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Ethiopian Capital Market Authority

DIRECTIVE NUMBER 1030/2024

PUBLIC OFFERING AND TRADING OF SECURITIES DIRECTIVE

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Preamble

Whereas, the Capital Market Proclamation No. 1248/2021 instructs the Ethiopian Capital Markets Authority to determine the requirements for public offering and trading of securities by a directive;

Whereas, it is necessary to provide for a regulatory framework that allows for effective and efficient regulation of public offering and trading of securities and which protects investors' interest; ensures the existence of an orderly, fair, efficient and transparent capital market; and promotes the development of capital market in Ethiopia;

Now, therefore, the Authority hereby issues this Directive on the Public Offering and Trading of Securities in accordance with Articles 75, 76, 77, and 108(2) of the Proclamation.

CHAPTER ONE
GENERAL PROVISIONS

1. Short Title

This directive may be cited as the "Public Offering and Trading of Securities Directive Number 1030/2024".

2. Definitions

Unless the context otherwise requires:

1/ **"Proclamation"** means the Capital Market Proclamation No. 1248/2021.

2/ **"Allotment Policy"** means the criteria set by the Issuer regarding the allocation and distribution of securities to investors in respect of an offering.

3/ **"Book Building"** means the process undertaken by or on behalf of an Issuer to assess the demand and determine the price for an Issuer's securities prior to their issuance.

4/ **"Book Closure Date"** means a date on which only security holders duly registered as shareholders at such date would be entitled to receive the benefits or participate in actions for which a closure date is determined.

5/ **"Book Runner"** means a person that is responsible for handling the Book Building process.

6/ **"Bonus Shares"** means shares of an Issuer distributed to shareholders in proportion to their existing holdings without the requirement for any additional cash or in-kind payment.

7/ **"Business Days"** means calendar days excluding Saturdays, Sundays, and

public holidays observed in the Federal Democratic Republic of Ethiopia.

8/ **"Calendar Days"** means consecutive days, including Saturdays, Sundays, and public holidays observed in the Federal Democratic Republic of Ethiopia.

9/ **"Certificate of Commercial Registration"** means a legal document issued by the Government of Ethiopia to verify the legal existence and registration of a commercial entity pursuant to the Commercial Code, Commercial Registration and Licensing Proclamation No. 980/2016, and any amendments or succeeding as thereto.

10/ **"Certificate of Registration of Securities"** means a legal document issued by the Authority upon registration of an Issuer's securities.

11/ **"Certification"** means the act of attesting the authenticity of a corporate document by the corporate by signed and sealed letter.

12/ **"Commercial Code"** means the Commercial Code of the Federal Democratic Republic of Ethiopia, Proclamation No. 1243/2021, and any amendments or succeeding as thereto.

13/ **"Company Under Formation"** means a share company that is being formed by a public subscription as referenced in Article 258 of the Commercial Code.

14/ **"Compliance Advisor"** means an Investment Bank licensed by the Authority, other eligible Capital Market Service Providers licensed by the Authority, or a lawyer or an auditor approved by the Authority, as described in Article 14 of this Directive.

15/ **"Convertible Loan Agreement"** means a loan agreement between an Issuer and an investor that can be converted into a determinable number of equity shares on specified terms and conditions.

16/ **"Equity Valuation Report"** means the report issued by a Transaction Advisor in relation to the valuation of the Shares to be issued pursuant to a

Public Offer or the Securities to be Listed on a Securities Exchange.

17/ **"Escrow Account"** means a blocked account opened in a bank licensed by the National Bank of Ethiopia where funds are held in custody while the offering process is completed.

18/ **"Expert"** means a person who is suitably qualified or experienced and very knowledgeable or skilled in a particular area.

19/ **"External Auditor"** means an auditor licensed by a relevant authority to perform audit services and approved by the Authority.

20/ **"False Market"** means an instance where there is misinformation or incomplete information in the market that compromises proper price discovery of a security.

21/ **"Feasibility Report''** means the report provided by an appropriate Expert on the assessment of the practicality or viability of a proposed plan or project, which includes information on the proposed business, its risks and potential, and other relevant information that will enable an investor to fully understand the nature of the proposed plan or project.

22/ **"High Net Worth Individual"** means an individual with a net worth of at least 10,000,000 (ten million) Birr, excluding automobile and primary residence, or such amount as may be prescribed by the Authority.

23/ **"Institutional Investor"** means:

a. banks, insurance companies, microfinance and other financial institutions.

b. Federal and regional governments.

c. Collective Investment Schemes, including private equity funds and hedge funds;

d. State owned enterprises;

e. Pension and retirement funds or arrangements; or

f. Any other institution as the Authority may determine from time to time based on its financial capacity and the ability to appreciate investment and investment risk.

24/ **"Information Memorandum"** means a document providing information in relation to securities, the offer and the issuer.

25/ **"Internal Control"** means the policies, procedures, and practices put in place by management to ensure the safety of assets, the accuracy of financial records and reports, the achievement of corporate objectives, and compliance with laws, regulations, and applicable corporate governance standards.

26/ **"Investment Permit"** means authorization received from the relevant governmental entity to carry out investment activities in Ethiopia.

27/ **"Issuer"** means an entity that issues securities.

28/ **"Listing by Introduction"** means the process by which issued Securities are Listed on a Licensed Securities Exchange without concurrently raising additional capital.

29/ **"Listing"** means the admission of a security to the official list of a Licensed Securities Exchange, and the terms 'List' and 'Listed' shall be construed accordingly.

30/ **"Material Contract"** means a contract that could significantly impact the financial performance or operations of an issuer.

31/ **"Material Information"** means any information that may affect the price of a security or influence investment decisions, including both material facts and material changes relating to the business, financial performance and related affairs of a company.

32/ **"Memorandum of Association"** means an instrument drawn up to establish a business organization according to the Commercial Code of Ethiopia Proclamation no.2043/2021.

33/ **"Minimum Subscription Amount"** means the minimum amount set to be raised by an issuer to implement the business plan or undertaking as indicated in the Registration Statement.

34/ **"Offer Document"** means any document containing relevant information to help an investor make securities related investment decision. Such documents may include Prospectus, Information Memorandum or any equivalent document.

35/ **"Offer"** means a proposition for subscription or an Offer for sale of securities.

36/ **"Offer for Sale"** means the Offer of all or a portion, of the securities held by securityholder(s) of the issuer to the public wherein proceeds go to the security holder rather than the Issuer.

37/ **"Offer for Subscription"** means the Offer of Securities where an Issuer invites investors to purchase newly issued Securities.

38/ **"Offer Period"** means the period during which an Offer of Securities remains open for subscription.

39/ **"Preferred Right of Subscription"** means a shareholders' right to purchase additional shares in proportion to their existing holdings.

40/ **"Preliminary Prospectus"** means the initial Prospectus used in a Book-Building process, which does not have complete particulars on the price and quantum of Securities to be issued.

41/ **"Pricing Supplement"** means a document that provides an updated price, issue date, size, tenure, and utilization of proceeds of a specific Offer under a Shelf Registration.

42/ **"Professional Parties"** means advisers, Experts, or anyone performing related activities during the registration and offering process in a professional capacity.

43/ **"Profit Forecast" or "Earnings Forecast"** means a prediction for an Issuer's future financial performance, expressed as net income, earnings or profit.

44/ **"Promoter"** means the Person described in the Commercial Code of Ethiopia proclamation no. 1243/2021.

45/ **"Publicly Held"** means, in reference to a "Publicly Held Company" or an "Issuer of Securities which are Publicly Held", the Securities a share company have been subject to a public subscription as set out in the Commercial Code and that are currently held by more than fifty (50) security holders.

46/ **"Qualified Investor"** means a buyer of securities with a high level of financial sophistication or capacity to appraise investment opportunities and risk shall include:

a. Institutional Investors as defined by this Directive;

b. High-Net-Worth Individual as defined in this Directive; and

c. Any other category of investors as the Authority may determine from time to time.

47/ **"Quoted"** means the placement of a bid or offer price for the purpose of buying or selling Securities.

48/ **"Registration Statement"** means a document filed by an issuer pursuant with this Directive in order to register its securities with the Authority.

49/ **"Retail Investor"** means a person other than a Qualified Investor who invests for their own account and requires a greater level of protection relative to a Qualified Investor.

50/ **"Share-Based Payment"** means a form of compensatory payment that Issuers provide to their employees, directors, or other service or goods providers in the form of equity instruments.

51/ **"Shelf-Registration"** means Registration Statement that allows the Issuer to make multiple offerings at intervals within the validity period as approved by the Authority.

52/ **"Supplementary Prospectus"** means a document that contains material information necessary to update, amend, change, or supplement the information in a Prospectus.

53/ **"Transaction Advisor"** means a duly licensed Investment Bank or Securities Investment Advisor adequately capitalized, staffed, established as PLC or Share Company business forms under the Commercial Code and approved by the Authority.

54/ **"Zero Coupon Bond"** means a bond that does not pay interest.

55/ **"Person"** means a physical or juridical person.

56/ In this Directive, any expression in the masculine shall include the feminine.

57/ Any term used in this Directive shall have the meaning assigned to it in the Proclamation.

3. Scope of Application

1/ This Directive shall apply to the Offer of Securities to the public in Ethiopia and to securities to be traded on a Securities Exchange or through the Over-The- Counter (OTC) Market.

2/ The provision of Sub Article (1) of this Article shall be applicable on Securities issued by Public Enterprises fully or partially owned by the Federal Government of Ethiopia or Regional States.

CHAPTER TWO –

REGISTRATION OF SECURITIES

SECTION ONE

GENERAL REQUIREMENTS FOR REGISTERATION OF SECURITIES

4. Prohibition

Except those Securities exempted from registration by the Proclamation or this Directive, no Securities shall be offered or sold to the public, Listed or Quoted on a Securities Exchange, or sold or purchased through the Over The- Counter Market without the prior registration of the Security by the Authority.

5. Securities Exempted from Registration

1/ In addition to Securities exempted by the Proclamation, Securities exempted from registration shall include:

a. Securities guaranteed by the Federal Government of Ethiopia;

b. Securities Offered in Private Placement, Securities Offered through Small Offerings, Securities Offered to Qualified Investors, and

c. Offer of Securities Made Outside of Ethiopia

2/ An offer or Sale of securities by the issuer, distributor, or any affiliates shall be deemed to occur outside of Ethiopia if:

a. The offer, sale is made in an offshore transaction; and

b. No direct or indirect selling efforts are made in Ethiopia by the issuer, distributor, or any affiliates.

6. Eligibility of the Issuer

1/ Without prejudice to the exemption from registration set out in the Proclamation and in this Directive or other directive as may be issued by the Authority, no Person shall make an offer to the public unless the Issuer concerned is:

a. a share company as defined in the Commercial Code;

b. a Company Under Formation which meets and complies with the requirements of Chapter two Section 1 Sub Section 2 of this Directive;

c. a statutory body established by or pursuant to law is empowered to issue its own Securities;

d. a Multilateral Agency; or

e. such other entity approved by the Authority to offer Securities to the public under this Directive or other directive as may be issued by the Authority.

2/ Without prejudice to Sub-Article (1) (b) of this Article in respect to a Company Under Formation, all Issuers shall meet the following eligibility requirements to issue Securities to the public:

a. the applicable corporate governance requirements and standards;

b. have audited financial statement prepared in accordance with Article 8(1)(c)(ix);

c. be solvent; and

d. issue Securities which are freely transferable

7. Application Procedure

1/ An application to register Securities shall require a Registration Statement which is prepared in accordance with this Directive and submitted to the Authority in the form to be prescribed by the Authority.

2/ All applications and accompanying documents shall be filed with the Authority in Amharic or English. If any information or document to be filed with the application is in any other language, then it shall be accompanied by an authenticated translated version in Amharic or English.

3/ All application information and documents, or copies of such information and documents, shall be typewritten and, in all cases, shall be clear and easily readable.

4/ All applications shall be accompanied with evidence of payment of fees as prescribed by the Authority's Fee Directive.

8. Registration Statement Requirements

1/ A Registration Statement filed with the Authority shall include:

a. A letter signed by a duly authorized officer or the Transaction Advisor;

b. A Prospectus or any other offer document, as applicable; and

c. The accompanying information and documents as indicated hereunder:

i. copy of the Certificate of Commercial Registration;

ii. copies of business licenses and if applicable, investment permits of the Issuer issued by the relevant government organ;

iii. an authenticated copy of the Memorandum of Association of the Issuer and other applicable incorporation documents, including any amendment thereof, indicating the shareholders, Board of Directors, and capital of the Issuer;

iv. where applicable, the appropriate tax documentation;

v. a certified copy of the resolution(s) of the shareholders or Board of Directors authorizing the Offer of the Securities, as applicable;

vi. a certified copy of the resolution(s) of shareholders passed at an

extraordinary general meeting authorizing the increase in capital or the issuance of Securities, as applicable;

vii. a Certified copy containing the details of the Board of Directors, as applicable;

viii. a no-objection from the Issuer's primary regulator where the Issuer is a financial institution or whenever the Authority deems it necessary.

ix. a copy of the Annual Report for the preceding 3 (three) years, signed by the Chairman of the Board of Directors, disclosing the following information:

I. audited financial statements prepared in accordance with the requirements of this Directive;

II. where the latest audited annual financial statement of the Issuer is dated more than 6 (six) months, an interim financial statement reviewed under the prevailing auditing standard by an External Auditor shall also be submitted; and

III. The amount of capital of the company clearly showing the issued and paid-up capital;

x. a Valuation Report issued by the Transaction Advisor on the valuation of the securities to be issued or to be offered;

xi. a summary and copies, where required, of the Issuer's material contracts;

xii. a schedule of pending claims and litigation, if any, affecting the Issuer;

xiii. an external independent legal opinion as described in this Directive;

xiv. a summary and copies of agreements with Underwriters, Transaction Advisors and other agreements entered with Professional Parties in respect to the securities being registered;

xv. a written consent of Experts provided pursuant to Article 39 of this Directive.

xvi. a schedule of estimated expenses and fees payable to all external Professional Parties related to the registration and the offer;

xvii. evidence of Escrow Account opened for the subscription monies in a financial institution licensed by the National Bank of Ethiopia (NBE); and

xviii. Where the Prospectus indicates that the securities are to be Listed on a Licensed Securities Exchange:

I. a letter of provisional approval of Listing from the Licensed Securities Exchange, or

II. in the absence of a provisional approval the issuer shall include in the Prospectus a clear indication of the status, required steps to obtain a Listing and how it will meet the listing requirements of the Securities Exchange.

2/ The Authority may require additional or more specific information or documents from the issuer based on the sector, offer, or the nature of the issuer's business.

SECTION TWO

SPECIFIC REGISTRATION REQUIREMENTS FOR CERTAIN TYPES OF OFFERS

SUB SECTION ONE

PREFERRED RIGHT OF SUBSCRIPTION

9. General Requirements

1/ An offer by a Preferred Right of Subscription shall adhere to the requirements set out in the Commercial Code and to the requirements set out in this Directive.

2/ Preferred rights may be traded on a Licensed Securities Exchange or through the Over-The-Counter Market during the period of the subscription.

3/ The application for the registration of an Offer by way of a Preferred Right of Subscription shall be filed with the Authority prior to the offer of the securities under the preferred right of subscription.

4/ The right to exercise the preferred right of subscription shall not commence until after the approval of the registration statement by the Authority.

5/ The Authority may impose conditions on an offer by a Preferred Right of Subscription where it deems it necessary for the protection of existing shareholders and potential investors

10. Application for Registration

Except as otherwise stated in this Sub Section of the Directive, an Issuer shall file an application for registration of an Offer by way of a Preferred Right of Subscription in accordance with the Application Procedures set out in Article 7 and the Registration Requirements of Article 8.

11. Publication of Notice of Subscription

1/ The notice of subscription for the Offer by way of a Preferred Right of Subscription shall be published in accordance with the requirements established under the Commercial Code and shall indicate to shareholders the following:

a. Procedures for the exercise of the preferred rights by shareholders; and

b. procedures for the disposal, assignment, or trading of the preferred right by a shareholder;

2/ The notice of subscription sent to shareholders shall indicate where a copy of the Prospectus shall be found.

12. Waiver of Preferred Right of Subscription

An Offer of Securities wherein the preferred rights have been waived by a resolution of shareholders at an extraordinary general meeting shall comply with the relevant provisions of this Directive or any other directive as applicable.

SUB SECTION TWO

SHARE COMPANY UNDER FORMATION

13. General Requirements

1/ A Company Under Formation shall be required: -

a. to raise at least 10% of the capital through private issuance as described under Chapter 6 of this directive before it offers securities to the public; and

b. to appoint a Compliance Advisor.

2/ The securities purchased under Sub Article 1 (a) of this Article shall be restricted from trading or otherwise being transferred for 2 (two) years following the establishment of the company.

3/ The Authority may waive the requirement under Sub Article 1 (a) of this Article or reduce the percentage based on the sector, offer, the amount to be raised or the nature of the issuer's business.

14. <u>Requirement of a Compliance Advisor</u>

1/ A Company Under Formation shall retain the services of a Compliance Advisor approved by the Authority, for three years beginning from its establishment.

2/ The contract with the Compliance Advisor shall be in writing and shall be submitted to the Authority for approval along with the application for the release of the escrow account

3/ The Compliance Advisor shall be responsible for:

a. advising, monitoring, and guiding the Issuer in complying with all applicable laws and regulations;

b. taking all reasonable steps to brief the Issuer's Board of Directors and management of their responsibilities and obligations in relation to the company, its shareholders and other stakeholders;

c. assisting in the implementation of corporate governance practices in the Issuer and its operations; and

d. Carry out any other related activities relating to the issuer as may be requested by the Authority from time to time.

4/ The Compliance Advisor shall review the Issuer's ongoing information disclosures, including disclosures of financial information, prior to is publication, to ensure that the Issuer's Board of Directors and management have appropriately disclosed information relating to the Issuer and the securities which are the subject of the Public Offer.

15. Application to Register the Public Offering

1/ A Company Under Formation seeking to offer its shares to the public shall file a Registration Statement with the Authority which includes a Prospectus prepared in accordance with the requirements stated in Part Four and is accompanied by the following:

a. the contract entered into with the Transaction Advisor;

b. commitment letter to retain the service of a Compliance Advisor immediately after the conclusion of the offer, as per the requirement of Article 13 of this Directive;

c. profiles and resumes of Promoters and proposed key management staff, if any;

d. a written business plan which explains the proposed business, the business strategy, and the long-term objectives of the business organization and services to be rendered or the products to be offered;

e. the Feasibility Report on the proposed business, together with information on the Expert who prepared the report including their name and address, qualification and expertise in the topic covered by the report;

f. organogram of the Company Under Formation ;

g. a copy of the draft memorandum of association of the company, accompanied by a letter from a lawyer stating the memorandum of association fulfills the requirement of the Commercial Code;

h. where applicable, an audited statement of affairs of the company from an External Auditor;

i. projected financial statements which contain the profit or loss forecast of the company for at least 3 (three) years, together with the basis for the estimates and projections;

j. an independent accountant's report on the projected financial statements referenced in Sub-Article 1(i) of this Article, prepared in accordance with the prevailing accounting standard as set by the Accounting and Auditing Board of Ethiopia or any relevant Ethiopian Authority;

k. an external independent legal opinion as described in Article 44 of this Directive;

l. evidence of an Escrow Account arrangements in accordance with Article 8(1)(c)(xvii) of this Directive; and

m. a no-objection from the Issuer's primary regulator where the Issuer is a financial institution or as deemed necessary by the Authority on a case-by-case basis.

2/ A Company Under Formation shall comply with the general requirements set out under Chapter Two Section 1 of this Directive, as applicable.

16. Offer Period for Companies Under Formation

1/ Notwithstanding the offer period for shares in a Company Under Formation which is determined in accordance with the Commercial Code, where the offer period is greater than one (1) year, the Issuer shall include disclosure in the "risk" section of its Prospectus that the offer period is greater than one (1) year and the possible risk associated with a prolonged offer period to investors.

2/ The Prospectus submitted as part of the application to register a Public Offering for a Company Under Formation shall be valid only for one (1) year period following its approval by the Authority. Where the offer period is greater than one (1) year the

Issuer shall, at least one month before the expiration of the current prospectus, file a new Prospectus with the Authority and have such Prospectus approved.

3/ Notwithstanding the Issuer's ongoing disclosure obligations the Issuer shall provide to the Authority with a written update on its capital raising activity every six months.

17. Obligation of Promoters and Founders

The Promoters and founders shall adhere to all the requirements of a Company Under Formation as set out in the Commercial Code, and in addition, the Promoter shall:

1. open an escrow account in the name of the Company Under Formation into which the gross subscription proceeds shall be deposited by the subscribers and provide the Compliance Advisor with view only access of the escrow account;
2. utilize a maximum of 4 (four) percent of the gross subscription proceeds and such utilization shall be limited to defraying the cost associated with the formation of the company. This maximum amount maybe increased by the Authority; and
3. at all times, give the Transaction or Compliance Advisor, as the case maybe, access to the books and accounts of the Company Under Formation.

18. Filing of Report after the Formation of the Company

Upon conclusion of the formation of the Company, the Company shall submit the following documents to the Authority.

1. a copy of the Certificate of Commercial Registration and other investment permit or business license of the company, as applicable, issued by the relevant government organ;
2. evidence to the appointment of a compliance advisor.
3. an authenticated copy of the memorandum of association of the issuer and other applicable incorporation documents showing the shareholders, Board of Directors, and capital of the issuer (including amendments)

4. the external auditors report on the formation procedure as required by the Commercial Code;

5. a certified extract of the resolution(s) of the meeting of subscribers held in accordance with the Commercial Code;

6. evidence of transfer and registration of the property contributed in-kind in the name of the company, if applicable;

7. profiles of Board of Directors and key management staff of the company, if applicable; and

8. any other information or document as may be requested by the Authority.

SUB SECTION THREE

DEBT SECURITIES

19. Eligibility to Issue Debt Securities

1/ An Issuer who is eligible to issue or offer Debt Securities through a Public Offer shall fulfil the following :

a. If the issuer is a Share Company it must have been in existence for at least one (1) year;

b. is has not been in breach of any of its loan repayment covenants; and

c. has its issued capital of the company fully paid- up.

2/ An Issuer who is subject to a primary regulator shall comply with the debt limits set by the relevant regulator.

20. General Requirements

1/ Debt Securities issued through a Public Offer shall have the following characteristics:

a. be denominated in Ethiopian Birr;

b. have a tenure of more than one year;

c. have a fixed term or duration;

d. have a fixed or variable coupon rate, if applicable;

e. coupons, returns, and interest shall be payable periodically on certain specified intervals from the issue date, with the exception for zero-coupon bonds; and

f. do not embed any swaps, options, or other derivatives .

2/ A convertible or exchangeable bond which has the option to be converted into or exchanged to shares, may be offered through a Public Offer.

21. <u>Conditions</u>

1/ The Authority may impose conditions on a Public Offer of Debt Securities including:

a. require payment obligations in relation to Debt Securities to be guaranteed by a bank or a third- party legal entity; or

b. determine the type of investors to whom the offer can be made.

2/ Where a third party provides a guarantee as per Sub Article 1(a) of the Article, the Prospectus shall also contain information about the guarantor and description of the nature and type of guarantee provided.

3/ The Authority may require, depending on the nature of the guarantor, the inclusion of information about the guarantor in order to ensure that investor have all such information for purposes of making an informed decision.

22. <u>Credit Rating Requirements</u>

1/ A credit rating on the Debt Securities, if obtained, shall be from a Credit Rating Service Agency licensed or authorized by the Authority.

2/ Where the Issuer obtains more than one credit rating on its Debt Securities, the Issuer shall disclose each such credit rating in the related Prospectus.

3/ Following the issuance of the Debt Securities, the Issuer shall ensure the credit rating is reviewed by each Credit Rating Service Agency that granted a rating, at least once a year throughout the term duration of the Debt Securities, or more frequently as may be required by standards applicable to such ratings or as otherwise required by the Authority.

4/ Debt Securities offered or issued through a Shelf Registration and for which a credit rating is obtained shall have a credit rating either assigned for the full amount of the securities registered in the Shelf Program or for a tranche.

5/ Where the credit rating referenced in Sub Article 4 of this Article is for a tranche all tranches are required to be rated.

23. <u>Registration Requirements for Debt Securities</u>

In addition to the requirements of Article 8 of this Directive, a Registration Statement for Debt Securities shall be accompanied by:

1. a copy of the bond indenture;
2. where applicable, a credit rating report issued by a licensed or authorized Credit Rating Service Agency;
3. where applicable, copy of the guarantee agreement or document; and
4. any other document or information as may be required by the Authority; and
5. where the proceeds from the Public Offer are intended for use to finance a Project, a Feasibility Report of the project that includes the name, address, qualifications and expertise of the expert shall be required.

24. Other Related Requirements

No issuer shall amend the terms or conditions in relation to issued debt securities without the consent of bondholders as per the Commercial Code, the offer document, and the approval of the Authority.

SUB SECTION FOUR

SHELF REGISTRATION

25. Eligibility for Shelf Registration

1/ An Issuer who is eligible to Offer or issue Securities by way of a Shelf Registration shall be:

a) been Listed on a Securities Exchange for at least 3 (three) years;

b) is up to date on its ongoing information disclosure obligations;

c) not been in breach of any terms and conditions of a loan which have resulted in a default during the last 12 (twelve) calendar months preceding the date of approval of the Shelf Registration; and

d) not been in breach of any capital market related laws .

2/ The total value of the Offer or issuance under the Shelf Registration shall not be less than 5 (five) billion Birr.

26. Validity of a Shelf Registration

1/ A Shelf Registration shall be valid for a period of 3 (three) years from the date of its approval.

2/ A Shelf Registration shall not be renewable.

3/ A Shelf Registration by a statutory body or a Multilateral Agency shall be valid indefinitely, unless otherwise specified by the Issuer or the Authority.

27. Application for a Shelf Registration

1/ An Issuer which desires to issue securities under shelf registration shall file an application for Shelf Registration in accordance with the application procedures set out in Article 7 and the registration requirements of Article 8 of this Directive.

2/ The Issuer shall be required to file an updated prospectus with and secure the approval of the Authority before each issuance.

3/ The Authority shall decide on the updated prospectus within 20 (twenty) business days.

28. Publication of Shelf Prospectus

The shelf Prospectus and any update thereof shall be published in accordance with Article 52 of this Directive.

SUB SECTION FIVE

SPECIFIC REGISTRATION REQUIREMENTS FOR OTHER TYPES OF OFFERS

29. Registration of Shares Without Concurrently Raising Capital

1/ Securities that are currently held by shareholders are required to be registered with the Authority.

2/ An Issuer proposing to List by Introduction on a Securities Exchange or trade on an Over-The-Counter Market shall file its application to register in accordance with Article 7. However, such an issuer is not required to fulfil Article 7's requirement for the disclosure of allotment policy.

3/ An application to register shares pursuant to this Article shall be limited to the shares that an Issuer has previously issued, and no new securities shall be offered or registered as part of the Registration Statement.

30. Registration of Offers Not Requiring a Prospectus

The Registration Statement filed with the Authority for Offer of Securities which is exempt from the obligation to issue a Prospectus as specified in Article 35 of this Directive, shall include the Information Memorandum which states the reasons for and the details of the Offer or allotment, and the number and nature of the Securities issued, together with the accompanying information and documents deemed necessary in relation to the Offer undertaken.

31. Registration Requirements for Bonus Shares

1/ An application for registration of securities to be issued as Bonus Shares shall be made in a form designated by the Authority within 1 (one) month of the approval by the shareholders.

2/ The registration of Bonus Shares shall be accompanied by the following:

a. certified copy of the resolution(s) of the Board of Directors authorizing the registration and issuance of the Bonus Shares, if applicable;

b. a certified copy of the resolution passed at an extraordinary general meeting authorizing the Bonus Shares; and

c. Any other information necessary to ensure the registration statement is complete, accurate and comprehensive.

3/ The Authority will ascertain from the Issuer's financial statements whether provision has been made for the Bonus Shares from the Company's available reserve funds or profit that exists at the time the bonus issue was declared.

4/ The Authority will register the Bonus Shares within 7 (seven) business days of receipt of the application, subject to compliance with all registration requirements.

5/ This provision is applicable only to Issuers who have equity shares duly registered with the Authority prior to the issuance of the Bonus Shares.

32. <u>Registration Requirement for Convertible Debt Securities</u>

1/ Securities to be issued after the conversion of a Debt Security into equity shares based on predetermined agreements or conditions by the parties involved, shall be registered with the Authority within thirty (30) Calendar Days of conversion.

2/ An application for registration of equity shares equity arising from convertible debt shall require the following:

a. Information Memorandum containing the following details:

i. the terms of the Convertible debt securities agreement;

ii. the convertible amount;

iii. the requirements for or the conditions of conversion;

iv. the name of the issuer, the purchaser of the debt security and the person to whom the new shares are going to be issued. z

v. outstanding share capital of the Issuer including amounts issued and paid-up;

vi. class of securities into which the Debt Securities are to be converted, as well as rights attached to them;

vii. effects of conversion, including on the Issuer's share capital, share structure and debt profile; and shareholding structure pre-conversion and post-conversion.

b. a copy of the Convertible debt securities agreement duly Certified by the company secretary;

c. where applicable, a Certified extract of the resolution(s) of the Board of Directors authorizing issuance of the convertible debt;

d. a Certified extract of the resolution of the shareholders passed at an

extraordinary general meeting approving the increase in capital, or issuance of convertible debt;

e. evidence of receipt of the borrowed amounts under the Convertible Debt Securities agreement; and

f. any other information required by the Authority

3/ The provisions of this Article shall be applicable only to Issuers who have equity shares duly registered with the Authority prior to the conversion of the debt security.

CHAPTER THREE

OFFER OF SECURITIES

SECTION ONE

GENERAL OFFER REQUIREMENTS

33. Appointment of a Transaction Advisor

1/ An issuer who seeks to register its securities with the Authority shall retain the service of a Transaction Advisor who is in good standing with the Authority.

2/ The Transaction Advisor shall be responsible for ensuring that the Offer of Securities is made in accordance with the provisions of the Proclamation, this Directive, and any other directive the Authority may issue.

3/ A Transaction Advisor shall be responsible for:

a. advising and guiding the Issuer in complying with laws in relation to the capital market and the offer.

b. taking reasonable steps to brief the Issuer's Board of Directors and

management of their responsibilities and obligations in relation to the company, its shareholders and other stakeholders;

c. coordinating the preparation of the Registration Statement and other transaction documents;

d. coordinating the activities of other Professional Parties to the Offer;

e. filing of the Registration Statements with the Authority and responding to any question or clarifications that the Authority may seek on behalf of the Issuer;

f. where the issuer is a company under formation the transaction Advisor shall provide to the Authority with an update on the Offer and confirmation that it has diligently executed its responsibilities and obligations under this Directive:

I. every three (3) months during the course of the Offer; and

II. upon completion of the Registration of the Issued Securities as set out in Article 17 of this Directive, and

g. carrying out any other activity as may be contained in this Directive or as requested by the Authority with respect to the issuance from time to time.

4/ Where more than one Transaction Advisor is appointed the issuer shall identify and appoint the lead Transaction Advisor from among these Transaction Advisors.

5/ The Authority may waive the requirement to appoint a Transaction Advisor for Offers, allotments or issuances which are exempt from the obligation to issue a Prospectus as set out in Article 35(1) of this Directive.

34. Prospectus Requirement

No Person shall sell, offer, or solicit the sale of Securities to the public without a Prospectus that has been approved by the Authority unless:

1. the Offer of Securities is subject to a valid exemption from the obligation to issue a Prospectus in accordance with Article 35 of this Directive or
2. the Securities are exempt from Registration by the Authority as set out in Article 5 of this Directive.

35. <u>Exemption from Obligation to Issue a Prospectus</u>

1/ Without prejudice to the requirement to register Securities as set out in Chapter Two Section 1 of this Directive, the obligation to issue a Prospectus shall not apply to any of the following:

a. an issuance of shares resulting from the conversion or exchange of other Securities of Issuer, where the resulting shares are of a class of shares previously issued and registered with the Authority;

b. an issuance of shares resulting from the exercise of the rights conferred by other securities of the Issuer including options and warrants, where the resulting shares are of a class of shares previously issued and registered with the Authority;

c. shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the issued capital;

d. shares offered, allotted or to be allotted free of charge to existing shareholders, and bonuses paid out in the form of shares of the same class as the shares in respect of which such bonus are paid; or

e. shares offered, allotted or to be allotted to existing employees by their employer.

2/ With the specific approval of the Authority, shares offered upon merger, acquisition, division, or exchange of shares, within the context of the laws and regulations pertaining to mergers, acquisitions and divisions, may be exempt from the obligation to issue a Prospectus if the Issuer offering such shares is a Listed Company which is current and in compliance with its applicable ongoing information disclosure obligations set out in this Directive and the rules of the exchange where it is Listed.

3/ Notwithstanding the provisions of Sub-Article (1) and (2) of this Article, an Information Memorandum or an Offer Document stating the reasons for, and the details of, the offer or allotment, and the number and nature of the Securities issued shall be provided to investors, and such document issued in relation to the issue of securities shall not contain any untrue, misleading, or incomplete statement.

36. <u>Form and Content of a Prospectus</u>

1/ The content of a Prospectus shall include information required by Part Four of this Directive, as applicable.

2/ The information in the Prospectus shall be presented in a manner that can be easily comprehensible and analyzable by investors under appropriate captions or headings reasonably indicative of the principal subject matter set forth thereunder.

3/ The information in the Prospectus must not include a presentation of estimates, projections, forecasts including Profit or Earnings Forecasts, or forward-looking statements, without sufficient qualification or factual basis.

4/ Where a Prospectus contains financial information based on financial statements that are not audited or reviewed by an External Auditor, such information shall:

a. be consistent with and not contradict any information given in audited or reviewed financial statements;

b. clearly indicate that the information referred is not from audited financial statements; and

c. state the basis for its preparation.

5/ The information required in a Prospectus shall follow the order set out under Part Five of this Directive and shall be presented in a manner so as not to obscure any of the required information necessary and to keep the required information from being incomplete or misleading.

6/ A Prospectus shall contain all such information as investors would reasonably require and reasonably expect to find therein, for the purpose of making an informed investment decision.

7/ The Prospectus shall include an application form to be filled out by subscribers with provisions for subscribers to indicate their names, addresses, the amount of securities which an applicant seeks to purchase, the date of the application, and a declaration that they have read the Prospectus.

8/ The information to be included in a Prospectus shall be such information that is within the knowledge of any person responsible for the Prospectus, or that it would be reasonable for him to obtain by making inquiries.

9/ In determining what information is required to be included in a Prospectus, the Authority shall consider the nature of the Issuer or offeror and the type of Securities being offered.

37. <u>Incorporation by Reference</u>

1/ Information that has been previously submitted to the Authority and released to the public through the Authority, Issuer or a Securities Exchange and that remains publicly available may be incorporated by reference in the Registration Statement.

2/ Information incorporated by reference into the Registration Statement shall be:

a. the most recent information held by the Issuer,

b. refer to the source of such information, and

c. state how such information may be accessed.

3/ All information incorporated by reference shall be clearly identified by document type, date, page number, paragraph, caption, or other means of identification as the Authority may prescribe.

4/ If only certain pages of a document are incorporated by reference and filed as an exhibit, the document from which the material was taken shall be clearly identified in the reference.

5/ Information shall not be incorporated by reference in any case if such incorporation would render the statement incomplete, unclear, or confusing.

38. <u>Persons Responsible for Prospectus</u>

1/ The persons responsible for the information in a Prospectus shall be jointly and severally liable to pay compensation for losses or damage suffered by persons relying on information included in the Prospectus that is inaccurate, misleading, or incomplete.

2/ The persons responsible shall include:

a. the Issuer of the Securities to which the Prospectus relates;

b. each person who is a member of the Board of Directors and named in the Prospectus as a Director or as having agreed to become a Director of that Company either immediately or at a future time;

c. the Promoter of a Company Under Formation;

d. each Person who accepts and is stated in the Prospectus as accepting responsibility for all or any part of the Prospectus;

e. the offeror of the Securities, where the offeror is not the Issuer. Where the offeror is a corporate entity each person who is a member of the Board of Directors of that corporate entity at the time, and when the Prospectus is published; or

f. each Person not falling within any of the foregoing paragraphs who has authorized the contents or any part of the Prospectus, Supplementary Prospectus, or Offer Document.

3/ Where a Person has accepted responsibility for or authorized only part of the contents of any Prospectus, he shall be responsible under Sub Article (2) (d and f) of the Article only for that part and only if it is included or substantially included in the form and context to which he has agreed.

4/ Any agreements, provisions, disclaimer, or expressions mitigating, limiting, disclaiming or removing the responsibility arising from a Prospectus or Offer Document shall be null and void.

39. Expert Statement in a Prospectus

A statement made by an Expert shall not be included in the prospectus unless:

a. the Expert has given his consent in writing and has not, before approval of the Prospectus, withdrawn his written consent to include the statement in the form and context in which it is included in the Prospectus;

b. a statement appears in the Prospectus that the Expert has given and has not withdrawn his consent; and

c. the Prospectus includes the experience, background and qualifications of the Expert named in the Prospectus.

40. Omission from Prospectus

The Authority may authorize the omission from a Prospectus of information whose inclusion would otherwise be required by these Directives if the Authority determines that:

a. disclosure of such information would be contrary to the public interest; or

b. disclosure of such information would be seriously detrimental to the Issuer, provided that the omission of such information would not be likely to mislead the public, and the information is, in the Authority's view, of minor importance only and, as such, will not influence the assessment of the

activities, assets, liabilities, financial position, profits and losses, or implicit risks and prospects of the Issuer.

41. Amendment to the Prospectus Prior to Approval

1/ Where after the submission of a Prospectus but before approval, a material change occurs or an error in the information submitted is found that makes the facts contained in the Prospectus misleading, incorrect, inadequate, or incomplete in any respect, the issuer shall file, as soon as practicable and in any event within 10 (ten) calendar days from the occurrence of the change or the identification of the error, an amendment thereto, setting forth the error or the change and providing current information that would make the information in the Prospectus true, correct, and complete.

2/ If the Issuer fails to meet its obligation under Sub-Article (1) of this Article, the Authority shall issue an order directing the Issuer to file an amendment or may reject the registration

SECTION TWO

OTHER REQUIRED DOCUMENTS

42. Financial Reporting Requirements

1/ The financial statements and the financial reports required pursuant to this Directive shall be prepared in accordance with the prevailing accounting standard.

2/ Issuers who do not satisfy the financial information specified in Article 8 (1)(c)(ix)(I) shall comply with the financial information requirements set out in this Article.

3/ An Issuer which has completed the Formation Process but has been in operation or existence for less than 3 years shall comply with Article 8 of this Directive, with the exception that the financial information specified in Article 8 (1)(c)(ix) shall be fulfilled with:

a. audited financial information covering the period beginning on the date of Formation up to the latest practicable date, before the publication of the Prospectus as appropriate; and

b. a comprehensive business plan as described in this Article.

4/ The Issuer referenced in Sub-Article 2 of the Article shall provide a business plan which comprehensively describes:

a. the Issuer's strategic objectives;

b. its plans for the development of the business in terms of introduction of new products or services and plans for generating sales and revenue;

c. the key assumptions upon which the business plan is based; and

d. a sensitivity analysis of the business plan to variations in the major assumptions.

5/ The business plan shall, at a minimum, cover the 3-year period for which financial information is required in a Registration Statement, or as relevant for the Issuer's specific business plan.

6/ Depending on the purpose of the registration, the Authority may require that Issuer referenced in Sub-Article 2 of this Article to comply with the requirements of Company Under Formation under Article 13 (1) of this Directive.

43. <u>Equity Valuation Report</u>

Where the Authority is in doubt as to the veracity and accuracy of the information stated in the Valuation Report submitted in accordance with Article 8 (1)(C)(x) of this Directive, the Authority may request for a second valuation of the securities by a different Transaction Advisor at the expense of the Issuer or offeror.

44. <u>External Independent Legal Opinion</u>

1/ The external independent legal opinion submitted in accordance with Article 8

(1)(C)(xiii) shall address:

a. whether the Issuer is duly established and authorized to issue the Securities;

b. whether the existing capital of the Issuer and any proposed changes thereto are in conformity with applicable laws and have received all necessary authorizations;

c. whether all licenses required to perform the business or proposed business of the Issuer as stated in the prospectus have been duly obtained;

d. whether all consents required to perform the business or proposed business of the Issuer as stated in the prospectus have been duly obtained;

e. the validity of evidence of ownership of major assets as stated in the Prospectus or Offer Document;

f. any material contract and agreements with Underwriters, Transaction Advisors and other agreements entered with Professional Parties in respect to the securities being registered.

g. any other material items with regards to the legal status of the Issuer and the proposed issue, as relevant; and

h. any other legal matter in relation to the application for the registration of the securities as may be requested by the Authority.

2/ The provider of the external independent legal opinion shall be a qualified legal practitioner or law firm, registered in Ethiopia.

SECTION THREE

REGISTRATION STATEMENT REVIEW PROCESS

45. Review of registration statement

1/ The Authority shall review the Registration Statement submitted to the Authority to ensure that all information and documents contained therein is accurate, sufficiently clear, comprehensive, reasonably specific, and timely. However, the Authority does not evaluate the merits of any transaction or determine whether an investment is appropriate for any investor.

2/ The Authority's review process is not a guarantee that the disclosure is complete and accurate, and responsibility for complete and accurate disclosure lies with the Issuer and others involved in the preparation of an Issuer's filings.

3/ Where applicable, the Authority shall communicate comments on the Registration Statement as the case may be, requesting revision, update, clarification or correction of deficiencies in the Prospectus.

4/ Each submission of the Registration Statement to the Authority submitted after the first draft shall highlight all changes made to the preceding draft and a separate written explanation as to how the comments from the Authority have been addressed shall be provided. An unmarked draft or clean version shall also be submitted therewith.

5/ The final draft of the Registration Statement submitted to the Authority shall be accompanied by:

a. list indicating how the disclosure requirements of the Registration Statement and any additional requests by the Authority have been complied with; and

b. any other information requested by the Authority for review and approval.

46. Timeline and Processing of Application

1/ Once an application to register Securities is filed with the Authority, any communication regarding a pending application from or to the Authority shall be conducted by a formal letter.

2/ Except as otherwise stated in this Directive, a Registration Statement filed with the Authority shall be reviewed within 20 (twenty) business days. In the case of an Initial Public Offer, this time frame shall be 30 (thirty) business days.

3/ The timeline specified under Sub Article (2) of this Article shall reset once the Authority communicates to the Issuer, offeror, or the Transaction Advisor its comments to revise, update, or clarify information or a deficiency in the application.

4/ A delay by the Authority to act on the Registration Statement within the time limits laid down in Sub Article (2) of this Article shall not be construed to constitute approval or non-approval of the registration statement by the Authority.

47. Approval of Registration Statement

1/ The Authority shall approve the Registration Statement where it considers that the information contained in the Registration Statement, including the Prospectus or Offer Document, as applicable, is complete, accurate, sufficiently clear, comprehensive, reasonably specific, and timely, and where the offer or issuance shall not jeopardize the principal objective of the Authority.

2/ An approval by the Authority is not an affirmation of the accuracy of the information contained therein, nor shall it be construed as advice or a recommendation of the related securities.

3/ A Registration Statement shall be deemed approved only as to the securities specified in the Prospectus or Offering Document.

48. Certificate of Registration of Securities

1/ The Authority shall issue a Certificate of Registration of Securities in the form to be specified to the Issuer upon the approval of the Registration Statement.

2/ The Certificate of Registration shall specify the securities registered by the Issuer including the type and amount registered by the Authority.

49. Registration with the Central Securities Depository

After the Certificate of Registration of Securities is issued by the Authority: -

1. Where the securities that are registered are existing securities the issuer shall dematerialize its securities at the Central Securities Depository in accordance with the requirements of the Dematerialization Directive.

2. Where the securities that are registered are new securities the issuer shall register such securities at the Central Securities Depository within five (5) business days.

50. Rejection or Refusal of Registration Statement

1/ The Authority shall reject an application for the registration of securities if it finds that:

a. the Registration Statement is, on its face, incomplete, misleading, inaccurate in any material respect, includes any untrue statement of a material fact or omits to state a material fact required to be stated therein and the issuer fails to amend the Registration Statement as required;

b. the Issuer, senior officer, Board of Director, controlling person of the Issuer, person performing similar functions, or any underwriter, Transaction Advisor or Compliance Advisor has been convicted by a competent judicial body of an offense involving dishonesty, fraud, breach of trust, or Prohibited Trading Practices or has been judicially declared insolvent;

c. the Prospectus is not in accordance with, or the Issuer has violated, any of the provisions of the Proclamation, this Directive, or any directive or any request of the Authority;

d. the issuance thereof might be contrary to the interest of investors and the public in general, having regard to whether a reasonable investor would lose confidence in the capital market and be less willing to invest if the Authority did not take action to restrict the securities issuance in question, and may include;

i. an offering structured to manipulate or circumvent the provisions of the Proclamation or this Directive;

ii. an offering that would otherwise be illegal;

iii. where it is determined that the business of the Issuer may not be conducted with integrity and in the best interest of the security holders of the Issuer because of past conduct of the Issuer or any of the Issuer's officers, Board of Directors, Promoters, or controlling persons or major security holders;

iv. an Escrow Account for the holding of the proceeds payable to the Issuer from the sale of the securities has not been opened in a licensed bank; or

v. a person that has prepared or certified any part of the Prospectus or Offering Document, or that is named as having prepared or certified a report or valuation used in connection with the Prospectus or Offering Document, is not acceptable,

2/ For the purpose of this Article, a person may be deemed unacceptable for failing to be appropriately authorized or licensed to provide service in relation to the Registration Statement or for lacking the appropriate qualifications or expertise to be named an Expert in the Prospectus or Offering Document.

3/ The Authority, having provided the Issuer with an opportunity to be heard, may reject an application for registration and refuse registration of the security. Any rejection by the Authority shall be in a formal letter and it shall state in a clear and precise manner the basis for the decision.

4/ An Issuer may appeal against the Authority's decision in accordance with provisions of the Proclamation.

SECTION FOUR

THE OFFER PROCESS

51. Access to Documents Submitted in a Registration Statement

Statement Information or documents prescribed as part of the Registration Statement shall be made available to the public in accordance with the disclosure methods set out in this Directive and in accordance with the data protection requirements applicable.

52. Publication of a Prospectus

1/ An Issuer of Securities shall obtain the approval of the Authority prior to issuing its Prospectus.

2/ The publication of the approved Prospectus shall be within 30 (thirty) calendar days of the approval and at least 10 (ten) calendar days before the Offer to the public is scheduled to start, or in such other timeframe as may be approved by the Authority from time-to-time.

3/ Access to the Prospectus shall not be subject to a registration process, an acceptance of a disclaimer limiting legal liability, or the payment of fees.

4/ The text and format of the Prospectus, and any supplement to the Prospectus made available to the public, shall at all times be in the form and content as approved by the Authority.

5/ The Prospectus shall be deemed available to the public when published in electronic form on the website of the Issuer in the form prescribed by the Authority. The Prospectus shall also be posted on the website of the intermediaries placing or selling the Securities and on the website of the Securities Exchange where the Issuer's Securities trade or admission to trading is sought.

6/ The Prospectus shall be published in a dedicated and easily accessible section of the Issuer's website, which shall be evident from the landing page. It shall be downloadable, printable, and in a searchable electronic format that cannot be modified.

7/ Where an approved Prospectus is not published within the timeframe set under Sub Article (2) of this Article, it shall be required to be re-validated by the Authority before publication and distribution and may require payment of fees to the Authority.

8/ An Issuer shall provide an Abridged Prospectus in English and Amharic which includes:

a. a summary of the historical financial information in the Prospectus;

b. a description of the shareholding structure, including debt structure, prior to the issue and the anticipated structure after the issue of securities;

c. the key information on the Issuer and its business, the securities being offered, the offer process, if applicable; and

d. the risk associated with investment in the Securities

9/ An approved Prospectus shall remain publicly available in electronic form for at least 10 (ten) years after its publication on the website of the Issuer.

10/ Unless the context requires otherwise, the references to a Prospectus in this Directive shall include a Supplementary Prospectus.

53. Advertisement

1/ No Person shall publish an Advertisement relating to a Public Offer without the prior approval of the Authority.

2/ Any Advertisement shall not be issued to or caused to be issued to the public unless it states that a Prospectus is or will be published, as the case may be, and indicates where investors can obtain or will be able to obtain a copy.

3/ The Advertisements referred to in Sub Article (2) of this Article shall be submitted to the Authority not later than 3 (three) business days prior to the publication, and the Authority may require such amendments thereto as it may consider necessary.

4/ Advertisements shall be clearly recognizable as such, and the information contained therein shall not be inaccurate or misleading and shall be consistent with the information contained in the Prospectus to be published and approved by the Authority.

5/ An Advertisement shall be misleading if it contains:

a. statements made about the performance or activities of the company, in the absence of necessary explanatory or qualifying notes, which may give an exaggerated picture of the performance of the company; or

b. an inaccurate portrayal of the company's past performance or its portrayal in a manner that suggests that past gains or income will be repeated in future.

6/ All information disclosed in an oral or written form concerning the Public Offer, even where not for advertising purposes, shall be consistent with the information contained in the Prospectus or Offer Documents.

7/ Any Advertisement reproducing or asserting to reproduce any information contained in a Prospectus shall produce such information in full, disclose all relevant facts, and not be restricted to selected extracts relating to that item.

8/ An Advertisement shall avoid the use of extensive technical legal terminology or complex language and the inclusion of excessive details that may distract the investor. Ambiguous and high-sounding words shall be avoided, and slogans and terminologies that can mislead the investor, such as “top offer," “superior offer,” “brighter future," “reliable," “profitable,” and other similar language, shall be prohibited from use.

9/ An Advertisement shall not contain statements that promise or guarantee profits.

10/ Advertisements disseminated to potential investors shall be amended where:

a. supplement to the Prospectus is subsequently published in accordance with Article 58 of this Directive, or

b. a significant new factor, material mistake, or material inaccuracy mentioned in the supplement renders the previously disseminated advertisement materially inaccurate or misleading.

11/ Advertisements shall not contain endorsements from models, celebrities, fictional characters, or caricatures.

12/ Advertisements shall not appear in the form of crawlers that run simultaneously with the program in a narrow strip at the bottom of the television screen or other media.

13/ An Advertisement shall present the information in the Prospectus in a balanced way, including by way of presentation of the negative and positive aspects of such information with the same prominence without omission or selective presentation of certain information.

14/ Where the issuer is a Company Under Formation the Advertisement shall describe risk associated with being under formation.

15/ The following statement shall be prominently placed in all forms of Advertisements: “Please read the Prospectus in full and, where in doubt as to the action you should take consult a licensed financial adviser for guidance before investing in securities.

The approval of the prospectus by the Authority is not an endorsement or recommendation to purchase the securities offered."

16/ Issuers or their intermediaries are prohibited from stating, directly or indirectly, that the Authority has approved, authorized, or certified the merits or weaknesses of an offering.

17/ Where it is necessary for the orderly operation of the capital market, investor protection, or to avoid systemic risk, the Authority may prohibit, restrict, or suspend an Advertisement, or require its withdrawal, or amendment.

54. <u>Underwriting of Public Offers</u>

1/ The Underwriting of Public Offers shall be at the discretion of the Issuer.

2/ The Underwriting agreement shall be subject to the prior approval of the Authority

3/ Where an Issuer opts for Underwriting, the Offer shall be underwritten by an Investment Bank. Any relationship of the Underwriter to the Issuer or any of the Issuer's Directors shall be disclosed to the Authority.

4/ Where the Offer is underwritten by a syndicate of Underwriters, the lead Investment Bank shall be designated to act as the lead Underwriter. In the case of a debt issuance, the lead Underwriter need not be the lead Investment Bank.

5/ All Underwriting and sub-underwriting agreements shall be submitted to the Authority along with other registration documents.

6/ The following shall apply to Underwriting:

a. Subject to the offer period under Article (57) of this Directive, the underwritten securities shall be sold by the Underwriter within such period as may be predetermined by the Issuer and approved by the Authority;

b. where the underwriting agreement is a firm or standby underwriting and the underwritten securities are not disposed of within the offer period, the

Authority may, on the written application of the Underwriter, extend the period of sale referred to in Sub Article (6)(a) of this Article having regard to market conditions and other factors that are relevant in the circumstances; and

c. Underwriters shall submit quarterly reports to the Authority in respect of the undisposed securities until the same is fully disposed.

7/ Where any party or parties in an Underwriting agreement intend to terminate the agreement, such party or parties shall give not less than 5 (five) business days' notice to the Authority and shall state the reasons for the intended termination. If the Authority is satisfied with the reasons given, it may give approval for the termination of the agreement.

8/ If the Authority does not approve the termination, the Underwriter shall continue to fulfil its obligations under the Underwriting contract.

55. Underwriting Commission

The commission for Underwriting shall be subject to negotiation between the Issuer and the Underwriter and shall be a set fee for the amount underwritten.

56. Effective Date of Prospectus

1/ A Prospectus shall be effective as of the date of approval by the Authority and shall be effective for the Offer Period specified pursuant to Article 57 of this Directive.

2/ Notwithstanding Sub-Article 1 of this Article, a Prospectus shall not be effective for a time-period greater than 6 (six) months.

57. Offer Period

1/ The Offer Period shall be determined by the Issuer but shall not be for more than 90 (ninety) calendar days.

2/ Notwithstanding Sub-Article 1 of this Article, the Authority may, on an application by the Issuer or the offeror, grant an extension of the Offer Period.

3/ Any application for extension of the Offer Period shall be made in writing to the Authority at least 5 (five) business days before the date of closure of the Offer . No Offer shall continue beyond the closing date unless prior written approval of the Authority is obtained.

4/ The Authority may grant an extension of the offer period. However, no such extension shall be granted unless the Issuer's latest audited financial statement or interim financial statement included in the Prospectus or Offer Document shall remain valid throughout the extension period.

5/ The new closing date shall be immediately announced by the Issuer using the same means as when the initial Offer was announced.

6/ The Offer shall only be opened to the public on the terms and conditions approved by the Authority.

58. <u>Material Changes to Prospectus</u>

1/ Where, after the approval of the Prospectus by the Authority and at any time between the approval and before the closing of the Offer Period, the information contained in the Prospectus is or has become misleading, incorrect, inadequate, or incomplete in any material respect, or new developments have made it so, or new information that is material to the Offer becomes available that impacts the accuracy of information previously provided, the issuer shall:

a. immediately suspend the Offer of Securities if an offering is still being conducted; and

b. with the prior approval of the Authority, issue a Supplementary Prospectus before recommencing the Offering of Securities.

2/ Information shall be considered material if:

a. there is a significant change affecting any matter contained in the Prospectus, the inclusion of which was required by this Directive; or

b. a significant new matter arises the inclusion of which would have been required if it had arisen when the Prospectus was being prepared.

3/ Where a Supplementary Prospectus has been approved the Issuer shall make the Supplementary Prospectus available in the same manner as the previous publication of the Prospectus.

59. Withdrawal Rights

1/ Where investors have already agreed to purchase or subscribe for the securities before the Supplementary Prospectus is published, the Supplementary Prospectus shall the right to withdraw their purchase or subscriptions exercisable within 10 (ten) Business Days after the publication of the supplement.,

2/ The period provided under Sub-Article (1) of this Article may be extended by the Issuer.

3/ The Supplementary Prospectus shall contain a prominent statement concerning the right of withdrawal, clearly stating:

a. a right of withdrawal is only granted to those investors who have already subscribed for the securities before the supplement was published;

b. the period in which investors can exercise their right of withdrawal; and

c. how investors may contact the Issuer should they wish to exercise the right of withdrawal.

60. Authority's Power to Suspend or Cancel Offer

Where it is necessary for the orderly operation of the capital market, investor protection, or to avoid systemic risk, the Authority may prohibit, restrict, suspend, cancel, order the withdrawal, or the amendment of an offer.

61. Under-Subscription

1/ Where the total amount subscribed in an Offer is less than the Minimum subscription amount specified in the Prospectus, the Offer shall be terminated by the Issuer within thirty (30) calendar days of the closing date of the Offer Period subject to the approval of the termination by the Authority.

2/ The Issuer shall publish details of the decision to terminate the Offer on its website or other applicable method of disclosure within five (5) business days upon obtaining approval of the termination by the Authority.

3/ All monies shall be returned to subscribers of the terminated offer within 15 (fifteen) business days after the approval of the termination by the Authority.

62. Over-Subscription

1/ If an Offer is oversubscribed, an Issuer may retain an amount representing not more than 15 (fifteen) percent of the Offer size, provided that the appropriate disclosure has been made in the Prospectus, indicating the extent to which oversubscription would be retained and the purpose for which such monies would be used.

2/ Any surplus monies above the allotment in accordance with Sub Article 1 of this Article, shall be returned to subscribers within 10 (ten) business days of the approval of the Allotment Report by the Authority.

63. Notice of Completion or Termination of an Offer

1/ The Issuer shall notify the Authority in writing of the completion or termination of the Offer within thirty (30) business days from such completion or termination.

2/ The notice shall:

a. for a completed Offer, state the number of Securities sold along with the allotment report required under Article 74 of this Directive or

b. for a terminated Offer, state the reasons for the termination and include confirmation that all amounts paid by investors subscribing to the publicly offered Securities have been returned in full.

64. Document Retention Obligation

1/ An Issuer, offeror, and all intermediaries involved in an Offer shall retain all documents generated in connection with an offer for 10 (ten) years after the conclusion of the Offer.

2/ The Authority shall have the power to inspect the records, books and documents relating to an Offer.

65. Condition for Approval of Subsequent Public Offers

1/ As a condition for approval to any subsequent Public Offer, the Authority shall determine whether:

a. the Issuer has applied the proceeds of any prior offers in accordance with the use of proceeds stated in the related Prospectus;

b. the Annual Report filed by Issuer as part of its ongoing information disclosure obligations includes disclosure on the use of the proceeds from any prior Offers; and

c. that all subscribed shares from the prior offer have been paid up.

2/ Offers of Securities pursuant to a Shelf-Registration shall not be subject to this Article until after the expiry of the validity period of the Shelf Registration.

SECTION FIVE

BOOK BUILDING

66. General

1/ An Offer of Securities undertaken by way of a Book Build may be solely to Qualified Investors or to both Qualified Investors and Retail Investors in the manner set out in this Section.

2/ Where the Offer is to both Qualified Investors and Retail Investors:

a. the securities to be offered by way of a Book Build shall be separately identified as the "Book Building portion"; and the balance of the Securities to be offered shall be referred to as the "Fixed Price portion;" and

b. Two Escrow Accounts shall be opened for the subscription monies, one for Qualified Investors and the other Retail Investors.

3/ No incentive, whether in cash or kind, shall be paid to investors to participate in the Book Building process or the Offer of Securities.

67. Preliminary Prospectus

1/ A preliminary Prospectus shall be filed and approved by the Authority prior to its distribution and commencement of the book building.

2/ The preliminary Prospectus shall be complete in all regards in accordance with this Directive, except for price which shall be included in the updated Prospectus at the end of the Book Build.

3/ The preliminary Prospectus shall:

a. specify a price range for the "Book Build portion" of the offer which shall have an upper limit that is not greater than 20% of the lower limit, unless approved by the Authority; and

b. indicate the criteria by which the "Fixed Price portion" of the offer will be determined.

4/ The preliminary Prospectus shall include a legend indicating in bold that it is "subject to completion."

68. Book Runner

1/ The Issuer shall appoint a Book Runner(s), who shall be the Transaction Advisor, who shall be responsible for the Book Building.

2/ Where more than one Book Runner is appointed, a lead Book Runner shall be designated, and the lead Book Runner shall have the primary responsibility of the Book Build process.

69. Book Building Process and Book Runner Responsibilities

1/ A Book Building process shall be open for a maximum of 7 (seven) business days, herein referred to as "the Book Build period."

2/ The Book Runner shall verify the identity of the investor prior to the acceptance of a purchase order.

3/ The Book Runner shall maintain records including the names of the investors, the number of securities ordered and the price the investor is willing to subscribe to the securities

4/ The Book Runner(s) shall receive orders with bids from Qualified Investor during the Book Building period, which it shall aggregate, on a daily basis, and submit to the lead Book Runner.

5/ Qualified Investors who participate in the Book Building shall have the right to change or withdraw their orders during the Book Building Process as set out in the terms and conditions specified by the Book Runner.

6/ The lead Book Runner shall provide the aggregate total amount of the orders received during the Book Building period to the issuer and the authority.

7/ Following a review of the orders received, the Book Runner and the Issuer shall determine the issue price for the securities in accordance with the criteria disclosed in the preliminary Prospectus.

8/ Upon the determination of the issue price, the number of securities to be offered in the Fixed Price portion shall be determined by calculating the amount needed to be raised through the Fixed Price portion divided by the issue price determined by the Book Build.

9/ Upon determining the issue price and the offer size, the Issuer's preliminary Prospectus shall be updated as described in this Section.

10/ The Book Runner and any other intermediaries associated with the Book-Building process as indicated in the preliminary Prospectus, shall maintain records for the Book Building process for ten (10) years following the offer.

70. Allotment of Securities Offered in the Book Building Process

1/ Within two (2) Calander Days of the close of the Book Building period, the lead Book Runner shall communicate to the Qualified Investors who submitted orders in the Book Building process the number and price of the securities which they have been allocated in line with the Allotment Policy set out in the preliminary Prospectus.

2/ Such investors shall deposit the payment of their subscription in the designated account for the offer within two (2) Calander Days of notification by the Book Runner.

71. Updated Prospectus

1/ Within forty-eight (48) hours of the close of the Book Building period, the Issuer shall file a Prospectus with the Authority which has been updated to include the issue price and the offer size, together with an allotment proposal.

2/ After receiving the updated prospectus, the authority will examine it and make an appropriate decision within 5 (five) business days.

3/ The issuer shall publish the updated prospectus within one (1) day of the approval by the Authority.

72. Offer for the Fixed Price Portion

1/ The Offer Period for the "Fixed Price portion" shall open within 5 (five) business days from the date of the approval of the updated prospectus and shall remain open for a period of at least 10 (ten) working days.

2/ The Fixed Price portion shall be offered to the public at the same price determined in the Book Building portion to Qualified Investors.

3/ Investors in the Fixed Price portion of the offer shall be allotted the securities in accordance with the Allotment Policy set out in the approved updated Prospectus.

4/ The Qualified Investors who participated in the Book Building portion shall not be barred from participating in the Fixed Price portion of the offer; subject to the prior allotment to Retail Investors participating in the Fixed Price portion.

SECTION SIX

ALLOTMENT OF SECURITIES

73. Allotment Principles and Requirements

1/ The allotment of Securities shall be made on the basis of the Allotment Policy disclosed in the Prospectus. Where adherence to the Allotment Policy is impractical, an amendment to the Allotment Policy may be permitted, with the approval of the Authority prior to the allotment.

2/ Every investor within the same group shall be treated equally and fairly, and demands must be evaluated in the same manner.

3/ The Authority may declare any irregular allotment of Securities null and void and may prescribe appropriate measures to rectify such irregularities.

74. Allotment Report

1/ Within 30 (thirty) calendar days or such other time as may be determined by the Authority following the closing of a Public Offer, the Issuer shall file an Allotment Report with the Authority.

2/ The Allotment Report shall contain:

a. summary of subscriptions received;

b. list of allottees acquiring 5% or more of the securities on offer;

c. list of all subscriptions received, including list of those rejected and the basis for rejection; and

d. the proposed allotment to subscribers.

3/ Where the Issuer or Transaction Advisor fails to submit the Allotment Report within the stipulated period or any extended period granted, the Authority may impose appropriate penalty or direct that the issuance be terminated.

4/ The approval of the Allotment Report by the Authority shall be a condition for the release of subscription monies in an Escrow Account.

75. Cancellation of Unsubscribed Securities from Registration Record

1/ The Authority shall remove from its registration record:-

a. For a completed offer, those securities that were not subscribed

b. For a terminated offer, all securities that were previously registered.

2/ All securities that are removed from the Authority's record as stated under Sub Article (1) of this Article shall also be removed from the registration record of the Central Securities Depository.

76. Publication of Allotment Result

1/ Within five (5) business days of approval of the allotment report by the Authority, the Issuer shall publish a summary of the allotment results on the Issuer's website.

2/ Where applicable, permission to List on a Securities Exchange or to deal in the securities shall take effect no later than thirty (30) days after approval of the allotment report.

CHAPTER FOUR

CONTENT OF A PROSPECTUS

SECTION ONE

GENERAL REQUIREMENTS

77. Front Page

1/ The front page shall state the name of the Issuer, the Transaction Advisor(s) the type of offer, amount or number of securities being offered, the price and amount payable in full on application. The front page of the Prospectus shall contain the following statements:

a. The Prospectus is issued under the provisions of the Capital Market Proclamation, and in compliance with the Public Offer and Trading Directives of the Authority for the purpose of giving information to the public regarding the Securities.

b. The Prospectus has been approved and the Securities that it offers has been registered, by the Ethiopian Capital Market Authority.

c. Please read the Prospectus in full and, where in doubt as to the action you should take consult an appropriate licensed independent securities advisor for guidance before investing in securities.

d. The Issuer, Board of Directors of the Issuer, and the chief executive officer and the chief financial officer, or in the case of Company Under Formation, Issuer, the Promoter and persons performing such functions, accept full responsibility for the information contained in the Prospectus and, to the best of their knowledge and belief, have taken all reasonable care to ensure that the information in the Prospectus is in accordance with facts and does not omit anything likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue.

e. Investing in this offer involves risks, with reference to the relevant pages on risk factors that should be considered by prospective investors.

2/ The following statement shall be on the front page of the Prospectus in capital letters and in bold type:

"The approval of the Prospectus and the registration of the Securities should not be construed as an endorsement by the Ethiopian Capital Market Authority of the Issuer or of the Securities that are the subject of this Prospectus. The Ethiopian Capital Market Authority does not assume responsibility for the correctness of any statements, opinions, or reports included herein."

78. <u>Table of Contents</u>

A Prospectus shall have a detailed table of contents that shows the subject matter of the various sections or subsections of the Prospectus and the page number on which each such section or subsection begins.

79. Definitions and Abbreviations

The Prospectus shall have a section dedicated to a glossary of abbreviations and technical terms to guide investors on definitions and explanations of abbreviations and terms, especially for companies engaged in technical activities.

80. **Corporate Directory**

The corporate addresses and telephone numbers of the Issuer's branch and regional office, head office, e-mail, website, and registrar's office, as applicable, should be included in the prospectus.

81. Person Responsible for the Information Disclosed

1/ The Prospectus shall include a declaration by the Issuer, Board of Directors of the Issuer, and the chief executive officer and the chief financial officer, or in the case of Company Under Formation, Issuer, the Promoter and persons performing such functions, accept full responsibility for the information contained in the Prospectus and, to the best of their knowledge and belief, have taken all reasonable care to ensure that the information in the Prospectus is in accordance with facts and does not omit anything likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue.

2/ Where a statement or report attributed to a person as an Expert is included in the Prospectus, the following shall be disclosed for that person:

a. accept full responsibility for the information it provided and consented its inclusion in the Prospectus and, to the best of their knowledge and belief, have taken all reasonable care to ensure that the information it provided is in accordance with facts and does not omit anything likely to affect the importance of such information or make the expression of such information or opinion misleading or untrue; and
b. detail of qualifications::

3/ In relation to any person responsible for any information disclosed in the Prospectus, the following shall be provided:

a. the name, address, and function of the person responsible for the information or any parts of it, given in the Prospectus;

b. in the case of corporate entities, the name and registered office; and

c. material interest, if any, in the Issuer.

82. Third-Party Information

1/ Where information is obtained from a third-party, a confirmation that such information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading shall be included.

2/ The source(s) of all third-party information shall be clearly disclosed.

83. External Auditors

1/ Names and addresses of the Issuer's auditors for the period covered by the historical financial information shall be disclosed.

2/ Details of the auditor's license from the Accounting and Auditing Board of Ethiopia or any other authorized entity.

84. Summary Section of the Prospectus]

1/ The summary shall contain an introductory cautionary statement indicating that:

a. it is an introduction to the Prospectus;

b. it is to be read together with the other parts of the Prospectus; and

c. any decision to invest in the Securities should be based on consideration of the Prospectus as a whole.

2/ The summary shall include key information contained in the Prospectus including information on the Issuer, the business, the Securities, the offer being undertaken, and the key risks.

SECTION TWO

INFORMATION ON THE ISSUER AND THE BUSINESS

85. Information on the Issuer

1/ Information on the Issuer shall include clear description of the history and development of the Issuer including the following:

a. the legal and commercial name of the Issuer and the registered address of the Issuer;

b. details on the Issuer's incorporation including the country of incorporation of the issuer, the date of incorporation and information regarding its commercial registration; and

c. details of any recent events particular to the issuer and which are to a material extent relevant to an evaluation of the Issuer's solvency.

2/ An organizational chart or organogram shall be provided where the Issuer is part of a group. A brief description of the group, including a description of the group structure and the Issuer's position within the group shall be required.

3/ The Issuer's significant subsidiaries, including name, incorporation details, the proportion of ownership interest held, and, if different, the proportion of voting power held, in each subsidiary shall be included.

86. Business Overview

1/ A comprehensive description of the business done by the Issuer or intended to be done by the Issuer shall be provided.

2/ A description of the Issuer's business strategy and objectives shall be disclosed together with the Issuer's future challenges and prospects.

3/ The important events and developments in the Issuer's business.

4/ A clear and coherent description of the business plan shall be provided, and if it is a Company Under Formation or newly formed, it shall be augmented with financial information, as necessary, in accordance with the requirements of this Directive.

5/ Without prejudice to Sub Article (4) of this Article, the Authority may require the Issuer to file a Feasibility Report, prepared by an Expert.

87. <u>Operations and Principal Activities</u>

1/ A description of the Issuer´s operations and principal activities, stating the main categories of products sold or services performed shall be included.

2/ Information on any interruptions in the Issuer's business that may have or have had during the recent past (covering at least the previous twelve months) a significant effect on the Issuer's operations.

3/ Information on any significant new products or services that have been introduced and, to the extent the development of new products or services has been publicly disclosed, the status of their development.

4/ Status of development shall describe whether such products or services are in the planning states, whether protypes exists, the degree to which product design has progressed or whether further work or capital resources are necessary.

5/ The extent to which the Issuer is dependent, if at all, on any licenses, patents, or contracts, where such factors are of fundamental importance to the Issuer's business or profitability shall be disclosed.

6/ The particulars of royalties payable or items of a similar nature in respect of the Issuer and any of its subsidiaries shall be disclosed.

7/ If the Issuer is dependent on a single customer or client or on a single supplier, based on any metric, not limited to revenue or profit, that dependency shall be disclosed and described in the Prospectus.

8/ The Issuer shall provide information on its employees and shall also specify whether there are any key dependencies on any specific personnel for its operations.

9/ Where the company relies on the availability of raw materials, disclosure on the availability and the procedures by which raw materials derived shall be provided.

88. Principal Markets and Competition

1/ A description of the principal markets in which the Issuer competes, including a breakdown of total revenues by operating segment and geographic market shall be provided.

2/ A description of the Issuer's competitive environment, and the basis for any statements made by the Issuer regarding its competitive position.

89. Regulatory Environment

The regulatory environment in which the Issuer operates its business, and the key impacts on the Issuer's business, strategy and operations shall be described.

90. Employees

1/ Information on the employees of the Issuer and its subsidiaries shall be provided, including the number of employees, the type of employment segmented into full-time and part-time, as applicable.

2/ A description of compensation benefit plans, Share-Based Payments or any arrangements for involving the employees in the capital of the Issuer shall be included.

91. Issuer's Debt Position

1/ Information on the Issuer's debt position shall be provided, including:

a. the name and address of the major banks providing services to the Issuer as lender, providing credit facilities or any indebtedness;

b. whether the Issuer is a guarantor to any significant debt; and

c. material changes in the Issuer's borrowing and funding structure since the last financial year.

2/ Credit ratings assigned to an Issuer, whether at the request or with the cooperation of the Issuer in the rating process as applicable, shall be disclosed.

3/ A relevant description of the expected financing for the Issuer's business plans and activities shall be provided.

92. Issuer's Investment Activity

1/ A description of the Issuer's material investments made since the date of the last published financial statements including the geographical distribution of these investments, and information on the progress of such investments or any firm commitments which have been made.

2/ Information concerning the Issuer's principal future investments if any (including new plants, factories, and research and development), and the method of financing such investments shall be provided.

93. Property, Land and Fixed Assets

1/ Information regarding the material physical property, land and fixed assets on which the Issuer depends shall be provided, indicating the location, general physical and legal characteristics of the same.

2/ Disclosure in relation to assets referenced in Sub Article (1) of this Article shall address the valuation attributed to such assets including the method and basis of determining the valuation of such assets.

3/ The Authority may require the Issuer to provide, at its own expense, a Special Valuation Report as reference in Article 99, having considered the nature of the assets and the industry in which the Issuer operates.

94. Material Contracts

1/ A summary of each material contract to which the Issuer or any member of the group is a party, for the two years immediately preceding publication of the Prospectus shall be provided.

2/ The summary shall include the date and duration of the contract, the parties to the contract, the subject matter of the contract and the key terms, monetary values and conditions for each material contract:

3/ Any contractual arrangement which governs the relationship between a Interested Person and the Issuer and other shareholders shall be disclosed specifying terms and conditions and other relevant details.

SECTION THREE

FINANCIAL STATEMENTS AND INFORMATION

95. Financial Information

1/ The financial information included in the statement shall adhere to the requirements of Article 8(1) (c)(ix) and Article 42 of this Directive, as relevant.

2/ The audited historical financial information included in the Prospectus shall include:

a. statement of financial position;

b. the statement of profit or loss and other comprehensive income;

c. a statement of changes in equity;

d. the cash flow statement;

e. the accounting policies and explanatory notes.

3/ If the Issuer prepares both separate and consolidated annual financial statements, it must include both sets of financial statements in the Prospectus.

4/ An audit report on the financial statements of the issuer for each of the years presented shall indicate whether or not the financial statements give a true and fair view of the affairs of the.

5/ If audit reports on the annual financial statements contain qualifications, modifications of opinion, disclaimers, or an emphasis on matter, such qualifications, modifications, disclaimers, or emphasis on matter must be reproduced in full in the Prospectus, along with the reasons given.

6/ If applicable, the interim financial statements and the review report from the External Auditor shall be disclosed in the same manner as the audited financial information.

7/ Where financial information in the Prospectus is not extracted from the Issuer's audited or reviewed financial statements, the Prospectus shall state the source of the information and clearly state that the information has not been audited or reviewed.

96. <u>Profit Forecast</u>

1/ Where a profit forecast or a profit estimate is included in the Prospectus, the profit forecast or estimate shall be clear and unambiguous and contain a statement setting out the principal assumptions upon which the Issuer has based its forecast, or estimate.

2/ The forecast or estimate shall comply with the following principles:

a. there must be a clear distinction between assumptions about factors which the Board of Directors can influence and assumptions about factors which are exclusively outside their influence;

b. the assumptions must be reasonable, readily understandable by investors, specific and precise, and not relate to the general accuracy of the estimates underlying the forecast; and

c. the assumptions shall draw the investor's attention to those uncertain factors that could materially change the outcome of the forecast.

3/ The Prospectus shall include a statement that the profit forecast or estimate has been compiled and prepared on a basis that is both comparable with the historical financial information and consistent with the Issuer's accounting policies.

4/ The forecast shall be accompanied by an independent accountant's review report.

97. <u>Significant Change in the Issuer's Financial Position</u>

1/ A description of any significant change in the financial position of the Issuer and its subsidiaries, if applicable, which has occurred since the end of the last financial period for which either audited financial statements or interim financial information have been published; or state that there are none.

2/ All off-balance sheet financing by the Issuer and any of its subsidiaries, including all known contingent liabilities, shall be quantified (where practicable) and disclosed by way of notes to the financial statements.

3/ Where six months have elapsed since the end of the financial year to which the last audited financial statement relates, an interim financial statement, which must be reviewed covering at least the first six months following the end of that financial year, must be included in or appended to the Prospectus.

4/ The interim financial statements should include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the year-end balance sheet.

5/ The Issuer shall have any interim financial statements in the document reviewed by an External Auditor. If such a review has been performed and is referred to in the document, a copy of the auditor's interim review report must be provided in the document.

6/ A description of the issuer's material investments made since the date of the last published financial statements and which are in progress and/or for which firm commitments have already been made, including the geographical distribution of these investments and the method of financing such investments.

98. <u>Pro Forma Financial Information</u>

1/ Pro Forma financial information should be provided where any part of the proceeds of the issue are to be used directly or indirectly in any manner resulting in the acquisition by the issuer of shares in another entity that, by reason of that acquisition or anything to be done in consequence of or in connection with it, that the entity will become a subsidiary of the Issuer.

2/ Pro Forma financial information shall include a description of how the transaction might have affected the assets, liabilities, and earnings of the Issuer had the transaction been undertaken at the commencement of the period being reported on or at the date reported. This requirement may be addressed by the inclusion of pro forma financial statements.

99. <u>Special Valuation Report</u>

1/ A special valuation report may be required where the specific nature of the operations or planned activities of the Issuers warrants, including where the Issuer is dependent on land, property or the rights for purposes of executing their business plan or operating their business as described in the Prospectus.

2/ The Special Valuation Report shall,

a. inform investors of the suitability, adequacy, producing capacity and the extent of utilization of the land, property or relevant rights which are material to the Issuer and its subsidiaries.

b. be prepared in accordance with the standards appropriate for the specific nature of the operations or the planned activities of the Issuer.

3/ Where a Special Valuation Report is required, such valuation shall be undertaken by an Appraiser who is duly licensed by the Authority or an appropriately qualified Expert approved by the Authority to provide the services required.

SECTION FOUR

GOVERNANCE AND MANAGEMENT

100. Corporate Governance

1/ The Prospectus shall include a statement as to the corporate governance regime which the Issuer applies or proposes to follow, if applicable, and state whether or not the Issuer complies with such corporate governance regime(s).

2/ Disclosure required under Sub Article 1 of this Article, shall include:

a. Information about the management and the board as stated under Article 101;

b. code of conduct and other ethics related arrangements;

c. information on stakeholder management including employees, and affected communities;

d. environmental considerations and sustainability related matters;

e. information on to the internal control environment of the Issuer; and

f. formation on the Issuer's risk management arrangements.

3/ Potential material impacts on corporate governance, including future changes in the board and committees' composition (in so far as this has already been decided by the Board of Directors or shareholders meeting).

101. Management and Board of Directors

1/ A brief profile of each of the following persons shall be included in the Prospectus, including their full names, nationality, function in the issuer or group, educational qualifications, skills, and experience for at least the preceding five years, relevant business interests and activities, and any other information the Authority may require from time to time:

a. the Board of Directors, alternate Directors, and proposed Directors of the Issuer, including date of appointment and expiration of the current term of office of members of the Board of Directors and the period during which the person has served in that office;

b. b. Details of existing or proposed Board of Directors' service contracts with the Issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate statement to the effect that no such benefits exist.

c. the senior management of the Issuer, including the chief executive, and finance director, with details of professional qualifications and periods of employment with the issuer for each such person; and

d. founders or promoters where the company is under formation.

2/ The details of the nature of any family relationship between any of the persons referred to in Sub Article 1 of this Article shall be disclosed.

3/ Detailed disclosure of the chief executive or other senior management changes planned or expected for twelve (12) months following the issue or listing of the security shall be provided or the appropriate negative statement with regards to the same.

4/ Information on whether or not any shareholder, Board of Director or key management personnel and, where applicable, its key technical personnel are or have been involved in any of the following (whether in or outside Ethiopia) shall be provided:

a. 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 a director or key personnel;

b. a conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and

c. 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. If there is no such information required to be disclosed, a statement to that effect shall be made.

5/ All relevant information regarding the nature and extent of any interests of the Board of Directors of the Issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group; and which were affected by the Issuer during the current or immediately preceding financial period; or an earlier financial period and remain in any respect outstanding or unperformed, shall be disclosed or an appropriate negative statement of the same shall be provided.

102. Board Committees and Practices

Information about the issuer's audit committee, remuneration committee, and other board committees, including the names of committee members and a summary of the terms of reference under which the committee operates.

103. Remuneration

1/ The total amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the Board of Directors of the issuer and its subsidiaries for services in all capacities to the Issuer and its subsidiaries by any person.

2/ An estimate of the amounts payable to named Executive Officers, the Board of Directors of the issuer, including proposed Board of Directors, by any member of the group for the current financial year under the arrangements in force at the date of the Prospectus.

104. Promoters

1/ Details any Promoter(s) and the amount of any cash, securities, or benefits paid, issued, or given within the three years immediately preceding the date of publication of the Prospectus, or proposed to be paid, issued, or given to any such Promoter(s) in his capacity as a Promoter, and the consideration for the contractual exchange such payment, issue, or benefit, if applicable.

2/ Where the interest of any Promoter(s) consists in being a member of a partnership, company or other association of Persons, the nature and extent of the Promoter(s) interest of such partnership, company, or other association shall be disclosed.

SECTION FIVE

CAPITAL STRUCTURE AND INFORMATION ON SECURITIES

105. Share Capital

1/ A history of share capital, highlighting information about any changes, for the period covered by the historical financial information.

2/ As of the date of the most recent balance sheet, the amount of issued capital, and for each class of share capital:

a. the total of the Issuer's share capital;

b. the number of shares issued and fully paid and issued but not fully paid;

c. the par value per share,; and

d. a reconciliation of the number of shares outstanding at the beginning and end of the year.

3/ If the capital has been paid for with assets other than cash within the period covered by the historical financial information, a statement to this fact.

4/ If there are shares not representing capital, state the number and main characteristics of such share.

5/ Where there are more than one class of existing shares, a description of the rights, preferences, and restrictions attached to each class.

6/ The number, book value and face value of shares in the Issuer held by or on behalf of the Issuer itself or by subsidiaries of the Issuer.

7/ A statement indicating whether the Issuer currently has equity shares which are Publicly Traded on a Licensed Securities Exchange or Over- The-Counter Market, and either the most recent price at which those Securities were traded, or a statement

indicating that the shares being offered do not currently have an established market price.

106. Other Securities

1/ If applicable, information about and the terms of any acquisition rights or obligations registered but unissued share capital should be provided including any options or warrants outstanding.

2/ If applicable, the amount of any convertible Securities or exchangeable Securities outstanding, with an indication of the conditions governing and the procedures for conversion, exchange, or subscription.

107. Dividend Policy

1/ A description of the issuer's policy on dividend distributions and any restrictions thereon.

2/ The dividend per share for the last three financial years shall be disclosed and where the amount of dividend per share has been adjusted, where the number of shares in the issuer has changed, to make it comparable.

SECTION SIX

INTERESTS AND RELATED PARTY TRANSACTIONS

108. Board of Directors Interest

1/ The Prospectus shall disclose the aggregate of the direct and indirect interests of the Board of Directors of the Issuer distinguishing between beneficial and non-beneficial interest or an appropriate negative statement.

2/ Any outstanding loans granted by Issuer or its subsidiaries to any member of the Board of Directors and any guarantees provided for their benefit shall be disclosed in the Prospectus.

3/ A statement of all sums paid or agreed to be paid, directly or indirectly, to any member of the Board of Director.

4/ The statement of amounts referenced in Sub Article 3 of this Article shall cover the three-year period immediately preceding the date of publication of the prospectus.

109. Major Shareholders and Interested Persons

1/ The name of any person other than a member of Board of Directors who, directly or indirectly, has an interest in the issuer's capital or voting rights of 5% and above, together with the amount of each such person's interest, as of the date of the prospectus or, if there are no such persons, an appropriate statement to that effect that no such person exists.

2/ Whether the Issuer's major shareholders have different voting rights, or an appropriate statement to the effect that no such voting rights exist.

3/ Disclosure of whether there is an agreement in place to govern the relationship between a controlling shareholder, another Interested Person and the Issuer.

4/ A description of any arrangements known to the issuer, the operation of which may, at a subsequent date, result in a change in control of the Issuer.

110. Related Party Transactions

1/ Information on any related-party transactions that the Issuer has entered into since the date of the last financial statement.

2/ The amount or percentage to which related party transactions form part of the turnover of the Issuer.

3/ The required related party disclosures shall adhere to the requirements of the Commercial Code, IFRS standards and any other standards specifically applicable to the Issuer.

4/ Any related party arrangements continuing in the future financial periods shall be disclosed.

SECTION SEVEN

MANAGEMENT'S DISCUSSION AND ANALYSIS

111. Operations and Financial Results

1/ The Prospectus shall include a comprehensive analysis of the development and performance of the Issuer's business and of its financial condition for each year and the interim period for which financial information is required in the Prospectus.

2/ The analysis shall explain the causes of material changes to the Issuer's results of operation or financial position during the period covered by the financial statements.

3/ Information on any interruptions in the Issuer's business that may have or have had a significant effect during the recent past (covering at least the previous twelve months) on the Issuer.

4/ Significant factors, including unusual or infrequent events or new developments, materially affecting the Issuer's income from operations shall be specified and the extent to which the Issuer's income was so affected shall be disclosed.

5/ Where there is material change to the Issuer's net sales or revenues, the reasons for such changes shall be disclosed.

6/ Any comparative data or financial information for two or more periods shall be clear, concise, and complete.

7/ The analysis included in the Prospectus shall include both financial and, where appropriate, non- financial key performance indicators relevant to the Issuer's business.

8/ The discussion shall include information on any known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

112. Capital Resources and Liquidity

1/ Information regarding the Issuer's ability to generate and obtain adequate amounts of capital to meet its requirements and its plans for cash shall be provided.

2/ An explanation of the Issuer's capital funding structure including the amounts and sources of Issuer's cash flows and its anticipated sources of capital or borrowing shall be provided.

3/ The Issuer shall provide information on:

a. any material cash requirements it has from contractual obligations; and

b. commitments, and any material restrictions it may have on the use of the available resources.

4/ The disclosures shall specify the type of obligations and commitments and the relevant time period for the related cash requirements.

5/ Any known trends or demands, or any event that could result in the Issuer's liquidity increasing or decreasing in any material way shall be disclosed.

113. Working Capital Statement

1/ A statement by the Issuer as to the sufficiency of its working capital for the Issuer's present requirements shall be provided.

2/ Where the Issuer cannot provide an affirmative statement for purposes of Sub Article 1 of this Article, an explanation of how the Issuer proposes to obtain the additional working capital shall be included.

114. Capitalization and Indebtedness

1/ A statement of capitalization and indebtedness position of the Issuer and its subsidiaries, that distinguishes between guaranteed and unguaranteed and secured and unsecured indebtedness and includes indirect and contingent indebtedness, shall be provided.

2/ The statement referenced in Sub Article 1 of this Article shall be of a date no earlier than 90 days prior to the date of the Prospectus.

3/ Where there are material changes in the capitalization and indebtedness position of the Issuer within the 90- day period referenced in Sub Article 2 of this Article, additional information shall be given either by a narrative description of such changes or by updating the figures therein.

115. Going Concern

1/ The Board of Directors of an Issuer and the External Auditor shall make a declaration in the Prospectus as to whether or not the company will continue in operation in the foreseeable future.

2/ This declaration shall not be required of a Company Under Formation.

116. Legal and Arbitration Proceedings

The Prospectus shall provide information on any governmental, legal, or arbitration proceedings including any proceedings which are pending or threatened of which the Issuer is aware during a period covering at least the previous 12 months that may have had or have had in the recent past significant effects on the financial position or profitability of the Issuer and its subsidiary or state that there is none.

SECTION EIGHT

INFORMATON ON THE OFFER OF SECURITIES

117. Information Concerning the Securities Being Offered

The following information concerning the Securities being offered shall be included in the Prospectus:

1. a description of the type and class of the securities being offered;
2. the legal basis of the issuance;
3. the name and address of the persons in charge of keeping the records of the securities issued ;
4. a description of the rights attached to the securities, including any limitations of those rights and procedures for the exercise of those rights, including:
    a. dividend rights;
    b. voting rights;
    c. pre-emption
    d. rights to share in any surplus in the event of liquidation; and
    e. redemption provisions;
5. whether the securities have been or will be created or issued and the expected issue date of the securities;
6. information on the tax treatment of the securities where the proposed investment attracts a tax regime specific to that type of investment;
7. a description of any restrictions on the transferability of the securities; and

8. an indication of public takeover bids by third parties in respect of the Issuer's equity that have occurred during the last financial year and the current financial year, for which the price or exchange terms attaching to such offers and the outcome thereof must be stated.

118. Terms and Conditions of the Offer of Securities

The following information regarding the terms and conditions of the Offer of Securities shall be included in the Prospectus:

1. conditions, offer statistics, expected timetable and action required to apply for the Offer;

2. the total amount of the offer, distinguishing the securities Offered for Sale and those Offered for Subscription (where applicable);

3. a description of the application process including:

    a. the application form to be completed

    b. the identification documents required to apply

    c. the permitted modes of payment for subscription; and

    d. the details of the designated receiving bank to which the subscription amount are paid;

4. The allotment policy including a description of any possibility to reduce subscriptions and the manner for refunding amounts paid in excess by applicants;

5. the plan of distribution including details of persons and processes designated to facilitate the offer or sale, if any

6. details of the minimum and maximum amount of application (whether in number of securities or aggregate amount to invest), including whether or not multiple subscriptions are permitted or not and how any multiple subscriptions will be handled;

7. an indication of the period during which an application may be withdrawn, where investors are allowed to withdraw their subscription;

8. the method and time limits for paying up the securities and for delivery of the Securities;

9. a description of the manner and date on which results of the Offer are to be made public;

10. the various categories of potential investors to which the Securities are offered; and

11. to the extent known to the Issuer, an indication of whether Major Shareholders, Interested Persons or members of the Issuer's Board of Directors or management, intend to subscribe in the Offer or whether any Person intends to subscribe for more than five (5) per cent of the Offer;

119. Pricing

1/ The price at which the Securities are being offered and the basis for the issue price, which shall be supported by the Valuation Report from the Transaction Advisor.

2/ Where the price is not known or where Book Build process will be undertaken:

a. the price range or minimum bid price;

b. the valuation methods, criteria, and conditions in accordance with which the final Offer price will be determined and an explanation of any valuation methods used; and

c. the process for the determination of the Offer price.

120. Reasons for the Offer and Use of Proceeds

1/ The minimum subscription amount that, in the opinion of the Board of Directors or the Promoters, as the case may be, must be raised by the Offer of Securities in order to provide the required amount to implement the business plan or undertake the proposed activities indicated in the Prospectus shall be provided.

2/ The reasons for the Offer and the estimated net amount of the proceeds broken down into each principal intended use and presented in order of priority for such uses shall be disclosed in the Prospectus.

3/ Where the anticipated proceeds will not be sufficient to fund all the proposed uses, the Issuer shall state the amount and sources of other funds needed.

4/ The details about the use of the proceeds when proceeds are being used to acquire assets, other than in the ordinary course of business, to finance announced acquisitions of other businesses, or to discharge, reduce, or retire indebtedness shall be provided.

5/ If the assets will be acquired from affiliates of the Issuer or associates, the person from whom they will be acquired and how the cost to the Issuer will be determined shall be disclosed

121. <u>Distribution and Underwriting</u>

1/ The name and address of all relevant parties involved in the process of distributing the securities including any paid agents, Underwriters and sub- underwriters.

2/ Where the Offer is underwritten, the following shall be included:

a. Date of entry or expected entry into an Underwriting Agreement;

b. The terms of such Underwriting including whether on a firm commitment basis or under “best efforts” arrangement;

c. a description of the material features of the Underwriting arrangement, including the quotas and discounts or commissions payable to the Underwriter; and

d. an indication of the overall amount of the Underwriting commission.

3/ where not all of the issuance of Securities is Underwritten, a statement of the portion, which is not covered shall be provided, in addition to the information provided under Sub Article 2 of this Article.

4/ Where the Offer is not Underwritten, a clear statement to that effect shall be provided.

122. Expense of the Offer

1/ The total amount of the discounts or commissions agreed upon by the Underwriters or other placement or selling agents and the Issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the offering and the amount of discounts or commissions per share or security.

2/ An itemized statement of the major categories of expenses incurred in connection with the issuance and distribution of the securities to be offered or listed and by whom the expenses are payable, if other than the Issuer shall be provided. The following expenses shall be disclosed separately, as applicable:

a. Advertisement;

b. printing of Prospectus;

c. application, registration and listing fees;

d. Transaction Advisor fee;

e. brokerage commission;

f. financial advisory fees;

g. legal fees;

h. Underwriting fees; and

i. payments to any other professional parties.

3/ If any of the Securities are to be Offered for the account of a security holder, meaning where the offeror of securities is not the Issuer, the Prospectus shall indicate the portion of such expenses to be borne by such security holder.

4/ If the amounts of any items are not known, estimates which are to be identified as such, shall be given.

123. Professional Parties

1/ The Prospectus shall include a summary of all Professional Parties including Experts named in the Prospectus.

2/ Any interest in the Issuer held by the Persons named in Sub Article 1 of this Article, shall be disclosed with details on the nature of the interest.

3/ Any conflict of interest that is material to the issue or Offer of Securities shall also be disclosed.

SECTION NINE

RISKS

124. Risk Factors

1/ The Prospectus shall have a section titled ‘Risk Factors' wherein a description of the material risks that are specific and relevant to the Issuer and its business or industry, the Securities and the Offer.

2/ The disclosure in the risk factor section should be specific and should establish a clear and direct link between the risk factor and the Issuer and its business or industry, the Securities or the Offer, as the case may be.

3/ The risk factors shall be presented in a clear, focused, and concise form, and the presentation of risk factors across categories (depending on their nature) should aid investors in navigating the section.

a. Categories should be identified through the use of appropriate headings. The number of categories must be proportionate to the size and complexity of the transaction and the risk to the Issuer and its subsidiaries or guarantor in the case of a Debt Security, where relevant. Categories should be further divided into sub-categories in cases where sub categorization can be justified on the basis of the particular Prospectus, but not if there is no obvious need for subcategories and it compromises comprehensibility.

b. In each category, the most material risks, considering the negative impact on the Issuer, the Securities and the Offer, and the probability of such risk materializing shall be set out first followed by other risks.

4/ Each risk factor shall state the material risks, with clear indication of the materiality of the risks and the potential negative impact or implication. The disclosure shall appropriately consider the probability of the occurrence of risk disclosed and the expected magnitude of negative impact; however, materiality should not be compromised by mitigating language.

5/ The disclosure of risks, including the materiality and specificity of the risk factor, shall be corroborated by the overall picture presented by the Prospectus. This means a risk factor cannot be included if it relates to matters not disclosed elsewhere in the Prospectus.

6/ Inclusion of disclaimers or mitigants in the risk factor disclosures shall not be permitted.

7/ The risk factors in the summary shall be consistent with the standards of disclosure and presentation of the risk factors section in a Prospectus.

SECTION TEN

OTHER RELATED MATTERS

125. Trading Arrangements

1/ Where the relevant Securities are to be Listed, the Prospectus shall indicate the Securities Exchange and the market segment, if relevant, where the Listing is intended, and if known, the earliest dates on which it is expected to occur.

2/ Where the relevant securities are not intended for Listing at the time of the Offer of Securities, the Prospectus shall so specify, and the disclosure shall further specify that the dealing in the securities shall be through a Capital Market Service Provider who is duly licensed by the Authority authorized to provide a price quotation on such Securities.

126. Documents Made Available to the Public

A statement where documents and information provided as part of the Registration Statement can be found shall be provided in the Prospectus.

SECTION ELEVEN

CONTENT OF PROSPECTUS FOR OFFER OF DEBT SECURITIES

127. Applicable Articles

A Prospectus relating to Debt Securities shall be subject to all the information requirements in Sections 1 to 11 of this Chapter, except as indicated herein.

128. An Issuer other than a Share Company

An Issuer of Debt Securities which is not a Share Company, shall provide information on the issuing entity in line with the general duty of disclosures.

129. Summary Information for Debt Securities

1/ The summary of a Prospectus relating to a Debt Security shall be provided as set out in Article 84 of this Directive, except as indicated herein.

2/ Where the Issuer is not a share company, the summary of the key information on the Issuer shall be in accordance with Article 84 of this Directive.

3/ The summary of the key information on the Debt Securities shall include:

a. the terms of the Debt Securities including currency, denomination, the number of Securities issued;

b. the rights attached to the Debt Securities;

c. where there is a guarantee attached to the Debt Securities, information about the guarantor and a brief description of the nature and scope of the guarantee;

d. credit rating and name of credit rating agency that assigned the rating, if applicable;

e. information on where the Debt Securities are to be traded; and

f. the potential impact on the investment in the Debt Securities

130. General Information on the Debt Securities Being Offered

1/ The Prospectus shall include a description of the type of Debt Securities being offered, including a description of the rights attached to the Securities such as conversion or exchange rights, including any limitations of those rights and procedures for the exercise of those rights.

2/ The information disclosed for purposes of Sub Article (1) of this Article shall include:

a. the legal authority pursuant to which the Debt Securities have been created, or the relevant resolutions, authorizations, and approvals by which the Debt Securities are to be issued;

b. A description of any restrictions on the transferability of the securities; and

c. the relative seniority of the Debt Securities in the Issuer's capital structure in the event of insolvency, if any subordination provisions on the Debt Securities

131. Terms and Conditions of the Debt Securities Being Offered

1/ The Prospectus shall state the total number of Debt Securities to be offered to the public and the expected issue date of the Debt Securities.

2/ The Prospectus shall include a clear description of the following in relation to the Debt Securities being offered:

a. the nominal interest rate;

b. the provisions relating to interest payable;

c. the date from which interest becomes payable;

d. the due dates for interest;

e. the time limit on the validity of claims to interest and repayment of principal;

f. maturity date or if the issue matures severally, brief information on the serial maturities; and

g. details of the arrangements for the amortization of the Debt Securities, including the repayment procedures. Where advance amortization is contemplated, on the initiative of the Issuer or of the holder, it shall be described, stipulating the amortization terms and conditions.

132. Feasibility Report

Where the Debt Securities to be issued relate to a Project, a Feasibility Report prepared by an expert shall be provided to the Authority and a description of such Feasibility Report shall be included in the Prospectus.

SECTION TWELVE

CONTENT OF PROSPECTUS PREFERRED RIGHT OF SUBSCRIPTION

133. Applicable Articles

A Prospectus relating to an offer by a Preferred Right of Subscription shall be subject to all the information requirements in Section 1 to 11 of this Chapter, except as indicated herein.

134. Securities Offered by a Preferred Right of Subscription

1/ Disclosure in the Prospectus shall address both the Preferred Right of Subscription and the new shares to be issued pursuant to the exercise of such right.

2/ Disclosures for purposes of Sub Article (1) of this Article shall provide information on the price and the trading of the Preferred Right of Subscription, in addition to the new shares that are to be issued pursuant to the Offer.

3/ If another Offer or issuance of Securities is concurrently undertaken with the offer by a Preferred Right of Subscription, the key terms, conditions and relevant details of such Offer or issuance shall also be included in the disclosures in the Prospectus.

4/ The impact to existing shareholders of the issuance of the offer, the Preferred Right of Subscription and failure to exercise such right shall also be disclosed.

CHAPTER FIVE

ONGOING INFORMATION DISCLOSURE OBLIGATIONS

SECTIONONE

GENERAL OBLIGATIONS

135. Applicability

1/ The Issuer of the Securities which are the subject of a Public Offer or which are Publicly Held shall be required to comply with the ongoing information disclosure obligations as set out in this Directive

2/ The required ongoing information disclosures consist of:

a. Current disclosures; and

b. Periodic disclosures.

3/ Ongoing information disclosures shall be fairly presented, not be misleading or deceptive, and contain no material omission of information

136. General requirements

1/ Issuers who are subject to the ongoing information disclosure requirements shall adopt systems and procedures in place for determining the information which requires disclosure pursuant to this Directive.

2/ Every Public Company shall designate an officer(s) who shall ensure compliance with all requirements set out in this Directive.

137. Method of Disclosure

1/ An Issuer shall make required information disclosures available to the public on its website.

2/ The Issuer shall also provide required information disclosure to the Authority and the Securities Exchange where the securities are Listed.

3/ The Authority may make such information disclosures available to the public on its website or may specify through a notice to Issuers and to the public how required ongoing information disclosures should be made public.

SECTION TWO

CURRENT DISCLOSURE OF INFORMATION

138. Current Disclosure

1/ An Issuer who is subject to ongoing information disclosure requirements shall be required to provide current information to keep the public informed of the following information:-

a. that is necessary to enable security holders and the public to appraise the position of the Issuer and its subsidiaries;

b. that is necessary to avoid the establishment of a False Market in the securities of the Issuer; or

c. that might reasonably be expected to have a material effect on the Issuer and all matters that affect the value of the securities.

2/ The information referenced in Sub Article (1) of this Article shall be disclosed within twenty four (24) hours of the occurrence or identification of an event or information.

3/ Notwithstanding Sub Article (2) of this Article, financial statements, Annual Reports, and Earnings Forecasts shall be disclosed within the time specified in Section 3 of this Chapter. Although such information may be filed earlier to satisfy other required information disclosures.

139. <u>Required Information</u>

1/ The required current information disclosures shall address the Issuer and its subsidiaries and it shall include matters referenced in Sub Article (2) of this Article.

2/ The matters which require disclosure include:

a. matters relating to management and corporate governance such as:

i. appointment, resignation, dismissal or death of a member of the Board of Directors or key management or personnel;

ii. changes in control or ownership of a Company;

iii. relevant information relating to significant shareholders;

iv. material modifications to rights of holders of the company's securities; or

v. any changes to the Issuer's Articles of Association or other governing documents;

b. matters impacting the assets and liabilities of the Issuer and its subsidiaries such as:

i. giving or receiving a notice of intention to undertake a takeover, a merger, acquisitions, tender offers or divestments;

ii. entering the Company into a major credit commitment; or

iii. the bankruptcy or insolvency of the Company, a major creditor or client;

c. matters pertaining to the Issuer's business, operations and performance or expectation of performance of the business such as:

i. entry into or termination of a material contract not in the ordinary course of business;

ii. new legislation or regulations that materially impact on the business of the Issuer;

iii. findings or breakthroughs in research and development relating to the companies' products or services;

iv. significant disruptions in operations and functions of the business;

v. the bankruptcy, insolvency or receivership of a supplier or customer; or

vi. any other major development in the Issuer's business or activities;

d. changes in the credit arrangements of the Issuer such as;

i. default under any debt obligation;

ii. agreements to restructure debt or warnings or enforcement action by creditors or banks; or

iii. any significant changes to the Issuer's debt position;

e. matters pertaining to the External Auditors or financial statements of the Issuer, such as:

i. changes to the Issuer's External Auditor and the reasons such changes; or

ii. changes in significant accounting practices;

f. matters pertaining to the Issuer's capital structure and ownership, including but not limited to:

   i. unregistered sales of securities by the Issuer;

   ii. issuance of new securities by the Issuer or its subsidiaries;

   iii. any change in the rights attaching to any class of securities, to loan terms or in the rate of interest carried by a debt security;

   iv. exercise of conversion or exchange rights of convertible debt securities; or

   v. any proposed changes to the Issuer's capital structure, including the structure of its debt securities.

3/ In addition to Sub Article (2) of this Article, an Issuers of Debt Securities shall provide disclosures that include the following:

   a. an issuance of a new tranche or series of Debt Securities;

   b. any change in the terms and conditions of Debt Securities;

   c. any redemption or cancellation of Debt Securities;

   d. any occurrence of an event of default on any Debt Securities; and

   e. any event that requires immediate notification to securities holders under the terms of the debt agreement or bond indenture.

4/ Relevant information required by and provided in confidence to, and for the purposes of a government department, the National Bank of Ethiopia, the Authority, or any other statutory or regulatory body need not be published but shall be reported to the Authority.

5/ Where the Issuer's securities are listed in more than one jurisdiction, the Issuer must ensure that equivalent information is released on an identical basis and simultaneously to the Authority and Securities Exchange where it is Listed.

SECTION THREE

PERIODIC DISCLOSURE OBLIGATIONS

140. Filing of Financial Statements

1/ An Issuer who is required to provide ongoing information disclosures as per this Directive shall submit consolidated semi-annual financial statements and audited annual financial statements in accordance with this Directive.

2/ Notwithstanding Sub Article (1) of this Article, the rules of the Securities Exchange on which the Issuer's securities are Listed may require more frequent filing of the financial statements. Any such filing shall be made in accordance with the method of disclosure established in Article 137 of this Directive and as required by the Securities Exchange.

3/ The financial statements referenced in Sub Articles (1) and (2) of this Article, shall adhere to the Financial Reporting Standards set out in Article 42 of this Directive.

141. Semi-Annual Financial Statements

1/ The semi-annual financial statements of an Issuer shall be submitted not later than 45 (forty-five) calendar days after the end of half-year (semi- annual) period of the Issuer's financial year.

2/ An Issuer shall disclose the following in the explanatory notes to the financial statements:

a. a description of the nature and effect of any change in its accounting policies and estimates compared to the most recent annual financial statements, if applicable;

b. explanatory comments about the seasonality or cyclicality of its business or operations;

c. the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;

d. contingent liabilities or assets;

e. any events or transactions that are material to an understanding of the current period; and

f. any other statement the Authority may require from time to time.

142. Annual Audited Financial Statement

1/ An Issuer shall submit its annual audited financial statements not later than 90 (ninety) Calendar days after the end of its financial year.

2/ Issuers are required to disclose the following information in their audited financial statements:

a. information on Directors' direct and indirect interest in the issuer's shares;

b. a description of the nature and purpose of each reserve within owner's equity;

c. when dividends have been proposed but not formally approved for payment, the amount included (or not included) in liabilities;

d. where applicable, a report on how the proceeds from previous Public Offer of securities have been applied in line with the disclosure contained in the Prospectus on the use of proceeds until the full utilization of the offer proceeds; and

e. any other statement the Authority may require from time to time.

143. Annual Report

1/ In addition to the submission of annual audited financial statements, every Issuer is required to submit its Annual Report to the Authority not later than 4 (four) months after the end of its financial year end.

2/ The Annual Report shall, at a minimum, include the following:

a. The management discussion on the audited financial statements;

b. the minute of the annual general meeting;

c. a statement from the Chairman of the Board of Directors;

d. a responsibility statement by Board of Directors;

e. a management update as described in this Sub Article (3) of this Article;

f. an Internal Control and corporate governance report as described in this Sub Article (4) of this Article; and

g. any other information the Authority may require from time to time.

3/ The management update referenced in Sub Article (2) (e) of this Article shall contain:

a. the legal form of the Issuer, its country of incorporation and the main and any other business addresses ;

b. where applicable, the name of the issuer's parent company;

c. a fair and balanced review of the Issuer's business including:

i. a description of the nature of the issuer's operations and its principal activities;

ii. comprehensive analysis of the development and performance of the Issuer's business for the year-ended;

iii. a description of the issuer's risks ; and

iv. the average number of employees during the period covered by the financial statements;

d. information on the Issuer's capital structure including:

i. the issued and paid-up capital, the issued but not fully paid capital, each class of share capital and their par values;

ii. details of the issuance of shares and share buybacks during the year and the reasons thereof ; and

iii. summary report of any unclaimed dividends;

e. Ownership and interest held by members of the Board of Directors, substantial shareholders and executive management including:

i. interest and details of direct and indirect interests in the share capital of the Issuer; and

ii. Any remuneration or benefits effected;

f. information in relation to the Issuer's risk management arrangements including:

i. its exposure to price, credit, liquidity and cash flow risks; and

ii. its policy for hedging major risks;

g. details of related party transactions; and

h. any other information the Authority may require from time to time.

4/ The Issuer shall provide an Internal Control report from the Board of Directors and the External Auditor in accordance with the standard it has adopted and applicable to the Issuer; or explicitly state in its Annual Report that these reports have not been provided, indicating the reasons why it has not been provided.

5/ The Issuer shall provide a corporate governance report from the Board of Directors which provides information on the Issuer's corporate governance arrangements in accordance with the standards it has adopted and applicable to the Issuer addressing matters including:

a. the composition, functions, and responsibilities of the Board of Directors;

b. an explanation of the committee structure adopted by the Board of Directors;

c. the audit and internal control arrangements of the Issuer; and

d. matters pertaining to Issuer's code of conduct, stakeholder management, or adopted sustainability principles.

144. <u>Earnings Forecast</u>

1/ A public company may submit an Earnings Forecast to the Authority and relevant securities exchange, twenty (20) days prior to the commencement of a financial period.

2/ Where a company opts to submit its Earnings Forecast, the following shall apply:

a. The Earnings Forecast shall be in line with the company's adopted accounting policy.

b. The underlying assumptions that formed the basis of the forecast shall also be disclosed; and

c. The forecast shall be certified by the chief executive officer and chief financial officer or by officers or persons performing similar functions at the Company issuing the forecast.

3/ Where the issuer becomes aware of its inability to meet the previously provided earnings forecast it shall immediately disclose to the public and notify the relevant securities exchange that the forecast will not be realized and provide the reasons for the non-realization.

CHAPTER SIX

EXEMPTION FROM REGISTRATION

145. Applicability

The Issuers of Securities exempted from registration in accordance with Article 5 (1) (b) of this Directive shall comply with the provisions set out in this Section as applicable.

146. Issuance Through Private Placement

1/ A Private Placement shall be conducted only through an invitation addressed to predetermined investors who shall not be more than 50 (fifty) persons, and the aggregate amount to be raised in a private placement shall not exceed Birr 100,000,000 (Birr One hundred Million).

2/ The Offer or sale of securities through Private Placement shall not be advertised.

3/ Securities issued through a Private Placement shall not be publicly traded except through private placement or subsequent to registration of the securities by the Authority as set out in this Directive.

147. Issuance to Qualified Investors

1/ Investors in an Offer or sale to Qualified Investors shall be limited to not more than 100 (one hundred) Qualified Investors, unless prior approval is obtained from Authority to exceed 100 (one hundred) Qualified Investors.

2/ An Issuer relying on the Qualified Investors exemption shall clearly state in the Offer Documents that the Securities are being offered only to Qualified Investors.

3/ The Issuer shall be required to verify that each investor is a Qualified Investor

4/ The Issuer shall have each investor sign a statement confirming their designation as a Qualified Investor, and that they understand the implication of such designation and accept the risk associated with the relevant investment.

5/ The Issuer shall keep the information and statements received from investors pursuant to Sub Article (3 and 4) of this Article for a period of 10 (Ten) years following the date of receipt.

6/ Securities issued to Qualified Investors shall not be transferable except to other Qualified Investors, or subsequent to the registration of securities by the Authority as set out in this Directive.

7/ The Offer or sale of securities to qualified investors could be advertised. However, such an advertisement shall only be made to qualified investors and statement to that effect has to be included in the advertisement.

8/ The advertisement prepared under Sub Article (7) of this Article shall comply with the requirements of Article 53 of this directive.

148. Small Offering

1/ An offer or sale of securities shall constitute a Small Offering which is exempt from registration if the total amount to be raised by the Issuer is not more than Birr 10,000,000 (ten million).

2/ A small offering shall not be advertised.

3/ Securities purchased pursuant to a Small Offering exemption are restricted shares and shall not be transferable except to Qualified Investors or subsequent to registration of the securities by the Authority as set out in this Directive.

149. Notification Requirements

1/ Any Issuer which undertakes an issuance of Securities relying on exemptions under Articles 146, 147, and 148 shall be required to file a notification with the Authority.

2/ The notification on the Offer to be filed with the Authority under article 149 (1) shall be submitted within 10 (ten) business days of the close of an Offer and it shall clearly state the exemption upon which the Offer was made and shall be accompanied by:

a. a copy of the Offer Document and the form used for the subscription, if applicable;

b. a Certified extract of the resolution of shareholders and Board of Directors that authorized the issue, if applicable;

c. names and address of all subscribers to securities and the category of the investor;

d. amount subscribed by each investor, date, and mode of payment; and

e. total amount raised by the Issuer

f. If the offer is made for qualified investors, the signed statement as required under article 147 (4) of this Directive.

CHAPTER SEVEN

TRADING IN SECURITIES

150. Trading on Licensed Market

Dealing in Securities which are the subject of a Public Offer or that are Publicly Held shall be prohibited other than through a Licensed Securities Exchange or Over-the-Counter Market.

151. Suspension and Delisting

1/ No Security shall be suspended or delisted by a Securities Exchange without the prior approval of the Authority.

2/ The Authority may order the suspension or delisting of an Issuer's Securities to protect the interests of the investors or in furtherance of its principal objectives as set out in Article 5 of the Proclamation.

3/ Where a Security has been suspended or delisted the Issuer and the Securities Exchange where the Security is listed or traded shall publish such information on their respective websites.

CHAPTER EIGHT

ENFORCEMENT, ADMINISTRATIVE MEASURE AND PENALTIES

SECTION ONE

GENERAL

152. Compliance

The Authority shall monitor and may impose administrative measures and penalties any Person for contravention of the provisions of the Proclamation, this Directive.

153. Administrative Measures

The Authority shall have powers to impose any or a combination of the following administrative measures for non-compliance with or violation of any provisions of this Directive:

a. issue a public or private warnings;

b. impose fine;

c. suspension or revocation of securities registration;

d. temporary or permanent restrain to make a Public Offering;

e. suspension or prohibition of trading;

f. order to stop actions that violate the Directive;

g. order for a corrective measure;

h. blacklist Issuer, senior management, representative, promoter, or anyone responsible for violation of this Directive;

i. or any other measure the Authority prescribes from time to time.

SECTION TWO

PENALTIES, FINES AND OTHER ENFORCEMENT ACTIONS

154. Unauthorized Publication

1/ Unauthorized publications in relation to Public Offer of securities shall be prohibited.

2/ Unauthorized publications in this regard includes, but is not limited to, the following:

a. publishing a Prospectus without the approval of the Authority;

b. publication of Advertisement relating to a Public Offer in any form including notices, posters, or any documents without the prior approval of the Authority;

c. publishing of allotment result without approval by the Authority; or

d. commencement of road show or distribution of preliminary Prospectus without prior approval of the Authority.

3/ Depending on the circumstances and gravity of the case and by whom the violation is committed, the Authority may, in combination or separately, impose the following administrative measures as it deems appropriate:

a. A fine of:

i. 10 % to 25 % of the total to be paid in the agreement if it is a Transaction Advisor, and

ii. from 0.1% to 1% of the total capital raised or to be raised by the publication if it is an issuer.

b. Other penalties may include, but is not limited to:

i. public or private warning;

ii. Issuer or Transaction Advisor to issue publication to recall or rescind the unauthorized publication as may be required by the Authority from time to time; or

iii. cancellation of offer.

155. <u>Unauthorized Activities</u>

1/ Unauthorized Activities in relation to Public Offer of securities shall be prohibited.

2/ Unauthorized Activities in this regard includes, but is not limited to the following:

a. public trading of unregistered securities;

b. Listing of securities without registering the securities with the Authority;

c. offering exempted securities in violation of the required thresholds; and

d. Issuance of Debt Securities by a Company Under Formation.

3/ Depending on the circumstances and gravity of the case and by whom the violation is committed, the Authority may, in combination or separately, impose the following administrative measures as it deems appropriate:

a. a fine of:

i. 15% to 25 % of the total to be paid in the agreement if it is a Transaction Advisor;

ii. from 10% to 20% of the total money raised or to be raised through the trading, issuing or listing if it is an issuer; and

iii. 15% to 25 % of the total gained or to be gained from the listing and trading if it is an exchange that lists unregistered securities.

b. other penalties may include, but is not limited to:

i. Public or private warning; and

ii. Cancellation of the offer.

156. <u>Late Filing in Relation to a Public Offer</u>

1/ Supplementary prospectus and Reports which are required in relation to the Public Offer shall be submitted within the timeline stipulated by the provisions of this Directive.

2/ Depending on the circumstance and gravity of the case and by whom the late report is filed, the Authority may, separately or in combination with other administrative measures, impose the following sanctions as it deems appropriate:

a. a fine of:

i. Birr 1,000,000 (one million) – 3,000,000 (three million) if it is by the lead Transaction Advisor; or

ii. Birr 100,000 (one hundred thousand) if it is by other Transaction Advisors who are not named as the lead Transaction Advisor.

157. <u>Late filing of Ongoing Information Disclosures</u>

1/ Disclosures required in relation to an Issuer's ongoing information disclosure requirements shall be submitted within the timeline stipulated by the provision of this Directive.

2/ Depending on the circumstances and gravity of the case, the Authority may, separately or in combination with other administrative measures, impose on the issuer the following sanctions as it deems appropriate:

a. a fine of Birr 10,000 (Birr ten thousand) - 20,000 (twenty thousand), with an additional 1,000 Birr for every day of default;

b. public or private warning.

158. Other Violations

Unless stipulated in this part, any violation of the provision of this Directive resulting in a fine shall be subject to a fine of not less than Birr 10,000 (ten thousand).

CHAPTER NINE

MISCELLANEOUS PROVISIONS

159. Transitional Provision

1/ Issuers that are required, under Article 28 of this Directive, to register securities that are held by their shareholders prior to the issuance of this directive shall be required to file their application within 12 (twelve) months following the effective date of this Directive.

2/ A Public Offer of Securities initiated prior to the effective date of this Directive, and which has not been completed as of the effective date of this Directive, shall be required to register the securities within 12 (twelve) months following the effective date of this Directive.

160. Waiver

1/ Notwithstanding the provisions of this Directive, the Authority may provide for interim arrangements that vary from the specific provisions of this Directive.

2/ Transitional provisions issued under Sub Article (1) of this Article may not provide for arrangements that impose more stringent obligations than those prescribed by this Directive.

161. Inapplicable Laws

No directives or customary practice inconsistent with this Directive shall have an effect with respect to matters governed by this Directive.

162. Effective Date

This Directive shall come into force on the date of its registration with the Ministry of Justice and its uploading on the official website of the authority.

DONE IN ADDIS ABABA 2024

HANA TEHELKU

DIRECTOR GENERAL ETHIOPIAN CAPITAL MARKET AUTHORITY