end audit of the financial statements for the year ended 30 June 2024, the Company identified an error in their ERP system which resulted in inventory worth ETB 1,847 million that had been sold remaining on hand in the system and overstating the inventory balance. Additionally, the Company identified that ETB 1,850 million of expenses that had been incorrectly capatalised to inventory, resulting in an overstatement of inventory.

The inventory balance, when considering the restated 30 June 2023 amount of ETB 11,036 million has increased ETB 3,885 million. The balances comprises commercial inventory of ETB 2,085 million as at 30 June 2024 (2023 restated: ETB 1,312 million) and non-commercial inventory of ETB 12,836 million as at 30 June 2024 (2023 restated: ETB 9,725 million). Commercial inventory increased 59.0% from ETB 1,312 million as at 30 June 2023 to ETB 2,085 million as at 30 June 2024. The increase is on account of the Company requiring higher levels of commercial inventory on hand to match the increase in demand for device sales. Additionally the Company has, as outlined above in device revenue, strategically entered more premium products which has a corresponding impact on the value of the inventory on hand at year end. Non-commercial inventories increased 32.0% from its restated position of ETB 9,725 million as at 30 June 2023 to ETB 12,836 million as at 30 June 2024. The increase is on account of the timing of purchases and when the Company takes ownership of the inventories. Non-commercial inventories are predominantly procured from international suppliers and have been impacted by the depreciating Birr against USD resulting in higher costs of non-commercial inventories.

Other assets

Other assets primarily relate to deposits, prepayments, sundry debtors, and contract acquisition costs. Other assets increased by ETB 1,592 million from ETB 2,974 million as at 30 June 2023 to ETB 4,566 million as at 30 June 2024. The increase in the balance is primarily on account for the increase in deposits and prepayments of ETB 612 million and an increase of sundry debtors of ETB 903 million. The increase in deposits and prepayments is due to an increase in advance payments to suppliers. As per the contract terms, the Company is required to pay deposits to contractors for the building of large infrastructure projects such as tower additions. These deposits are typically 30.0% in advance. The increase in sundry debtors is a result of the Company recording its accrued income related to enterprise solutions within sundry debtors. As outlined above, enterprise solutions revenue is a new revenue stream in the year ended 30 June 2024 and as a result explains the increase in sundry debtors.

Trade receivables

Trade receivables increased by ETB 2,732 million or 40.3% from ETB 6,773 million as at 30 June 2023 to ETB 9,505 million as at 30 June 2024. The increase in trade receivables is broadly in line with the increase in revenue from contracts with customers of 27.7%. The Company has additionally in the year ended 30 June 2024 launched credit terms to its distributors and enterprise solutions customers allowing for payment terms of 30 days which has resulted in collections for these customers and as a result increasing the trade receivables balance. The increase in trade receivables was offset by an increase in the Company's provision for impairment losses from ETB 3,076 million as at 30 June 2023 to ETB 3,308 million as at 30 June 2024.

Cash and cash equivalents

Cash and cash equivalents decreased by ETB 3,901 million from ETB 33,545 million as at 30 June 2023 to ETB 29,643 million as at 30 June 2024. Refer section 5.10 (Analysis of historical cash flows) for an analysis of the changes in this balance.

Other financial assets at amortised cost

Other financial assets at amortised cost (non-current and current) decreased by ETB 92,469 million to ETB 7,116 million as at 30 June 2024 as compared to ETB 99,585 million as at 30 June 2023.

The balance of other financial assets at amortised cost (non-current and current) as at 30 June 2023 was ETB 99,585 million in the 30 June 2023 audited financial statements and has been restated to ETB 9,121 million in the 30 June 2024 audited financial statements. The restatement is on account of a retrospective settlement of the receivable from the ministry of finance, which was retrospectively settled through the Government allowing the Company to recognise the full value of its buildings and a restructure of the Company's retained earnings. EIH, and by extension the Government, approved the recognition of the valuation of buildings as covered above which is part of the capital restructure as covered in the section 2.2 (Incorporation). The Government determined that allowing the Company to recognise the valuation is appropriate for settling the receivable from the Ministry of Finance. The increase in the valuation allowance resulted in a decrease of the receivable from the Ministry of Finance of ETB 78,914 million, the remaining ETB 11,550 million retrospective settlement was through the restructure of the Company's retained earnings resulting in a decrease in retained earnings of ETB 11,550 million and related decrease in the receivable from the Ministry of Finance

Other financial assets at amortised cost, considering the impact of the aforementioned restatement is made up of:

- Advances to the Ministry of Finance of ETB 7,101 million as at 30 June 2024 and as at 30 June 2023;
- Receivable from the Ministry of Finance for paid up capital fulfilment of ETB nil as at 30 June 2024 as compared to the restated ETB 2,000 million as at 30 June 2023; and
- Staff receivables, which includes staff mortgage, holiday and other loans and advances to the Company's staff. The balance was ETB 15 million at 30 June 2024 as compared to ETB 20 million at 30 June 2023.

The decrease in the other financial assets at amortised costs relate to the MoF settling their outstanding receivable to the Company of ETB 2,000 million during the year ended 30 June 2024. The balance was settled through the Company declaring a dividend of ETB 2,000 and settling the amount payable by offsetting the dividend payable with the remaining receivable from the Ministry of Finance of ETB 2,000 million.

Borrowings

Borrowings (current and non-current) decreased by ETB 4,455 million or 20.1% from ETB 22,140 million at 30 June 2023 to ETB 17,686 million at 30 June 2024. The Company repaid ETB 6,586 million of its existing borrowings during the year ended 30 June 2024 and there were no new borrowings undertaken in the year ended 30 June 2024. Additional details regarding the Company's borrowings are included in Section 5.11 (Borrowings, lease liabilities, commitments, contingencies, off–balance sheet arrangements and retirement benefit schemes).

Provisions

Provisions (current and non-current) increased by ETB 20 million from ETB 160 million as at 30 June 2023 to ETB 180 million at 30 June 2024. The increase is a result of an increase in provisions for lease restoration costs of ETB 32 million and offset by a decrease in the provision for legal expenses of ETB 12 million due to the nature and value of the lawsuit and the probability of losing the case.

Lease liabilities

Lease liabilities (current and non-current) increased by ETB 42 million or 42.5% from ETB 988 million at 30 June 2023 to ETB 1,030 million at 30 June 2024. The increase was primarily due to the inception of new leases relating to new sites for tower infrastructure.

Defined benefit liabilities

Defined benefit liabilities (current and non-current) increased by ETB 334 million or 49.6% from ETB 674 million at 30 June 2023 to ETB 1,008 million at 30 June 2024. The increase was primarily due to the increase in post medical retirement benefits which increased ETB 364 million from ETB 174 million as at 30 June 2023 to ETB 538 million as at 30 June 2023 as a result of the changes to the financial assumptions used in the actuarial calculation of the liability.

Contract liabilities

Contract liabilities decreased by ETB 132 million or 1.6% from ETB 8,231 million as at 30 June 2023 to ETB 8,099 million as at 30 June 2024. Contract liabilities relates to deferred income on unused airtime, connection, reconnection, and installation fees. The majority of the balance consists of unused airtime as at 30 June 2024. The balance of unused airtime was ETB 6,498 million as compared to ETB 6,956 million as at 30 June 2023. The decrease in the balance is on account of the level of consumption of airtime which was significantly higher for the year ended 30 June 2024 as compared to the year ended 30 June 2023 and as consequence reducing the amount of unused airtime available to customers.

Trade and other payables

Trade and other payables increased by ETB 10,265 million or 19.1% from ETB 53,636 million at 30 June 2023 to ETB 63,902 million at 30 June 2024. An analysis of the constituents of trade payables is set out below.

	As at 30 June		
ETB (millions)	**2024**	**2023**	**% variance**
Trade payables*	38,362	27,186	41.1%
Accrual payables*	19,388	n/a	n/a
Other taxes	1,351	151	794.7%
Retention payable*	1,219	n/a	n/a
Leave accrual	1,613	1,155	39.7%
Deposits received	483	302	59.9%
Sundry creditors*	1,485	24,842	(94.0%)
Total trade and other payables	**63,902**	**53,636**	**19.1%**

* The Company elected in the year ended 30 June 2024 to disaggregate the sundry creditors balance. The Company previously included mobile money payables, accrual payables and retention payable within the sundry creditors balance. Mobile money payables have been reclassified to trade payables.

Trade payables increased by ETB 11,176 million or 41.1% from ETB 27,186 million at 30 June 2023 to ETB 38,362 million at 30 June 2024. Trade payables consists of foreign creditors, local creditors, and mobile money payables. Foreign creditors increased 14.0% from ETB 16,647 million as at 30 June 2023 to ETB 18,973 million as at 30 June 2024. The increase is primarily a result of the depreciation of the Birr to the USD. Local creditors increased 16.4% from ETB 10,539 million as at 30 June 2023 to ETB 12,271 million as at 30 June 2024. The increase in local creditors is on account of the Company growing and local inflation. Mobile money payables increased by 42.1% from ETB 5,010 million as at 30 June 2023 to ETB 7,118 million as at 30 June 2024. The increase is mainly attributable to 48.7% increase in average mobile money subscribers.

Accrual payables increased ETB 1,842 million or 10.5% from ETB 17,547 million as at 30 June 2023 to ETB 19,389 million as at 30 June 2024. This balance comprises goods received not yet invoiced and general business accruals. The Company previously recorded accruals within sundry creditors but have for the purposes of the 30 June 2024 financial statements disaggregated these balances as its own financial statement note item. The increase in accruals is on account of the Company growing and inflation.

Other taxes increased 797.5% or ETB 1,201 million from ETB 151 million as at 30 June 2023 to ETB 1,351 million as at 30 June 2024. The balance comprises predominantly of VAT payable and the increase in the balance as at 30 June 2024 is on account that the Company had not settled the VAT payable at year end as compared to the previous financial year where they had settled this ahead of the year end. The Company has subsequent to 30 June 2024 settled the outstanding VAT payable.

Retention payables decreased 33.8% from ETB 1,842 million as at 30 June 2023 to ETB 1,219 million as at 30 June 2024. The Company previously recorded retention payables within sundry creditors but have for the purposes of the 30 June 2024 financial statements disaggregated these balances as its own financial statement note item. Retention payables relate to purchases made from some foreign suppliers, where the Company only pays 95% of the invoice as a retention, until such time the Company satisfies themselves with the quality of the products purchases, after which they settle the remaining balances. The decrease in the year is related to the timing of when retentions were paid to suppliers.

Leave accrual increased 39.6% from ETB 1,155 million as at 30 June 2023 to ETB 1,613 million as at 30 June 2024. The increase is a result of the Company rebasing the employee salaries as at 1 July 2023 and the Company elected to change its existing leave policy. The Company's previous policy was that all outstanding leave balances expire after 3 years where as the new policy has no expiry provisions.

Deposits received increased ETB 181 million from ETB 302 million as at 30 June 2023 to ETB 483 million as at 30 June 2024. The increase is a result of higher post-paid customers deposits realised during the year.

Sundry creditors have decreased by ETB 23,358 million from ETB 24,842 million as at 30 June 2023 to ETB 1,484 million as at 30 June 2024. The principle driver for the material movement in the year is the disaggregation of the balance, as the Company has elected to separately disclose the accruals payable and retention payable balance as separate trade and other payable financial statement note items for the year ended 30 June 2024. The Sundry creditors excluding accruals payable and the retention payable's balance has increased 234.5% from ETB 444 million as at 30 June 2023 to ETB 1,485 million as at 30 June 2024. The increase primarily is a result of an increase of unapplied customer credits which will be applied to customers' accounts in subsequent periods.

Dividend payable

Dividend payable decreased by ETB 2,304 million from ETB 2,304 million as at 30 June 2023 to ETB nil as at 30 June 2024. The decrease is a result of payments made in the year ended 30 June 2024.

Current income tax

Current income tax liability increased by ETB 1,548 million or 21.4% to ETB 8,794 million as at 30 June 2024 as compared to ETB 7,245 million as at 30 June 2023. The increase is a result of payments to the Ministry of Revenue of ETB 8,823 million, offset by current income tax liabilities incurred of ETB 10,317 million in the year ended 30 June 2024.

Capital

Capital remained constant at ETB 100,000 million as at 30 June 2024 and 2023. The Company subsequent to the year ended 30 June 2024, and as a result of the Conversion on 1 July 2024, saw fundamental changes to the structure of the Company's share capital. The Conversion has not impacted the value of the equity of the Company. Refer to Section 8.1 (Share capital) and Section 2.2 (Incorporation) for details with regards to the Conversion and the impact on the share capital of the Company.

Retained earnings

Retained earnings decreased ETB 7,040 million to ETB 10,202 million as at 30 June 2024, as compared to ETB 17,242 million as at 30 June 2023. The Company's retained earnings as at 30 June 2023 was ETB 17,242 million in the 30 June 2023 audited financial statements and has been restated to ETB 1,808 million in the 30 June 2024 audited financial statements. Details of the specific restatements are covered in the respective financial statement line items above, the total impact of these restatements on retained earnings of ETB 15,434 million are:

- The inventory restatement of ETB 3,963 million;
- The deferred tax asset restatement of ETB 80 million (a credit to retained earnings); and
- The restatement of other financial assets at amortised cost related to the restructure of the Company's retained earnings of ETB 11,550 million.

Retained earnings, when considering the restated balance of ETB 1,808 million as at 30 June 2023, increased by ETB 8,394 million to ETB 10,202 million as at 30 June 2024. The increase is a result of profit for the year of ETB 19,013 million offset by a dividend of ETB 9,670 million and the Company's statutory contribution to the legal reserve of ETB 963 million.

Legal reserves

Legal reserves increased by ETB 951 million from ETB 2,301 million at 30 June 2023 to ETB 3,252 million at 30 June 2024. Legal reserves relate to the statutory requirement for the Company to transfer a minimum of 5% of its annual profits to the legal reserve, until the amount reaches 20% of its paid-up capital (equivalent to ETB 20,000 million). The Company's legal reserves as at 30 June 2024 of ETB 3,264 million represents 3.3% of paid–up capital. The increase in the year is attributable to the Company's statutory contribution in the year ended 30 June 2024.

Assessment of the financial position as at 30 June 2023 compared to 30 June 2022

Property, plant and equipment

Property, plant and equipment increased by ETB 12,066 million from ETB 38,858 million as at 30 June 2022 to ETB 50,924 million as at 30 June 2023. The below table represents a summary of the property, plant and equipment for the year ended 30 June 2023.

	Network assets	Power equipment	Buildings*	Motor vehicles	Servers	Spare parts	Other equipment	Work in Progress	Total
Opening net book amount 1 July 2022	**14,273**	**1,959**	**7,857**	**1,509**	**2,222**	**214**	**939**	**10,065**	**38,858**
Reclassifications	6,624	1,299	1,193	-	86	(137)	-	(9,308)	(244)
Additions	1	-	-	246	-	67	740	16,841	17,895
Disposals	-	-	-	(4)	-	-	(1)	-	(5)
Depreciation charge	(3,177)	(542)	(514)	(273)	(851)	(54)	(374)	-	(5,785)
Closing net book amount 30 June 2023	**17,721**	**2,716**	**8,535**	**1,478**	**1,457**	**90**	**1,304**	**17,597**	**50,898**

The increase primarily comprises additions in the year of ETB 17,895 million, offset by a depreciation charge of ETB 5,785 million. Additions largely relate to an increase in work in progress, which relates to assets under construction, aimed at providing sustainable and high-quality customer services specifically related to 4G/LTE and 5G rollouts regionally. The Company additionally reclassified a portion of its owned buildings to investment property totalling ETB 244 million in the year ended 30 June 2023.

Right of use assets

Right of use assets increased by ETB 247 million from ETB 961 million as at 30 June 2022 to ETB 1,208 million as at 30 June 2023. The increase was primarily due to an ETB 249 million remeasurement of existing leases under IFRS; new leases entered of ETB 381 million in the year relating primarily to roof top leases, antennas and advertisements; offset by a depreciation charge of ETB 384 million.

Intangible assets

Intangible assets decreased by ETB 314 million from ETB 1,608 million as at 30 June 2022 to ETB 1,294 million as at 30 June 2023. The decrease was primarily due to an amortisation charge of ETB 323 million.

Investment property

Investment property relates to an owned property that was transferred from property, plant and equipment to investment property in the year ended 30 June 2023 with an investment value of ETB 244 million. A contract to lease out the property was incepted in the year ended 30 June 2023, at which point the transfer arose.

Deferred tax asset

Deferred tax asset decreased by ETB 354 million or 9% from ETB 3,931 million as at 30 June 2022 to ETB 3,577 million as at 30 June 2023. The decrease was driven by a reduction in the temporary differences, specifically property, plant and equipment, intangible assets and trade payables.

Inventories

Inventories increased by ETB 8,691 million from ETB 6,308 million as at 30 June 2022 to ETB 14,999 million as at 30 June 2023. The balances comprise commercial inventory of ETB 1,312 million as at 30 June 2023 (2022: ETB 865 million) and non-commercial inventory of ETB 13,685 million as at 30 June 2023 (2022: ETB 5,442 million). The material movement relates to the non–commercial inventory which is driven by an increase in network maintenance accessories or spare parts used for network expansion and maintenance works.

Other assets

Other assets primarily relate to deposits, prepayments, sundry debtors, and contract acquisition costs. Other assets increased by ETB 608 million from ETB 2,366 million as at 30 June 2022 to ETB 2,974 million as at 30 June 2023. The increase in the balance is primarily due to an increase in advance payments to suppliers. As per the contract terms, the Company is required to pay deposits to contractors for the building of large infrastructure projects such as tower additions. These deposits are typically 30.0% in advance.

Trade receivables

Trade receivables increased by ETB 243 million or 3.7% from ETB 6,530 million as at 30 June 2022 to ETB 6,773 million as at 30 June 2023. This is driven by an increase of ETB 591 million in trade receivables offset by an increase in the provision for impairment losses of ETB 348 million.

Cash and cash equivalents

Cash and cash equivalents increased by ETB 5,354 million from ETB 28,191 million as at 30 June 2022 to ETB 33,545 million as at 30 June 2023. Refer section 5.10 (Analysis of historical cash flows) for an analysis of the changes in this balance.

Other financial assets at amortised cost

Other financial assets at amortised cost (non-current and current) was consistent as at 30 June 2023 and 2022 with a balance of ETB 99,613 million as at 30 June 2022 and ETB 99,585 million as at 30 June 2023.

Other financial assets at amortised costs are made up of:

- Advances to the Ministry of Finance of ETB 7,102 million as at 30 June 2022 and ETB 7,101 million as at 30 June 2023;
- Receivable from the Ministry of Finance for paid up capital fulfilment of ETB 92,464 million as at 30 June 2023 and 2022; and
- Staff receivables, which includes staff mortgage, holiday and other loans and advances to the Company's staff. The balance was ETB 20 million at 30 June 2023 as compared to ETB 47 million at 30 June 2022.

Notes receivable at amortised cost

Notes receivable at amortised cost declined to ETB nil as at 30 June 2023 from ETB 651 million as at 30 June 2022. This was following the full redemption of the notes that related to the conversion of treasury bills held by the Company to notes. The notes were redeemed on 6 May 2023.

Borrowings

Borrowings (current and non-current) decreased by ETB 5,138 million or 18.8% from ETB 27,279 million at 30 June 2022 to ETB 22,141 million at 30 June 2023. The Company repaid ETB 6,610 million of its existing borrowings during the year ended 30 June 2023 and there was no new borrowings during that year. Additional details regarding the Company's borrowings are included in Section 5.11 (Borrowings, lease liabilities, commitments, contingencies, off–balance sheet arrangements and retirement benefit schemes).

Provisions

Provisions (current and non-current) increased by ETB 62 million from ETB 98 million at 30 June 2022 to ETB 160 million at 30 June 2023. The increase is a result of an increase in provisions for lease restoration costs of ETB 43 million and an increase in the provision for legal expenses of ETB 18 million due to the nature and value of the lawsuit and the probability of losing the case.

Lease liabilities

Lease liabilities (current and non-current) increased by ETB 156 million or 18.8% from ETB 832 million at 30 June 2022 to ETB 988 million at 30 June 2023. The increase was primarily due to the inception of new leases relating to new sites for tower infrastructure.

Defined benefit liabilities

Defined benefit liabilities (current and non-current) decreased by ETB 36 million or 5% from ETB 709 million at 30 June 2022 to ETB 673 million at 30 June 2023. The decrease was primarily due to the decrease in post medical retirement benefits which decreased 33% from ETB 259 million as at the year ended 30 June 2022 to ETB 174 million as at 30 June 2022 as a result in a change in the inflation assumption used in the actuarial calculations of the liabilities.

Contract liabilities

Contract liabilities increased by ETB 1,262 million or 18.1% from ETB 6,969 as at 30 June 2022 to ETB 8,231 million as at 30 June 2023. Contract liabilities relates to deferred income on unused airtime, connection, reconnection, and installation fees. This increase in balance was also driven by increase in subscribers and additional deferred revenue from building and infrastructure sharing.

Trade and other payables

Trade and other payables increased by ETB 14,811 million or 38.1% from ETB 38,825 million at 30 June 2022 to ETB 53,636 million at 30 June 2023. An analysis of the constituents of trade payables is set out below.

	As at 30 June		
ETB (millions)	**2023**	**2022**	**% variance**
Trade payables	27,186	20,255	34.2%
Other taxes	151	123	22.8%
Leave accrual	1,155	848	36.2%
Deposits received	302	234	29.1%
Sundry creditors	24,842	17,364	43.1%
Total trade and other payables	**53,636**	**38,825**	**38.1%**

Trade payables increased by ETB 6,931 million or 34.2% from ETB 20,255 million at 30 June 2022 to ETB 27,186 million at 30 June 2023. The increase is driven by increased purchases from the three key suppliers. The increase in the purchases amounted to ETB 4,977 million in the year ended 30 June 2023 and these relate to local services provided by the suppliers as well as incremental Capex incurred for upgrades to the telecom infrastructure.

Sundry creditors have increased by ETB 7,478 million from ETB 17,364 million at 30 June 2022 to ETB 24,842 million at 30 June 2023. The increase is primarily driven by the following:

- Sundry creditors relating to goods received not yet invoiced of ETB 9,631 million as at 30 June 2023 (ETB 8,488 million as at 30 June 2022);
- General business accruals ETB 6,247 million as at 30 June 2023 (ETB 4,484 million as at 30 June 2022). The increase in the balance is primarily related to the Company growing and its expansion initiatives; and
- Mobile money payables ETB 3,128 million as at 30 June 2023 (ETB 1,094 million as at 30 June 2022). The mobile money payables from the Telebirr platform balance has grown significantly as subscribers adopt the Telebirr app and the Company holding onto customer funds.

Dividend payable

Dividend payable decreased by ETB 2,500 million from ETB 4,804 million at 30 June 2022 to ETB 2,304 million at 30 June 2023. The decrease is a result of payments made in the year ended 30 June 2023. The Company declared no dividend in the year ended 30 June 2023.

Current income tax

Current income tax liability decreased by 8.8% to ETB 7,245 million as at 30 June 2023, compared to ETB 7,946 million as at 30 June 2022. The decrease is a result of payments to the Ministry of Revenue of ETB 10,561 million, offset by current income tax liabilities incurred of ETB 9,860 million in the year ended 30 June 2023.

Capital

Capital remained constant at ETB 100,000 million as at 30 June 2023 and 2022.

Retained earnings

Retained earnings was ETB 17,242 million as at 30 June 2023, as compared to the ETB 115 million as at 30 June 2022. This increase of ETB 17,127 million is attributable to the profit after tax for the year less the Company's statutory contribution to the legal reserve of ETB 901 million.

Legal reserves

Legal reserves increased by ETB 901 million from ETB 1,400 million at 30 June 2022 to ETB 2,301 million at 30 June 2023. Legal reserves relate to the statutory requirement for the Company to transfer a minimum of 5% of its annual profits to the legal reserve, until the amount reaches 20% of its paid-up capital (equivalent to ETB 20,000 million). The Company's legal reserves as at 30 June 2023 of ETB 2,301 million represents 2.3% of paid–up capital. The increase in the year is attributable to the Company's statutory contribution in the year ended 30 June 2023.

5.10. Analysis of historical cash flows

The tables below set out a summary of the Company's historical cash flow statements for the years ended 30 June 2024, 2023, and 2022 and have been extracted without material adjustment from Annex 1 (Historical Financial Information) of this Prospectus.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**2022**
Net cash inflow from operating activities	33,571	32,199	34,773
Net cash outflow from investing activities	(20,093)	(17,073)	(11,030)
Net cash outflow from financing activities	(16,273)	(9,506)	(9,101)
Net increase in cash and cash equivalents	(2,795)	5,620	14,642
Cash and cash equivalents at the beginning of the year	33,545	28,191	15,194
Effects of exchange rate changes on cash and cash equivalents	(1,107)	(266)	(1,645)
Cash and cash equivalents at the end of the year	**29,643**	**33,545**	**28,191**

Net cash inflow from operating activities

Net cash inflow from operating activities consists of changes in profits from operating activities before depreciation, amortisation, financing cost, finance income and after adjusting changes in working capital during the financial year.

Net cash inflow from operating activities increased by ETB 1,372 million to ETB 33,571 million in the year ended 30 June 2024 compared to ETB 32,199 million in the year ended 30 June 2023. The increase is on account of an increase is profit before tax of ETB 1,604 million from ETB 28,187 million for the year ended 30 June 2023 to ETB 29,790 million for the year ended 30 June 2024, offset by an increase in net working capital of ETB 5,633 million. The Company additionally paid ETB 1,738 million less in income tax paid in the year ended 30 June 2024 as compared to the year ended 30 June 2023.

Net cash inflow from operating activities decreased by ETB 2,574 million to ETB 32,199 million in the year ended 30 June 2023 compared to ETB 34,773 million in the year ended 30 June 2022. The decrease was driven by the changes in net working capital of ETB 6,807 million. An increase of tax paid of ETB 1,170 million also had an impact on the decrease in the net cash generated from operating activities. The impact of these were offset by an increase in profit after tax of ETB 9,028 million.

Net cash outflow from investing activities

Net cash outflow from investing activities consists primarily of purchases of property plant and equipment, purchases of intangibles including licences and software, proceeds from the sale of PPE, and proceeds from the maturity of treasury notes and investments placed with financial institutions.

Net cash outflow from investing activities increased by ETB 3,020 million to ETB 20,093 million in the year ended 30 June 2024, compared with ETB 17,073 million in the year ended 30 June 2023. The increase was primarily due to an increase in capital expenditure on property, plant and equipment.

Net cash outflow from investing activities increased by ETB 6,043 million to ETB 17,073 million in the year ended 30 June 2023, compared with ETB 11,030 million in the year ended 30 June 2022. The increase was primarily due to an increase in capital expenditure on property, plant and equipment.

Net cash outflow from financing activities

Net cash outflow from financing activities consists primarily of repayment of debt facilities from third parties, tax payments to the Ministry of Finance and lease payments.

Net cash outflows from financing activities were ETB 16,273 million in the year ended 30 June 2024, compared to a net cash outflow of ETB 9,506 million in the year ended 30 June 2023. The increase in cash outflows was primarily attributed to an increase in the dividends paid out in the year from ETB 2,500 million in the year ended 30 June 2023 to ETB 9,974 million in the year ended 30 June 2024.

Net cash outflows from financing activities were ETB 9,506 million in the year ended 30 June 2023, compared to a net cash outflow of ETB 9,101 million in the year ended 30 June 2022. The increase in cash outflows was primarily attributed to an increase in the dividends paid out in the year from ETB 500 million in the year ended 30 June 2022 to ETB 2,500 million in the year ended 30 June 2023.

5.11. Borrowings, lease liabilities, commitments, contingencies, off-balance sheet arrangements and retirement benefit schemes

The table below presents a breakdown of the Company's borrowings and lease liabilities as at 30 June 2024, 2023 and 2022.

			As at 30 June	
	Average maturity	2024	2023	2022
ETB (millions)				
Japanese government loan	15 years	7	7	10
Promissory notes	8 years – 14 years	17,679	22,133	27,269
Lease liability	6 months to 15 years	1,030	988	832
Total		**18,716**	**23,128**	**28,111**
Of which current		4,982	5,554	7,015
Of which non-current		13,734	17,574	21,096

The principal source of the Company's borrowings as at 30 June 2024 are the financing agreements with various vendors for the Company. The terms of the financing agreements as at 30 June 2024 are as follows:

	Currency	Maximum credit (ETB m)	Contractual interest rate	Effective interest rate	Maturity
ZTE	USD	300	6 months USD LIBOR* + 1.5% margin	2.3%	16th February 2029
Huawei	USD	800	6 months USD LIBOR* + 1.5% margin	2.2%	18th October 2028
Ericsson	USD	400	6 months USD LIBOR* + 3.0% margin	4.2%	15th March 2028

*The Company is currently negotiating revised rates based on LIBOR transition to SOFR.

The Japanese government loan relates to an on-lending facility from the Japanese government. The loan principal is JPY 118,973 (ETB 1,970), bearing interest at the rate of 0.75% per annum and repayable in 30 semi-annual instalments, and the loan is expected to mature in 2029.

The table below analyses the Company's borrowings and lease liabilities into relevant maturity groupings based on the remaining period as at 30 June 2024 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years	Total	Carrying amount
ETB (millions)					
Borrowings	4,684	13,515	-	18,199	17,692
Lease liabilities	248	862	193	1,304	1,029

Net (funds)

The table below presents the Company's net (funds) and Leverage Ratio as at 30 June 2024, 2023 and 2022.

	Year ended 30 June		
	2024	2023	2022
Net (funds) (ETB millions)	(10,927)	(10,416)	(80)
Leverage Ratio	(0.27)x	(0.28)x	(0.00)x

The Company's Leverage Ratio improved from 0.00x in the year ended 30 June 2022 to (0.28)x in the year ended 30 June 2023 due to an 19.8% improvement in EBITDA as well as the increase in net funds by ETB 10,336 million in the same period. The Company's Leverage Ratio marginally contracted to (0.27)x in the year ended 30 June 2024 due to a 9.6% increase in EBITDA and a decrease of ETB 511 million in net funds. Management's objective in capital management is to safeguard the Company's ability to continue as a going concern in order to earn return and maintain an optimal capital structure to reduce the cost of capital.

Contractual commitments

In addition to its operating lease commitments, the Company has capital expenditure purchase agreements with ZTE, Huawei and Ericsson, made in the normal course of business. The table below sets out the Company's undrawn capital commitments as at the indicated dates

	As at 30 June		
	2024	2023	2022
Capital commitments (ETB millions)	nil	30,685	22,173

The table below analyses the Company's lease liabilities in relevant maturity groupings based on the remaining period as at 30 June 2024 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Year ended 30 June 2024	Less than 1 year	Between 1 and 5 years	Over 5 years	Total	Carrying amount
ETB (millions)					
Lease liabilities	248	862	193	1,304	1,029

The lease liabilities relate to contractual payments due to lessors for office space, warehouses, retail shops, that are on lease to the Company. The lease agreements typically have a tenure of 6 months to 15 years with termination of extension options. The contract extension options range between 5 to 10 years.

Contingent liabilities

The Company prepares its best estimate of contingent liabilities that should be recognised in respect of legal claims in the ordinary course of business. As at 30 June 2024, contingent liabilities recognised from tax and legal cases amounted to ETB 47 million, compared to ETB 60 million as at 30 June 2023 which mainly related to a tax assessment conducted by the Ministry of Revenue.

Retirement benefit schemes

The Company operates a defined contribution pension plan, a defined benefit post-employment plan and other benefits such as communication, farewell, funeral, gratuity, post-retirement medical aid and bereavement support benefits for its employees.

The remeasurement gain on post-employment benefits obligations (net of tax) for the years ended 30 June 2024, 2023, and 2022 were a loss of ETB (131) million, a gain of ETB 130 million and a gain of ETB 64 million, respectively.

As at 30 June 2024, the Company recognised a defined benefits liability of ETB 1,008 million in respect of the retirement benefits, under IAS 19 'Employee Benefit' accounting principles, as compared to ETB 674 million and ETB 709 million as at 30 June 2023 and 30 June 2022, respectively.

Capital expenditure

The table below presents the Company's capital expenditure for the years indicated.

	Year ended 30 June		
Infrastructure Capex KPIs (ETB millions)	**2024**	**2023**	**2022**
Network assets	12,941	11,011	4,544
Power equipment	2,541	1,721	683
Buildings	2,136	1,763	3,686
Servers	-	2,346	2,179
Other	2,044	1,054	909
Total capital expenditure	**19,661**	**17,895**	**12,001**

The most significant elements of the Company's capital expenditure during the analysis period related to the enterprise next generation network and TEP. In May 2022, the Company launched the 5G network, starting in Addis Ababa and later expanding to selected regions. As at 30 June 2024, the Company has successfully implemented 22.0% of its nationwide 5G rollout project with the network available in 5 cities across Ethiopia.

Off-balance sheet arrangements

Other than the capital expenditure purchase obligations, the Company did not have any material off-balance sheet arrangements as at 30 June 2024, 2023 and 2022.

5.12. The Company's annual plan announcement for the financial year ended 30 June 2025

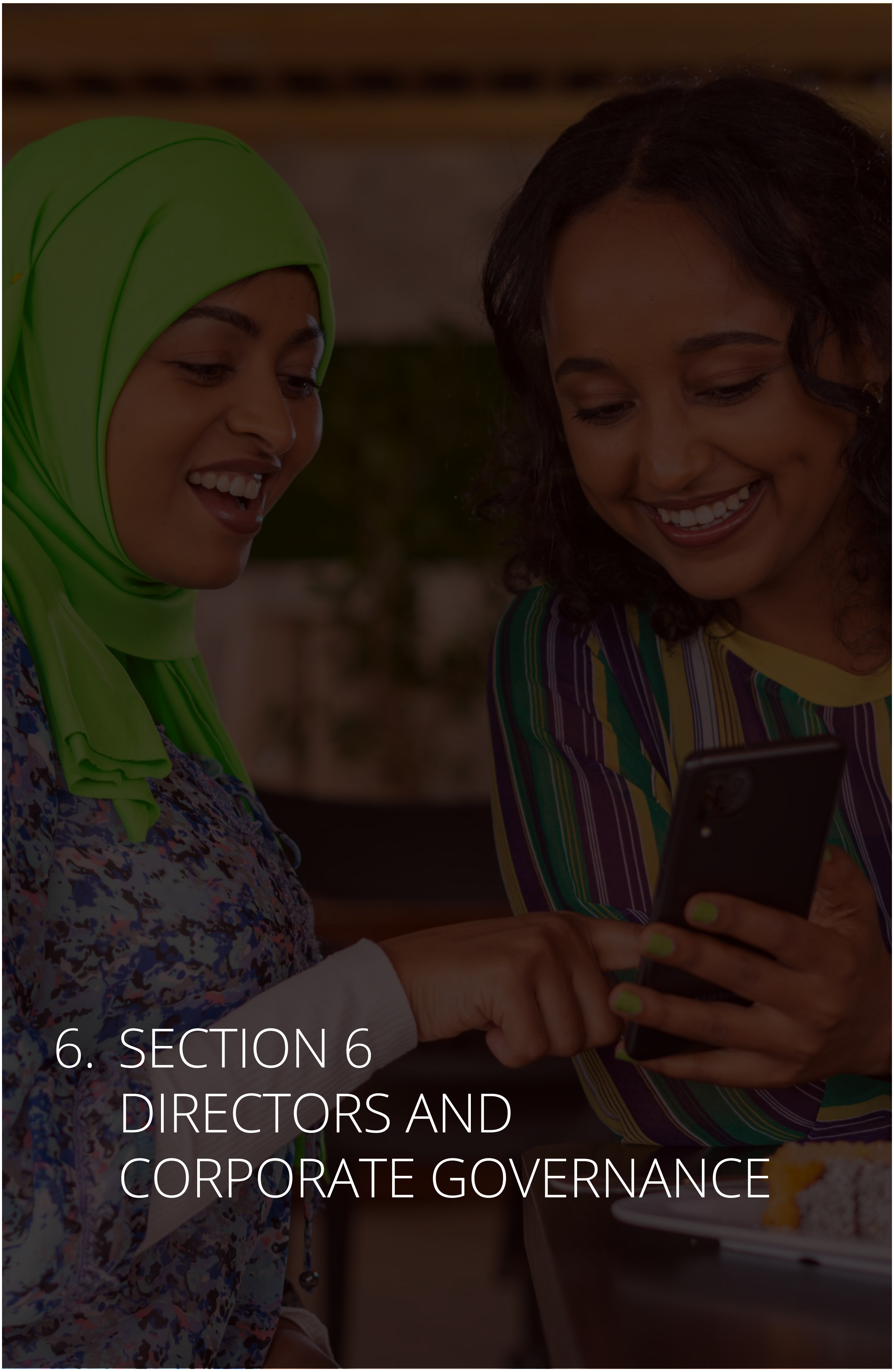
On 19 September 2024 the Company announced certain aspects of its strategy and annual plan for the year ended 30 June 2025. The announcement included details of the Company's strategy including the Company's major initiatives it will be undertaking. Additionally, the announcement included certain KPI's and revenue that the Company has included in its annual plan for the year ended 30 June 2025. Such KPI's and revenue as announced are set out in the below table.

	For the year ended 30 June 2025	% growth from 30 June 2024
KPI's		
Total subscribers (m)	83 million	5.9%
Mobile voice subscribers (m)	80 million	10.3%
Mobile broadband subscribers (m)	47 million	26.8%
Fixed broadband subscribers (m)	0.9 million	29.9%
Telebirr subscribers	55 million	15.7%
Total revenue*	163.7 billion	74.7%

*The Company for the purposes of announcing the revenue for the year ended 30 June 2025 in the annual plan announcement on the 19 September 2025 include revenue from contracts with customers and elements of other income. The Company announced in the annual plan announcement that it recorded revenue of ETB 93 billion for the year ended 30 June 2024 which comprises total revenue from contracts of ETB 91.4 billion and elements of other income of ETB 1.6 billion.

The Company additionally seeks to implement several initiatives across its operating segments. In the Telecoms operating segment, the Company plans on deploying 1,298 new Mobile Sites and layering and upgrading 5,600 of the Company's existing sites with the majority of the focus on 4G expansion. The impact of these new and upgraded sites will lead to the Company's total mobile serving capacity growing to 103.7 million with 500 additional towns having access to 4G and 15 towns with 5G services. The Company plans to extend its ODN to 320,000 and have 500 Mobile Sites connected with fibre to the towers equating to 1,000Km. The Company expects, through continued expansion and rehabilitation of its backbone fibre to increase to 22,220Km as at 30 June 2025, which is up from 21,693Km as at 30 June 2024. In its MFS operating segment, the Company expects to grow its distribution network by increasing its agents to 275,000 and its merchants to 367,000. The Company additionally plans on growing the modular data centre capacity to 7mw IT load with a total of 766 racks and 32,172 server capacity.

The Company's annual plan represents the Company's forecasts for the year ended 30 June 2025. As with any forecast, there is inherent uncertainty regarding the Company's ability to achieve the forecast KPIs and revenue set out above, and actual performance could either exceed or fall below that in the annual plan. Preparation of forecasts inherently requires the use of estimates and judgements, and there is inherently a risk that actual events and circumstances differ from those anticipated at the time of making such estimates and judgements, which could result in actual performance being materially different to that anticipated in the annual plan. Prospective Investors should therefore exercise caution when considering the KPIs and revenue in the annual plan, as inherently that can be no guarantee that actual performance will not be materially different to that anticipated in the annual plan.



6. SECTION 6 DIRECTORS AND CORPORATE GOVERNANCE

6.1. Corporate Governance

The Company is managed by the Board of Directors, which has six members as follows:

- H.E Temesgen Tiruneh – Chairman;
- H.E. Dr. Eyob Tekalign – Deputy Chairman;
- H.E. Ato Worku Gachena – member;
- H.E. Ato Yodahe Arayaselassie – member;
- H.E. Ato Muluneh Desalegn – member; and
- Ato Kasahun Seboka – member.

There are no family relationships to declare between the persons listed in this section.

The Company's Board of Directors is supported by an experienced Executive Management team comprising the Chief Executive Officer and the Chief Financial Officer. The Executive Management team is supported by Senior Management comprising 23 members. All members of the Board of Directors, Executive Management and Senior Management are Ethiopian nationals. There are no expected changes to the structure of the Company's Board of Directors. A brief profile has been provided for each member of the Board, Executive Management and Senior Management, which is set out below.

6.1.1. Profiles of the Board of Directors

H.E Temesgen Tiruneh, Chairman of the Board
Years on the Board: February 2024 – Present.
Other responsibilities/positions held: Deputy Prime Minister of Ethiopia.
Education: Master of Arts in economics.

H.E Dr. Eyob Tekalign, Deputy Chairman
Years on the Board: August 2019 – Present.
Subcommittee role: Finance & risk management.
Other responsibilities/positions held: State Minister at the Ministry of Finance.
Education: Doctor of Philosophy in economics.

H.E Ato Worku Gachena, member
Years on the Board: February 2020 – Present.
Subcommittee role: Business development & strategy.
Other responsibilities/positions held: Director General at the Artificial Intelligence Institute in Ethiopia
Education: Master of Arts in communication engineering.

H.E Ato Yodahe Arayaselassie, member
Years on the Board: February 2020 – Present.
Subcommittee role: Human resource management.
Other responsibilities/positions held: Director at National ID in Ethiopia.
Education: Master's degree in mechatronics and robotics.

H.E Ato Muluneh Desalegn, member
Years on the Board: February 2017 – Present.
Subcommittee role: Finance & risk management.
Other responsibilities/positions held: Chairman of the Law and Justice Standing Committee in Ethiopia.
Education: Master's degree in law.

Ato Kasahun Seboka , member
Years on the Board: February 2017 – Present.
Subcommittee role: Human resource management.
Other responsibilities/positions held: Representative of Ethio Telecom Staff Association.
Education: Masters in business administration.

The secretary to the Board is Sehatu Benega. Sehatu has been with the Company for 29 years. Sehatu has a Masters in Telecom Business.

6.1.2. Profiles of the Executive Management team

The Company's Board of Director's is supported by the CEO and CFO of the Company. Their profiles are as follows:

Frehiwot Tamiru Gebremariam, CEO
Years as a CEO: 2018 – Present
Skills and Experience: 8+ years of progressive experience working in the leadership and information technology domain under ETC.
Education:

- Master of Arts in Business Administration from the Open University (United Kingdom).
- Bachelor of Science in Information System from Addis Ababa University.

Asseged Ayele Wendimkun, CFO
Years as a CFO: 2003 – Present.
Skills and Experience: 9+ years of progressive experience working in ETC's finance domain.
Education: Bachelor of Arts in Accounting from Haramaya University.

6.1.3. Profiles of the Senior Management team

The Company's Senior Management, other than the CEO, CFO and secretary to the Board of Director's listed above, are as follows:

- **The Chief Technology Officer of the Company is Tariku Demissie Gebre**. Tariku has been with Ethio Telecom for 14 years and has 9 years of progressive experience in the technical domain under ETC. Tariku has experience in project management and business partner management. He holds a Bachelor's degree in electrical engineering from Bahir Dar University.
- **The Chief Strategy and Program Management Officer of the Company is Mahdi Jemal Shikur**. Mahdi has been with Ethio Telecom for 14 years and has 6 years of progressive experience under ETC. Mahdi has experience in procurement management. Mahdi holds a Master's degree in business administration from Addis Ababa University and additionally holds a BA degree in management from Jimma University.

- **The Chief Marketing Officer of the Company is Said Aragaw Ahmed**. Said has been with Ethio Telecom for 14 years and has 5 years of progressive experience in the commercial domain under ETC. Said has experience in human resources and direct channel management. Said holds a Master of Science in international business from University of Salford England and a BA Degree in business management from Jimma University.
- **The Chief Information System Officer of the Company is Endale Asrat Asfaw**. Endale has been with Ethio Telecom for the last 14 years and has 5 years of progressive experience in the technical domain under ETC. He also has experience in Base Station sub-system management. He holds a BSc degree in electrical engineering from Mekelle University.
- **The Chief Sales Officer of the Company is Mohammed Haji Abdulahi**. Mohammed has been with Ethio Telecom for the last 14 years and has 5 years of additional experience under ETC. He also has experience in project management and key accounts management. He holds a master's degree in general management from St. Mary's University and a BA degree in economics from Haramaya University.
- **The Chief Network Infrastructure Officer of the Company is Tesfaye Tadesse Woldesemayat**. Tesfaye has been with Ethio Telecom for the last 14 years and also has 9 years of progressive experience in the technical domain under ETC. Tesfaye also has experience in operations and maintenance management. He holds a Bachelor's degree in computer science from Hawassa University.
- **The Chief Service Operation Centre Officer of the Company is Abebe Ambaw Aredo**. Abebe has been with Ethio Telecom for the last 14 years and also has 4 years of experience in technical domain under ETC. He holds a Master's degree in project management from Addis Ababa University, a master's degree in telecom engineering from the College of Telecommunications and Information Technology, and BSc degree in electric/electronics Technology from Adama University.
- **The Chief Wireless Network Officer of the Company is Chalew Demlie Anteneh**. Chalew has been with Ethio Telecom for the last 14 years and also has 15 years of progressive experience in the technical domain under ETC. He also has experience in mobile service management. He has a master's degree in business administration from Open University and BSc degree in electrical engineering from Addis Ababa University.
- **The Chief Information Security Officer of the Company is Tsegaye Emanuel Mekael**. Tsegaye has been with Ethio Telecom for the last 14 years and also has 6 years of progressive experience in the technical domain under ETC. He also has experience in intelligent network management. He holds a master's degree in information technology from Sikkim Manipal University and a Bsc in electrical engineering from Jimma University.
- **The Chief Legal Officer of the Company is Lemma Tesemma Yimere**. Lemma has been with Ethio Telecom for the last 14 years. He holds a master's degree in law (Public International Law) from Addis Ababa University, and a LLB degree in law from Civil Service University.
- **The Chief Physical Security Officer of the Company is Tesfaye Yemane Jembere**. Tesfaye has been with Ethio Telecom for the last 6 years.

- **The Chief Human Resources Officer of the Company is Tilahun Negash Guta**. Tilahun has been with Ethio Telecom for the last 14 years and has 6 years of progressive experience in Human Resources Management under ETC in the human resources domain. He holds a master's degree in computer science from HilCoE and a BA degree in management and public administration from Addis Ababa University.
- **The Chief Customer Service Officer of the Company is Teressa Belete Gudeta**. Teressa has been with Ethio Telecom for the last 14 years and has 7 years of progressive experience in the commercial domain under ETC. He also has marketing experience. He holds a master's degree in economics from Addis Ababa University, a master's degree in business leadership from Addis Ababa University, and a BA degree in economics from Addis Ababa University.
- **The Chief Customer Experience and Quality Management Officer of the Company is Solomon Abera Molla**. Solomon has been with Ethio Telecom for the last 14 years and has 9 years of progressive experience under ETC. He also has experience in audit, finance, project management, quality and processes. He holds a master's degree in business administration from Addis Ababa University and a BA degree in accounting from Jimma University.
- **The Chief Facility and Fleet Officer of the Company is Aynalem Albene Ayele**. Aynalem has been with Ethio Telecom for the last 14 years and has 5 years of progressive experience under ETC. He also has experience in project management and retail logistics management. He holds a master's degree in logistics and supply chain management from Addis Ababa University and a BA degree in economics from Arba Minch University.
- **The Chief Supply Chain Officer of the Company is Beletu Delamo Dindamo**. Beletu has been with Ethio Telecom for the last 14 years and has 27 years of progressive experience under ETC. She has experience in procurement management. She holds a master's degree in business administration in general management from St. Mary’s University and a BA degree in management from Unity University College.
- **The Chief Mobile Money Business Officer of the Company is Bruk Adhana Haile**. Bruk is currently leading the Telebirr business in Ethio Telecom. Bruk has been with Ethio Telecom for the last 14 years and has 3 years of additional experience under ETC. He holds a BSc degree in computer science and engineering from Mekelle Institute of Technology.
- **The Chief Fixed Network Officer of the Company is Tewodros Hailemeskel Gebremariam**. Tewodros has been with Ethio Telecom for the last 14 years and also has 9 years of progressive experience in the technical domain under ETC. Tewodros also has experience in leading service management center. He holds a master's degree in information science from Addis Ababa University and a BSc degree in mathematics from Addis Ababa University.
- **The Chief Communication Officer of the Company is Mesay Woubshet Bekele**. Mesay has been with Ethio Telecom for the last 14 years and has 13 years of progressive experience under ETC. He also has experience in procurement management and facility management. He holds a master's degree in logistics and supply chain management from Addis Ababa University and a BA Degree in economics from Ethiopian Civil Service College.
- **The Deputy Network Infrastructure Chief Officer of the Company is Alem Hailemariam Yirgaw**. Alem has been with Ethio Telecom for the last 14 years and has 7 years of progressive experience under ETC. He holds a BSc Degree in electrical engineering from Mekelle University.

- **The Deputy Chief Officer (Regional Operational Coordination) of the Company is Hailemichael Nekatibeb Akalewold**. Hailemichael has been with Ethio Telecom for the last 14 years and has 5 years of progressive experience under ETC. He has experience in marketing, customer support and broadband SBU. He holds a master's degree in competition policy and regulatory economics from Addis Ababa University and a BA degree in economics from University of Gondar.
- **The Deputy Chief Information System Officer of the Company is Befekadu Worku Debele**. Befekadu has been with Ethio Telecom for the last 14 years and has 13 years of progressive experience under ETC. He holds a BSc degree in computer engineering from Micro-Link Information Technology College.
- **The Deputy Chief Enterprise Solutions is Yohannes Getahun**. He has been with Ethio telecom for the last 10 years and also has 10 years progressive experience in technical domain under Ethiopian Telecommunications Corporation. He holds a master’s degree in computer science.

To the extent of the Company’s knowledge, no individual in the Board of Directors, Executive Management, or Senior Management is, or has been, involved in any of the following;

- a petition under any bankruptcy or insolvency laws filed (and not struck-out) against such person or any partnership in which he was a partner or any company of which he was director or key personnel;
- a conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and
- the subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

There were no interests of Directors in transactions that are or were unusual in their nature or conditions or significant to the business of the Company, and that were affected by the Company during the current or immediately preceding financial year, or an earlier financial year, and remain in any respect outstanding or unperformed.

6.2. Board Committees

The Board of Directors has established a finance and risk management sub-committee, a business development and strategic sub-committee and a human resource management sub-committee

6.2.1. Finance and risk management sub-committee

The members of the finance and risk management sub-committee are:

- H.E Dr. Eyob Tekalign; and
- H.E Ato Muluneh Desalegn.

6.2.1.1. Duties and responsibilities of the finance and risk management sub-committee

The finance and risk management sub-committee is required to:

a. examine the compliance of finance supervision and administration directives and procedures with the policies and directives of EIH as well as other applicable laws and, if there is a need for amendment, present a decision recommendation to the Board;

b. monitor the financial strategy and administration, sources of finance or capital structure, property purchase and removal as well as issues that may impact the finances of the Company, and present any necessary amendment proposals to the Board for approval;

c. examine, analyse and present a report to the Board regarding the financial risks that may impact the finances of the Company as well as issues regarding its overall financial health;

d. evaluate capital and working capital strategy presented by the Executive Management and present a decision recommendation regarding the same to the Board for approval;

e. evaluate working capital, capital expenditures and financial performance by comparing it to the allocated budget;

f. supervise the preparation of annual and other financial statements, confirm that the financial statements are up to standard and complete; present financial statements along with a corresponding decision recommendation to the Board for approval;

g. evaluate loan (debt) administration and present a report on the same to the Board;

h. supervise the quality, clarity and reliability of the process of accounting and the preparation of financial statements as well as financial statements and other information that is presented to the public;

i. examine and monitor the adequacy and effectiveness of internal monitoring mechanisms regarding accounting and financial statement preparation processes;

j. evaluate the organisation, human resources, budget and input of the internal audit service department and, if there is a need for improvement, present decision recommendations thereon to the Board;

k. present decision recommendations to the Board concerning the appointment and dismissal of the head of the internal audit service department;

l. evaluate the annual work plan and quarterly performance report of the internal audit service department, and present the report along with its evaluation findings to the Board;

m. provide or cause to be provided work directives, direction on focus areas and professional support to internal auditors according to direction provided by the Board, evaluate the implementation of the same and present a report thereon to the Board;

n. monitor and evaluate whether internal and external auditors perform their duties in a balanced and independent manner; lead analysis and evaluation activities and present a report to the Board on the same;

o. investigate disputes that arise between internal or external auditors and the Company regarding audit reports;

p. assess the performance of the head of internal audit every six months and present the findings, including the comments of the Chief Executive Officer, to the Board;

q. supervise the implementation of the risk management and risk monitoring and mitigation policies and procedures of the Company;

r. monitor the sources of financing or capital structure and the investment and financial risk administration activities of the Company;

s. evaluate the organisation, human resources, budget and necessary inputs of the risk administration department and, if improvements are necessary, present a decision recommendation to the Board;

t. ensure the identification of risks associated with financial performance, investment, loans, and strategic and other matters and the analysis of sources of risk, degree of risk exposure and impact, and present a report on the same to the Board;

u. ensures that strategic and other measures to enable the prevention and mitigation of risk are included in the strategic and annual plans, evaluate their implementation on a monthly and quarterly basis, and present a report on the same to the Board;

v. perform other activities instructed by the Board; and

w. when in need of professional support or services to fulfil its responsibilities, engage professionals with the permission of the Board.

6.2.2. Business development and strategy sub-committee

The member of the business development and strategy sub-committee is:

- H.E Ato Worku Gachena.

6.2.2.1. Duties and responsibilities of the business development and strategy sub-committee

The business development and strategy sub-committee is required to:

a. develop procedures to guide investment opportunities as well as business and strategy development activities, and present decision recommendations on the same to the Board;

b. study and investigate the economic and other benefits presented by investment opportunities and present a decision recommendation on the same to the Board;

c. upon request of the Board, evaluate, based on existing performance indicators, the current performance of investment opportunities that are being implemented as well as business and strategy development activities, as well as plans for future performance; evaluate the effectiveness and performance of management in investment projects, business development and strategy performance and present a report on the same to the Board;

d. identify key performance indicators taking into account best practices, competitiveness and long-term success, and present a decision recommendation on the same to the Board;

e. provide information as input to any discussion and decision of the Board concerning investment opportunities as well as business and strategy development;

f. provide general support to the Executive Management regarding investment opportunities as well as business and strategic development and performance;

g. perform other activities instructed by the Board; and

h. when in need of professional support or services to fulfil its responsibilities, engage professionals with the permission of the Board.

6.2.3. Human resource management sub-committee

The members of the human resource management sub-committee are:

- H.E Ato Yodahe Arayaselassie; and
- H.E Ato Kasahun Seboka.

6.2.3.1. Duties and responsibilities of the human resource management sub-committee

The Human Resource Management Sub-Committee is required to:

a. examine human resources strategies and policies concerning the salary, benefits, dismissal, training or capacity-building and general administration of employees (including succession planning), ensure the compliance of such strategies and policies with applicable laws, follow up on their implementation, and, if amendments are needed, conduct the necessary studies and present the same to the Board for approval;

b. assess the performance of the CEO, the deputy chief executive officer(s), and Executive Management;

c. indicate the assessment criteria for and results of the performance assessment of employees;

d. identify capacity-building trainings necessary for members of management and present a decision recommendation concerning its implementation to the Board for approval, and identify, jointly with the management, capacity-building training necessary for employees and follow up on its implementation;

e. supervise investigations concerning disciplinary violations by employees;

f. perform other duties as instructed by the Board; and

g. when in need of professional support or services to fulfil its responsibilities, engage professionals with the permission of the Board.

At the date of issuance of the Prospectus, no changes or future changes in the Board and sub-committees' compositions has been determined.

6.2.4. Insider trading

The Board of Directors in anticipation of the Intended ESX Listing is formulating and developing a formal insider trading policy. The policy will be formally adopted in time for when the Lock–in Period is ended, at which time the Ordinary Shares of the Company will have the restrictions on trading lifted. The Board of Directors will ensure the Company's insider trading policy is adopted in advance of the trading restrictions being lifted.

A part of its transition to a Listed company, the Company is continuously building its capacity, including and not limited to, learning and development. This will include comprehensive learning in line with the Company's insider trading policy. As part of this comprehensive approach, the Board of Directors will also ensure that Directors, Executive Management, Senior Management and relevant employees undergo sufficient training on insider trading concepts and company-specific requirements associated with it.

6.2.5. Minority shareholder protection

The Offer comprises the sale of 10% of the Ordinary Share capital of the Company. The Prospective Investors will be minority shareholders by virtue of their combined 10% holding of the Company's ordinary shares.

As set out in Section 4.6.6, the Company is required under the Commercial Code to have in place policies and procedures that protect minority shareholders. The Company as part of its obligations and requirements has developed polices in line with the requirements of the Commercial Code, which will be in place ahead of completion of the Offer.

6.2.6. Corporate governance policies of the Company as a Share Company and a State-Owned Enterprise partly owned by the public and majority owned by EIH.

The Company, in anticipation of the release of an Ethiopian corporate governance code and the Intended ESX Listing, will continue to enhance its policies and procedures in all respects, to ensure compliance with the SOE Proclamation, the upcoming Ethiopian corporate governance code and any ESX, ECMA and/or other requirements.

The Company considers itself a responsible corporate citizen and follows an ESG centric approach. The Company in anticipation of the Intended ESX Listing will continue to follow this approach and as set out previously enhance its policies and procedures to ensure compliance with the SOE Proclamation, the upcoming Ethiopian corporate governance code and any ESX, ECMA and/or other requirements.

As set out in Section 4.6.2 and in Section 4.7, a Share Company which is also a State-Owned Enterprise such as the Company is required to comply with various corporate governance requirements. The Company has, and will continue to, ensure compliance with all the requirements as set out in the aforementioned sections.

6.3. Remuneration

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 30 June 2024, the aggregate remuneration and benefits to the Directors and Executive Management who served the Company was ETB 16,090 million.

The below table includes a summary of the total remuneration paid to the Directors and Executive Management for the years ended 30 June 2024, 2023, and 2022.

	Year ended 30 June		
ETB'000	2024	2023	2022
Total	**16,090**	**10,550**	**8,729**

The Directors and Executive Management are entitled to a fixed monthly allowance and are eligible for an annual bonus based on the audited Company results. The Directors are entitled to free in–kind benefits, these being mobile voice minutes, mobile data, mobile SMS, fixed broadband and fixed voice services.

The Executive Management are entitled to a base monthly salary, monthly allowances, communication benefits, other benefits, and incentives.

The monthly allowances comprise of a transport allowance including the use of a Company car and fuel allowance, housing allowance, management allowance and a hardship allowance equal, and the allowances in aggregate are equal to 7.0% of base salary.

The communications benefits comprise benefit packages for mobile and fixed services.

The other benefits comprise medical aid benefits (local and abroad), personal injury insurance which is equal to 2.0% of base salary, pension contribution which is equal to 11.0% of base salary, and paid leave benefits.

The incentives consist principally of the annual performance bonus which is awarded at the discretion of the Board and is based on the performance of the Company as well as the performance of the individual. The annual bonus will not exceed the aggregate of 3 months of the monthly base salary.

The below table includes a summary of the estimated amounts payable to the Directors and Executive Management in respect of the year ended 30 June 2025:

ETB'000	Salary	Annual bonus	Total*
Total*	**10,907**	**2,749**	**13,676**

*The amounts expected to be paid to the Directors and Executive Management in the year ended 30 June 2025 excludes the value of the free in–kind benefits offered to the Directors and Executive Management.

The Company is not expecting any changes to the remuneration policy of the Directors and Executive Management following the Offer. The Bonus is paid on a pre–defined profit target considering net profit. The Bonus is discretionary and subject to the Board of Directors approval.

6.4. Directors' interests

The Directors and Executive Management of the Company hold no direct or indirect interest in the Ordinary Shares of the Company. There are no outstanding loans granted by the Company to any of the Directors or Executive Management, including any guarantees provided by the Company for their benefit.

6.5. Shareholder/interested persons

As at the date of this Prospectus, the Company is fully owned by EIH and EIH holds 100% of the Company's Ordinary Shares as at the date of this Prospectus.

Following the Offer, it is expected that the Majority Shareholder will hold approximately 90.0% of the issued Ordinary Shares if the Offer is taken up in full. Every Ordinary Share shall confer voting rights. The voting rights attached to a shareholder shall be in proportion to the amount of capital represented by his Ordinary Shares. As a result, the Majority Shareholder will possess significant voting power and have an influence on all matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions. The Majority Shareholder will operate independently from the incoming shareholders.

6.6. Related party transactions

Details of related party transactions entered into by the Company during the period covered by the Historical Financial Information are set out in Section 7.1 (Historical financial information). The related parties for the Company in accordance with IFRS include the Directors, Executive Management and Senior Management and companies associated with these individuals. Senior Management are those persons who have authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The members of the Senior Management are set out in section 6.1.3. In the normal course of business, a number of transactions are entered into with related parties. These include staff loans and employment compensations. The below table summarises the historical loans given by the Company to Senior Management and Senior Management's compensation for the years presented.

Loans to Senior Management

	Year ended 30 June		
Birr '000	**2024**	**2023**	**2022**
Loans to Senior Management	nil	22	220

Senior Management's compensation

	Year ended 30 June		
Birr '000	**2024**	**2023**	**2022**
Senior Management compensation*	112,715	93,987	73,406

*Senior Management compensation includes the amounts paid to all Senior Management in addition to the CEO and CFO.

The Company, as Ethiopia's leading telecoms provider, provides services to the Government and EIH controlled Government institutions. The revenue recognised on the sales to these institutions are provided in the ordinary course of business and at arm's length. The Company does not separately manage or record the revenue associated with these sales. However, revenue earned from these institutions forms part of the financial performance of the Company in each of the financial years ended 30 June 2024, 30 June 2023, and 30 June 2022. The Company is not required to disclose the revenue earned from these institutions as related parties transactions in accordance with IFRS.

During the period from 1 July 2024 (being the date of the latest financial information of the Company as set out in section 7.1 (Historical Financial Information)) to the latest predictable date, there are no related party transactions between the Company and related parties outside of the aforementioned loans to Senior Management and continued sales to the Government and EIH controlled Government institutions. The Company does not expect to include any additional disclosures in the future financial statements as a result of the Offer.

6.7. Employees

The Company had an employee base of 23,844 comprising of both permanent and non-permanent staff as at 30 June 2024. The table below presents the split of employees categorised by full time and contract status for the three years ended 30 June 2024, 30 June 2023 and 30 June 2022.

The following table details the numbers of the Company's employees:

	Year ended 30 June		
Function	**2024**	**2023**	**2022**
Permanent employees	16,783	17,207	17,774
Agency employees	4,549	4,549	4,549
Security employees	2,455	2,600	2,581
Other fixed term employees	57	66	134
Total contracted employees	**23,844**	**24,422**	**25,038**
Regional security personnel*	15,943	15,577	14,052
Total	**39,787**	**39,999**	**39,090**

* The Government hires regional security personnel as part of their effort to protect national infrastructure. The Company pays these personnel on behalf of the Government, however these individuals are contracted by the Government.

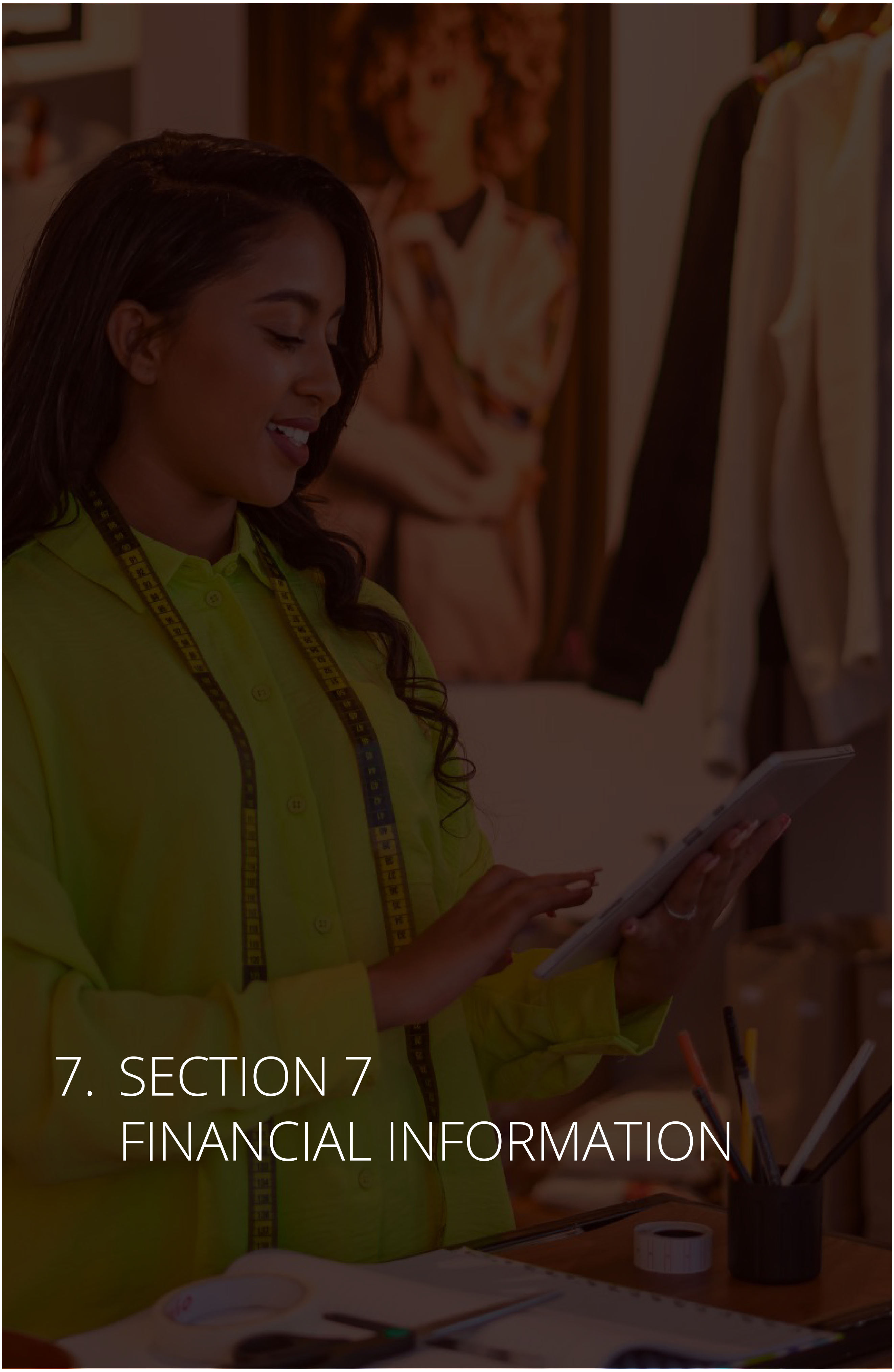
Employee stock ownership plan

The Company had no ESOP plan in any of the years ended 30 June 2024, 2023 and 2022, or in the period from 1 July 2024 to the date of this Prospectus. The Company continues to assess its employee reward and incentive programmes to ensure it is able to retain and attract the required talent and may introduce an ESOP in the future if it is deemed appropriate.

The Offer is being made available to the employees of the Company. Employees participating in the Offer will not be granted additional rights or guarantees to any allotment of the Offer. As such, the rights of the employees participating in the Offer will be equal to the rights and requirements of the Offer to the public. As stated in Section 13 (Details of the offer), certain restrictions are applicable to all shareholders of the Company following the Offer, including but not limited to the restrictions on trading of the Ordinary Shares and such restrictions will also apply to the Company's employees who become shareholders of the Company pursuant to the Offer.

Labour relations

The Company's employees in Ethiopia are unionised, and the Company's relationship with each of these unions is governed by a collective bargaining agreement. The Company considers its relationship with these unions to be good and to date there have been no instances of strikes or of work being curtailed.



7. SECTION 7
FINANCIAL INFORMATION

7.1. Historical Financial Information

The annual financial statements including supporting notes and audit reports thereon from the External Auditor have been included in Annex 1 (Historical Financial Information) of this Prospectus. The annual financial statements included in Parts B, C and D of Annex 1 (Historical Financial Information) of the Prospectus have been reproduced verbatim and without adjustment from the Company's annual report and accounts for the years ended 30 June 2024, 30 June 2023 and 30 June 2022.

As this is a verbatim reproduction:

- the page and section references included in Parts B, C, and D of Annex 1 (Historical Financial Information) are to the relevant pages and sections of the corresponding reports and accounts of the Company, and not to this Prospectus;
- certain defined terms and other references will differ to those used in this Prospectus, and will correspond to those used in the corresponding reports and accounts of the Company; and
- references to "current year", "current period", "prior year" and/or "prior period" should be read as the relevant year / period of the respective financial statements and the year of the comparative period, respectively.

7.2. Other financial information

No additional information has been audited by the Company's External Auditor

7.3. Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

7.4. Significant change in the issuer's financial position

There has been no significant change in the financial position of the Company since 30 June 2024, the date to which the most recent financial information of the Company was prepared.

7.5. Profit forecast

There is no profit forecast or estimate included in this Prospectus. No statement in this Prospectus is intended as a profit forecast or estimate and no statement in this Prospectus should be interpreted as a profit forecast or estimate.

7.6. Pro forma financial information

There is no pro forma financial information included in this Prospectus.

7.7. Dividend policy

The Company's dividend policy has been impacted by the Conversion and will be impacted by the completion of the Offer. The Company's dividend policy is set out below for the following periods:

- the periods covered by the Historical Financial Information and up to the date of the Conversion, during which periods the Company was a Public Enterprise (Section 7.7.1);

- from the date of the Conversion to the date of completion of the Offer, during which period the Company was a Share Company (section 7.7.2); and
- subsequent to completion of the Offer (section 7.7.3).

7.7.1. Dividend policy of the Company as a Public Enterprise

In the periods covered by the Historical Financial Information and up to the date of the Conversion, the Company's dividend policy was governed by the laws set out below, based on the Company's legal status as a Public Enterprise:

- Public Enterprises Proclamation;
- Distribution of Profits Regulation;
- EIH Regulation; and
- EIH Dividend Directive.

The dividend policy of the Company prior to the transfer of the Company's ownership to EIH

During the period when the Company was a Public Enterprise and prior to the transfer of the Company's ownership to EIH, the dividend policy of the Company was governed mainly by the Public Enterprises Proclamation and the Distribution of Profits Regulation.

The following are the relevant provisions in these two laws in relation to the declaration of dividends:

1. Public Enterprises Proclamation

Article 11(8) of the Public Enterprises Proclamation empowers the supervising authority of the Company (which was the Public Enterprises Holding and Administration Agency immediately before the transfer of the Company's ownership to EIH) to determine, based on the proposals of the management board of the Company and following the relevant provisions of the Public Enterprises Proclamation, the amount of the state dividend to be paid to the Government from the net profits of the Company for each financial year. However, in accordance with Article 29 of the Public Enterprises Proclamation, the Company was required to establish and maintain a legal reserve fund. The Company was required to annually transfer 5% of its net profits to the legal reserve fund until such reserve fund equals 20% of the capital of the Company.

2. Distribution of Profits Regulation

The Distribution of Profits Regulation provides (in Article 3(1)) that the net profits of a Public Enterprise shall, after deduction of legal reserve pursuant to Article 29(2) of the Public Enterprises Proclamation, be distributed as follows:

- as dividend to the Government, 60%; and
- to the Industrial Development Fund, 40%.

Therefore, the dividend policy of the Company prior to the transfer of its ownership to EIH was that 60% of the Company's net profits following the deduction of the legal reserve would be paid to the Government.

Dividend policy of the Company following the transfer of the Company's ownership to EIH but prior to its conversion to a Share Company

In relation to the period after the Company's ownership was transferred to EIH, in 2022, but prior to the Conversion, the dividend policy of the Company was governed mainly by the EIH Regulation and the EIH Dividend Directive.

a. EIH Regulation

Article 9(2)I of the EIH Regulation provides that in relation to subsidiary companies under its ownership EIH shall have the duty and responsibility to "devise dividend policy, and cause to execute" such dividend policy. Further, Article 12(14) of the EIH Regulation provides that the board of directors of EIH shall have the power and responsibility to set the dividend policy of EIH and its subsidiaries.

b. EIH Dividend Directive

In line with the above-stated provisions of the EIH Regulation, EIH issued the EIH Dividend Directive. Article 4.2 of the EIH Directive provides that subsidiary enterprises of EIH shall pay 70% of their net profit to EIH. Articles 4.3 and 5.1 of the EIH Dividend Directive provide that a subsidiary enterprise may use up to 30% of its net profit as working capital and/or to implement projects that are part of its strategic plan upon approval by its management board and in compliance with the other relevant requirements under the EIH Dividend Directive. Pursuant to Article 4.4 of the EIH Dividend Directive, if a subsidiary enterprise is not permitted to use the 30% of its net profit as stated above, then such subsidiary enterprise shall pay all its net profit to EIH.

Under the EIH Dividend Directive a subsidiary enterprise is defined as a commercial entity in which EIH or EIH and its subsidiary enterprises hold a majority share. In addition, net profit is defined (in the EIH Dividend Directive), pursuant to Article 432(2) and Article 433(1) of the Commercial Code, as the net receipts of EIH or its subsidiary enterprises for the financial year after deduction of all expenses and reserve funds from its total revenue.

Therefore, the dividend policy of the Company following the transfer of its ownership to EIH in 2022 (which resulted in the Company becoming a subsidiary enterprise of EIH) was that 70% or more of the Company's net profits, following the deduction of all expenses and reserve funds, would be paid to EIH.

The table below sets out a summary of the dividends declared by the Company for the financial years ended 30 June 2024, 2023, and 2022.

	Year ended 30 June		
ETB (millions)	**2024**	**2023**	**2022**
Profit for the year	19,013	18,028	9,000
Dividend declared	9,670	nil	2,786
Dividend pay-out ratio (dividend declared / profit for the year)%	**50.9%**	**0.0%**	**31.0%**

7.7.2. Dividend Policy of the Company from the date of the Conversion up to the date of completion of the Offer

The dividend policy of the Company from the date of the Conversion to the date of completion of the Offer is governed mainly by the following laws:

- Commercial Code;
- The SOE Proclamation;
- EIH Regulation; and
- EIH Dividend Directive.

Under the EIH Regulation, a subsidiary is defined as a company owned by EIH individually or a company in which EIH is a shareholder with other parties and maintains direct or indirect control. In this regard, the Company is a subsidiary of EIH because up to the date of completion of the Offer EIH owns 100% of the Ordinary Shares of the Company.

Article 394(1) of the Commercial Code provides that the ordinary general meeting of the Company shall have the power to pass resolutions relating to the allocation of and distribution of profits, amongst other related matters. As at the date of this Prospectus, the Company has no dividend policy and EIH is the sole shareholder of the Company. Therefore, it is expected that EIH will adopt the EIH Dividend Directive, and the net profits of the Company will be allocated as stated below:

- Dividend distribution: the Company will distribute 70% of its net profits as dividends; and
- Remaining profits: the remaining 30% of net profits will be allocated according to the guidelines set out in the EIH Dividend Directive.

"Net profit" is defined in the EIH Dividend Directive pursuant to Article 432(2) and Article 433 of the Commercial Code as "the net receipts of EIH or its Subsidiary Enterprises for the financial year after deduction of all expenses and reserve funds from its total revenue". Article 434(1) of the Commercial Code further provides that 5% of all the net profit of a company for each financial year will be deducted (prior to the declaration and payment of dividends) and transferred to the Company's legal reserve until the amount of net profits transferred to the legal reserve fund amounts to 5% of the share capital of the Company. However, the requirement in Article 32 of the SOE Proclamation is that every State-Owned Enterprise is to annually transfer 5% of its net profits to the legal reserve fund until such reserve fund equals 20% of the capital of the State-Owned Enterprise. Therefore, the Company, being a State-Owned Enterprise, is subject to the higher threshold of 20% in relation to its legal reserve fund.

7.7.3. Dividend policy of the Company after the completion of the Offer

Following the completion of the Offer, dividends will be payable by the Company based on the approval of the shareholders in accordance with Article 394 (1) of the Commercial Code which provides that the shareholders of the Company, during the relevant general meeting of the Company, have the power to pass resolutions relating to the allocation of and distribution of profits.

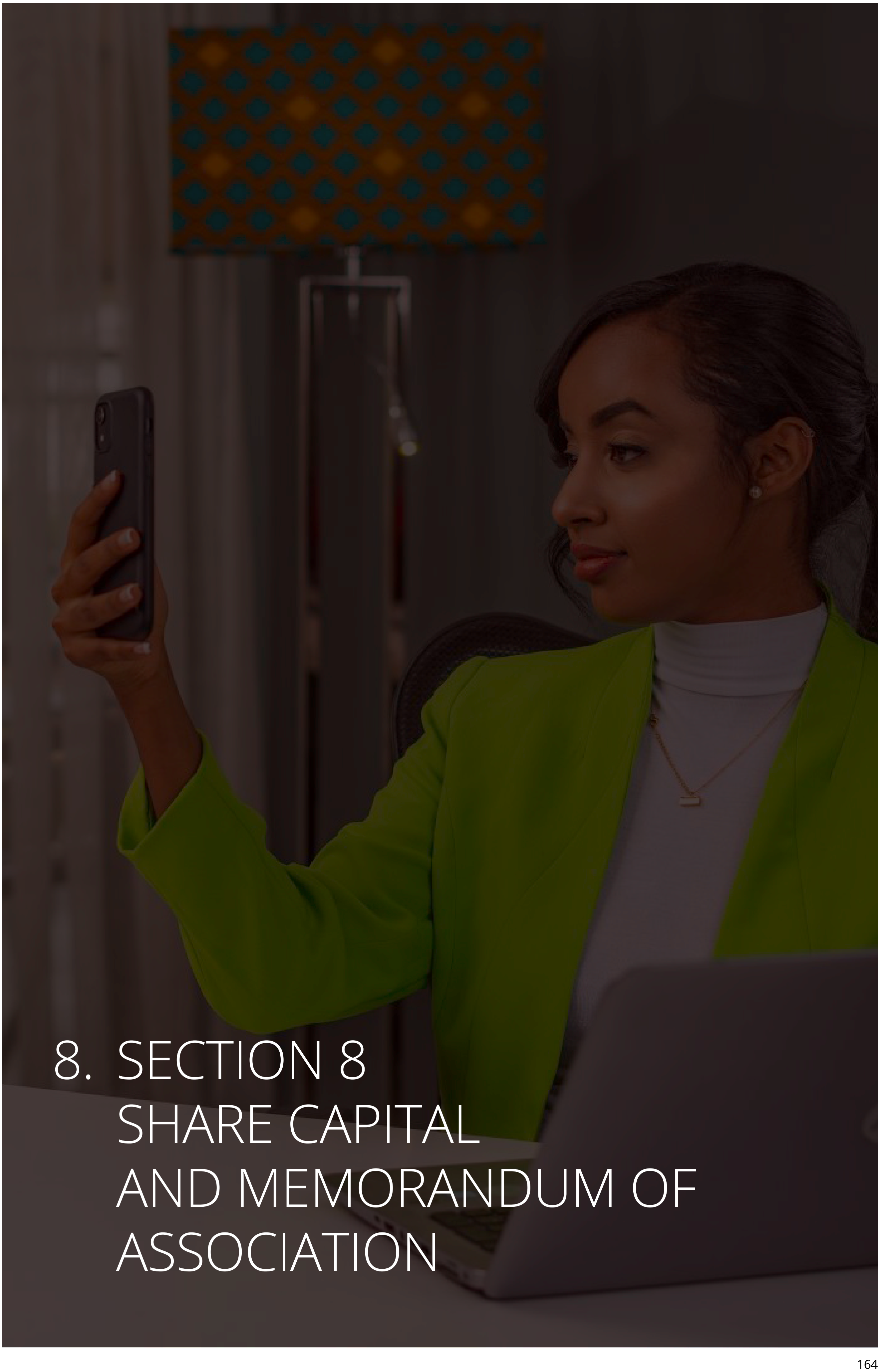
Although EIH will no longer be the sole shareholder of the Company, it will continue to hold a significant majority shareholding and exercise substantial control over the Company. Therefore, the dividend policy of the Company will be driven primarily by EIH as long as EIH holds sufficient majority shares to pass the necessary shareholder resolutions. EIH will have the power to approve dividend declarations of the Company which comply with the EIH Regulation, the EIH Dividend Directive and the SOE Proclamation as the Company will remain a subsidiary of, and majority owned by, EIH following the completion of the Offer.

Therefore, with EIH holding the requisite majority shareholding in the Company, the net profits of the Company will be allocated as stated below:

- Dividend distribution: the Company will distribute 70% of its net profits as dividends; and
- Remaining profits: the remaining 30% of net profits will be allocated according to the guidelines set out in the EIH Dividend Directive.

The Commercial Code also sets out the following additional requirements in relation to the dividends of a Share Company, which the Company will be required to comply with:

- Pursuant to Article 434(1) of the Commercial Code, 5% of all such net profit for each financial year will be deducted (prior to the declaration and payment of dividends) and transferred to the Company's legal reserve until the amount of net profits transferred to the legal reserve fund amounts to 5% of the share capital of the Company. However, the requirement in Article 32 of the SOE Proclamation is that every State-Owned Enterprise is to annually transfer 5% of its net profits to the legal reserve fund until such reserve fund equals 20% of the capital of the State-Owned Enterprise. Therefore, the Company, being a State-Owned Enterprise, is subject to the higher threshold of 20% in relation to its legal reserve fund;
- In accordance with Article 438(3) of the Commercial Code, the shareholders of the Company during the relevant general meeting of the Company, when it decides on distribution of profits, should determine the method of payment of dividend and fix the date on which the shareholders are to receive the dividend. The date of payment of the dividends may under no circumstance exceed 4 months from the date on which the resolution to distribute profit was passed;
- Article 438(1) and (2) of the Commercial Code provides that dividends may only be paid to shareholders from net profits shown in the approved balance sheet. Any dividends distributed contrary to this requirement shall be treated as fictitious dividends and the persons making such distribution shall be criminally and civilly liable;
- Article 488(5) provides that a shareholder shall become a creditor of the company for the amount of the dividend due to him from the date fixed for payment of the dividends; and
- Article 439 of the Commercial Code provides that dividends distributed contrary to the provisions of Article 438 of the Commercial Code may not be claimed back from the shareholders, except in case of family companies or where distribution was made in the absence of a balance sheet or not in accordance with the approved balance sheet.



8. SECTION 8 SHARE CAPITAL AND MEMORANDUM OF ASSOCIATION

8.1. Share Capital

The Company as at the date of this Prospectus has one class of Ordinary Shares. The table below sets out the details of the Company's share capital as at the date of this Prospectus:

Share capital as at the date of this Prospectus:	
Authorised share capital (ETB)	100,000,000,000
Number of issued shares	1,000,000,000
Par value per share (ETB)	100
Paid up share capital (ETB)	100,000,000,000

To facilitate the Offer of Ordinary Shares as contemplated in this Prospectus, the Company converted from a Public Enterprise to a Share Company through the Conversion. The Company was registered as a Share Company on 1 July 2024 in accordance with the Commercial Registration Proclamation, which is subsequent to the Company's 30 June 2024 financial year end. In its previous legal form as a Public Enterprise pursuant to Ethio-Telecom Establishment (Amendment) Council of Ministers Regulation No. 480/2021 the Company's authorised capital was ETB 400,000 million of which ETB 100,000 million was paid up in cash and in kind. The details of the Company's capital covering the financial years ended 30 June 2024, 30 June 2023, and 30 June 2022 are set out in the below table:

ETB	As at 30 June 2024, 30 June 2023, and 2022
Authorised capital	400,000,000,000
Paid-up capital	100,000,000,000

As part of the process for the Conversion, the authorised capital of the Company was reduced to ETB 100 billion. Accordingly, as at the date of this Prospectus, the authorised capital of the Company is ETB 100,000,000,000, which is fully paid up in cash and in kind.

Share capital immediately following the Conversion, and as at the date of this Prospectus:	
Authorised share capital (ETB)	100,000,000,000
Number of issued shares	1,000,000,000
Par value per share (ETB)	100
Paid up share capital (ETB)	100,000,000,000

The Company's paid up share capital is ETB 100,000,000,000 of which ETB 29,200,000,000 has been paid up in cash and ETB 70,800,000,000 paid up in-kind.

8.2. Memorandum of Association

The following are extracts of the salient provisions of the Memorandum of Association of the Company. The numbering of the articles of the Memorandum of Association has been retained for ease of reference.

8.2.1. Principal objects (Article 4 of the Memorandum of Association)

The principal objects of the Company are contained in Article 4 of the Memorandum of Association and include the following:

i. To provide and make accessible next generation network-based world class standard information technology services.

ii. To provide national and international telecom services, voice, data, SMS, digital platform, digital gaming, digital financial, communication services, information technology-based broadcasting services, data centers, customer service centers and other related value-added services.

8.2.2. Capital (Article 5 of the Memorandum of Association)

The Company's subscribed capital is Birr 100,000,000,000, of which Birr 29,200,000,000 has been paid up in cash and Birr 70,800,000,000 paid up in-kind. The subscribed capital is divided into 1,000,000,000, each with a par value of Birr 100. EIH holds the entire subscribed capital of the Company. An individual is only permitted to hold a maximum of 10,000 shares in the capital of the Company.

8.2.3. Rights and obligations attached to shares (Article 10 of the Memorandum of Association)

Each shareholder of the Company shall have the following rights. The right to:

i. attend ordinary and extraordinary general meetings and have a vote in such meeting equivalent to the number of shares held by each shareholder; one vote for each share he/she/it holds.

ii. attend and vote in special meetings for shares corresponding to his/her shares;

iii. inspect and take a copy of inventories, balance sheets, management or financial information, auditor's reports and/ or decision of any shareholders meeting;

iv. receive a dividend from annual profit in proportion to the portion of capital represented by his/her shares; and

v. any other rights provided by the applicable law or in the Memorandum of Association.

8.2.4. Distribution of profit and Loss (Article 12 of the Memorandum of Association)

i. The annual profit of the Company shall, after deduction of the legal reserve, be distributed amongst shareholders in proportion to their shareholding in the Company. Likewise, the loss of the Company, if any, shall be distributed among the Shareholders in proportion to their shareholding in the Company. Nevertheless, no Shareholder shall be liable beyond his/her/its shares in the Company.

ii. Each shareholder shall in writing provide his/her/its Telebirr account details and any changes thereto from time to time, for purposes of any electronic funds transfer of any distributions by the Company to that Shareholder. All cash distributions payable by the Company to a shareholder shall be paid at the risk and expense of the Shareholder by electronic funds transfer only into such designated Telebirr account of the shareholder. In making such cash distributions the Company shall comply with all applicable laws. Distributions not paid to the applicable Shareholders shall not carry interest as against the Company.

8.2.5. Transfer of Ordinary Shares (Article 15 of the Memorandum of Association)

All shareholders, except EIH, are restricted from transferring or otherwise disposing of their shares (whether legally or beneficially) until the Company is listed on the Ethiopian Securities Exchange. The minority shareholders' rights shall always be respected in accordance with applicable laws.

8.2.6. Pre-emption right (Article 17 of the Memorandum of Association)

Unless otherwise decided by the general assembly, the Company shall observe shareholders' pre-emption rights for newly issued shares as provided in the Commercial Code.

8.2.7. Management of the Company (Article 18 of the Memorandum of Association)

i. The Company shall have, for the purpose of administration of its affairs, the following administrative organs:
ii. General meeting of shareholders;
iii. Board of Directors;
iv. General Manager/Chief Executive Officer;
v. Secretary; and
vi. Auditor.

8.2.8. General meeting of shareholders (Article 19 of the Memorandum of Association)

A general meeting of shareholders is the highest decision-making organ in a company in which all shareholders take part. A general shareholders meeting of shareholders may take decisions pertaining to the Company, with the following matters being specifically reserved for determination and approval by a general meeting of shareholders:

i. approval of rules and regulations for the General Shareholders' Meeting that, subject to the provisions of applicable laws and this Memorandum of Association, shall govern the call, organisation, information about, attendance at and holding of the General Shareholders' Meeting, as well as the exercise of voting rights on the call and holding of such meetings;
ii. Appointment and removal of Directors, as well as the ratification or revocation of interim appointments of such Directors by the Board itself, and the examination and approval of their performance and exemption of the Directors from the legal prohibitions regarding conflicts of interest when the applicable law necessarily assigns such power to the shareholders at the General Shareholders' Meeting;
iii. appointment and removal of the external auditor and liquidators;
iv. commencement of claims for liability against Directors, liquidators, or the external auditor.
v. approval, if appropriate, of the annual accounts and the corporate management and of resolutions on the allocation of earnings, as well as approval, also if appropriate, of the consolidated annual accounts.
vi. authorising the acquisition of the Company's own stock.
vii. deciding on the exclusion or limitation of pre-emptive rights, without prejudice to the possibility of delegating this power to the Directors as provided by law.

viii. approving the transfer to subsidiaries of essential activities until that time carried out by the Company itself, though it may retain full ownership thereof.

ix. approving the acquisition, disposition, or contribution of essential operating assets to another company.

x. resolutions approving transactions that would have an effect equivalent to the liquidation of the Company.

Shareholders may take part in an annual general meeting in person or by electronic means or where all shareholders agree a decision may be taken by asking the shareholders to state their position on a text of resolutions in writing or through electronic means without calling a meeting.

8.2.9. Conflict of interest (Article 26 of the Memorandum of Association)

i. The Board of Directors of the Company are obliged to distance themselves from situations that may create a conflict of interest with the Company, either directly or indirectly, and to inform the Board immediately if such situations arise.

ii. A director, executive member, or shareholder who has an interest that may conflict with the interests of the Company must provide complete and accurate information to the external auditor of the Company about issues that may cause conflicts of interest, especially the type, amount, etc. of the conflict of interest.

iii. No shareholder may vote for himself or on behalf of a third party on issues that cause a conflict of interest with the Company.

8.2.10. Minutes of meeting (Article 27 of the Memorandum of Association)

Discussions held at the general assembly of the Company shall be prepared in writing and recorded in the minutes, which shall be signed by the directors present during such meeting and the secretary as well as certified by the chairman of the board of directors of the Company or two other members of the board of directors for its correct copying into the minutes book. Notwithstanding the foregoing, three shareholders may, at the start of the meeting, be appointed to confirm that the minutes are properly recorded and to sign on behalf of the directors and secretary of the Company.

8.2.11. Proxy (Article 29 of the Articles of Association)

A shareholder may nominate, by filling out a proxy form in accordance with the Memorandum of Association, one or more representatives to represent him/her/it at any meeting of the shareholders of the Company.

8.2.12. Board of Directors (Article 30 of the Articles of Association)

i. The Company shall be managed by a Board of Directors consisting of seven members to be appointed by the ordinary general meeting of shareholders.

ii. Shareholders shall nominate the number of Board members corresponding to the proportion of their shareholding.

iii. A legal person may be appointed as director. Upon its appointment, it shall appoint, for the duration of its term, a permanent representative. The legal person, where the representative resigns or cannot discharge his/her obligation for whatsoever reason, shall appoint a replacement at the earlier reasonable time.

iv. Each director shall be appointed for a term of three years, and may, subject to applicable laws, be reappointed for additional terms.

8.2.13. Power and Responsibility of Board of Directors (Article 31 of the Articles of Association)

i. The main duties of the Board of Directors are:

   a. to manage the Company for the interest of and in accordance with the purposes and objectives of the Company and to lead the management of the Company; and

   b. to maintain and manage the Company's assets.

ii. The Board of Directors shall be fully responsible for the performance of their duties for the interest of the Company to achieve the Company's purposes and objectives.

iii. Each member of the Board of Directors shall be required to perform his/her duties in good faith and with full responsibility with due observance of the prevailing laws and regulations.

iv. The board of directors is required to obtain the prior written approval of the shareholders before undertaking any of the following matters or transactions:

   a. disposal and sale of immovable assets of the Company which exceed a certain amount determined by the shareholders;

   b. entry into a management contract which is effective for a period of more than 3 (three) years;

   c. taking part either partly or entirely in other companies or entities or establishing a new company which is not within the purpose of redeeming the receivables with due observance of the prevailing laws and regulations;

   d. disposal of either part or all of the Company's participation in other companies or entities within the purpose other than redeeming the receivables;

   e. undertaking any other action in the form of optimisation of the assets including the Company's receivables accounts by considering the provision in the Company's Memorandum of Association;

   f. purchase or any other acquisition by the Company of any property including immovable property at such price and on such terms and conditions as they think fit to sell; and/or

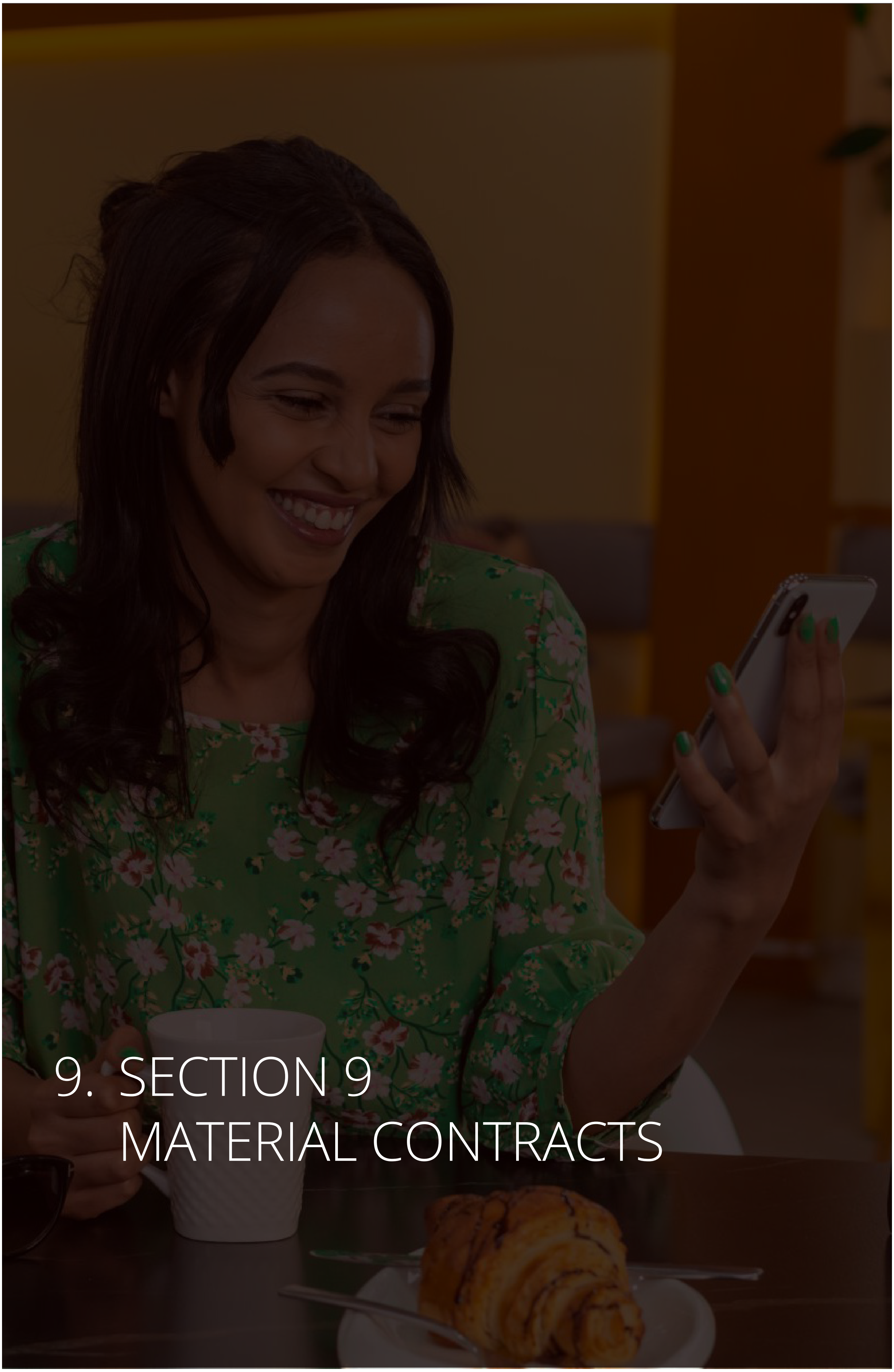
   g. borrowing money in the name and on behalf of the Company, including by pledging or mortgaging the assets of the Company which aggregate amount exceeds 20% of the Company's total asset.

8.2.14. Accounts and Financial Year (Article 35 of the Memorandum of Association)

i. The Company has adopted Ethiopian fiscal year as its financial year. The financial year of the Company shall commence from 1 July and end on 30 June.

ii. At the end of each fiscal year, a balance sheet setting out the assets and liabilities of the Company shall be drawn up by the General Manager and the same shall be transmitted to the external auditors within the three months following the end of the financial year.

iii. All Documents to establish the annual situation of the Company shall be sent by registered mail/address to the shareholders of the Company.



9. SECTION 9 MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business), as set out below, have been entered into by the Company (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company, and (b) at any time and contain provisions under which the Company has an obligation or entitlement which is, or may be, material to the Company as at the date of this Prospectus.

9.1. Financing agreements relating to the Telecom Expansion Programme

The Government undertook the GTP between 2011 and 2015. The Company was entrusted with the development of the telecommunications aspects of the GTP and the Company embarked on the TEP. The TEP involved various swap and new build projects implemented in phases and financed by Huawei, ZTE and Ericsson. The financial obligations of the Company under the financing agreements relating to the TEP are outstanding.

9.1.1. Financing agreement between the Company and Huawei

On 10 January 2013, the Company and Huawei entered into a financing agreement to govern the financing of the TEP by Huawei. Under the financing agreement Huawei agreed to provide vendor finance, up to USD 800,000,000, for the commercial contracts to be entered into between the Company and Huawei in relation to the Company's TEP projects.

The financing agreement has a principal repayment period of 10 years. The repayments are to be made in USD through 20 equal and consecutive semi-annual instalments, with the initial repayment falling due 6 months after the end of a grace period provided under the financing agreement. The grace period is the earlier of (i) 36 months, commencing from the date of an individual shipment, (ii) when the accumulated value of a commercial contract reaches USD 10 million, or (iii) when the accumulated value of a commercial contract reaches 50% of the value of the offshore part of the specific commercial contract. The interest payable in relation to the financing arrangement provided by Huawei and any outstanding amount is at the rate of 6 months USD LIBOR plus 1.5%.

Under the terms of the agreement, the Company is required to issue promissory notes as security for the equipment delivered, installed, commissioned and which have successfully passed the provisional acceptance test.

The agreement may only be terminated:

i. by the agreement of the parties;

ii. if one party fails to perform its obligation, with prior notice to the other party; and

iii. if one party fails to perform its obligations and the breach is not cured within 30 days after the receipt of prior notice by the other party.

Under the financing agreement, the Company is required to provide information on its business including its audited financial statements within 120 days after the end of each Ethiopian fiscal year and its unaudited interim semi-annual financial statements within 60 days of each Ethiopian half year.

Based on the Company's audited financial statements for the year ended 30 June 2024, the outstanding balance payable in relation to this financing agreement as at that date was USD 218,470,627 or ETB 12,774,633,788.

9.1.2. Financing agreement between the Company and ZTE

On 16 December 2014, the Company and ZTE entered into a financing agreement to govern the financing of the TEP by ZTE. Under the financing agreement ZTE agreed to provide vendor finance, up to USD 300,000,000, for the commercial contracts to be entered into between the Company and ZTE in relation to the Company's TEP projects.

The financing agreement has a principal repayment period of 10 years. The repayments are to be made in USD through 20 equal and consecutive semi-annual instalments, with the initial repayment falling due 6 months after the end of a grace period provided under the financing agreement. The grace period is the earlier of (i) 36 months, commencing from the date of an individual shipment, (ii) when the accumulated value of a commercial contract reaches USD 10 million, or (iii) when the accumulated value of a commercial contract reaches 50% of the value of the offshore part of the specific commercial contract. The interest payable by the Company in relation to the financing arrangement provided by ZTE and any outstanding amount is at the rate of 6 months USD LIBOR plus 1.5%.

Under the terms of the agreement, the Company is required to issue promissory notes as security for the equipment delivered, installed, commissioned and which have successfully passed the provisional acceptance test.

The agreement may only be terminated:

a. by the agreement of the parties;
b. if one party fails to perform its obligation, with prior notice to the other party; or
c. if one party fails to perform its obligations and the breach is not cured within 30 days after the receipt of prior notice by the other party.

Under the financing agreement, the Company is required to provide information on its business including its audited financial statements within 120 days after the end of each Ethiopian fiscal year and its unaudited interim semi-annual financial statements within 60 days of each Ethiopian half year.

Based on the Company's audited financial statements for the year ended 30 June 2024 the balance on this financing agreement as at that date was USD 64,827,083, or ETB 3,790,634,056.

9.1.3. Financing agreement between the Company and Ericsson

On 16 December 2014, the Company and Ericsson entered into a financing agreement to govern the financing of the TEP by Ericsson. Under the financing agreement, Ericsson agreed to facilitate the purchase of telecommunications products and services for the TEP through the loan facility provided by Ericsson, up to USD 400,000,000.00 or 100% of the contract value whichever was lower.

The financing agreement provides that each borrowing shall be paid in 15 consecutive instalments on each repayment date within 8 years together with all accrued interest.

The interest payable in relation to the financing arrangement provided by Ericsson and any outstanding amount is at the rate of USD LIBOR for a period of 6 months plus 3% per annum. Where there is a default in payment there is a default interest of 2% per annum above the interest that is payable in the absence of the default.

Under the financing agreement, the Company covenants that as long as it has any outstanding obligations under the agreement it will maintain its corporate existence as a Public Enterprise. The financing agreement further provides that among other things, failure to perform or observe any obligation, covenant or undertaking to be performed or observed and such failure not being remedied within 30 days would constitute an event of default. The financing agreement provides for the consequences of events of default and permits Ericsson, in addition to any other remedies provided in the agreement or by applicable law, in its absolute discretion to elect to:

- cancel any portion of the commitment to make available credit to the Company;
- declare that the loan and all other sums payable under the agreement have become immediately due and payable on demand; and
- enforce all or any of its rights and remedies under the agreement.

Under the financing agreement the Company is required to provide its audited financial statements as soon as such statements become available, and in any event not later than 180 days after the end of each fiscal year.

Based on the Company's audited financial statements for year ended 30 June 2024, the balance on this financing agreement as at that date was USD 19,049,955, or ETB 1,113,907,948.

In order to facilitate the Offer of the Ordinary Shares, the Company needed to convert from a Public Enterprise to a share company. Therefore, the Company requested a no-objection letter from Ericsson to avoid breaching its covenants under this financing agreement. The request is under consideration by Ericsson.

9.2. Construction agreements

9.2.1. Design and build contract between the Company and CGCOC

On 20 August 2016, the Company entered into a contract with CGCOC for the provision of works relating to the design and build of the Company's headquarters on a 37,000m2 plot of land in the Ethio Information, Communication and Technology Village in Bole Sub-City, Addis Ababa whose total size would be 125,000m2. The contract appoints BET Architects PLC as the administrator of the contract to serve as the engineer for the project. The contract price is a total of ETB 4,548,792,694 broken down as follows:

a. ETB 40,500,000 for the design works; and

b. ETB 4,508,292,694 for the construction works.

The contract does not allow for the contract price to be adjusted under any condition except for additions or omissions based on changes to the floor area of the building. CGCOC is not allowed to increase or decrease the total floor area of the project beyond the limit of 125,000m2. The contract incorporates the FIDIC Conditions of Contract for Plant and Design-Build, First Edition, 1999 subject to specific amendments set out in the contract.

The timeline for completion of the design works under the contract is 75 days and 1,095 days for completion of the construction works. There is a defects notification period of 548 days. The contract expired on 11 December 2021 following 3 requests from CGCOC for an extension of the time for the completion of the project due to various reasons such as bad weather, late provision of work permits for the CGCOC's staff, shortage of foreign currency and the impact of the COVID 19 pandemic. In addition, the works relating to the Company's headquarters have been stopped temporarily due to a number of reasons: a) foreign currency shortage in Ethiopia; and b) CGCOC's requests that the contract price should be adjusted upwards and that the duration of the contract should be extended further. The Company has considered CGCOC's initial requests and has not yet approved them. CGCOC is working on a new price offer for the Company's consideration.

100% of the price for the design works has been paid to CGCOC. As at the date of this Prospectus, the estimated progress of the construction works is 80.4%, financial progress is 60.3%, and the total amount paid to the CGCOC is ETB 2,659,892,689 which is 59% of the total construction price.

CGCOC provided a bank guarantee of 10% of the contract price as a performance security under the contract and an insurance cover relating to workmen's compensation, third party liability and liability for damages or destruction of the works, buildings and the property. CGCOC is required to ensure that the performance security remains valid and enforceable until CGCOC has executed and completed the works and remedied any defects.

The Company is entitled to terminate the contract for various reasons including at its convenience by giving notice to CGCOC or where CGCOC abandons the works or otherwise plainly demonstrates the intention not to continue performance of its obligations under the contract, or without reasonable excuse fails to proceed with the works in accordance with the provisions of the contract. CGCOC is equally entitled to terminate the contract for various reasons including non-payment by the Company, substantial failure by the Company to perform its obligations under the contract, prolonged suspension of works or the Company becoming bankrupt, insolvent or going into liquidation.

9.2.2. Contract for construction of an office in Assela City

On 1 February 2023, the Company entered into a contract with Yilak Fekadu Taye (as contractor) for the construction of an office, sales and related purposes building in Assela City at the total contract price of ETB 94,241,206. The contract price is payable by the Company as follows:

- 30% advance payment upon presentation by the contractor of an unconditional advance payment guarantee from a bank or conditional payment order;
- after 15% of the construction is done, interim payment to be confirmed by the project engineer based on the work done shall be made; and
- final payment, minus 5% retention, within 90 days of submission of the final statement of accounts.

As at the date of this Prospectus, the estimated progress of the construction works is 67.0%, financial progress is 38.6%, and the total amount paid to the contractor is ETB 24,289,932 (inclusive of VAT).

The contractor was required to provide a performance bond of 5% of the contract price.

The Company is entitled to terminate the contract after giving at least 30 days' notice where the contractor fails to carry out any or all the works within the period specified in the contract, becomes insolvent or bankrupt or is in a similar state, sub-contracts without the authorisation of the Company or has engaged in corrupt or fraudulent practices in competition for or in executing the contract, amongst other reasons. The Company would also be entitled to terminate the contract for the reasons stated below:

- where the procurement requirements of the Company changes for any apparent or obvious reason;
- where it emerges that the gap between the value of the contract and the prevailing market price is so wide that allowing the implementation of the contract to proceed places the Company at a disadvantage; or
- where the Company, in its sole discretion and for any reason whatsoever, decides to terminate the contract.

The contractor is equally entitled to terminate the contract after giving at least 30 days' notice to the Company where the Company fails to pay the contractor within 45 days of a written notice from the consultant stating the overdue payment, significantly breaches its contractual obligations and does not remedy the breach within 45 days of receiving notice from the contractor, fails to abide by a final, non-appealable court decision resulting from the dispute resolution mechanism or occurrence of an event beyond the contractor's control which prevents the contractor from completing a major part of the construction for at least 60 days.

9.2.3. Contract for construction of an office in Jimma City

On 18 July 2018, the Company entered into a contract with F.E. Constructions PLC (as contractor) for the construction of an office building for the Jimma City Branch in Oromia Regional State for a construction period of seven hundred and thirty days. The contract was subsequently amended pursuant to an amendment contract that was signed by the Company on 30 January 2024 for a total contract price of ETB 410,326,365. The construction period under the contract lapsed on 30 May 2024. However, the contractor requested for an extension of the construction period and this request is under review by the Company's engineering consultant.

The contract price is payable by the Company as follows:

- 10% upon submission of a performance bond and an unconditional bank guarantee after signing of the contract;
- 10% after supply of reinforcement bars for the substructure;
- thirteen interim payments upon completion of various milestones of construction, minus 5% retention amount; and
- a final payment, minus 5% retention, is to be made within ninety days of submission of a final statement of accounts under the contract.

As at the date of this Prospectus, the estimated progress of the construction works is 89.0%, financial progress is 50.4%, and the total amount paid to the contractor is ETB 144,401,650

The contractor was required to provide a performance bond of 10% of the contract price. The contract provides that the maximum penalty for delays by the contractor in respect of the construction shall not exceed 10% of the contract price.

The Company is entitled to terminate the contract for various reasons including:

- where there is a serious breach of the contract by the contractor;
- where the contractor becomes insolvent, bankrupt or enters into any agreements with its creditors for relief of debt, other than for a reconstruction or amalgamation;

- where the procurement requirements of the Company change for any apparent or obvious reason;
- where it emerges that the gap between the value of the contract and the prevailing market price is so wide that allowing the implementation of the contract to proceed places the Company at a disadvantage; or
- where the Company, in its sole discretion and for any reason whatsoever, decides to terminate the contract.

The contractor is equally entitled to terminate the contract where the Company:

- fails to pay the contractor within 45 days of a written notice from the contractor stating the overdue payment (where such payment is not subject to dispute);
- materially breaches its contractual obligations and does not remedy the breach within 45 days of receiving notice from the contractor;
- suspends the progress of the construction or any part of it for more than 180 days for reasons not specified in the contract, or for no fault of the contractor; or
- fails to comply with a final, non-appealable decision of a court having jurisdiction over the dispute.

The contractor may also terminate the contract if an event beyond the contractor's control which prevents the contractor from completing a material part of the construction for at least 60 days occurs.

9.3. Contracts for procurement of power services

The Company has entered into 3 contracts for the procurement of power services with the following entities and on the dates stated below:

- ESCO Energy Vision PLC and Energy Vision Limited on 8 June 2023;
- Integrated Power Technologies Power Tech (Offshore) S.A.R.L and IPT Powertech Energy PLC on 26 July 2023; and
- Shenzhen Sionlight Technology Co. Limited in Joint Venture with Variety Electromechanical Engineering PLC on 28 August 2023.

Together, the 3 entities are referred to as Service Providers.

The Service Providers are energy service companies which specialise in providing reliable and effective power to mobile network operators. Under the contracts, the Service Providers agree to provide reliable energy/power services for the Company's telecom equipment and non-telecom loads up to 300MW. The Service Providers will also maintain the power supply to the Company's sites specified in each of the contracts including providing project management, design, supply, logistics, management of services, implementation and operation of power equipment, maintenance of power related equipment, quality assurance, diesel procurement and transport, electricity payments, technical support availability for 24 hours each day and 7 days a week and a backup support generator in accordance with the service level agreements entered into between the Company and the Service Providers.

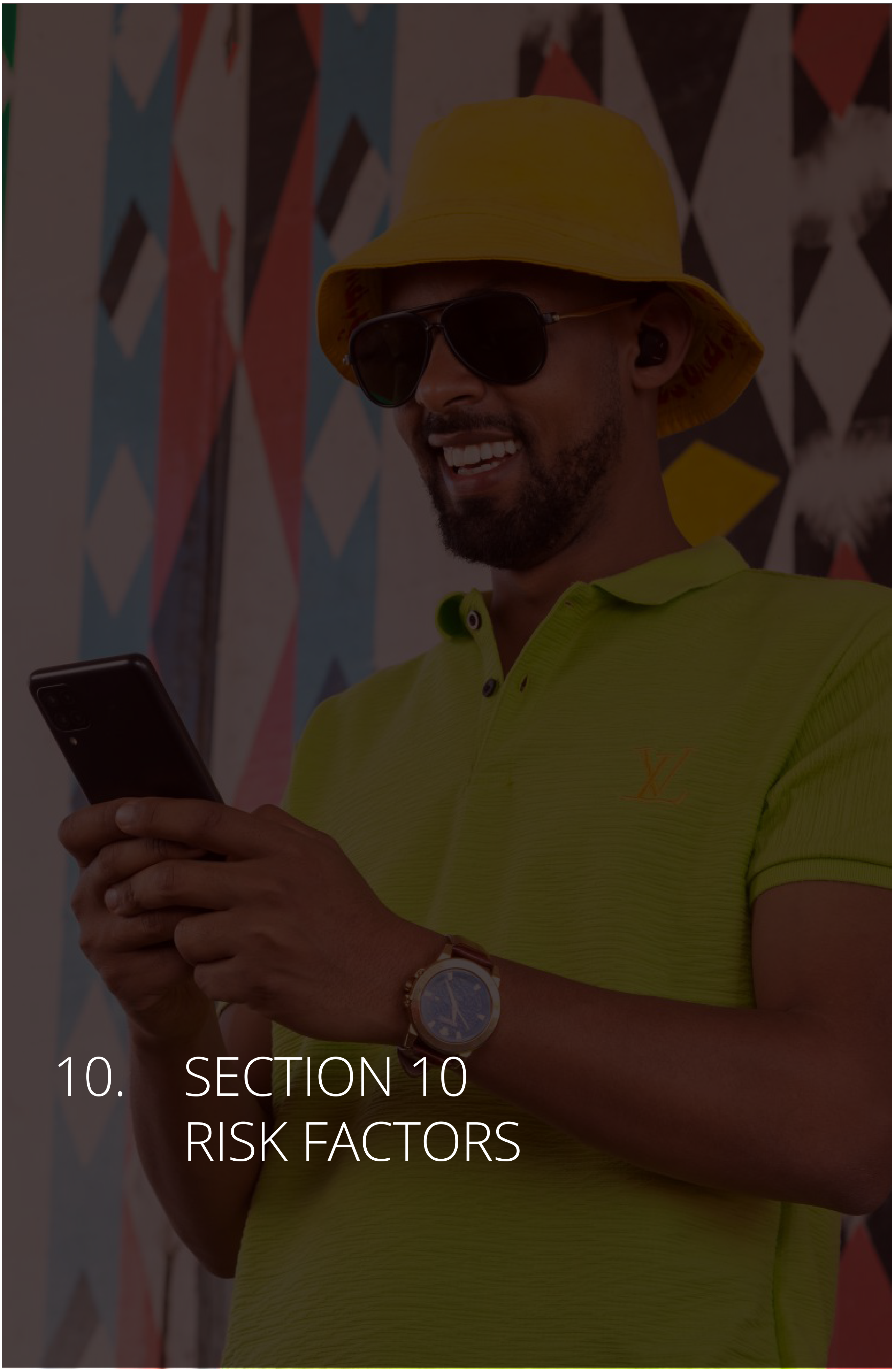
The Company can request for services from the Service Providers by way of purchase orders issued within 3 years from the effective dates of the contracts. However, the purchase orders are effective for a period of 10 years from the date of their issuance. The Company agreed with the Service Providers that they will be the only providers of the services to the sites identified under the respective contracts during the term of each contract. However, where a Service Provider breaches the terms of its contract once a purchase order has been signed and the breach is not remedied within 30 days of notice being given by the Company, the Company is entitled to purchase substitute services from any other source, and the Service Provider shall reimburse the Company any reasonable increase in the service price.

The equipment required for the Company's sites is to be purchased, supplied, installed and operated by the Service Providers who will own the equipment for 10 years from the date of each purchase order, or any extended term of the purchase order. After expiry of the period, the ownership of the equipment automatically transfers to the Company free of charge.

The Company is required to pay for the services monthly, based on a unit price for each capacity level and the quantity order for each purchase order as set out in the pricing matrix under the respective contracts. For each month, the price paid to the Service Providers depends on the number of units and amount of capacity consumed by the Company during that month. Therefore, the price varies every month for this reason. The contracts provide that the fees charged by the Service Providers should not be any less favourable than the price offered to other comparable customers of the Service Providers in relation to the overall combination of the net price, features, quality and quantities of the same or similar services.

The contracts with the Service Providers are to terminate upon the expiry of their respective terms upon which the equipment procured by the Service Providers in respect of the services shall automatically transfer to the Company. The Company can terminate the contracts prior to the end of the term if the Service Providers deviate from the agreed service levels for a period of between 4 to 6 full consecutive calendar months without remedy within 30 days of delivery of a non-compliance notice and the deviation continues for a consecutive period of between 4 to 6 calendar months as indicated in each contract.

The Company acknowledges under the contracts that the Service Providers or their affiliates intend to finance the provision of the services through their own capital and through financing facilities entered into with various financial corporate bodies and institutions. As such, the contracts grant the Service Providers the right to grant such facility providers security rights over all of the Service Providers' rights in the fees payable by the Company under the respective agreements. The Service Providers also have the right to grant the facility providers step-in rights to continue operating the businesses of the Service Providers subject to compliance with the terms of the respective contracts and service level agreements.



10. SECTION 10 RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, Prospective Investors should carefully consider the risk factors associated with any investment in the Ordinary Shares, the Company's business and the industry in which it operates, together with all other information contained in this Prospectus as a whole, including, in particular, the risk factors described below.

The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Ordinary Shares. Additional risks and uncertainties relating to the Company that are not currently known to the Company, or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Company's business, results of operations and financial condition and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. An investment in the Ordinary Shares involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial adviser or other advisers) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

10.1. Risks related to the Conversion

10.1.1. Risk relating to the privatisation of the Company and its conversion from a Public Enterprise to a Share Company

The Conversion involved the transfer of all the assets of the Public Enterprise to the Share Company including, amongst other assets, real estate property and titles, licenses, registrations, consents and goodwill. All of the Company's liabilities were also transferred from the Public Enterprise to the Share Company. However, the Company will have to undertake the administrative task of obtaining updated title documents and licenses reflecting the new name of the Company.

The Company's ownership of its real estate property is not adversely impacted by the fact that the title deeds do not bear the correct name of the Company. However, it may be a challenge to use the properties that bear the Company's former name as collateral for financing arrangements. Further, certain licenses may require specific actions to be taken, failing which the transfer of such license from the Public Enterprise to the Share Company would be ineffective. In addition, there is a risk that various legacy issues which are currently unknown may arise which will have an adverse effect on the Company's business, financial condition and results of operations.

10.1.2. The no objection letter requested from Ericsson in relation to the conversion of the Company to a Share Company is still pending and raises the potential for a dispute

As stated in paragraph 9.1.3, on 16 December 2014, the Company and Ericsson entered into a financing agreement to govern the financing of the TEP by Ericsson. Under the financing agreement, the Company covenants that as long as it has any outstanding obligations under the agreement it will maintain its corporate existence as a Public Enterprise established pursuant to the Ethio-Telecom Establishment Council of Ministers Regulation No. 197/2010. As at the date of the Conversion, the Company had outstanding obligations under the financing agreement and as at 30 June 2024, the balance on this financing agreement was USD 19,049,955, or ETB 1,113,907,948. Therefore, the Company sent a letter requesting for a no objection confirmation from Ericsson prior to the Conversion of the Company's legal form from a Public Enterprise to a Share Company. However, as at the date of the Conversion, Ericsson had not issued its no objection letter in relation to the Conversion of the Company and as at the date of this Prospectus, the Company's request is still under consideration by Ericsson. This raises the potential for a dispute with Ericsson regarding whether there has been a breach of the financing agreement.

A dispute with Ericsson in relation to the above may have an adverse effect on the Company's reputation, financial position, and results of operations.

10.2. Risks relating to the business and industry of the Company

10.2.1. The Company may face increased competition in the Ethiopian market

The Company operates in an increasingly competitive environment in Ethiopia. The Company's existing telecommunications competitors generally fall into two broad categories: (a) Safaricom, which is the only other existing telecommunications operator in Ethiopia; and (b) OTT providers of telecommunication services (such as WhatsApp and Zoom) or other non-traditional competitors or industry disruptors who rely on technological innovation to compete in established markets. Some of the Company's global competitors (such as OTT providers) and Safaricom may have greater financial, personnel, technical, marketing and other resources. In addition, the Government's liberalisation of the telecommunications sector could lead to new market entrants in the future which would result in increased competition for the Company in the Ethiopian telecommunications market.

The entry of Safaricom in the telecommunications market in Ethiopia has resulted in increased competition in the telecommunications market in Ethiopia. While the Company remains the most dominant player in the telecommunications market in Ethiopia with a 94.5% market share as at 30 June 2024, Safaricom has, since its market entry, acquired a minority portion of the market and as at 30 June 2024, Safaricom had a 5.5% market share.

The proliferation of OTT services further increases competitive risks. The growth in internet connectivity has led to the proliferation of entrants offering voice over internet protocol services or audio or video content services delivered over the internet. Such operators could displace the services that the Company provides by using the customers' internet access (which may or may not be provided by the Company) to enable the provision of voice calls and instant messaging services directly to the Company's customers. Any failure by the Company to continue to successfully transform its business model towards these data-driven products, which may be at the expense of voice calls and instant messaging to account for this industry shift, could have a negative impact on the Company's existing services and adversely impact the Company's business, financial condition, and results of operations.

In 2019, the Government liberalised the telecommunications sector through, amongst other actions, the enactment of the CS Proclamation. In this regard, Article 19 (1) of the CS Proclamation provides that telecommunications services, including ownership of a telecommunications operator or a telecommunications network, shall be open without limitation to private investors including both domestic and foreign investors. Prior to the market liberalisation, the Company was the sole telecommunication services provider in Ethiopia. However, following the market liberalisation, Safaricom entered the telecommunications market in Ethiopia. Therefore, it is possible that the Government will issue telecommunications licenses to new market entrants in the future and this would further increase competition in the Ethiopian telecommunications market.

Increased competition may lead to increased churn, a reduction in the rate at which the Company is able to add new subscribers or a decline in subscriber numbers and a decrease in the Company's market share as subscribers purchase telecommunication services, or other competing services, from Safaricom and/or increasingly switch between the two providers based on pricing and the products and services that are offered. The majority of the Company's telecommunications subscribers are prepaid. This contributes to churn, as subscribers are not contractually bound in the long-term to use the Company's services and are therefore at liberty to switch to Safaricom if it offers more attractive pricing or other advantages.

Increased competition may also lead to a decline in the prices the Company is able to charge for its services and may lead to further price declines in the future, which could adversely affect the Company's overall profitability.

The Company's success in Ethiopia may be adversely affected by the actions of Safaricom or such other new market entrants in a number of ways, including:

a. lowering prices or increasing the quality of their services, features or content;

b. developing and deploying of new or improved products and services;

c. entering into business combinations or strategic alliances; and

d. enhancing their networks.

These actions may result in increased pressure on the Company's margins or result in the Company losing its market share. Any failure by the Company to compete effectively could have an adverse effect on its business, financial condition, results of operations or prospects.

10.2.2. If the Company does not continue to provide telecommunications or related products and services that are useful and attractive to subscribers on a timely basis, it may not remain competitive

The Company's commercial success depends on providing attractive products and services such as voice, data, mobile money, connectivity, and other VAS to its subscribers on a timely basis and at a competitive cost. The services the Company offers are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services, or reduce the prices for such services.

The telecommunications industry is characterised by an increasing pace of technological change together with ongoing improvements in the capacity and quality of technology to cater to changing customer needs and expectations. Therefore, the Company is exposed to the risk that it may be late in exploiting new technological developments as compared to its competitors or the quality of its services may be affected by other companies developing and exploiting new technological developments before the Company is able to respond appropriately.

As telecommunications technology continues to develop, the Company's competitors may be able to offer telecommunications products and services that are, or are perceived to be, substantially similar or better than those offered by the Company. If the Company is not successful in anticipating and responding to technological change and changing customer preferences in a timely and cost-effective manner, the Company's quality of services, products, results of operations, financial condition, and prospects could be materially adversely affected.

In addition, if the Company is unable to anticipate customer preferences or industry changes or if the Company is unable to modify its service offerings or otherwise react to changing customer demands on a timely and cost-effective basis, it may lose customers. Although new technologies or services introduced by the Company are undertaken based on full feasibility studies and assessments, they may not prove to be commercially successful or profitable. The Company's operating results will also suffer if its new technologies and services are not responsive to the needs of its customers, are not able to be integrated with the Company's existing infrastructure, are not appropriately timed with market opportunities, are not effectively brought to market, or are not priced competitively.

As a result, the Company cannot be certain that existing, proposed, or undeveloped technologies will not become dominant in the future and render the technologies it uses less commercially viable or that the Company will be successful in responding in a timely and cost-effective manner with new developments.

10.2.3. Demand for traditional paid voice services across the telecommunications industry in Ethiopia is increasing at a decreasing rate and the demand of data services is increasing

The demand for traditional paid voice services in Ethiopia is increasing at a decreasing rate due to the increasing use of OTT and data-based VOIP services. Revenue from the Company's mobile voice services made up 48.3% and 53.3% of the Company's total revenue in the financial years which ended on 30 June 2024 and 30 June 2023, respectively, as compared to 56.9% of total revenue in the financial year which ended on 30 June 2022. Therefore, any further decline in demand for voice services across the industry may lower the revenue the Company is able to generate from interconnect services.

Although the Company has identified mobile data demand and mobile financial services (amongst others) as important drivers for future growth and has heavily invested in and upgraded its infrastructure and product offerings in response to these anticipated trends, there can be no assurance that the Company will successfully monetise the expected increase in data traffic or be able to respond to changing customer needs and expectations in a timely manner.

This could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

10.2.4. The Company may experience a failure or interruption in the operations of its telecommunications networks

The Company is dependent on the uninterrupted operation of its telecommunications networks to provide its services. Telecommunications networks are subject to risks of technical failures due to aging or underdeveloped infrastructure, theft, wilful or unintended acts of destruction or natural disasters, amongst others. Some of these risks have been discussed in the paragraphs set out below.

a. Wilful or unintended physical destruction or theft of the Company's property

The Company's property and assets could be subject to material physical damage caused by wilful destruction, theft or other criminal actions by perpetrators. The wilful destruction of property and theft are criminal offences in Ethiopia. Nonetheless, the Company's property may be subject to such criminal actions. For instance, the Company has, in the past, experienced the vandalisation of its fibre and copper cables.

The Company's property and assets may also be destroyed as the unintended consequence of the action of others. For example, from November 2020 to November 2022, there was conflict in the northern region of Ethiopia that resulted in the damage of the Company's assets. In particular, a total of 1,205 Mobile Sites in Tigray, Oromia, Amhara, Benishangul Gumuz, Afar, SNNP, and Somali were subjected to various levels of damage as a result of these conflicts. The Company has restored a total of 1,177 of these Mobile Sites and the remaining 28 Mobile Sites are currently under restoration.

Destruction or theft of the Company's property could impact the Company's ability to provide its services as it would result in disruption of the Company's services. The Company may also be required to replace or repair the assets or property of the Company which were stolen or damaged (as the case may be). These may lead to a loss of customers and revenue, resulting in a corresponding material adverse effect on the Company's business, financial condition and prospects.

b. Telecommunications networks of the Company may be adversely affected by natural disasters or other catastrophic events beyond the control of the Company

The Company as a telecommunications operator faces the risk that its business operations, technical infrastructure (including network infrastructure) and development projects could be adversely affected or disrupted by natural disasters (such as earthquakes and floods) or other catastrophic or otherwise disruptive events (such as changes to predominant natural weather, hydrologic and climatic patterns; major accidents, including chemical or other material environmental contamination; and power loss).

Furthermore, the collapse of all or part of a site or the occurrence of another site-related accident may result in property damage, injury or death, which may adversely affect the Company's financial condition and reputation. The occurrence of any of these events, or a similar such event, at one or more of the Company's facilities or in the regions in which the Company operates may cause disruptions to the Company's operations in part or in whole, may increase the costs associated with providing services as a result of, among other factors, costs associated with remedial work, may subject the Company to liability or impact the Company's brands and reputation and may otherwise hinder the normal operation of the Company's business, which could adversely affect its business, financial condition or results of operations.

c. Aging or underdeveloped infrastructure could have an adverse effect on the Company's business, results of operations and financial condition

Aging or underdeveloped infrastructure and inadequate management of such infrastructure in certain parts of Ethiopia could result in increased costs for the Company as well as create situations that could negatively impact the Company's ability to conduct business due to issues such as electricity outages, high transmission and distribution losses and poor voltage output. Aging or underdeveloped infrastructure may also make it more difficult for the Company to grow its business in line with its objectives, given the Company's reliance on infrastructure (including with respect to technology) for the provisions of its services.

Unreliable roadways or road systems, rails, pipelines, telecommunications networks, harbours or airports can cause disruptions to the Company's logistics flow and could hamper its ability to maintain its towers and other infrastructure, deliver products and provide services to customers efficiently and reliably.

The uncertainty regarding this aging or underdeveloped infrastructure increases the operational challenges of the Company, and the Company may incur costs which it did not anticipate for the purpose of developing and maintaining infrastructure. Disruptions in the supply of products or services required for the Company's operations as a result of aging or inadequate infrastructure, or the need to develop infrastructure, could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

10.2.5. The Company's information technology systems may fail to perform their functions adequately or may be interrupted

Unanticipated problems affecting any part of the Company's IT systems, such as system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of the Company's services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenue and could harm the Company's operations.

In the event the Company is exposed to cyberattacks through malware, computer viruses, credential harvesting, phishing, and other means for obtaining unauthorised access to or disrupting the operation of the Company's networks and systems (and those of the Company's suppliers, vendors and other service providers), it will have an adverse effect on the Company's business, results of operations, financial position and prospects. Cyber-attacks may cause equipment failures as well as disruptions to the Company's operations.

Cyber-attacks have increased in frequency, scope and potential harm in recent years. Perpetrators of cyber-attacks are not restricted to particular groups or persons. These attacks may be committed or enabled by the Company's employees or external actors operating in any part of the world, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective. Cyber-attacks may occur alone or in conjunction with physical attacks, especially where disruption of service is an objective of the attacker. Cyber-attacks may cause equipment failures as well as disruptions to the Company's operations. The inability to operate or use the Company's networks and systems even for a limited period of time, may result in significant expenses to the Company and/or a loss of market share to other communications providers, which will have an adverse effect on the Company's business, results of operations, financial position and prospects.

In the event the Company is exposed to cyberattacks through malware, computer viruses, credential harvesting, phishing, and other means for obtaining unauthorised access to or disrupting the operation of the Company's networks and systems (and those of the Company's suppliers, vendors and other service providers), it will have an adverse effect on the Company's business, results of operations, financial position and prospects.

Additionally, the Company's business involves the receipt, storage, and transmission of confidential information, including sensitive personal information, confidential information about the Company's employees and suppliers, and other sensitive information about the Company, such as the Company's business plans, transactions and intellectual property. Unauthorised access to confidential information may be difficult to anticipate, detect, or prevent, particularly given that the methods of unauthorised access constantly change and evolve. The Company may experience unauthorised access or distribution of confidential information by third parties or employees, errors or breaches by third party suppliers, or other breaches of security that compromise the integrity of confidential information, and such breaches can have an adverse effect on the Company's reputation and in general on its business. These events, individually or in the aggregate, may adversely affect the Company's business, financial condition, results of operations and prospects.

10.2.6. The Company may not be able to successfully implement its business strategy in its entirety

Expanding the Company's operations and achieving its business strategy and other objectives involves inherent costs and uncertainties, and there can be no assurance that the Company will achieve its business strategy and objectives (see Section 3.7 on the Company's Business Strategy and Objectives). There can be no assurance that the Company will be able to undertake these activities within the expected timeframe, that the cost of achieving any of the Company's objectives will be at expected levels, that the Company will be able to achieve its objectives within the expected timeframe or at all, or that the Company will be successful in entering new markets, engaging in new businesses and promoting new services to the extent it endeavours to do so. The Company's strategies may be affected by factors beyond its control, such as volatility in the Ethiopian market or the availability of expansion or acquisition opportunities, or obtaining requisite regulatory approvals, in a particular market in which the Company wishes to expand into.

Successful execution of the Company's expansion strategy will require effective management of its growth. The management team, operational systems and internal controls currently in place or to be implemented may not be adequate for such growth, and steps taken to hire employees and to improve such systems and controls may not be sufficient. Any failures, material delays or unexpected costs related to the implementation of the Company's growth strategy could have a material adverse effect on its business, results of operations, financial condition and prospects.

10.2.7. Current and future antitrust and competition laws in Ethiopia may limit the Company's growth and subject it to antitrust and other investigations or legal proceedings

The antitrust and competition laws and related regulatory policies in Ethiopia increasingly favour competition in the telecommunications industry and may subject the Company to a higher regulatory oversight from the ECA or prohibit the Company from continuing to engage in certain practices which would be regulated depending on market share in Ethiopia. Changes to public policy or regulatory intervention to mitigate the potential or perceived anti-competitive climate in the telecommunications industry may also impact the Company.

In 2019, Ethiopia's telecommunications industry underwent a significant transformation with the liberalisation of the sector with the promulgation of the CS Proclamation, which led to the entry of a new competitor, Safaricom, into the market on 9 July 2021 (being the date Safaricom was granted the requisite license). This liberalization was part of the Government's efforts to modernize the country's telecommunications infrastructure and increase access to telecommunications services for its citizens. The entry of Safaricom in the telecommunications market in Ethiopia has resulted in increased competition in the telecommunications market in Ethiopia. While the Company remains the most dominant player in the telecommunications market in Ethiopia with a 94.5% market share, Safaricom has, since its market entry, acquired a minority portion of the market and as at 30 June 2024, Safaricom had a 5.5% market share.

The Company has not seen a material impact to its growth and performance because of the additional competition. The Company has supported Safaricom through the Safaricom Infrastructure Agreement, which in the year ended 30 June 2024 generated revenue of ETB 1,473 million. The Company sees this as a growth opportunity whilst supporting the Government in their ambitions of providing more access and options to consumers. Notwithstanding the foregoing, there can be no assurance that the Company will not face a negative impact in its growth or performance as a result of the entry into the market by Safaricom or any other telecommunications operator that may enter the market in the future.

10.2.8. Mobile financial services are subject to a new and evolving regulatory environment

The Government's National Financial Inclusion Strategy has digital financial inclusion as one of its strategic priorities and this includes promoting digital payments through mobile financial services. However, the regulations governing mobile financial services are new and evolving and, as they develop, regulations could become more onerous, either by imposing additional licensing, reporting, pricing or control requirements or by limiting the Company's flexibility to design or implement new products, either of which may limit its ability to provide mobile money services efficiently or at all. The Company may not be able to modify its mobile money service offering to comply with any new regulatory requirement in a timely manner, or new regulations may be applied retroactively. Any failure to respond appropriately to these risks and uncertainties could reduce the Company's revenue, as well as damage its reputation.

In relation to its mobile money services, the Company competes with Safaricom's MPESA, Commercial Bank of Ethiopia's CBE Birr and other fintech or financial service providers. Actions taken by the Company's competitors as well as actions taken by the Company to maintain its market share and reputation may place pressure on its pricing, margins and profitability, as well as the ability of the Company to retain personnel. Further, the Company's competitors may introduce new products or services that make the Company unable to retain its existing customers or attract new customers at prices that are consistent with its pricing model and operating budget. The Company's pricing strategy, including any increase in the margins charged by it, may prove to be unappealing to its customers and its competitors could choose to bundle certain products and services that are competitive with those of the Company. If any of these were to occur, it is possible that the Company would have to change its pricing strategies, delay the introduction of or reverse any increase in margins or reduce its existing prices, which could have a materially adverse effect on the business, prospects, results of operations, cash flows and financial condition of the Company.

Mobile financial services involve cash handling, exposing the Company to risk of fraud and money laundering, imposition of fines or other penalties and potential reputational damage, including as a result of misconduct or collusion by the Company's mobile money partners or agents. While the Company uses enhanced controls, the risk of fraudulent activity by individuals employed by or working in partnership with the Company cannot be eliminated completely. Additionally, technical or administrative errors could result in customer losses for which the Company could be responsible, and the Company may be liable for fraud and problems related to inadequately securing the Company's payment systems.

As the regulations governing mobile money services evolve, it is not always clear whether additional licensing from the NBE or other relevant regulatory authorities could be required in order to offer mobile money services, which could include requirements to be regulated as a bank. Any such additional regulatory requirements could impose substantial costs and involve considerable delay to the provision or development of the Company's mobile money business, which could materially and adversely affect its business, results of operations, financial condition and prospects.

Further, any need to obtain licences, certifications or other regulatory approvals by the Company's mobile money partners or agents could also impose substantial costs and involve considerable delay to the provision or development of its mobile money business, or could require significant and costly operational changes, which could materially and adversely affect the Company's business, results of operations, financial condition, and prospects.

10.2.9. The Company's revenue is derived from its operations and subscribers in Ethiopia, which makes the Company vulnerable to political or economic instability in Ethiopia

The Company's revenue is derived from operations and subscribers in Ethiopia. The Company relies on this revenue to pay its operating expenses, fund its capital expenditures and meet its other obligations that may arise from time to time.

Consequently, political or economic instability in Ethiopia which may be due to, civil unrest, uprisings or conflicts in parts of the country, as well as a reversal or significant modification of critical economic policies may have adverse effects on the Company. For instance, from November 2020 to November 2022, there was conflict in certain parts of Ethiopia which resulted in the damage of the Company's assets. In particular, a total of 1,205 mobile sites in Tigray, Oromia, Amhara, Benishangul Gumuz, Afar, SNNP, and Somali were subjected to various levels of damage as a result of these conflicts. The Company has restored a total of 1,177 of these mobile sites and the remaining 28 mobile sites are currently under restoration.

Accordingly, the Company's business, financial condition and prospects depend significantly on the economic and political conditions prevailing in Ethiopia.

10.2.10. The Company may not be able to pass on increased costs to consumers

The Company's operating costs are subject to fluctuations due to changes in the cost of obtaining and maintaining licences, spectrum and other regulatory requirements, market uncertainty and prevailing macroeconomic conditions and a variety of additional factors beyond the Company's control. Fluctuations in, and volatility of variable operating costs, therefore, create a need for the Company to adjust the price at which it sells its services. There can be no assurance that the Company will be able to pass on successfully any or all of such cost increases, as the Company's ability to do so is driven by many factors, including local competitive pressure in Ethiopia, which may include price sensitivity among subscribers or pricing by Safaricom. In addition, no assurance can be given that the variable operating costs including cost of obtaining and maintaining licences, spectrum and other regulatory requirements will be sustained at levels which will enable the Company to operate profitably. Such variable operating costs may not remain at their current levels, and any volatility in these variable operating costs or any inability to pass on increased costs could have a material adverse effect on the Company's business.

10.2.11. The Company's insurance coverage may not be adequate

The Company's operations subject it to various risks that are either not fully insured against or not insured against at all, such as for acts of war and terrorism. The Company's insurance and its contractual limitations on liability may not adequately protect the Company in all cases against liability and losses for such events.

For instance, from November 2020 to November 2022, there was conflict in certain parts of Ethiopia which resulted in the damage of the Company's assets. In particular, a total of 1,205 Mobile Sites in Tigray, Oromia, Amhara, Benishangul Gumuz, Afar, SNNP, and Somali were subjected to various levels of damage as a result of these conflicts. The Company has restored a total of 1,177 of these Mobile Sites and the remaining 28 Mobile Sites are currently under restoration. The damage of the Company's assets in these regions may not be adequately covered by the existing insurance policies.

Moreover, the Company may not be able to maintain insurance at levels that it deems adequate or ensure that every contract contains adequate limitations of liabilities. There is no assurance that such insurance coverage will adequately protect the Company against liability from all of the consequences of the hazards and risks faced by the Company's business. The occurrence of an event not fully insured against, or the failure of an insurer to meet its insurance obligations, could result in substantial losses. In addition, even if insurance is available, insurance premiums or other costs may rise significantly in the future, so as to make the cost of such insurance prohibitive. Any future damage caused to the Company's assets or by the Company's products or services that is not covered by insurance, is in excess of policy limits, or is not limited by contractual limitations of liability, could adversely affect the Company's business, results of operations, financial condition and prospects.

10.2.12. Telecommunications businesses require substantial capital investment and the Company may not be able to obtain sufficient financing on favourable terms

The Company operates in a capital-intensive industry that requires substantial amounts of capital and other long term expenditures, including those relating to the development and acquisition of new networks and the expansion or improvement of existing networks. Also, as new technologies develop, the Company's equipment or internal processes may need to be replaced, upgraded or digitalised, and the Company may need to acquire additional licences and rebuild its networks in whole or in part to sustain its competitive position.

The Company may require sustained capital expenditures to periodically upgrade its existing infrastructure in response to technological advances (and to ensure that it can handle the increased number of subscribers and amounts of traffic) as well as access to related or enabling technologies to integrate new technology with existing technology. For example, in the financial years ended on 30 June 2022, 30 June 2023, and 30 June 2024, the Company's capital expenditure amounted to ETB 12,001 million, ETB 17,895 million, and ETB 19,661 million, respectively. In the past, the Company has financed these expenditures through a variety of means, including through loans and credit facilities. In relation to the year ending 30 June 2025, the Company has budgeted capital expenditures of ETB 81,400 million.

The Company's continued ability to arrange diverse sources of external financing (both debt and equity), and the cost of such financing, depends on numerous factors, including its future financial condition and results of operations, general macroeconomic and capital markets conditions, interest rates, credit availability from banks or other lenders, foreign exchange rates, foreign currency availability for loan repayment, investor confidence in the Company, applicable provisions of tax and securities laws and political and economic conditions in Ethiopia. Going forward in the longer term, any failure to arrange sufficient internal or external financing, in relation to the Company's capital needs, on a timely basis or on satisfactory terms could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

10.2.13. The Company's success relies on the Company's Executive Management, Senior Management and other highly skilled personnel

The Company's ability to maintain its competitive position and to implement its business strategy relies on the continued service of its Board, Executive Management and Senior Management. The Company's continued growth and strategic development relies on the ability of these individuals to operate effectively, both individually and as a group. The present members of Senior Management have served in the Company for an average period of 19 years and have immersed great knowledge and experience in the running and operation of the Company. If one or more of the Company's Executive Management and/or Senior Management is unable or unwilling to continue in their present position, the Company may not be able to timely identify, recruit and integrate qualified replacements without disruption to the Company's operations. The loss of a number of these individuals could have a material adverse effect on the Company's business, results of operation, financial condition and prospects.

The Company's ability to execute its business strategies in the future also depends in large part on the efforts of the Company's skilled personnel. With increased competition in the telecommunications industry due to the entry of Safaricom in the market, the Company may face increased competition for skilled employees in many job categories.

10.2.14. Fluctuations in foreign currency exchange could increase the operating and debt servicing costs of, and the financial burden on, the Company

As the Company presents its financial statements in Birr, it is exposed to risks related to the translation of revenue, assets and liabilities denominated in other currencies apart from Birr. Consequently, the Company is exposed to risks related to fluctuating exchange rates used for the translation of its revenue, assets and liabilities denominated in foreign currencies into Birr at the reporting dates.

The Company has limited foreign currency transactional exposure to exchange risk as it receives a significant proportion of its revenue in Birr. However it has entered into a number of contracts in foreign currency (primarily, the United States Dollar, the Euro and the Japanese Yen). This has given rise to revenue, assets and liabilities in different currencies, which are all exposed to foreign exchange rate fluctuations. This foreign exchange rate fluctuation risk could be exacerbated by the NBE's recent shift to a market-determined foreign exchange regime with limited interventions as part of ongoing reforms to the foreign exchange regime in Ethiopia. In this regard, the Birr to the USD exchange rate increased from a bid/ask of 57.33/58.47 as at 30 June 2024 to 112.40/123.64 as at 30 September 2024. Unless the Company's revenue increased at the same rate at which the exchange rate of Birr to USD increased, the Company's foreign currency transactions have become more expensive compared to previous financial periods. Therefore, any increase in the exchange rate of Birr to USD such as the one mentioned above could have a material adverse effect on the Company's business, financial condition and prospects.

In addition, a substantial portion of the Company's equipment is imported and requires payment in foreign currencies. Imports are subject to regulations and approvals, the availability of foreign exchange credit and the levy of customs duties (to the extent applicable). Where there is no local alternative, delays in obtaining required approvals or changes in customs duties or foreign exchange rates could lead to a delay in the acquisition of necessary equipment and adverse financial implications due to price movements in respect of such equipment, which could have a material adverse effect on the Company's business, financial condition and prospects.

10.2.15. The Company is subject to inflation risks

Ethiopia, has at times experienced relatively high rates of inflation. Ethiopia saw an increase in inflation rates in the last 3 calendar years, with consumer price inflation reaching 30.8% in 2023, 33.9% in 2022 and 26.8% in 2021. The high inflation rates have been primarily driven by supply-side and cost-push factors, global increases in fertiliser and fuel prices, as well as disruptions in the country's supply chain. High rates of inflation in Ethiopia may also cause consumer purchasing power to decrease, which may reduce consumer demand for the Company's services. It is possible that significantly higher inflation rates in the future could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

10.2.16. Increased regulatory oversight and reporting obligations which could lead to higher operations cost

The Company has historically operated as a Public Enterprise and accordingly, some of its Executive Management and Senior Management have limited experience managing a Listed company and complying with laws pertaining to Listed companies. In particular, the significant regulatory oversight and reporting obligations imposed on Listed companies will require substantial attention from the Company's Executive Management and Senior Management and may divert their attention from day-to-day management of the Company's business. Similarly, corporate governance obligations, including development and implementation of appropriate corporate governance policies on the Company's Board of Directors and its committees, will impose additional burden on the Company's Directors.

In addition, as a Listed company, the Company may need to hire additional accounting, financial and compliance resources to enable it to comply with its reporting obligations as a Listed company. These could all result in an increase in the Company's operations cost which could have an adverse effect on the Company's business, financial condition and results of operations.

10.2.17. The Company is subject to risks arising from interconnections and international roaming arrangements

The Company relies to a certain extent on interconnection with the networks of other telecommunications operators and carriers to carry calls from its subscribers to the subscribers of other telecommunications operators. The Company has interconnection and international roaming agreements with a number of other telecommunications operators which are generally regulated in their respective countries of operation and required to provide a high quality of services. Nonetheless, the Company does not have direct control over the quality of these networks (which may be variable) and the interconnections and international roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to the Company, could result in a loss of subscribers or a decrease in traffic, which could materially adversely affect the Company's business, results of operations, financial condition and prospects.

10.3. Risks relating to legal and regulatory matters and litigation

10.3.1. The Company's licenses, permits, frequency allocations or other authorisations required to operate its existing network or to expand its operations or any other required licences, permits or other authorisations

may be subject to finite terms, ongoing review or periodic renewal, any of which may result in modification, suspension or early termination

The Company's operating licences or authorisations specify the services it is permitted to offer. The operating licences are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to such licences may be amended from time to time. There can be no assurance that the relevant authorities will not take any action that could materially and adversely affect the Company's operations. In addition, the Company may have difficulty obtaining the necessary licences, permits, frequency allocations or authorisations to the extent it seeks to expand its existing operations. There can be no assurance that the Company will be successful in obtaining these non-discretionary licences or allocations, or, if such licences or allocations are awarded, that they can be obtained on terms acceptable to the Company.

The Company's main operating licences are the UTS License, which has a term of 15 years and its payment instrument issuer license, which is renewable every year. While the Company does not expect that it will be required to cease operations at the end of the term of its licences, and while many of its licences provide for terms on which they may be renewed, there can be no assurance that these licences will in all cases be renewed on equivalent or satisfactory terms, or at all. Upon termination, the licences of the Company may revert to the Government, in some cases without any or adequate compensation being paid.

If the Company fails to renew any of its licences or spectrum allocations, it may lose the ability to continue to operate the relevant business and the realisable value of its relevant network infrastructure and related assets may be materially and adversely affected. Some of these licences and other authorisations require particularly onerous and lengthy application processes to obtain and may subject the Company to ongoing compliance obligations. Moreover, if the Company fails to comply with the requirements of the applicable legislation or if it fails to meet any of the terms of its licences or spectrum allocation, the licences and other authorisations necessary for its operations may be suspended or terminated. A suspension or termination of the Company's licences or other necessary governmental authorisations could have a material adverse effect on the Company's reputation, business, results of operations, financial condition and prospects.

10.3.2. Changes to the tax laws of the country in which the Company operates or changes to the Company's tax profile could result in a higher tax expense or a higher effective tax rate on the Company's worldwide earnings

The Company is subject to changing tax laws and regulations in Ethiopia (being the country in which it operates). The Company's tax expense is based upon the tax laws in effect in Ethiopia at the time that the expense was incurred. A change in these tax laws or regulations or in their interpretation or in the valuation of the Company's deferred tax assets, which are beyond the Company's control, could result in a materially higher tax expense or a higher effective tax rate on the Company's earnings. Additionally, any expansion into new jurisdictions could adversely affect the Company's tax profile and significantly increase its future cash tax payments.

The Company's expectations regarding the tax regime applied to its operations are based on its interpretations of tax laws and regulations, and on advice received from third parties. Such interpretations may be questioned by the relevant tax authorities, and the Company could become subject to tax audits and tax reviews in Ethiopia and could become the subject of adverse tax assessments with the local tax authority. Any additional tax liability imposed by such tax authority may not be provided for and may exceed any accounting provisions made for such tax. In addition, any failure by the Company to comply with the tax laws or regulations of Ethiopia, may result in reassessments, late payment interest, fines and penalties, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

10.3.3. Changes in laws, regulations or governmental policy affecting the telecommunications industry and the Company's business activities could adversely affect the Company

The Company operates in highly regulated sectors, namely, the telecommunications sector and the mobile financial services sector. Therefore, it must comply with an extensive range of laws and regulations pertaining to the licensing, construction and operation of telecommunications networks and services, provision of mobile financial services, as implemented by relevant agencies or other regulatory bodies in Ethiopia. Amongst the most significant of these laws and regulations are those governing tariffs, customer registration and identification, the ability to offer and bundle products and services, the allocation of frequency spectrum, interconnection and access, restrictions on payment instrument issuer services and those governing the regulatory agencies that monitor and enforce regulation and competition laws that apply to the telecommunications industry in Ethiopia. Any future failures by the Company to comply with these or any of the foregoing regulations could have a material adverse effect on its business.

ECA, the regulator of the telecommunications sector, has broad powers in the administration and interpretation of telecommunication licenses and laws, rules and regulations (see Section 4.1.2 (Industry Regulator) for the powers and duties of the ECA). For example, the ECA has the power of regulating tariffs relating to communication services, modifying, renewing or revoking licenses and regulating interconnection between telecommunication networks of different service providers. The pricing strategy of the Company and the margins which the Company will be able to achieve will be influenced by ECA's price regulation and the Company's ability to compete effectively on the basis of such price. Therefore, the decisions or actions taken by the ECA in the administration and interpretation of the licenses, laws, rules and regulations could have a material adverse effect on the Company's business, financial condition and prospects.

In addition, the Company operates in Ethiopia (which is an emerging market), and as such, the interpretation and application of laws and regulations affecting telecommunications services may be subject to increased uncertainties due to developing or incomplete regulatory regimes. Further monitoring and ensuring compliance may be more difficult compared to more developed markets.

The enforcement of regulations in Ethiopia may also be subject to increased uncertainties because of the introduction of new regulatory regimes (for example, the CS Proclamation (which is the main legislation governing the telecommunications sector) was enacted in 2019 and the directives issued under the CS proclamation have been enacted after 2019). This results in limited regulatory history in relation to such new regulatory regimes.

Accordingly, although the Company seeks to comply with prevailing regulations in Ethiopia, the Company cannot provide any assurance that it will not be subject to future regulatory enforcement actions (whether as a result of new regulatory regimes or otherwise), which may include fines that could be substantial, and which could have a material adverse effect on its reputation and its business, results of operations, financial condition and prospects.

10.3.4. The Company could experience breaches of privacy laws and other information security requirements, which may materially adversely affect its reputation, lead to penalties and fines, subscriber lawsuit and/or loss of subscribers or hinder its ability to gain new subscribers

The Company retains a significant amount of subscriber and employee personal data and may be exposed to breaches of privacy laws and other information security requirements which could result in the unauthorised dissemination of personal data about its subscribers, including their names, addresses, gender, nationality, mobile phone numbers and passport, Ethiopian residence identification cards or Ethiopian driver license details. Any breach of security of the Company's databases or customer information held by the Company, including any illegal sale of the Company's subscribers' personal information, could materially adversely impact the Company's reputation, prompt lawsuits against it by subscribers, lead to adverse actions by the telecommunications regulator and other regulators, lead to a loss in subscribers and hinder its ability to attract new customers. If severe customer data security breaches are detected, the telecommunications regulator could sanction the Company, and such sanctions could include a temporary suspension of operations. These factors, individually or in the aggregate, could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

10.3.5. The Company is subject to health, safety, and environmental laws and regulations and industry standards related to the Company's operations in Ethiopia

The Company's operations are subject to various environmental and occupational safety and health laws and regulations, including those relating to the management, use, storage, disposal, emission and remediation of, and exposure to, hazardous and non-hazardous substances, materials and waste and those relating to any construction or activities on real estate sites owned or used by the Company in connection with its business operations. As the owner, lessee or operator of numerous real estate sites underlying the Company's towers, the Company may be liable for substantial costs of remediating soil and groundwater contaminated by hazardous substances, without regard to whether the Company, as the owner, lessee or operator, knew of or was responsible for the contamination.

Many of these laws and regulations contain information-reporting and record-keeping requirements or requirements to undertake environmental impact assessment prior to undertaking certain projects. Despite the Company's efforts to comply, there is a risk that the Company may be in technical breach of certain laws and regulations which are unclear or subject to interpretation. The Company may be potentially subject to significant fines or penalties if it fails to comply with any of these requirements. The requirements of these laws and regulations are complex, and could become more stringent in the future, including new laws and regulations that may increase the cost of operating these sites above currently expected levels and require substantial future capital and other expenditures. The effect of any future laws and regulations or industry standards or any changes to existing laws and regulations or industry standards, or their current interpretation, could have a material adverse effect on the Company.

10.3.6. The Company is, and may in the future be, party to litigation and legal, tax and regulatory proceedings, the outcome of which may affect the

Company's business, results of operations, financial condition and prospects

The Company is from time to time named as a defendant in legal actions, claims and disputes in connection with its business activities, which may result in litigation and which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. Such legal actions, claims and disputes may relate to the Company's current business or past operations (see Section 7.3 (Legal and Arbitration Proceedings)).

The Company cannot predict the outcome of any litigation or regulatory proceeding. If the Company is unsuccessful in defending itself in any such actions, claims or disputes, it may be compelled to pay damages or to take other actions that could have a material adverse effect on its business, results of operations, financial condition and prospects. Even if successfully resolved without direct adverse financial effect, litigation, claims or disputes of this nature could have a material adverse effect on the Company's brand and reputation and divert its financial and management resources away from the business. Additionally, in the ordinary course of business, the Company may be subject to ad hoc tax audits and reviews. There can be no assurance that any future audits will not result in additional liability.

Disputes could also lead to a termination of agreements with the Company's service providers or a material modification of the terms of those agreements, either of which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. If the Company is forced to resolve any of those disputes through litigation, its relationship with the applicable provider could be damaged or terminated, which could lead to decreased revenue or increased costs, which in turn could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

10.3.7. The Company has, is, and may in the future be, party to employment litigation proceedings brought against the Company by regional security personnel

As part of the Company's collaboration with relevant regional administrative bodies in the protection of telecommunication networks pursuant to the Protection of Telecommunications and Electric Power Networks Proclamation No. 464/2005, the Company enters into contracts with various regional authorities in Ethiopia. Under those contracts, the regional authorities employ regional security personnel to protect the telecommunications infrastructure situated in the relevant regions. For efficiency, the Company pays the security personnel directly on behalf of the regional authorities but the security personnel are not employees of the Company as they are employed by the regional authorities. As at 30 June 2024, there are 15,943 regional security personnel employed by various regional authorities but who are paid by the Company as stated above.

While the security personnel are not employees of the Company, the Company has been subject to numerous litigation cases (either as a sole defendant or as a co-defendant with the relevant regional authority) from some of the security personnel claiming to be employees of the Company and/or claiming for employee-type benefits (such as overtime payment, medical allowance, annual leave (or compensation in-lieu of such annual leave) and pension contribution). The Company has been unsuccessful in some of those litigation cases and has been required by the relevant courts to pay these employee-type benefits to the relevant security personnel.

The Company cannot predict the outcome of any of those litigation proceedings. If the Company is unsuccessful in defending itself in any such actions, claims or disputes, it may be forced to issue employment contracts to the security personnel and take up responsibility for the statutory and contractual employment benefits (possibly with retroactive effect) of such security personnel. Depending on the number of personnel involved and the extent of the benefits ordered by the relevant court, this could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. Further, litigation, claims or disputes of this nature could have a material adverse effect on the Company's brand and reputation and divert its financial and management resources away from the business.

10.3.8. Risk related with geographical disaster recovery

The NBE has mandated that mobile money companies, including the Company, should establish a geographical disaster recovery (GDR) site in compliance with the operational resilience directive. This requirement has been imposed on these companies as they offer crucial financial services. Telebirr (which is the mobile money business of the Company) has initiated the implementation of the Telebirr GDR (third site), and this is targeted to be completed in the calendar year ending 2024.

10.3.9. Risk relating to the temporary suspension of the title deed for the Company's headquarters

The Company's title deed for its headquarters located in Addis Ababa, Lideta, k. 13, HN. 9999, title deed number-13.21/76/00, issued on 07/01/1997 E.C. has been temporarily suspended by the Addis Ababa City Government Land Development and Management Bureau. The suspension is as a result of a dispute between the Company and the Ethiopian Postal Service, a joint owner of the plot regarding the division of the jointly owned compound. The 2 entities have been housed in the same office occupying separate buildings. There is no dispute over the ownership of their respective buildings. However, the 2 entities could not agree over the allotment of the parking space and the unbuilt area of the compound. The temporary suspension of the title deed will remain in place until the dispute is resolved.

The temporary suspension of the Company's title deed does not impact the Company's ownership of its headquarters building or its right to use the property for its own purposes, including the construction of its headquarters building. However, the Company cannot transfer ownership of the property or encumber it with any other security interest until the temporary suspension is lifted following the resolution of the dispute. Therefore, the Company cannot sell the property, lease it out, or use it as collateral for a loan and this may have an adverse effect on the Company's business, financial condition and results of operations if it becomes necessary for the Company to undertake any of the actions mentioned above.

10.4. Risks relating to the Company's structure

10.4.1. The Company has outstanding debts, and the structure and obligations of the debt covenants to which the Company is subject may restrict in certain conditions its ability to incur or guarantee additional indebtedness in the future

The Company requires cash to service its debt and sustain its operations. As at 31 July 2024 and 30 June 2024, the Company had ETB 16,767 million and ETB 17,686 million, respectively, in borrowings, as set out in the table below:

	As at 31 July 2024	As at 30 June 2024
ETB (millions)		
Government loan	7	7
Promissory notes	16,760	17,679
Total borrowings	**16,767**	**17,686**

There have been no material changes to the Company's indebtedness since 31 July 2024. The Company also has various current debts including payments due to the suppliers, business partners and other creditors of the Company. See Section 2.5 (Description of the Company's financing arrangements) and Section 12 (Capitalisation and Indebtedness) for more details about the indebtedness of the Company.

If the Company defaults on the payments required under any of its current or future debts, such default may trigger a default under some or all of the Company's remaining debts and result in all the Company's debts becoming payable on demand. The Company may not have sufficient funds to repay all of its debts and the accrued interest if they all become due on the same date and this could adversely affect the Company's business, financial condition and prospects.

Based on the Company's expected sources and uses of funds, the Company does not believe its ability to service its debt and sustain its operations will be affected for at least a 12-month period following the Offer.

10.4.2. Minority protection rights are provided in the Commercial Code but the Majority Shareholder will retain significant interest in, and may continue to exert substantial influence over, the Company following the Offer and the Majority Shareholder's interests may differ from those of the incoming shareholders

Immediately following the completion of the Offer, the Majority Shareholder will continue to own 90% of the issued share capital of the Company if the Offer is taken up in full. As a result, the Majority Shareholder will possess sufficient voting power to have an influence on all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. The Memorandum of Association of the Company will govern the relationship between the Majority Shareholder and the incoming shareholders and there will be no other agreement governing such relationship. In addition, as the Company has undergone the Conversion to a Share Company, the Company's management and affairs are governed under the Commercial Code. While the support of the Government and the Majority Shareholder has historically helped to drive and encourage the Company's success, the interests of the Majority Shareholder may not always be aligned with those of the incoming shareholders or the Company and there can be no assurance that the resolution of any matter that may involve the interests of the Majority Shareholder will be resolved in what all incoming shareholders would consider to be their best interests or the best interests of the Company.

10.5. Risks relating to the Offer and the Ordinary Shares

10.5.1. There is currently no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained

Any investment in the Ordinary Shares is subject to risks, and Prospective Investors should not take past performance or any past decision of the Majority Shareholder as an indication of future market demand or future performance due to, among other factors, changes to the Company's business, the competitive landscape, relevant industry trends and changes in the outlook for the telecommunications market, developments in telecommunications regulations in Ethiopia, any or all of which could be material and which may change substantially in the near or long term.

Prior to the date of this Prospectus, there has been no public trading market for the Ordinary Shares. In addition, the investors are restricted from transferring the Ordinary Shares until the expiry of the Lock-in Period (being the period from the Completion of the Offer until the Intended ESX Listing). Considering that the Lock-in Period is dependent on the Company being admitted for trading on the ESX, the Prospective Investors could be required to own/hold the Ordinary Shares for a long period of time with no option to transfer those Ordinary Shares if the Company is not admitted on the ESX for any reason. Further, although the Company intends to List through the Intended ESX Listing, the Company can give no assurance that an active trading market for the Ordinary Shares will develop or, if developed, that an active trading market could be sustained following the Company's admission to trading. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Offer Price, perhaps substantially. As a result of fluctuations in the market price of the Ordinary Shares, investors may not be able to sell their Ordinary Shares at or above the Offer Price, or at all.

10.5.2. Risk of failure in the functionality of the Application Platform

The Company has developed a technology-driven Application Platform for Prospective Investors to participate in the Offer. Prospective Investors will only be able to participate in the Offer through the Application Platform. While the Company has been extremely diligent in the development of the Application Platform (including carrying out appropriate tests to ascertain its capacity and functionality), the Application Platform may not function as expected and this may negatively impact the application process or other functions being carried out through the Application Platform. Such failure by the Application Platform may result in delays during the application process including failure to access the Application Platform altogether in the event of a significant or complete system breakdown.

10.5.3. The issuance of additional Ordinary Shares in the Company in connection with future acquisitions, any share incentive or share option plan may dilute all other shareholdings

The Company may seek in the future to raise financing to fund acquisitions and other growth opportunities. The Company may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing shareholders may suffer dilution in their percentage ownership or the price of the Ordinary Shares may be adversely affected. The Company's share incentive or share option plans may also dilute the shareholdings of existing shareholders.

10.5.4. The Company may not be able to, or may decide not to, pay dividends on the Ordinary Shares at a level anticipated by shareholders, which could reduce investors' returns on the Ordinary Shares

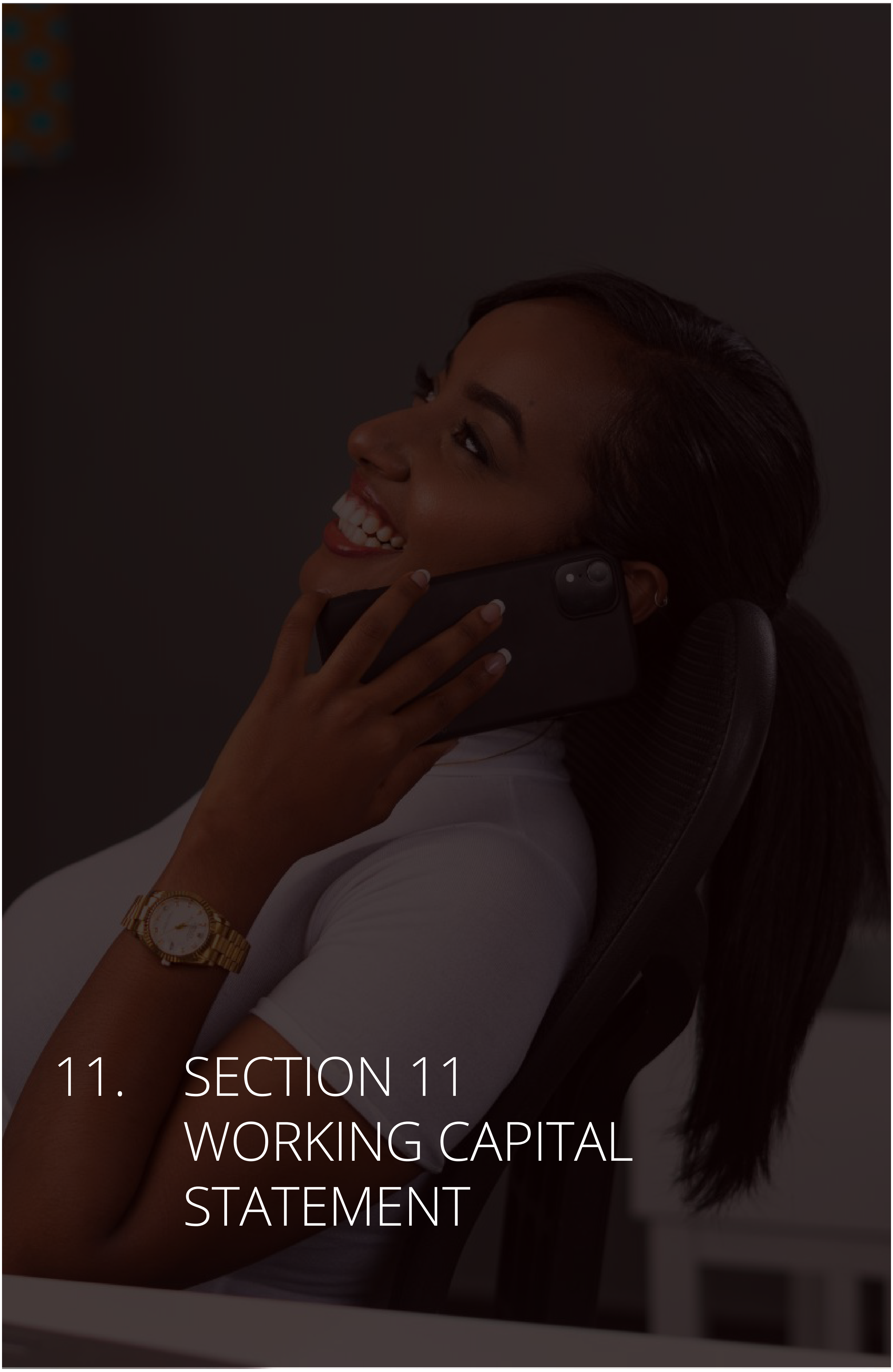
There can be no guarantee that the Company's historic performance will be repeated in the future, particularly given the entrance of Safaricom in the industry in which the Company operates, and its sales, profit and cash flows may significantly underperform market expectations. If the Company's cash flows underperform market expectations, its capacity to pay dividends may suffer.

Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, amongst other things, applicable law, regulation, the Company's financial position, the Company's distributable reserves, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors which the Board deems significant from time to time.

As at the date of this Prospectus, the Company is not subject to any restrictions on declaring dividends under its financing arrangements. However, the Company is required to comply with applicable laws in relation the declaration of dividends. See Section 7.7 (Dividend Policy) for additional information relating to the applicable law on the declaration of dividend by the Company.

10.5.5. The Offer Period might run for a long period and Prospective Investors who have made applications might experience financial loss in form of unpaid interest during the Offer Period

The Offer Period is expected to run for 79 calendar days and set to commence at 00:00 (midnight) on 17 October 2024 and run until the earlier of 17:00 on 3 January 2025 or until the total applications for the Offer reaches the Application Cap of 200,000,000 Offer Shares. The Company reserves the right to extend the Offer Period to ensure the Offer meets the stated goal of maximising the public participation in the Offer. The Company also expressly reserves the right to determine, at any time prior to the completion of the Offer, not to proceed with the Offer. If such right is exercised, the Offer (and arrangements associated with it) will lapse and any money received in respect of the Offer will be returned to investors without interest. As such, the financial loss in form of unpaid interest could be significant to a Prospective Investor where the Offer Period is extended for a prolonged period of time.



11. SECTION 11 WORKING CAPITAL STATEMENT

In the opinion of the Company, the Company has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

12. SECTION 12 CAPITALISATION AND INDEBTEDNESS

The following table sets out the capitalisation of the Company as at 31 July 2024.

	31 July 2024 *ETB thousands*
Statement of capitalisation	
Total current debt (including current portion of long-term debt)	
Unguaranteed /unsecured borrowings	3,764,915
Lease liability	288,827
Total non–current debt (excluding current portion of long-term debt)	
Unguaranteed /unsecured borrowings	13,001,808
Lease liability	731,928
Shareholders equity	
Share capital	100,000,000
Retained earnings	12,987,872
Legal reserves	3,251,996
Other reserves	39,697
Total capitalisation	**134,067,043**

The statement of capitalisation has been extracted without material adjustment from the Company's unaudited management accounts as at 31 July 2024.

The following table sets out the Company's net indebtedness as at 31 July 2024.

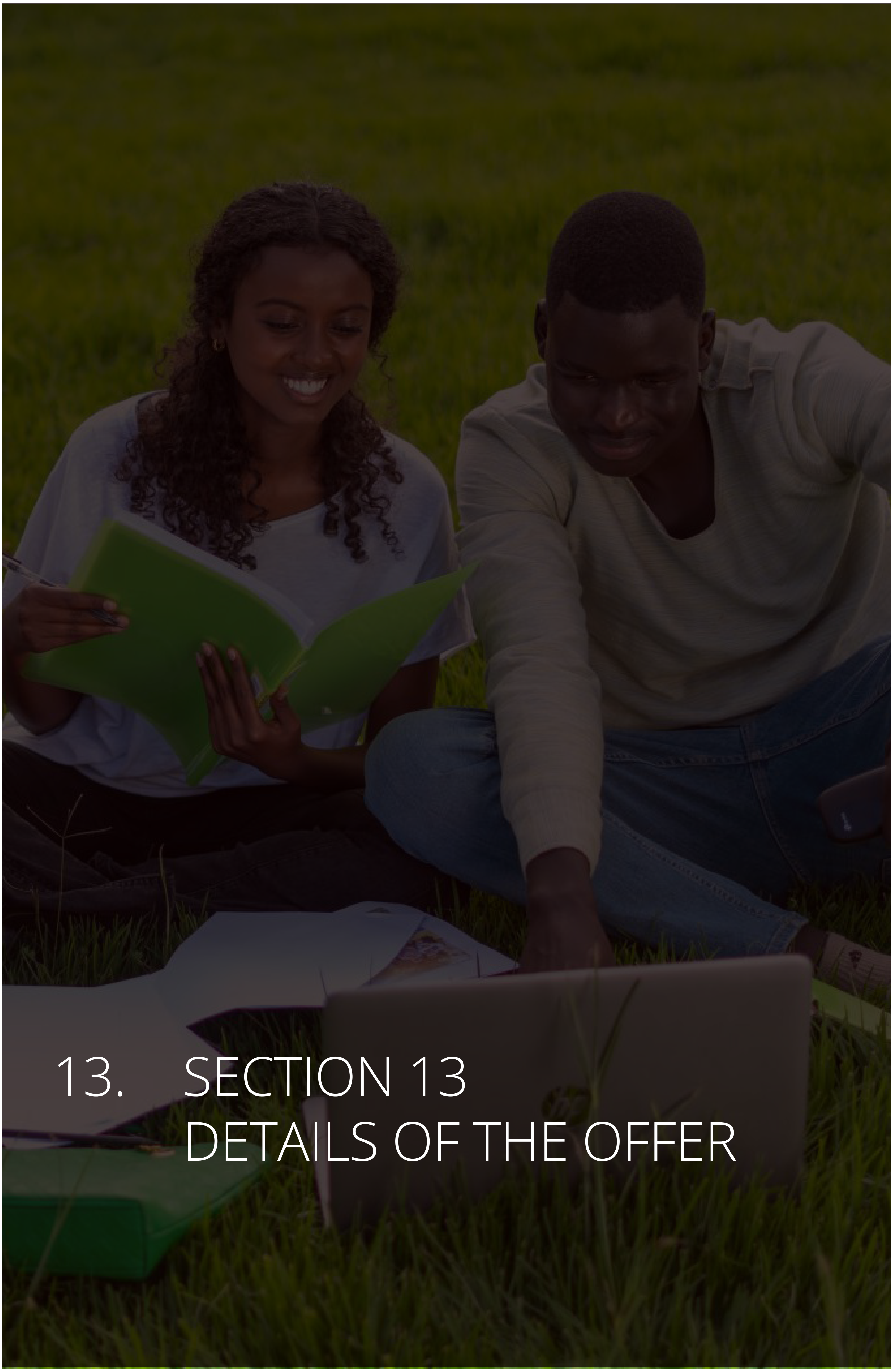
	31 July 2024 *ETB thousands*
Statement of Indebtedness	
(A) Cash and cash equivalents	31,259,495
(B) Liquidity (A)	**31,259,495**
(C) Current borrowings (incl. current position of non – current debt)	3,764,915
(D) Current lease liability	288,827
(E) Current financial indebtedness (C+D)	**4,053,742**
(F) Net current financial indebtedness (E– B)	**27,205,753**
(G) Non-current borrowings	13,001,808
(H) Non-current lease liability	731,928
(I) Non-current financial indebtedness (G+H)	**13,733,736**
(J) Net financial indebtedness (F – I)	**13,472,017**

The statement of indebtedness has been extracted without material adjustment from the Company's unaudited management accounts as at 31 July 2024.

The Company had no indirect or contingent indebtedness as at 31 July 2024.

There have been no other material loans made by third parties to the Company where such loans are material to the Company. Details of all outstanding loans of the Company, where such loans are material to the Company as of the last practicable date prior to the finalisation of this Prospectus have been included in Section 5 (management discussion and analysis on operations & financial results).

There have been no material changes to the Company's capitalisation and indebtedness since 31 July 2024.



13. SECTION 13 DETAILS OF THE OFFER

13.1. Summary of the Offer

The Offer comprises the sale of 100,000,000 Ordinary Shares at a fixed Offer Price of ETB 300 per share, which are to be sold by the Majority Shareholder.

The Company will not receive any proceeds from the sale of the Offer Shares and all such proceeds will be paid to the Majority Shareholder. The Offer Shares represent 10% of the issued share capital of the Company immediately preceding the Offer.

Pursuant to the Offer, provided that the Offer Shares are fully subscribed, the Majority Shareholder will experience a 10% dilution from the sale of the 100,000,000 Ordinary Shares. Consequently, the Majority Shareholder's shareholding in the Company will reduce by 10%, from 100% to 90%.

The Offer will be facilitated by the Company through the Application Platform. Prospective Investors can download the Application Platform by searching for Ethio Telecom Share Offer on the Telebirr Superapp. The Application Platform will be accessible from 00:00 (midnight) on 17 October 2024. The Offer is being made solely to Ethiopian citizens who are physically present in Ethiopia.

Prospective Investors can each apply for any number of Offer Shares subject to a minimum of ETB 9,900 or 33 Ordinary Shares, and a maximum of ETB 999,900 or 3,333 Ordinary Shares during the Offer Period. Prospective Investors can make multiple applications for the Offer Shares. However, the aggregate number of Offer Shares applied for pursuant to such multiple applications cannot exceed the maximum number of Offer Shares set out above. Prospective Investors are required to pay within 48 hours for the Application. Applications for the Offer cannot be withdrawn and as such Prospective Investors are advised to exercise caution when applying for the Offer. Prospective Investors are advised that in the event there is a material change to the Company during the Offer Period and the Company is required to issue a supplementary prospectus that the Offer will immediately be suspended, and Prospective Investors will be allowed to withdraw their Application as required by the ECMA. The Company does not anticipate such an event.

The Offer Period is expected to run for 79 calendar days and set to commence at 00:00 (midnight) on 17 October 2024 and run until the earlier of 17:00 on 3 January 2025 or until the total applications for the Offer reaches the Application Cap of 200,000,000 Offer Shares. The Company reserves the right to extend the Offer Period to ensure the Offer meets the stated goal of maximising the public participation in the Offer.

The Ordinary Shares will, immediately on and from the completion of the Offer, be restricted from being traded, sold, transferred or any such arrangement which takes on the nature of transferring ownership of the Ordinary Shares during the Lock-in Period. The Lock-in Period is expected to run until the Company's Intended ESX Listing, which is expected to be completed as soon as practicable after completion of the Offer, and within 12 months.

There can be no guarantee that the Company will be able to successfully complete the Intended ESX Listing and/or that the Company can successfully complete the Intended ESX Listing within its desired timeframe. Therefore, the Lock–in Period is contingent on the successful completion of the Company's Intended ESX Listing.

The Ordinary Shares held by the Majority Shareholder are freely transferable to Prospective Investors under the Offer, and there are no restrictions on transfer for the purposes of the Offer.

Pursuant to the Offer, the Prospective Investors are restricted from offering, selling or contracting to sell, or otherwise transferring or disposing of, directly or indirectly, or announcing an offer of any Ordinary Shares (or any interest therein in respect thereof) or entering into any transaction with the same economic effect as any of the foregoing, during the Lock-in Period (being from the date of the completion of the Offer until the date of the Intended ESX Listing).

The Company cannot guarantee Prospective Investors who have made a Successful Application that they will be issued the allocation that they applied for or any allocation of the Offer Shares. The allocation of the Offer Shares will be at the discretion of the Company.

There is no over–allotment included in this Offer and as such, in the event of an over-subscription of the Offer, the Company, upon completion of the allocation, will return all monies received in relation to Not Allotted Shares to the investors within 10 Working Days of the announcement of the completion of the allotment. The objective of the Offer is to maximise public participation in the ownership of the Company. The Company may reduce allocations to ensure maximum public participation in the Offer.

The Offer is expected to become effective at 17:00 EAT on 14 February 2025.

The Offer Shares will, upon completion of the Offer, rank equally in all respects with all other Ordinary Shares, including with respect to voting rights, dividends and other distributions declared, made or paid on the Ordinary Shares after the completion of the Offer.

The Company expressly reserves the right to determine, at any time prior to the completion of the Offer, not to proceed with the Offer. If such right is exercised, the Offer (and arrangements associated with it) will lapse and any money received in respect of the Offer will be returned to Prospective Investors without interest.

The Company further reserves the right to extend or shorten the timetable, or any aspect of the timetable of the Offer.

13.2. Interest of natural and legal persons involved in the Offer

The Company and the Majority Shareholder are the persons involved in the Offer. EIH is the strategic investment arm of the Government of Ethiopia. EIH's management consists of several high-ranking Government officials and is chaired by H.E. Prime Minister Abiy Ahmed. EIH will continue to control the Company subsequent to the Offer with its 90.0% holding in the Company.

There are no conflicts of interest that are relevant to the Offer.

13.3. Reasons for the Offer and use of proceeds

The objective of the Offer is to allow the Ethiopian public to participate in the ownership of the Company.

The Directors believe the Offer is a natural progression of the Company as a key step in the Company's Intended ESX Listing.

Pursuant to the Offer, the Majority Shareholder will make available 100,000,000 Ordinary Shares, raising gross proceeds of ETB 30 billion. The Company will not receive any proceeds from the sale of the Offer Shares, all of which will be paid to the Majority Shareholder. The Offer Shares will represent 10% of the expected issued Ordinary Share capital of the Company immediately following the Offer. The Company is responsible for paying the expenses for the Offer.

The Company will charge a Sales Service Fee equal to 1.5% of the total value of the Prospective Investor's application for the Offer Shares and which shall be charged to Prospective Investors on application for the Offer Shares. The related Sales Service Fee on Not Allotted Shares and on unsuccessful Applications is refundable.

13.4. Information concerning the Ordinary Shares being offered

The Ordinary Shares are fully paid Ordinary Shares with a nominal value of ETB 100 billion. The Company has and, on the Offer date will have, one class of Ordinary Shares.

13.5. The legislation under which the Ordinary Shares have been created

The Company is a Share Company registered in accordance with the Commercial Registration Proclamation and has been issued with a commercial registration certificate dated 1 July 2024 as a Share Company by the MOTRI. The Company has and, on the Offer date will have, one class of Ordinary Shares, all of which have been created under the Commercial Code.

13.6. The name and address of the persons in charge of keeping the records of the Company's shares

The Company, at its head office address, has and will be in charge of keeping the records of the Company's shares from the date of the Conversion. The Company as part of the preparation for the Intended ESX Listing will ensure appropriate infrastructure and registrar capabilities are in place ahead of the Intended ESX Listing, to enable continued record keeping in respect of the Ordinary Shares once trading on ESX has commenced on completion of the Intended ESX Listing.

13.7. Rights of the Ordinary Shares of the Company

The Company has and, on the Offer date will have, one class of shares, being the Ordinary Shares.

The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. The rights attaching to the Ordinary Shares are as set out below:

a. every Ordinary Share shall confer a right to participate in the annual net profits and to a share in the net proceeds on a winding-up;
b. the share in the profits and in the proceeds on a winding-up due to a holder of Ordinary Shares shall be calculated in proportion to his holding in the paid up capital of the Company;
c. every Ordinary Share shall confer voting rights. The voting rights attached to a shareholder shall be in proportion to the amount of capital represented by his Ordinary Shares;
d. every holder of Ordinary Shares has a preferred right, in proportion to his holding, to purchase cash shares issued on an increase of capital.

The rights attaching to the Ordinary Shares owned by the Majority Shareholder, including in respect of voting rights, are the same as the rights attaching to the Ordinary Shares that will be owned by Prospective Investors.

The Company will be subject to the continuing obligations of the ECMA with regard to the issue of equity securities for cash. The provisions of Article 448 of the Commercial Code together with Article 17 of the Memorandum of Association of the Company (which collectively confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issue of shares in the capital of the Company.

13.8. Restrictions of the transferability of the securities

The Ordinary Shares held by the Majority Shareholder are freely transferable to Prospective Investors under the Offer, and there are no restrictions on transfer for the purposes of the Offer.

Pursuant to the Offer, the investors are restricted from offering, selling or contracting to sell, or otherwise transferring or disposing of, directly or indirectly, or announcing an offer of any Ordinary Shares (or any interest therein in respect thereof) or entering into any transaction with the same economic effect as any of the foregoing, during the Lock–in Period being from the date of completion of the Offer until the date of the Intended ESX Listing.

13.9. Public takeover bids

The Company has not received any public takeover bids by third parties in the last financial year ended 30 June 2024 and in the current financial year ending 30 June 2025.

13.10. Information on the taxation treatment of the securities

The taxation treatment of the securities will be governed according to the Federal Income Tax Proclamation No. 979/2016. According to this proclamation, the following taxes could be applicable to the holders of the securities on offer.

13.10.1. Dividends

According to Article 55 of the Income Tax Proclamation, a resident of Ethiopia who derives a dividend shall be liable for income tax at the rate of 10% of the gross amount of the dividend. In addition, a non-resident who derives an Ethiopian source dividend that is attributable to a permanent establishment of the non-resident in Ethiopia shall be liable for income tax at the rate of 10% on the gross amount of the dividend.

13.10.2. Gains on disposal of certain investment assets

According to Article 55 of the Income Tax Proclamation, a person who derives a gain on the disposal of a share shall be liable for an income tax of 30%. The amount of gain on disposal of a share by a person shall be the amount by which the consideration for the disposal of the asset exceeds the cost of the asset at the time of disposal.

13.11. Terms and conditions of the Offer of securities to the public

13.11.1. Conditions

The Offer is being made only to Ethiopian citizens who are physically present in Ethiopia. The Offer is not available to any other jurisdiction outside of Ethiopia.

The Offer contains restrictions on the transferability of the Ordinary Shares during the Lock–in Period, from the completion of the Offer until the Intended ESX Listing.

13.11.2. Offer statistics

Fixed Offer Price (per Ordinary Share)	ETB 300
Total number of Ordinary Shares in issue by the Company immediately preceding the Offer[13]	1,000,000,000
Total number of Ordinary Shares in the Offer	100,000,000
Number of Offer Shares in the Offer as a percentage of total number of Ordinary Shares in issue immediately following the Offer	10%
Estimated gross proceeds of the Offer receivable by the Majority Shareholder	ETB 30,000,000,000
Estimated net proceeds of the Offer receivable by the Majority Shareholder[14]	ETB 30,000,000,000
Expected market capitalisation of the Company at the Offer Price[15]	ETB 300,000,000,000
Total Sales Service Fee payable to the Company	ETB 450,000,000

13.11.3. Expected timetable

Each of the times and dates in the table below is indicative only and may be subject to change without further notice.

Expected timetable of events	Time & Date
Publication of this Prospectus	18:00 on 16 October 2024
Commencement of the Offer Period	00:00 (midnight) on 17 October 2024
Closure of the Offer Period	17:00 on 3 January 2025*
Completion of allotment and verification	24 January 2025*
Announcement of the results of allotment	31 January 2025*
Return of monies in respect of unsuccessful applications and/or Not Allotted Shares	14 February 2025*
Crediting of Ordinary Shares to Prospective Investors' accounts	14 February 2025*

Unless otherwise stated, all above stated times are East Africa Time.
* In the event that the Offer Period closes earlier than 3 January 2025 due to the Application Cap being reached as set out in section 13.11.6, the date of closure of the Offer Period and all subsequent dates in the timetable set out above may be earlier than the dates shown.

13.11.4. Actions required to apply for the Offer

The Offer is being managed and executed by the Company. All applications for the Offer must be placed through the Application Platform. Prospective Investors must be eligible to participate in the Offer, that being a Prospective Investor must be an Ethiopian citizen, and must be physically present in Ethiopia when applying for the Offer. Additionally, Prospective Investors must have access to the Application Platform to make an application for the Offer, and payment for all applications can only be made through Telebirr mobile money. Prospective Investors should ensure they have access to

13. Represents the total number of Ordinary shares in issue following the Conversion.
14. The Majority Shareholder will not pay the expenses of the Offer, the expenses are to be borne by the Company. The Company will not receive any of the net proceeds of the Offer, all of which will be received by the Majority Shareholder.
15. The market capitalisation of the Company at any given time will depend on the price of the Ordinary Shares at the time. There can be no assurance that the market price of an Ordinary Share will be equal to or exceed the Offer Price.

Telebirr and have the appropriate funds available to make the payment for the Offer. Payment for the application is to be made within 48 hours of making the application and is to be paid in full.

In order for Prospective Investors to make an application for the Offer, there are certain actions required in advance, these being:

- be an Ethiopian citizen, and must be physically present in Ethiopia when applying for the Offer;
- register and create an account on the Application Platform;
- have available certain verification documents, being:
  - proof of identification; and
  - proof of delegation / representation and/or power of attorney (in the instance of making an application on behalf of another Prospective Investor);
- have a Telebirr mobile money account; and
- have sufficient funds available to make payment within 48 hours of making the application.

The Application Platform has been designed specifically for the purposes of the Offer. This bespoke solution has been developed to be user friendly and easy to follow. Set out below are the necessary steps required by Prospective Investors to be able to make an application for the Offer on the Application Platform.

- Access the Application Platform on the Telebirr Superapp.
- Create an account using personal details and a telephone number and password. Personal details for the purposes of creating an account include full names, email address, physical addresses and mobile telephone number. A confirmation SMS regarding creating an account will be sent to the registered telephone number provided.
- Once the Offer Period is open, Prospective Investors will be able to login to the Application Platform to make their application. Access to the Application Platform can be made by using their telephone number and password determined at registration. A verification SMS will be sent to the registered telephone number.
- The Application Platform will prompt and guide Prospective Investors through several forms with certain required fields that require populating and certain documents uploaded, all of which are required to verify the application. The key required information is set out below:
  - Personal details of the Prospective Investor including forename, surname, physical address, and mobile telephone number;
  - Proof of identification of the Prospective Investor (passport, national ID or any other form of certified Ethiopian identification) and in the instance of making an application on behalf of another Prospective Investor through delegation, proof of power of attorney; and
  - the Application Shares, being the number of Offer Shares included as part of the application, subject to the minimum and maximum number of shares as determined by this Prospectus.
- On completion of the application form and uploading the required documents, Prospective Investors will be required to confirm the application. Confirmation of the application initiates the payment process. An email will be sent to the Prospective Investor indicating that their application is in process.

- Payment for each application will comprise (i) payment for the Application Shares at a rate of ETB 300 per Offer Share; together with (ii) payment of the Sales Service Fee of 1.5% or ETB 4.50 (excluding VAT) per Offer Share.
- Payment for the application must be made within 48 hours to avoid the application being automatically cancelled. Each application for the Offer will have a Telebirr payment link attached to it. Prospective Investors must follow the link and make suitable payment. Once payment is complete, Prospective Investors should navigate back to the summary landing page, where the status of the Application will change to paid. At this stage the application is considered a Submitted Application.
- For each Submitted Application, the Company will undertake a verification process to ensure that all information as per the Submitted Application is appropriate, accurate and can be verified. The Company reserves the right to reject a Submitted Application at their discretion, after payment has been received, which is subject to the completion of the appropriate verification by the Company.
- Prospective Investors will be informed by SMS and/or email if their verification has been successful or if their application for the Offer is unsuccessful as a result of verification checks. Where the verification is completed successfully, the application is considered finished, and the Submitted Application will become a Successful Application.
- The Application Platform will be closed from making applications for the Offer at the end of the Offer Period. At this time, no further applications for the Offer can be made.

The aforementioned actions are practical steps required by Prospective Investors to make an application for the Offer.

If Prospective Investors are in any doubt as to the action they should take, they are recommended to seek their own financial advice immediately from an appropriate authorised or licensed independent financial advisor in accordance with applicable Ethiopian law.

13.11.5. The total amount of the offer

The Company is offering an aggregate of 100,000,000 Ordinary Shares under the Offer at a fixed Offer Price of ETB 300 per share raising gross proceeds of ETB 30,000,000,000. The Company has and, on the Offer date will have, one class of Ordinary Shares.

13.11.6. The Offer Period

The Offer Period is expected to run for 79 calendar days and set to commence at 00:00 (midnight) on 17 October 2024, and end on the earlier of 17:00 on 3 January 2025 or the Application Cap being reached.

13.11.7. The procedures for allotment and the return of monies (where applicable)

The Company intends to make available and allocate the 100,000,000 Ordinary Shares under the Offer to the Ethiopian public. The Company cannot guarantee Prospective Investors who have made a Successful Application for the Offer that they will be successful in being issued the allocation that they applied for or any allocation of the Offer (that is, a Successful Application does not guarantee that the applicant will receive the number of Ordinary Shares applied for). The allocation of Offer

Shares is at the discretion of the Company to ensure that the Offer meets its stated objective, which is to maximise public participation in the ownership of the Company.

There is no over–allotment option included in this Offer. As such, in the event of an over-subscription of the Offer (that is, applications for the Offer exceed 100,000,000 Ordinary Shares at the end of the Offer Period), the Company will use an algorithm to determine the number of Offer Shares to be allotted in respect of each Successful Application.

The algorithm will be broadly on a pro rata basis. However, it may be weighted to ensure smaller applications are appropriately given a larger proportion of their allocation. In addition, the algorithm will also reflect adjustments such that applicants will receive whole number of shares where a true pro rata will give fractional shares which is not possible. The exact algorithm to be applied will be determined at the discretion of the Company based on factors such as the extent of an over allotment and the number of applicants for each number of Offer Shares between the minimum and maximum. The allocation of the Offer Shares will not be impacted by the timing of when a Prospective Investor makes an Application.

Overall, the algorithm will ensure that each Successful Application receives the highest possible number of Offer Shares from the number applied for, whilst ensuring the Offer meets its stated objective.

Subsequent to the end of the Offer Period, the Company will complete verification of any remaining Submitted Applications and also complete the allotment of the Offer Shares in respect of Successful Applications. This period of verification and allotment will run up to 24 January 2025, although in the event that the Offer Period closes earlier than 3 January 2025 due to the Application Cap being achieved, the period of verification and allotment may end at an earlier date. The Company anticipates announcing results of the allotment approximately 1 week thereafter. An SMS and/or email setting out the number of Offer Shares successfully allotted (the Allotted Shares) and the number of Offer Shares not allotted (the Not Allotted Shares) in respect of each Successful Application will be sent to the associated registered email address and or mobile telephone number at the same time.

The Company, upon completion of the allotment, will return all monies (including the related portion of the Sales Service Fee) received in relation to unsuccessful applications, or in relation to monies for the Not Allotted Shares for Successful Applications, within 10 Working Days of the announcement of the results of the allotment.

Where the offer is under-subscribed (that is, applications for the Offer are less than 100,000,000 Ordinary Shares), the Company and EIH will consider the most appropriate course(s) of action in order to meet the objectives of the Offer. In this instance, Prospective Investors are likely to receive a full allotment of their Application Shares. It is anticipated that such course(s) of action could include any of the following, either in isolation or in combination:

- extend the Offer Period until such time that the number of Offer Shares applied for reaches at least the desired number of 100,000,000 Ordinary Shares;
- increase the maximum number of Offer Shares that individual investors can apply for above the current limit of ETB 999,900 or 3,333 Ordinary Shares, to allow existing applicants to apply for additional shares above the current maximum, or attract new applications from individual investors for whom the current maximum was a deterrent from making an application;

- make available the shortfall of the Offer Shares (that is, the number of Offer Shares included in the Offer less the number of Offer Shares applied for during the Offer Period), to certain other potential investors to whom the Offer is not currently being made available, for example institutional shareholders; and/or
- close the Offer at the number of Offer Shares applied for at the end of the Offer Period (that is, at the end of the Offer Period the amount of the Offer will be determined as the number of Offer Shares applied for at the Offer Price raising gross proceeds equal to this amount). In this instance, the total Offer Shares, and also the dilution of the Majority Shareholder, will be reduced by the shortfall in Offer Shares sold as compared to the intended 10.0%.

The Offer Period is from 00:00 (midnight) on 17 October 2024 to the earlier of 17:00 on 3 January 2025 or when the Application Cap is reached. Thereafter, the allotment period is expected to end on 24 January 2025. This period of verification and allotment will run up to 24 January 2025, although in the event that the Offer Period closes earlier than 3 January 2025 due to the Application Cap being achieved, the period of verification and allotment may end at an earlier date. The Company will announce the results of the allocation of the Offer to Successful Applicants 1 week after the end of the verification and allotment period.

Prospective Investors should be aware of the length of time between applying for the Offer and the receipt of Allotted Shares and/or reimbursement of monies for unsuccessful Applications or Not Allotted Shares, which could be up to 15 weeks. The Company expressly reserves the right to determine, at any time prior to the completion of the Offer, not to proceed with the Offer. If such right is exercised, the Offer (and arrangements associated with it) will lapse and any money received in respect of the Offer will be returned to Prospective Investors without interest. The Company considers the period from any Prospective Investor's Application to the completion of the Offer insufficient to warrant interest to accrue to Prospective Investors.

Prospective Investors will have their monies used as payment for Submitted Applications securely held in an independent, separate, and restricted account within Telebirr. The account has been set up solely for the Offer. Access and use of the account is restricted, and solely for the purpose of the Offer. The monies will be held in the separate Telebirr account and held separately until such time as the allocation is announced, at which point the Company will commence the process of transferring the gross proceeds for the Offer Shares to EIH, the Sales Service Fee to the Company's accounts, and then monies for unsuccessful allocations and/or Not Allotted Shares (including the related portion of the Sales Service Fee) will be transferred back to the relevant applicants as set out above. The separate account has been designed with strict access controls ensuring that Prospective Investors' monies are securely held in the account and that the monies are protected from being used for any other purpose other than the Offer. Once payment has been received into the separate account these monies are restricted from being moved, transferred, or used for any purpose other than the Offer.

13.11.8. Minimum and maximum amount of application in the number of offer shares

Prospective Investors can each apply for a minimum of ETB 9,900 or 33 Ordinary Shares and a maximum of ETB 999,900 or 3,333 Ordinary Shares during the Offer Period. The number of Applications is not limited or restricted, and as such, a Prospective Investor can make multiple applications for the Offer Shares. However, the total number of Offer Shares per applicant (regardless of the number of applications by such applicant) is limited to and subject to the minimum and maximum number of Offer Shares specified above.

13.11.9. An application cannot be withdrawn

There is no option to withdraw an application for the Offer. Prospective Investors are required to pay within 48 hours for the Application. Applications for the Offer Shares cannot be withdrawn and as such Prospective Investors are advised to exercise caution when applying for the Offer Shares.

Prospective Investors are advised that, in the event there is a material change to the Company during the Offer Period and the Company is required to issue a supplementary prospectus, the Offer will immediately be suspended, and Prospective Investors will be allowed to withdraw their Application as required by the ECMA. The Company does not anticipate such an event.

13.11.10. Method and time limits for paying for the Offer Shares

Prospective Investors are required to pay within 48 hours of making their application for the Offer. Payment is made through a Telebirr account. A link will be made available at the point of making the application for the Offer through the Application Platform and will be required in order for a Prospective Investor to successfully apply for the Offer. The total amount payable will equal the amount of the Offer Shares the Prospective Investor has applied for at the fixed Offer Price of ETB 300 per share and the corresponding Sales Service Fee of ETB 4.5 per share.

13.11.11. Announcement of the results of the Offer

The Company intends to announce the results of the Offer on 24 January 2025. The Company will correspond, through email and/or SMS, with each Prospective Investor on the results of their Application. The correspondence will include, the following:

- the number of Offer Shares the Prospective Investor applied for and the total amount paid in ETB;
- the number of Offer Shares successfully allotted to the Prospective Investor and the total cost of the successfully awarded Offer Shares (that is, the number of Offer Shares allotted at the fixed offer price of ETB 300 per share);
- The difference, if any, of the number of Offer Shares applied for as compared to the number of Offer Shares allotted to the Prospective Investor; and
- The total amount refundable, if any, to the Prospective Investor, is calculated as (i) the difference between the number of Offer Shares applied for and the number of Offer Shares allotted, multiplied by the fixed offer price of ETB 300; plus (ii) any portion of the Sales Service Fee on Not Allotted Shares.

The Company reserves the right to change the content of the correspondence. The timing of the announcement of the results of the Offer may be subject to change without further notice.

13.11.12. Categories of Prospective Investors to which the Offer Shares are to offered

The objective of the Offer is to maximise the participation by the Ethiopian public in the Offer, in particular maximising the number of individuals who can participate. The Offer is available to Ethiopian citizens who are physically present in Ethiopia at the time of the Offer.

13.11.13. Interested parties intending to subscribe to more than 5 percent of the Offer

The Company has not been made aware, directly or indirectly of any interested parties intending to subscribe to more than 5 percent of the Offer. As referred to in section 13.11.8 (Minimum and maximum amount of application in the number of offer shares), the maximum Offer Shares an applicant can apply for is 3,333 Ordinary Shares.

13.12. Pricing

The Offer Price is fixed at ETB 300 per Ordinary Share. The Offer Price was determined by the Company through a valuation of 100% of the Ordinary Shares in Ethio Telecom on a controlling, non-marketable basis as at 30 June 2024. The Offer Price is calculated as the 100% value of the Ordinary Shares of the Company of ETB 300 billion divided by the total issued Ordinary Shares of the Company of 1,000,000,000 Ordinary Shares, being the number of Ordinary Shares currently issued by the Company.

The Company engaged a third party valuation expert, Deloitte & Touche LLP (Nairobi, Kenya), to assess the valuation of the Company and an independent valuation report was prepared for the Company's Board of Directors. The valuation expert assessed an illustrative value of the Company using an income approach and a market approach. The valuation expert triangulated the outputs of the approaches for the Company's consideration. The methodology of the aforementioned approaches is set out below.

Income approach: a discounted cash flow method based on the free cash flows to the Company was applied taking into consideration certain value drivers including revenue growth, operating margin, required reinvestment in net working capital, Capex, the discount rate and the terminal value of the Company.

Market approach: a combination of comparable Listed company analysis and precedent transaction analysis was performed. The comparable company analysis involved identifying similar Listed companies and applying their respective multiples to estimate the value of the Company. The precedent transactions analysis applies prices paid for recent similar acquisitions of comparable peer companies to the metrics of the Company.

The Board, in arriving at the Offer Price, assessed the illustrative valuations of the valuation experts report in arriving at the value of the Offer Shares.

13.13. Underwriting

The Offer is not being underwritten. No such arrangements have been made by the Company and/or the Majority Shareholder.

13.14. Listing / quotation and trading arrangements

The Ordinary Shares will, immediately on and from the completion of the Offer, be restricted from being traded, sold, transferred or any such arrangement which takes on the nature of transferring ownership of the Ordinary Shares. The Lock–In Period is expected to run until the Company's Intended ESX Listing, which is expected as soon as practicable after completion of the Offer, and within 12 months.

Subsequent to the Intended ESX Listing, it is anticipated that the Ordinary Shares will be Listed, quoted and tradeable on ESX.

Refer to Section 2.4 (Intended ESX Listing) of this Prospectus for further information on the Intended ESX Listing.

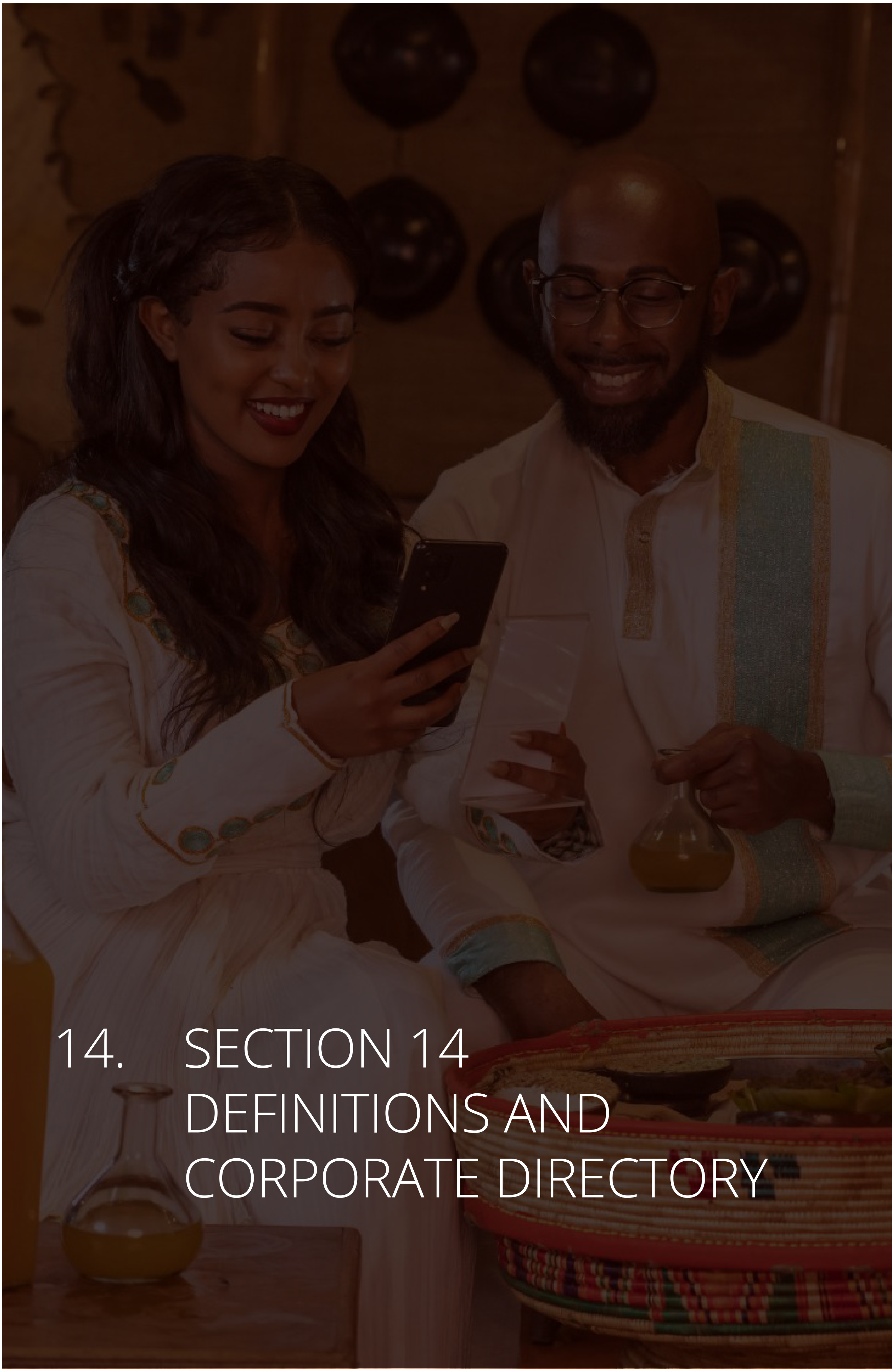
13.15. Expenses of the Offer

The Offer Expenses including, amongst others, the securities registration fee payable to the ECMA, the Company's professional fees (including Transaction Advisor, legal and audit fees) and the advertising and marketing costs of the Offer are estimated to be ETB 410 million. The Company is liable for the expenses incurred for the Offer. The Company will not receive any of the net proceeds from the Offer, all of which will ultimately be received by the Majority Shareholder.

The Company will charge a Sales Service Fee equal to 1.5% of the total value of the Prospective Investor's application for the Offer and is charged to Prospective Investors on application of the Offer. The related Sales Service Fee on Not Allotted Shares is refundable. The Sales Service Fee is refundable on unsuccessful Applications.

The below table is the itemised list of the major categories of estimated expenses incurred in connection with the issuance and distribution of the Offer. The expenses of the Offer are payable by the Company in full.

Category of Expense	Amount ETB millions
Transaction Advisor, legal and audit fees	195
Advertising and marketing	150
Application Platform development	64.6
Securities registration fee payment to ECMA	0.4
Total estimated expenses of the Offer	**410**



14. SECTION 14 DEFINITIONS AND CORPORATE DIRECTORY

Glossary of abbreviations and technical terms

In this Prospectus, any expression in the masculine shall include the feminine.
In this Prospectus, unless the context otherwise requires:

"**AI**" Artificial Intelligence.

"**AfDB**" African Development Bank.

"**AML Proclamation**" the Prevention and Suppression of Money Laundering and Financing of Terrorism Proclamation No.780/2013.

"**Application Platforms**" The purpose built Telebirr Superapp application through which Prospective Investors will place their applications for the Offer Shares.

"**ARPM**" Average Revenue Per Minute.

"**ARPU**" Average Revenue Per User.

"**ASC**" Audit Services Corporation.

"**A2P**" Application to Person SMS.

"**BA**" Bachelor of Arts.

"**Base Station**" fixed transceiver, which is the main communication point for one or more wireless mobile client devices.

"**Bn**" billion.

"**Board**"; "**Board of Directors**" the collective of the elected Directors of the Company.

"**bps**" bits per second.

"**BSc**" Bachelor of Science.

"**CAGR**" Compound Annual Growth Rate.

"**Calendar Days**" consecutive days including Saturdays, Sundays, and public holidays in Ethiopia.

"**Capex**" capital expenditure.

"**Capital Market Proclamation**" Capital Market Proclamation No. 1248/2021.

"**CBE**" Commercial Bank of Ethiopia.

"**CCE**" Cloud Container Engine.

"**CDMA**" Code Division Multiple Access, which is a telephone transmission system in which many coded calls simultaneously occupy a single channel.

"**CEO**" Chief Executive Officer of the Company.

"**CFO**" Chief Financial Officer of the Company.

"**CGCOC**" CGCOC Group Co. Ltd.

"**Commercial Code**" the Commercial Code of Ethiopia Proclamation No. 1243/2021.

"**Commercial Registration Proclamation**" Commercial Registration and Licensing Proclamation No. 980/2016.

"**Company**" Ethio Telecom Share Company.

"**Conversion**" the transition of the Company from a Public Enterprise to a Share Company.

"**Conversion Resolutions**" the resolution dated 28 June 2024 which was passed by the board of directors of the Majority Shareholder in relation to the Conversion.

"**Council of Ministers**" the Council of Ministers established under the Constitution of the Federal Democratic Re-public of Ethiopia Proclamation No. 1/1995.

"**CRBT**" Caller Ring Back Tone.

"**CS Proclamation**" Communications Service Proclamation No. 1148/2019.

"**Deloitte**" **D and T ETHIOPIA MANAGEMENT CONSULTING PLC**

"**Directors**" the members of the Board of Directors.

"**Distribution of Profits Regulation**" Distribution of Profits of Public Enterprises Council of Ministers Regulation No. 107/2004.

"**EAT**" East Africa Time.

"**EBITDA**" profit / (loss) for the year before income tax expense, net finance costs, depreciation, and amortisation.

"**EBITDA Margin**" EBITDA divided by total revenue from contracts with customers.

"**ECA**" Ethiopian Communications Authority.

"**ECMA**" Ethiopia Capital Market Authority.

"**EIH**" Ethiopian Investment Holdings.

"**EIH Dividend Directive**" Ethiopian Investment Holdings Dividend Directive No. 02/2023.

"**EIH Regulation**" Ethiopian Investment Holdings Council of Ministers Regulation No. 487/2022.

"**EIU**" Economist Intelligence Unit.

"**Ericsson**" Ericsson Credit AB.

"**ESG**" Environmental Social & Governance.

"**ESOP**" employee stock ownership plan.

"**Establishment Regulation**" Ethio-Telecom Establishment Council of Ministers Regulation No. 197/2010, as amended by the Ethio-Telecom Establishment (Amendment) Council of Ministers Regulation No. 480/2021

"**ESX**" Ethiopian Securities Exchange.

"**ETB**" or "**Birr**" or "**Ethiopian Birr**" the lawful currency of the Democratic Republic of Ethiopia.

"**ETC**" Ethiopian Telecommunications Corporation, the government-owned Public Enterprise which was the immediate predecessor to Ethio Telecom.

"**Ethiopia**" the Federal Democratic Republic of Ethiopia.

"**Ethio Telecom**" the Company.

"**Executive Management**" the Chief Executive Officer and Chief Financial Officer of the Company.

"**External Auditors**" the Audit Services Corporation.

"**FDIs**" Foreign Direct Investments.

"**FBB**" Fixed Broadband.

"**Financing Reporting Proclamation**" Financial Reporting Proclamation No. 847/2014;

"**GDP**" Gross Domestic Product.

"**GEF**" Global Environment Facility

"**Government**" the Government of Ethiopia.

"**GSM**" Global System for Mobile Communications.

"**GSMA**" Global System for Mobile Communications Association.

"**GTP**" Growth Transformation Plan.

"**H.E**" His/Her Excellency.

"**Historical Financial Information**" the audited historical financial information for the years ended 30 June 2024, 30 June 2023 and 30 June 2022 as set out in Section 7.1 (Historical Financial Information).

"**HTTP**" Hypertext Transfer Protocol.

"**Huawei**" Huawei Technologies Co. Ltd

"**IaaS**" Infrastructure as a Service.

"**IAS**" International Accounting Standards.

"**IASB**" International Accounting Standards Board.

"**IFRS**" International Financial Reporting Standards.

"**IMF**" International Monetary Fund.

"**Intended ESX Listing**" the Company's intended listing on the Ethiopian Securities Exchange.

"**IPTV**" Internet Protocol Television, which is the delivery of television content over Internet Protocol networks.

"**IRUs**" Indefeasible Right of Use.

"**IT**" information technology.

"**JPY**" Japanese Yen.

"**Km**" kilometres.

"**KPIs**" Key Performance Indicators.

"**KYC**" Know Your Customer.

"**Leverage Ratio**" net debt divided by EBITDA.

"**LIBOR**" London Inter-bank Offered Rate.

"**Listing**" the admission of a security to the official list of a securities exchange; and the terms 'List' and 'Listed' shall be construed accordingly.

"**LTE**" the Long-Term Evolution, which is a fourth-generation (4G) wireless standard.

"**M**" million.

"**Majority Shareholder**" Ethiopian Investment Holdings.

"**MBps**" megabits per second.

"**Memorandum of Association**" an instrument drawn up to establish a business organization, as described in the Commercial Code.

"**MFS**" or "**Mobile Financial Services**" Mobile Financial Services.

"**MHz**" Megahertz.

"**MMS**" Multimedia Messaging Service.

"**MNO**" Mobile Network Operator.

"**MO**" Money Offer.

"**Mobile Site**" base transmission station.

"**MoF**" Ministry of Finance.

"**MOTRI**" Ministry of Trade and Regional Integration.

"**MPESA**" the mobile money platform offered by Safaricom Telecommunications Ethiopia Plc.

"**MVNO**" Mobile Virtual Network Operator.

"**MySQL**" My Structured Query Language.

"**National Payment System Proclamation**" National Payment System Proclamation No. 718/2011 (as amended by Proclamation No. 1282/2023).

"**NBE**" National Bank of Ethiopia.

"**No**." number.

"**Non-IFRS Measures**" measures to measure operating performance and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of the Company's operating cash flow and liquidity. These measures include EBITDA, EBITDA Margin, Operating Free Cash Flow, and Leverage Ratio.

"**Non-residents**" persons whose normal place of residence, domicile or registration is outside of Ethiopia.

"**OCI**" Other Comprehensive Income.

"**OFC**" Optical Fibre Cable, which is a high-speed data transmission medium that carries light beams.

"**Offer**" the sale of 100,000,000 Offer Shares by the Majority Shareholder.

"**Offer Expenses**" The total costs, incidental to the Offer including, amongst others, the securities registration fee payable to the ECMA, the Company's professional fees (including Transaction Advisor, legal and audit fees) and the advertising and marketing costs of the Offer.

“**Offer Period**” the period during which the Offer for the sale of the Offer Shares to the public remains open.

“**Offer Price**” the fixed price per share of 300 Birr per Offer Share.

“**Offer Shares**” 100,000,000 Ordinary Shares being made available to the public by the Majority shareholder.

“**OLT**” Optical Line Terminal.

“**Operating Free Cash Flow**” net cash generated from operating activities before income tax paid, changes in working capital, other non-cash items, non-operating income, charity and donation less capital expenditures.

"**OPEX**" operating expenses.

“**OPGW**” Optical Ground Wire, which is a type of cable that is used in overhead power lines. It combines the functions of grounding and communications.

“**Optical Site**” backbone transmission/OTN.

“**Ordinary Shares**” the ordinary shares of nominal value ETB 100 in the Company.

"**OTT**" Over-The-Top.

“**PaaS**” Platform as a Service.

"**Payment Instrument Issuers Directive**” Licensing and Authorisation of Payment Instrument Issuers Directive No. ONPS/09/2023.

“**Partial Privatisation**” the proposed partial privatisation of the Company through the sale of up to forty five percent (45%) of the equity share capital of the Company.

“**PCS**” Power Conditioning System.

“**PEHAA Regulation**” Public Enterprises Holding and Administration Agency Regulation No. 445/2019.

“**Person**” a physical or juridical person.

“**PHD**” Doctor of Philosophy.

“**PMO’s Letter**” a letter issued by the Office of the Prime Minister on 13 May 2022 Ref, No.m30-20/928/4.

“**POS**” Point Of Sale.

“**PPE**" Property Plant and Equipment.

“**Privatisation Proclamation**” Public Enterprise Privatisation Proclamation No. 1206/2020.

“**Proclamation No. 1263**” Definition of Powers and Duties of Executive Organs Proclamation No. 1263/2021.

“**Prospective Investors**” Ethiopian citizens who are physically present in Ethiopia and willing to participate in the Offer.

“**Prospectus**” this document.

“**Public Enterprise**” a wholly state owned public enterprise established pursuant to the Public Enterprises Proclamation No. 25/1992 to the carry on for gain manufacturing, distribution, service rendering or other economic and related activities.

“**Public Enterprises Proclamation**” Public Enterprises Proclamation No. 25/1992.

"**RAN**" Radio Access Network.

"**RCS**" Rich Communication Services, which is a type of text-based protocol for mobile devices with better features such as group chat and video call.

"**Repealed Payment Instrument Issuer Directive**" the Licensing and Authorisation of Payment Instrument Issuers Directive No. ONPS/01/2020 (now repealed by the Payment Instrument Issuers Directive).

"**Repeater**" microwave radio regeneration station.

"**RPU**" Revenue Per User.

"**SaaS**" Software as a Service.

"**SADC**" South African Development Community.

"**Safaricom**" Safaricom Telecommunications Ethiopia Plc.

"**Safaricom Infrastructure Agreement**" the five-year agreement entered into between the Company and Safaricom in April 2022 for sharing backbone transmission infrastructure, which includes fibre cables and microwave links, and a ten-year power and tower infrastructure sharing agreement entered into between the Company and Safaricom.

"**Sales Service Fee**" the fee equal to 1.5% of the total value of a Prospective Investor's application for the Offer. The Sales Service Fee is non-refundable for Successful Applicants and is charged to Prospective Investors on application of the Offer. The related Sales Service Fee on Not Allotted Shares is refundable.

"**Service Providers**" being ESCO Energy Vision PLC &Energy Vision Limited; Integrated Power Technologies Power Tech (Offshore) S.A.R.L & IPT Powertech Energy PLC ; and Shenzhen Sionlight Technology Co. Limited in Joint Venture with Variety Electromechanical Engineering PLC.

"**share**" a portion of ownership interest in a Share Company.

"**Share Company**" a company whose capital is fixed in advance and divided into shares and whose liabilities are met only by the assets of the company.

"**SIM**" Subscriber Identification Module.

"**SLA**" Service Level Agreement.

"**SMS**" Short Message Service.

"**SOFR**" Secured Overnight Financing Rate.

"**SOE Proclamation**" the Federal Government-Owned Enterprises Proclamation No. 1314/2024.

"**SSA**" Sub-Saharan Africa.

"**State Holding Company**" a wholly state-owned business entity established to hold, own, supervise and exercise control over State-Owned Enterprises and partially owned enterprises on behalf of the Government.

"**State-Owned Enterprise**" any of the following;

i. a wholly or majority Government-owned business organisation established pursuant to a regulation of the Council of Ministers or the establishing law of a State Holding Company;
ii. a business organisation formed by the conversion of a wholly State-Owned Enterprise into a Share Company pursuant to the Privatisation Proclamation; or
iii. a business organisation in which the state holds a golden share or exercises effective control while holding minority share in an enterprise.

"**Submitted Application**" an application for Offer Shares where payment has been made but verification is not yet complete.

"**Successful Application**" an application for Offer Shares where payment has been made and verification has been successfully completed.

"**Successful Application**" a person whose application for Offer Shares has been accepted, payment has been made, and verification has been successfully completed.

"**Telebirr**" the Company's Mobile Financial Services offering.

"**Telebirr Superapp**" the Company's all in one mobile app that enables access to a wide range of the Company's services.

"**Telecoud**" the Company's cloud-based service with a cloud -based omni-channel contact center.

"**Telecommunications Competition Directive**" Telecommunications Competition Directive No. 798/2021.

"**Telecommunications Consumer Rights and Protection Directive**" Telecommunications Consumer Rights and Protection Directive No. 832/2021.

"**Telecommunications Interconnection Directive**" Telecommunications Interconnection Directive No. 791/2021.

"**Telecommunications Lawful Tariffs Directive**" Telecommunications Lawful Tariffs Directive No. 797/2021.

"**Telecommunication Licensing Directive**" Telecommunications Directive No. 792/2021.

"**Telecommunications Quality of Services Directive**" Telecommunications Quality of Services Directive No. 794/2021.

"**TEP**" Telecom Expansion Project.

"**Transaction Advisor**" D and T Ethiopia Management Consulting PLC.

"**UMTS**" Universal Mobile Telecommunications Standard.

"**UNEP**" United Nations Environmental Programme

"**USD**" or "**$**" or "**US$**" or "**US dollars**" or "**US cents**" or "**cents**" the lawful currency of the United States of America.

"**USSD**" Unstructured Supplementary Service Data. A service that allows mobile phone users to interact with a remote application from their device in real time.

"**UTS License**" Unified Telecommunications Services License.

"**VAS**" Value Added Services.

"**VAT**" Value Added Tax.

"**VOIP**" Voice Over Internet Protocol, which is a technology that allows users to make voice calls using a broadband Internet connection instead of a regular phone.

"**VSAT**" Very Small Aperture Terminal.

"**WIP**" Work in Progress.

"**Working Day**" any day that is not a Saturday, Sunday or public holiday in Ethiopia

"**ZTE**" ZTE Corporation.

Corporate Directory

The Company's head office is at:

Churchill Road
P.O. Box 1047
Addis Ababa
Ethiopia
Telephone: +251115515700
Website: www.ethiotelecom.et
Email: 994@Ethiotel.com.et

Zone and regional offices

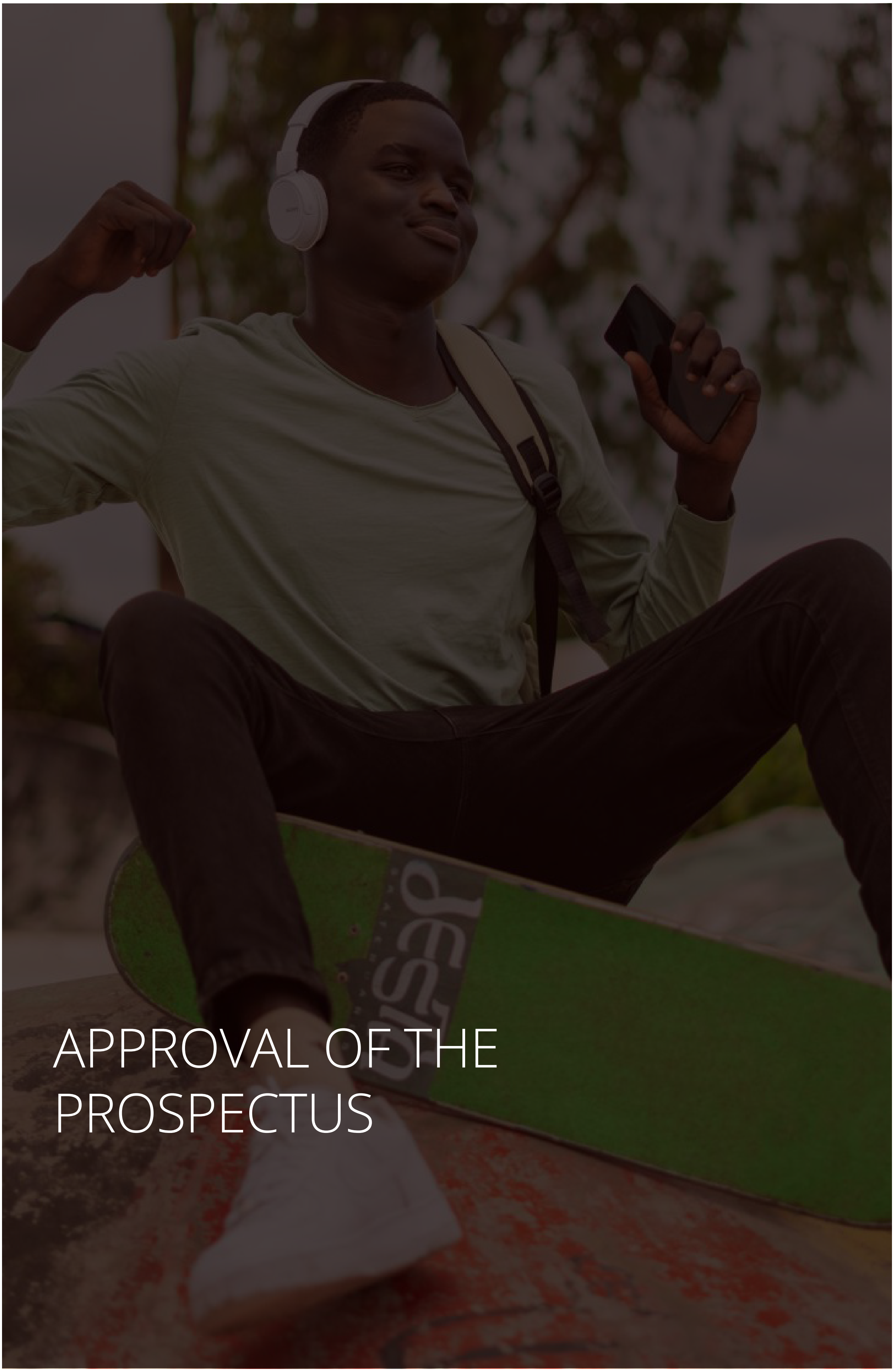
The Company operates in 23 zones and regions, 6 zones in Addis Ababa and 17 regional offices, and as 30 June 2024 operated through a network of 902 branches. The Company's Addis Ababa offices can be contacted through the Company's head office. The Company's regional offices may be contacted at their addresses below.

Southwest regional office at: G7XC+GH, Adama Ethiopia Telephone: +251221117739	**Central west regional office at:** XVJ2+WPR, Ambo Ethiopia Telephone: +251112609888
West west regional office at: 3G7Q+96M, Assosa Ethiopia Telephone: +251577750566	**Northwest regional office at:** H9XC+QRF, Bahir Dar Ethiopia Telephone: +251582201414
Central North regional office at: MGHM+C6J, Debre Brihan Ethiopia Telephone: +251116375430	**Northeastern regional office at:** 4J9M+67W, Dessie Ethiopia Telephone: +251331114211
Eastern regional office at: HVR6+R5J, Dire Dawa Ethiopia Tel – +251251112828	**Southwest West regional office at:** 7H2Q+WPV, Gambela Ethiopia Tel – +251475510025
North Northwest regional office at: JF79+695, Gondar Ethiopia Telephone: +251581116262	**Central East regional office at:** 846C+G2M, Harar Ethiopia Telephone: +251256595464
South regional office at: 2FXQ+28Q, Hawassa Telephone: +251462214300	**Eastern East regional office at:** A10, Jigjiga Ethiopia Telephone: +2512527786464
Southwest regional office at: MRGH+8H9, Jimma Ethiopia Telephone: +251471260006	**North regional office at:** FFQC+M3M, Mekelle Ethiopia Telephone: +251344405000

West regional office at: 3HQ2+43J, Nekemt Ethiopia Telephone: +241576612029	**Northeast East regional office at:** Q2R6+Q3W, Semera Ethiopia Telephone: +251336660370
South South West regional office at: VQ65+3JG, Wolaita Ethiopia Telephone: +251461803258	

The Company's registrar

The Company's registrar is Ministry of Trade and Regional Integration and their address is:
Arada Sub City
Addis Ababa
Ethiopia
Phone number: +251115513990
Website: motri.gov.et



APPROVAL OF THE PROSPECTUS

Approval of the Prospectus by the members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer

Signatories

Name	H.E Temesgen Tiruneh – Chairman of the board of directors
Date	
Signature	
Name	H.E Dr. Eyob Tekalign - Deputy Chairman of the Board and member of the Finance & Risk Management subcommittee
Date	
Signature	
Name	H.E Ato Worku Gachena – member of the Board and the Business Development & Strategy subcommittee
Date	
Signature	
Name	H.E Ato Muluneh Desalegn – member of the Board and the Finance & Risk Management subcommittee
Date	
Signature	
Name	H.E Ato Yodahe Arayaselassie – member of the Board and the Human Resource Management subcommittee
Date	
Signature	12 oct 2024
Name	H.E Ato Kasahun Seboka – member of the Board and the Human Resource Management subcommittee
Date	Oct 11/24.
Signature	
Name	Frehiwot Tamiru Gebremariam – Chief Executive Officer
Date	
Signature	14 Oct 2024
Name	Asseged Ayele Wendimkun – Chief Financial Officer
Date	
Signature	