PUBLIC ACCOUNTABILITY | SHARED GROWTH

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AUDIT SERVICE CORPORATION

ETHIOPIAN ELECTRIC UTILITY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2025

CONTENTS

Management Board

W/t Frehiwot Tamiru	Board Chairperson	Appointed	July 08, 2022
Ato Shisema G/Selassie	Board Member	Appointed	July 08, 2022
Ato Worku Gachena	Board Member	Appointed	July 08, 2022
Ato Ashebir Balcha	Board Member	Appointed	July 08, 2022
Dr. Eng. Sultan Weli	Board Member	Appointed	July 08, 2022
Ato Hailu Zewide	Board Member	Appointed	March 10, 2021

Executive Management

Ato Getu Geremew	Chief Executive Officer
W/ro Meaza Alemayehu	Chief Finance Officer
W/ro Lemlem Misganaw	Chief Supply Chain and PGS Officer
Ato Anwar Abrar	Chief Communication Officer
Ato Michael Debela	Chief Information Technology Officer
Ato Abebe Tesfu	Chief Legal Service and Ethics Officer
Ato Esayas Denedir	Chief Marketing, Sales & Customer Service
Ato Esubalew Tenaw	Chief Process and Qulity Officer
Ato Kinife Negash	Chief Project Portofile Management Officer
W/ro Zeritu Fikire	Chief Human Resource Management Officer
Ato Gemechu Yimer	Chief Stratagy and Investment Officer
Dr. Gebeyehu Likasu	Chief Network Infrastructure Management Officer
Ato Getachew Baheru	Chief Internal Audit Officer
Ato Girma Lema	Chief National Coordination Officer

Corporate Office
Mexcico Square at NIB Building 7th Floor
Addis Ababa, Ethiopia
P.O.Box 1223
Addis Ababa, Ethiopia

Independent Auditor
Audit Service Corporation
Addis Ababa
Ethiopia

Principal Banker
Commerical Bank of Ethiopia
Addis Ababa
Ethiopia

The management board members submit their report together with the financial statements for the period ended JULY 07, 2025 to the Ethiopian investment holdings.

Ethiopian Electric Utility (EEU) is a public enterprise established on October 2013 by Council of Minster's Regulation No. 303/2013 following the split of Ethiopian Electric Power Corporation (EEPCo) in to two Separate entities and amended by Regulation No. 382/2016

The principal activity of the Utility is to construct & administer electric distribution networks, to purchase bulk electric power & sale electric energy to the public.

The Utility's results for the year ended JULY 07, 2025 are set out on page 8.

Management Board

The Management board members who held office during the year and to the date of this report are set out on page 1.

W/t Frehiwot Tamiru
Chairperson Management Board

Frehiwot Tamru
Chairperson Management Board

Statement of management board's responsibilities

In accordance with the Financial Reporting Proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) has directed the Utility to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs).

The Utility's Board is responsible for develop and implementation of internal working procedures, decide on strategic issues except on matters that are reserved to be decided by EIH, establish Board Committees, approve the recruitment, promotion, assignment and termination of Executive Management who report directly to the Chief Executive Officer, appoint and dismiss Chief Executive Officer and deputy chief executive officer, oversee the implementation of corporate strategies, business plans, succession planning, and investment, financial and non-financial performance, assess and manage enterprise risks, ensure implementation of effective internal control, succession planning and risk mitigation strategies, evaluate short and long term financing requirements and recommend to EIH for approval, Propose to increase the capital of the company in accordance with applicable law, ensure accurate financial and non-financial reporting and disclosures , engage periodically with key stakeholders, submit periodic performance report on the operations and any other reports to EIH, ensure timely payment of dividends in accordance with timelines and conduct annual performance assessment of Board committees and Chief Executive Officer.

To enable the Management Board to meet this responsibility, the management board & executive management implement system of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures and adequate segregation of duties.

Nothing has come to the attention of the management board to indicate that the Utility will not remain a going concern for atleast twelve months from the date of this statement.

Signed on behalf of the management board by:

W/t Frehiwot Tamiru
Chairperson Management Board

Frehiwot Tamru
Chairperson Management Board

INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC UTILITY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Electric Utility (the Entity), which comprise the statement of financial position as at 7 July 2025, and the statement of profit or loss and other comprehensive income, statement of cash flow, and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at 7 July 2025 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN ELECTRIC UTILITY (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC UTILITY (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC UTILITY (continued)

Report on the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Woizero Rediet Berhan.

Other Information

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the additional information. The additional information comprises the information included in pages 1 through 3 of the financial statements, but does not include the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the additional information and, in so doing, consider whether the additional information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work that we have performed, we conclude that there is a material misstatement of this additional information, we are required to report that fact. We have nothing to report in this regard.

Audit Service Corporation

5 January 2026

Accounting and Auditing Board of Ethiopia
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Ethiopian Electric Utility Head Office
Federal Democratic Republic of Ethiopia

Federal Democratic Republic of Ethiopia
Audit Service Corporation

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 07 JULY 2025

	Notes	7-Jul-25 ETB	7-Jul-24 ETB
Revenue	4	58,301,569,032	33,931,188,888
Cost of sales (Power, Distribution , Substation and Transmission)	5	(44,315,960,682)	(29,331,385,249)
Gross profit		**13,985,608,350**	**4,599,803,639**
Investment income	16.1	(3,278,081)	13,317
Other operating income	6	5,721,597,252	6,686,969,034
Administration expense	7a	(4,781,019,738)	(4,436,805,974)
Other operating expense	8	(5,011,660)	(5,047,601)
Impairment allowance	7b	(1,593,672,999)	(799,592,911)
Operating profit		**13,324,223,124**	**6,045,339,505**
Finance costs/charges	9	(9,270,718,287)	(2,321,536,311)
Profit before tax		**4,053,504,837**	**3,723,803,194**
Income tax expense		-	-
Profit for the year		**4,053,504,837**	**3,723,803,194**
Other comprehensive income, net of income tax			
Items that will not be subsequently reclassified into profit or loss:			
Re measurement gain (loss) on retirement benefits obligations		-	-
Total comprehensive income for the year		**4,053,504,837**	**3,723,803,194**

The Notes on pages 12-43 are an integral part of these Financial statements

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF FINANCIAL POSITION
AT 07 JULY 2025

	Notes	2025 (ETB)	2024 (ETB)
Assets			
Non-current assets			
Property, plant and equipment	11	89,022,357,834	56,586,076,593
Intangible Asset	13	697,350,101	763,257,748
Right use of asset - Office	14	535,810,064	84,446,820
Advance	15	6,345,888,720	6,102,116,137
Investments in Associates and Joint Ventures	16.1	20,477,678	23,755,759
Investments in Time Deposit	16.2	4,650,806,759	500,750,000
		101,272,691,156	**64,060,403,057**
Current assets			
Cash and cash equivalents	17	36,611,890,379	33,353,380,786
Trade receivables	18.1	4,162,552,392	2,088,323,242
Other receivable	18.2	1,023,397,538	269,096,532
Inventories	19	53,418,216,338	17,778,241,125
Investments in Time Deposit	16.2	500,750,000	500,750,000
Prepayments		124,939,170	111,141,028
Non-current Assets Held for Sale		6,297,887	6,297,887
		95,848,043,704	**54,107,230,600**
Total assets		**197,120,734,860**	**118,167,633,657**
Equity and liabilities			
Equity			
paid up capital		123,565,452,611	62,289,554,816
legal reserve	20	826,457,573	623,782,331
Retained earnings	21	7,388,442,630	3,537,613,034
Contribution	22	4,100,609,832	-
Other Reserve	23	252,639,280	252,639,280
Legacy difference		-	
Reserve for excess of deemed cost over book value	24	10,057,015,737	10,057,015,737
Total equity		**146,190,617,663**	**76,760,605,199**
Non-current liabilities			
Lease Liability	25	260,037,906	28,951,668
Customer Deposit	26.3	1,117,457,804	1,103,299,791
Long term loans	26.2	-	13,392,394,887
Contractors Retention	26.4	9,771,215,960	2,816,366,510
Post Employment benefit liabilities	28	1,203,042,865	988,951,666
Contract liabilities	30	19,885,217,598	13,777,768,790
		32,236,972,133	**32,107,733,311**
Current liabilities			
Current portion of Lease Liability	25	185,949,560	39,926,174
Trade and other payables	26.1	14,676,839,422	7,078,571,353
Current portion of Long Term Loan payable	26.2	-	993,939,877
Other tax obligations	29	2,139,375,585	22,731,689
Contract liabilities - Prepaid Cards	30	925,873,160	548,710,217
Accruals and Provision	31	765,107,337	615,415,837
		18,693,145,064	**9,299,295,147**
Total liabilities		**50,930,117,197**	**41,407,028,458**
Total equity and liabilities		**197,120,734,860**	**118,167,633,657**

The Notes on pages 12-43 are an integral part of these Financial statements

The financial statements on pages 8 to 43 approved by Ato Getu Geremew : Ethiopian Electric Utility Chief Executive Officer/EEU, CEO/ for issue on January 01, 2026

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 07 JULY 2025

	2025 (ETB)	2024 (ETB)
Operating activities		
Profit	4,055,504,837	3,721,803,194
Non-cash adjustment to reconcile profit before tax to net cash flows		
Depreciation and impairment of property, plant and equipment	4,364,412,882	4,100,611,189
Loss on Disposal of Fixed Asset	59,579,189	65,235,801
Amortization of the right use of assets	202,083,253	77,016,933
Amortization of intangible assets	65,907,647	65,907,647
Impairment of financial asset	1,551,313,069	568,093,598
Impairment of Advance	0	(12,710,045)
Provision for Inventory	42,351,217	242,217,006
Severance Expense (Current service cost & Interest Expense)	214,091,199	175,562,234
Concessional loan discount (income)		(4,593,488,552)
Interest expense	70,877,726	1,887,891,538
Foreign exchange Gain/loss	16,581,079,529	569,643,429
	27,205,200,558	**6,867,783,971**
Working capital adjustments:		
Increase in trade, other receivables	(4,279,843,225)	659,848,011
Increase in Investments in Time Deposit	(4,150,056,759)	(1,001,500,000)
Increase in advance	(243,772,583)	(3,775,201,199)
Increase in inventories	(35,597,623,997)	(3,863,361,337)
Increase in prepayment	(13,798,142)	(97,474,287)
Increase in trade and other payables	9,864,603,465	1,645,020,486
Increase in contract liability	6,484,611,751	7,720,839,459
Increase in customer Deposit	14,158,013	26,850,064
Increase in contractors retention	6,954,849,450	969,807,230
	6,138,328,523	9,152,612,398
Interest paid	(470,056,780)	(1,887,891,538)
Net cash flows from operating activities	**5,668,271,743**	**7,264,720,860**
Investing activities		
Purchase of property, plant and equipment	(36,877,294,206)	(12,803,134,542)
Loss from investment in associate	3,278,081	(13,317)
Proceeds from disposal of fixed Asset	17,020,894	(9,246,819)
Net cash flows used in investing activities	**(36,856,995,231)**	**(12,812,394,679)**
Financing activities		
Proceed from Capital and grant contribution	20,044,607,472	4,728,903,181
Proceeds from borrowings (loan)	15,031,084,942	5,142,392,041
Repayment of borrowings (loan)	(449,900,116)	
Payment for additional leased asset	(178,559,216)	(134,755,976)
Net cash flows from/(used in) financing activities	**34,447,233,081**	**9,736,539,245**
Net increase/ (decrease) in cash and cash equivalents	**3,258,509,593**	**4,188,865,426**
Cash and cash equivalents at 8 JULY.	33,353,380,786	29,164,515,360
Cash and cash equivalents at 7 July	**36,611,890,379**	**33,353,380,786**

The Notes on pages 12-43 are an integral part of the financial statements

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Federal Democratic Republic of Ethiopia

The Federal Democratic Republic of Ethiopia
Audit Services Corporation

ETHIOPIAN ELECTRIC UTILITY
STATEMENT OF CHANGES IN EQUITY
FOR SIX MONTH ENDED 7 JULY 2025

		paid up capital ETB	Legal Reserve ETB	Retained Earnings ETB	Reserve for excess of deemed cost over book value ETB	Contribution ETB	Other Reserve ETB	Total ETB
Balance at 7 July 2023		**49,840,885,261**	**437,592,171**	**4,389,803,945**	**10,066,050,781**	**3,329,962,429**	**252,639,280**	**68,316,933,867**
Profit for the year				3,723,803,194				3,723,803,194
Transfer to legal reserve	20		186,190,160	(186,190,160)				-
Other Comprehensive income for the year	23							
Contribution	22					4,728,903,181		4,728,903,181
Transfer from Contribution		8,058,865,610				(8,058,865,610)		
Increase in Capital								
Transfer from retained earnings	21	4,389,803,945		(4,389,803,945)				-
Transfer from reserve for excess of deemed cost over book value	24				(9,035,044)			(9,035,044)
Balance at 7 July 2024	35	**62,289,554,816**	**623,782,331**	**3,537,613,034**	**10,057,015,737**	**-**	**252,639,280**	**76,760,605,199**
Profit for the year		-	-	4,053,504,837	-	-	-	4,053,504,837
Transfer to legal reserve	20		202,675,242	(202,675,242)				-
Other Comprehensive income for the year		-	-		-		-	-
Contribution	22		-	-	-	4,100,609,832	-	4,100,609,832
Legacy Difference								
Increase in Capital		61,275,897,795	-	-	-		-	61,275,897,795
Transfer from retained earnings	21	-	-		-	-	-	-
Transfer from reserve for excess of deemed cost over book value	24							
Balance at 07 July 2025		**123,565,452,611**	**826,457,573**	**7,388,442,630**	**10,057,015,737**	**4,100,609,832**	**252,639,280**	**146,190,617,663**

The Notes on pages 12-43 are an integral part of these Financial statements

1. General information

Ethiopian Electric Utility (EEU) is a monopoly public Utility which was established on October 2013 by the Council of Ministers Regulation No. 303/2013 following the split of Ethiopian Electric Power Corporation (EEPCo) in to two separate entities. As a result EEU is mandated to deal with the operation of Substations & power transmission lines up to 66 kV, to undertake construction works & operation of off-grid electricity generation, to construct & administer electric distribution networks, to sell & purchase bulk electric power on transmission lines up to 66 kv and the Utility is mandated to initiate electric tariff amendments.
Currently the utility applies 5 (Five) categories of tariffs such as domestic tariffs, general tariff, low volt time of day industrial tariff, high volt time of day industrial tariff 15 KV, as well as street light tariff

The Utility is governed under public Enterprise proclamation no. 1314/2024.The Supervising Authority is Ethiopian Investment Holdings

EEU has 32 regional offices and 570 customer service offices led by those regions.

The Utility purchases bulk electric from Ethiopian Electric Power (EEP) and sales electric energy to its local & foreign customers using the post paid & prepaid energy meters installed in the customers' premises. Purchase of bulk power is done based on the power purchase contract agreement made between the two companies. As per the agreement EEP should install energy meters in all respective delivery stations & power purchase will be done using those meters.

2. Material accounting Policies

2.1 Basis of preparation and Statement of compliance

Statement of Compliance

The financial statements for the period end 7 July 2025 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Going Concern

The financial statements have been prepared on going concern basis. Nothing has come to the attention of the management to indicate that the Utility will not remain a going concern for at least twelve months from the date of approval of these financial Statements for issue.

Use of Judgments and Estimates

In preparing these Financial Statements, management has made judgments, estimates and assumptions that affect the application of the Utility's accounting policies and reported amounts of asset,liabilities,income and expenses.
Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to estimates are recognized prospectively.
Information about judgment ,estimates and assumption that are material to the financial statements are disclosed in note 3.

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2.2 Summary of Material accounting policies

The following are the material accounting policies applied by the Utility in preparing its financial statements:

2.2.1 Current versus non-current classification

The Utility presents assets and liabilities in the statement of financial position based on current/non-current classification.

2.2.2 Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Utility uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Utility determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Utility has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy .

2.2.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue from Sales of electric power/Post paid:- The Utility recognizes revenue from sales of electric power on monthly basis based on the measure taken by the kilowatt hour meter installed in the premise of each customer. It recognizes revenue from the sales of electric energy over time.

Revenue from prepaid meter sales system:- This revenue arises from the sales of electric energy, it allows the consumer to pay in advance. Initially the prepaid energy sales are recorded as a contract liability and recognized as revenue when the consumer utilize the energy. The prepaid energy is assumed to be utilized at the earliest when the consumer presents the card for recharge or one month from the energy has purchased.

Revenue from Electric Power Connection work & other services:- The utility recognizes revenue from new connection works and from services provided on the customers' premises (Relocation and maintenance) over time when performance obligation is satisfied. i.e when the utility provided electric service in the premises of the customers & the customers have got the right to use the electric service. (as per IFRS 15 an entity shall recognize revenue when or as the entity satisfies the performance obligation by transfering a promised goods or services to a customer).The utility uses input method to recognize revenue from connection work.

2.2.4. Interest income/expense

For all financial instruments measured at amortized cost interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

2.2.5 Foreign currencies

Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Utility operates ("the functional currency"). The financial statements are presented in Ethiopian Birr ("ETB") which is the Utility's functional currency.

Transactions and balances

Foreign currency transactions are initially translated to the Functional Currency using the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the transaction at exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in Profit or loss. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.2.6 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing part of Property, plant and equipment if the recognition criteria are met. When material parts of property, plant and equipment are required to be replaced at intervals, the Utility recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the profit or loss as incurred

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as only when it is probable that future economic benefits associated with the item will flow to the Utility and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

Asset Class:	Theoretical Useful Life (years)
Distribution	15 - 25 years
Transmission lines	25 - 40 years
Substations	15 - 40 years
Diesels	10 – 50 years
Vehicles	20 years
Motor Cycle	5 years
Administrative building	40 years
Office furniture and equipment	15 - 25 years

The Utility commences Depreciation when the asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Property plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or Cash Generating Unit's fair value less costs of sale and its value in use.

2.2.7 Leases

Right-of-use asset

The Utility is party to lease arrangements over land and office buildings. It recognizes right-of-use assets and the related liabilities at the commencement date for the lease arrangements with monthly rent above birr 200,000 that are entered into that convey the right to control the use of identified assets for a period of time. The commencement date of the lease is the date when the lessor makes the asset available for use by the Enterprise.

The right-of-use assets are initially measured at the present value of the minimum lease payments.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and are adjusted for any re-meauresment of the lease liability.

Right of Use of Asset amortization is calculated on straight-line method over the term of the lease or the useful life of the asset, whichever is the shorter. In the case of the lease hold land the cost is amortized over the lease period.

Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date including fixed payments, less any incentive payments that will be receivable by the Utility from the lessor;

The lease payments are discounted using the Utility's incremental borrowing rate. After initial recognition date, the Utility accounts for the lease liabilities by reducing the carrying amount to reflect payments made on the lease;

Short term lease and low value assets are recognized on a straight-line basis as an expense in profit or loss. Short term leases are with a lease term of 12 month or less

2.2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on Intangible assets with finite lives is presented as a separate line in the statement of profit or loss.

Amortization of intangible assets with definite useful life is calculated using straight line method as follows:-

Asset Class:	Theoretical Useful Life (years)
Prepaid Meter Software	19 years
ERP Software	15 years
Website	5 years

2.2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity or any legal person and a financial liability or equity instrument of another entity or legal person. Financial assets and financial liabilities are recognized when the Utility becomes a party to the contractual provisions of the instrument.

Classification

The classification depends on the Utility's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Utility classifies its financial assets as follows:

Those to be measured subsequently at amortized cost

Those to be measured subsequently at fair value (either through OCI or through profit or loss)

The classification depends on the Utility's business model for managing the financial assets and the contractual term of the cash flow. The Utility business model is to hold financial assets in order to collect contractual cash flows After initial recognition, the Utility shall measure a financial asset at amortised cost

Recognition

Regular way of purchases and sales of financial assets/Financial Liability are recognized on trade date, the date on which the Utility commits to purchase or sell the asse

De-recognition

Financial Assets are derecognized when the rights to receive cash flows from the asset have expired, or have been transferred and the Utility has transferred substantially all the risks and rewards of ownership

Measurement

The Utility intially recognize it's financial assets at thier transaction price, as defined by IFRS 15. And subsequently measurement of financial assets of the utility is at amortised cost.

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i) Financial assets

Trade and Other Receivable

Trade receivables are the amounts due from customer for services performed in ordinary course of the business. Other trade receivables are receivables arise from new connection and rechargeable works. They are generally due for settlement within a year and therefore classified as current. For some reason if they fail to settle within a year they are presented as noncurrent. Trade receivables and other receivables are recognized initially at Fair value. The Utility holds the trade receivables with the objective to collect the contractual cash flows and therefore measures at amortized cost using the effective interest rate (EIR) method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing with original maturities of three months or less from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Impairment of financial assets

The Utility assesses Impairment of financial asset by using expected credit losses(ECL) for financial asset carried at amortized cost. The impairment methodology applied depends on whether there has been a material evidence increase in credit risk.

The Utility applies simplified approach permitted by IFRS 9, which requires lifetime credit losses to be recognized from initial recognition of receivables.

ii) Financial Liabilities

Financial liabilities are subsequently measured at amortized cost, such as at fair value through profit or loss and liabilities measured at amortized cost such as loans , borrowings, and payables. The Utility's financial liabilities include loans and borrowings ,trade and other payables, .

Loans and Borrowings

The Utility's Borrowing and Loans are comprises long term loans and Bonds payables. Initially, recognized at fair value net of transaction cost incurred and subsequently interest bearing loans and borrowings measured at amortized cost using the effective interest rate method

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included in finance costs in the statement of profit or loss.

Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.2. 10 Borrowing cost

Interest cost shall be included as a component of the historical acquisition cost of qualifying fixed assets constructed for the Utility's own use (major construction or acquisition projects only).

2.2.11 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories are stated using the weighted-average cost method.

Provision for damaged inventory having no further usage or no market value is provisioned at 100%.

2.2.12 Impairment of non-financial assets

Intangible asset that have an indefinite useful life are not subject to amortization and are tested, annual for impairment if there is indication that an asset may be impaired.

Other asset tested for impairment when there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Utility estimates the asset's recoverable amount.

2.2.13 Employee benefits

Short-term benefits

Salary, Wages, annual leave sick leave, bonuses and non-monetary benefits such as kwh electric energy monthly consumption up to 440 kwh are expected to payable within 12 months after the service is rendered. The amount is recognized in respect of employees' service up to the end of the reporting period and is measured at an amount expected to be paid when the liabilities are settled

Post employment benefit

Defined contribution plans. These are post-employment benefit plans under which the Utility pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Utility has obligation to contribute 11 % of the employee's basic salary to Public Servant Social Security and recognized as an expense in the period that related employee services are rendered.

Define Benefit Plan, This is a post employee benefit plan . The Utility's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Utility accounts for both legal obligation which is severance payment and constructive obligation which is free electricity for its retired staff.

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The Utility is obliged by law to pay severance payment for eligible employees who served the Utility for more than 5 years when the employment is terminated. The amount payable is one month final salary for the first year of service and one third of the final salary for the remaining year of services.

The Utility also has a practice of providing free electricity to those employees who will have served the Utility for more than 10 years and resign on retirement. This benefit is payable to the retired employees in the form of monthly kilowatt-hour (kWh) electric energy up to 264 Kwh according to their past years of service.
Accordingly the present value of post employment benefit obligation and the related current service cost were measured using the projected unit credit method.Management estimates the benefit obligation annually with some basic actuarial assumption.

Termination benefit

Termination benefits are payable when employment is terminated by the Utility before the normal retirement date or when employee accepts voluntary redundancy in exchange of benefits.

2.2.14 Provisions

Provisions are recognized when the Utility has a present legal or constructive obligation as a result of past events; It is probable that an outflow of résources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.2.15 Leave accrual

A provision is made for the estimated liability for annual vacation as a result of services rendered by employees up to the end of the reporting period. Employee's entitlements to annual vacation are also charged to the profit or loss when they accrue to employees.

2.2.16. Concessional Loan

Loans from foreign finance providers and bonds issued to ethiopian electorci utility at a lower rate than the market interest rate and hence recognized at fair value (discounted amount using market rate).The difference between the fair value and the cash reciept(face va;ue) is charged to profit or loss as concessional income

2.3 New or revised Standards or Interpretations

The utility assessed the new standards/amendments during the year and the new standards/amendments does not have material impact in the current reporting year.

3. Material accounting judgments, estimates and assumptions

The preparation of the Utility's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods

Judgments

In the process of applying the Utility's' accounting policies, management has not encountered any situation that calls for any significant judgments, which have material effect on the amounts recognized in the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Utility based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Utility. Such changes are reflected in the assumptions when they occur.

Useful life of property, plant and equipment

The Utility measures its property, plant and equipment at cost less accumulated depreciation and for the purpose of determining deprecation, the Utility estimated the use full life.

Power Purchase Agreement:

EEU has a Power Purchase Agreement with Ethiopian Electric Power. The Power Purchase from EEP has fully undertaken by using energy meters installed in all substations

Employee termination benefit

The cost of post employment benefit and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and employee turnover rates . Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a post employment benefit obligation is highly sensitive to changes in these assumptions. The actuarial valuation for post employee benefit obligation for the year 7 July 2023 was made by professional actuary Ruparelia Consultants Limited (RCL).

4 Revenue

The following are analysis of the Utility's' revenue for the year

	2025 (ETB)	2024 (ETB)
Sale of electricity - local-post paid	30,866,620,103	17,630,687,026
sales of electricity -local- prepaid meter	6,264,323,694	4,146,642,799
Revenue from capital work	788,852,437	533,655,217
Service charges	928,242,405	958,573,379
Meter service charges	1,623,549,502	1,349,163,147
Connection fees	12,857,228,254	4,742,958,857
Sales of electricity - foreign	112,839,257	32,568,414
Sales of power factor correctors	4,859,911,013	4,536,889,132
Income from sales of compact fluorescent lamps	2,367	50,927
	58,301,569,032	**33,931,188,888**

4.1 Significant payment terms

The entity operates on both advance collection and credit arrangements

Advance collection
EEU collects advances from the customer to contribute to the cost of the connection, and in return the utility constructs the connecting infrastructure and retains responsibility for maintaining it. The utility also introduced the prepaid system which eliminates the need for manual meter reading, computing the bill, and bill collection. It allows the customer pay in advance.

Credit arrangement
The entity issue bills to customers and make collections for sales of electric power in the following month of consumption. The entity has also arranged credit facility scheme for its customers such as for low income household and industrial customer whereby power connection service or installation of power factor corrector services are given respectively.

4.2 Information about major customers

Ethiopian Electric Utility sale electric power through out the country for industries and millions of households. No individual customer contributed 3 % or more to the Utility's revenue for FY 2025

4.3 Sole Producer and Distributer (Monopoly) right.

The power and utility industry in Ethiopia is operated only by government under a monopoly through its enterprises such as EEP and EEU. They are the main player in the Ethiopian energy sector. EEU is therefore a state monopoly in distribution and the operation of power transmission lines of ≤ 66 kV. It owns and operates the off grid Electricity generation, low voltage power transmission lines, substation and distribution up to 66 kV Volt level.

5 Cost of Goods Sold

	2025 (ETB)	2024 (ETB)
Power Purchase - EEP	27,257,058,259	17,014,739,861
Distribution (5.1)	16,805,350,528	12,087,608,028
Substation and Transmission (5.1)	253,551,895	229,037,540
	44,315,960,682	29,331,385,429

5.1 Cost of Distribution, Substation and Transmission

	2025 (ETB)			2024 (ETB)		
	Distribution	Substation & Transmission	Total	Distribution	Substation & Transmission	Total
Salary and Wages	4,811,558,365	93,727,062	4,905,285,428	4,067,928,595	79,241,478	4,147,170,074
Depreciation	3,989,237,212	158,491,240	4,147,728,453	3,724,003,445	148,632,075	3,872,635,521
Material and supplies	3,995,843,158		3,995,843,158	2,457,354,588	-	2,457,354,588
Other personnel cost	268,395,114	223,766	268,618,880	262,630,581	223,455	262,854,036
Travel and subsistence	482,904,395		482,904,395	399,372,140	-	399,372,140
Fuel and lubricants	546,408,524		546,408,524	286,672,087	-	286,672,087
Rent	167,410,177		167,410,177	139,071,423	-	139,071,423
Amortization	214,392,721		214,392,721	111,623,912	-	111,623,912
Communications	881,270,653		881,270,653	176,833,220	-	176,833,220
Insurance	82,564,903		82,564,903	43,741,370	-	43,741,370
Impairment of PPE	72,453,345		72,453,345		-	-
Miscellaneous	1,292,911,960	1,109,826	1,294,021,786	418,376,666	940,530	419,317,197
	16,805,350,528	253,551,895	17,058,902,423	12,087,608,028	229,037,540	12,316,645,567

6 Other income

	2025 (ETB)	2024 (ETB)
Concessional loan discount (income)	(0)	4,593,488,552
General line	1,683,096,188	269,075,282
Club sales	20,307,518	26,446,143
Maintenance and service	2,657,098,383	612,057,126
Fines	261,484,590	122,355,597
Miscellaneous	134,876,784	1,062,046,334
Income from Time Deposit	984,733,790	1,500,000
	5,721,597,252	6,686,969,034

6.1 Incomes from general lines arises from installation of lines for communities The Utility's other income reported as miscellaneous includes income from sales of scrap material, disposal of asset, and others.

7a Admin expense

	2025 (ETB)	2024 (ETB)
Salary, Wages and Benefits	1,226,304,457	1,166,454,769
Current Service Cost	63,535,114	51,769,307
Material and supplies	998,960,790	1,157,652,803
Depreciation	216,736,640	227,975,668
Other personnel cost	67,154,720	74,138,318
Amortization	53,598,180	31,483,667
Communications	220,799,175	178,451,122
Fuel and lubricants	136,602,131	239,513,849
Insurance	20,641,226	12,337,309
Rent	67,556,524	46,214,937
Travel and subsistence	120,726,099	112,643,424
Miscellaneous	1,588,404,682	1,138,090,802
	4,781,019,738	**4,436,805,974**

7b Impairment Allowance

	2025 (ETB)	2024 (ETB)
Bad Debt expense	1,593,672,999	799,592,911
	1,593,672,999	**799,592,911**

8 Other operating expense

	2025 (ETB)	2024 (ETB)
Audit Fee	4,750,660	4,731,701
Board Fee	261,000	315,900
	5,011,660	**5,047,601**

9 Finance cost/income

	2025 (ETB)	2024 (ETB)
Loss(Gain) on Foreign exchange	(3,782,480,607)	296,064,996
(Gain) loss on loan settlement	12,831,765,083	
Interest expense	29,413,790	1,887,891,538
Interest on employee termination benefit obligation (9.1)	150,556,085	123,792,928
Interest on Lease liability (9.1)	41,463,936	13,786,850
	9,270,718,287	**2,321,536,311**

Foreign exchange losses recognized in the statement of profit or loss are . the net balance of gains & losses on exchange rate, resulted from the settlement of such Transactions in foreign currencies and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

The loans are on lent through Ministry of finance (MOF) Extingushed as per letter reference no EHA/16/7/70 DD 20/08/2017 and As per IFRS 9.3.3.3 The difference between Carrying amount of the loan extingushed (intially recognized as per IFRS 9. B 5.1.1 discounted using the prevailing market rate of interest for a similar instrument, The difference between consideration received and the discounted loan recorded as Consessional Income) and liability assumed with the amount ETB 12,831,765,083 Recorded as Loss on Loan Extingushment

Interest expense is related to lease obtained from commercial bank of Ethiopia bearing interest at a rate of 11.5% per annum. Also included under finance cost is unwinding of the present value of employee termination benefit obligation and lease liability.

10 Taxation

The utility is exempted from Profit tax and Government Profit share as per Letter from Ministry of Finance with Letter reference no ቀ/ከ/ቀ/5/20 dated 21-10-2010 E.C.

11 Cost of Property, plant and equipment

	Building	Land improvements	Substation	Motor vehicles	Office Furniture and equipment	Garage and workshop equipment, Construction machinery	Diesel generator	Distribution and Transmission line	Construction in progress	Total
	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB	ETB
[illegible]	1,022,060,435	76,332,257	1,382,199,061	1,728,450,418	1,333,785,142	129,806,960	131,303,002	55,313,703,687	22,345,635,866	83,465,276,823
Additions				969,815,455	263,039,942	1,447,751	582,348	607,316,746	35,035,091,964	36,872,294,206
Transfer	437,665,343		5,391,636					8,903,449,998	(9,346,506,927)	0
Disposals Derecognition	(51,413)			(9,416,655)	(103,950)			(96,999,825)		(106,571,843)
As at 7 July 2025	1,459,674,365	76,332,257	1,387,590,697	2,688,849,218	1,596,721,134	131,254,711	133,885,350	64,727,470,601	48,034,220,854	120,235,999,186
Accumulated depreciation										
As at 7 July 2024	165,885,216	24,819,618	764,408,831	605,445,401	870,299,520	40,587,848	72,123,785	24,335,610,012		26,879,200,229
Charge for the year	49,829,217	4,854,296	87,732,649	129,553,668	218,364,066	5,573,562	7,954,413	3,870,551,011		4,364,412,882
Transfer										
Disposals				(5,383,066)	(42,213)			(24,546,480)		(29,971,759)
As at 7 July 2025	205,714,433	29,693,914	852,141,479	729,616,003	1,088,621,373	46,161,410	80,078,197	28,181,614,543	-	31,213,641,353
As at 7 July 2024	856,175,219	51,492,639	617,790,230	1,123,005,017	463,485,622	89,219,113	61,179,217	30,978,093,670	22,345,635,866	56,586,076,593
As at 7 July 2025	1,253,959,932	46,638,343	535,449,218	1,959,233,215	508,099,760	85,093,302	53,807,153	36,545,856,058	48,034,220,854	89,022,357,834

The Utility has free hold Land donated from City Administration and Regional State Governments through out the country which had a value of birr 896,832,100 during first time adoption of IFRSs.

12 Forest assets

The utility has a forest asset in Oromia, SNNP and Sidama Regions. Which was valued during the first time adoption of IFRSs /2019/ with a total of birr 161,084,026, of which Forest Assets in the Oromia region, Addis Alem which was valued at Birr 7,302,084 and Bore which was valued at birr 2,294,150 and Hossana which was valued at birr 5,956,683 during first time adoption sold in 2025 Fiscal Year.

Region	Value as of	Area in m^2
Oromia	Nekemy/Tsege	955,000
	Fincha/Segno G	336,000
	Shambu/Homi	188,100
Sidama	Yirgalem	15,000
	Total:	1,494,100

13 Intangible Assets

	Website ETB	Billing Software ETB	ERP Software ETB	Total ETB
Cost				
At 7 July 2024	1,612,501	1,985,750	988,614,709	992,212,960
Additions				-
Transfer				-
At 7 July 2025	1,612,501	1,985,750	988,614,709	992,212,960
Amortization				-
				-
At 7 July 2024	827,456	1,837,776	226,289,980	228,955,212
Charge for the year			65,907,647	65,907,647
At 7 July 2025	827,456	1,837,776	292,197,627	294,862,859
NET BOOK VALUE				
At 7 July 2025	785,045	147,973	696,417,082	697,350,101
At 7 July 2024	785,045	147,973	762,324,729	763,257,748

14 Right of use asset (Building)

The Utility's Universal electric access program office building and bill collection outlets are held under a lease arrangements. The right of use asset as well as lease liability that has been recognized in respect of these rents are only related to those lease arrangements with a lease period of more than 12 months and having monthly rental of Birr 200,000 or more. Any other short-term lease below 12 month period and below the recognition materiality level have not been recognized as the right of use asset (ROA).

	2025 (ETB)	2024 (ETB)
Cost		
At 7 July 2024	199,616,625	319,037,922
Additions	653,446,498	27,687,006
Disposals	(67,337,027)	(147,108,303)
At 7 July	785,726,096	199,616,625
Amortization and impairment		
At 7 July 2024	(115,169,805)	(124,315,497)
Amortization charge for the year	(202,083,253)	(77,016,933)
Disposals	67,337,027	86,162,624
At 7 July	(249,916,032)	(115,169,805)
Net book value		
At 7 July 2025	**535,810,064**	**84,446,820**

15 Advance

	2025 (ETB)	2024 (ETB)
Advance payment	6,629,751,276	6,385,978,694
Allowance for credit losses	(283,862,557)	(283,862,557)
	6,345,888,720	6,102,116,137

This represent advance payment made to the utility's major suppliers and contractor for purchase of capital good items and services such as construction to be delivered in the future. The prepayment is released to Construction in progress (CIP) on a proportionate basis at a 30% of the work executed to date when the billing is issued. Certain prepayments were found to be impaired and an allowance for credit losses has been recorded accordingly within other expenses. The impaired prepayments are advance payments mostly made to suppliers and service providers including professional consultancies in the business-to-business market that are experiencing operational difficulties and failed to deliver the promised goods and services with in the agreed period of time.

16 Investments

16.1 Investments in Associates and Joint Ventures

	Investment in Ethiopian electrometer plc	Investment in Ethio China Electric Power SC	Total
Share	40%	7%	
Balance at 7 July 2024	23,358,784	396,975	23,755,759
Add :- Investment income/loss	(3,278,081)		(3,278,081)
Addition Investment			-
Less:- Dividend income received	-		-
Balance at 7 July 2025	20,080,703	396,975	20,477,678

In 2015, the utility has collaborated with a foreign based private Utility called Elsewedy Electrometer to establish a new Utility called Ethiopian electrometer plc. with an initial registered share capital of total paid up capital of 60 million birr. The plc. is engaged in the manufacturing of all types of Electricity meter and pre-paid electricity meter system which is mainly suppliedto the utility. EEU owns 40% of the shares of the plc. (i.e. 2,400 shares) by contributing 24 million birr .

In 2020, the utility has collaborated with Ethiopian Electric Power and foreign based Share Companies called Zhong Chuang Xin International Limited, Zhong Wang Da International Limited, Zhong Hui De International Limited, Zhang Hui Cheng International Limited and Mr. Mr.Zhu Liwei to establish a new Utility called Ethiopia-China Electric Power Share Company with an initial registered share capital of USD 187,500 equal to 5,925,000 birr. The share company is engage in Electro Mechanical Construction, Provision of Technical and Vocational Training Service and other related business activities.EEU owns 7% of the shares of the company. (i.e. 67 shares) by contributing 396,975 birr

The utility account its investment in associate and Joint ventures using equity method. Equity method is a method of accounting whereby the investment is initially accounted at cost and adjusted thereafter for the post accusation change in the utility's share of net asset of the investee

16.2 Investment in Time Deposit

In 2025 the utility made investment in time deposit with total amount 5,151,556,759 at Awash International Bank S.C., Dashen Bank,Wegagen Bank,Sinquee Bank,Hibret Bank,Nib International Bank and Cooperative Bank of Oromia which bear interest rate of 18.25 to 20.3% per annum payable on the due date of the deposit. The Utility holds the Certificate of Deposit with the objective to collect the contractual cash flows and interest Therefore measures at amortized cost using the effective interest rate (EIR) method.

17 Cash and cash equivalents:

	2025 ETB	2024 ETB
Cash at Bank	35,047,325,003	32,814,255,733
Restricted cash Margin Held	1,562,544,096	539,435,251
Cash on hand	2,021,281	(310,198)
Total financial assets	**36,611,890,379**	**33,353,380,786**

Restricted cash Margin Held is margin money deposited in the National Bank for the purpose of enabling the bank to meet payment under the condition and amount specified in letter of credit

18 Financial assets :

	2025 ETB	2024 ETB
Trade receivables	4,162,552,392	2,088,323,242
Other receivable	1,023,397,538	269,096,532
Total financial assets	**5,185,949,930**	**2,357,419,774**
	-	-
Total current	**5,185,949,930**	**2,357,419,774**
Total non-current	-	-

18.1 Trade receivables

	2025 ETB	2024 ETB
Customer Billing	5,389,319,321	3,013,702,879
New Connection	184,397,780	184,397,780
Rechargeable work	1,113,733,437	1,366,294
less: Allowance for credit losses 18.1.1	(2,524,898,147)	(1,111,143,711)
Net trade receivable	**4,162,552,392**	**2,088,323,242**

18.1.1 Allowance for credit losses

The average credit period for collection of trade receivable is three months. No interest is charged on trade receivables. For other trade receivable such as those that arise from new connection and rechargeable works. The Utility has recognized an allowance for doubtful debts through individually assessing all outstanding receivables.

Trade receivables disclosed below include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Utility has recognized an allowance for doubtful debts. It represents only of trade debtors arising from customer billing for distribution of electric power.

The ECL is computed based on historical data , it is difficult to incorporate the expected data related to macroeconomic(inflation , GDP , unemployment) determinant to each utility customers in our country

Age of receivables - Customer billing	**30 June 2025**	**30 June 2024**
	ETB	ETB
1 - 90 days	2,973,124,656	272,690,719
91 days - 1 year	1,100,443,146	505,095,810
1 year - 2 years	332,054,529	174,625,765
Over 2 years	948,422,640	230,027,245
Total	**5,354,044,971**	**1,182,439,539**

The movements in impairment allowance for trade receivable is analyzed below:

	Individually impaired	**Collectively impaired**	**Total**
	ETB	ETB	ETB
At 7 July 2024	114,630,234	996,513,477	1,111,143,711
Impairment loss recognized on receivables		1,415,132,539	1,415,132,539
Utilized/written off			-
Unused amounts reversed/recovered	(1,378,102)		(1,378,102)
At 7 July 2025	**113,252,132**	**2,411,646,016**	**2,524,898,148**

18.2 Other receivable

	2025 (ETB)	2024 (ETB)
Metal and engineering corporation /METEC/	94,772,962	94,772,962
Sundry Debtors	483,222,158	285,153,278
Staff receivable	30,504,151	29,316,393
VAT receivable	680,742	212,301
Cash and stock shortages	237,577,000	15,941,031
Interest from Investment in Time deposit	470,498,592	
Suspense	-	-
Gross amount	1,317,255,605	425,395,966
Less: Impairment allowance (Others)	(293,858,067)	(156,299,434)
	1,023,397,538	**269,096,532**

The balances receivable from METEC which arose from sale of scrap material on credit has been outstanding for long period of time and hence is fully provided for. Staff receivable represent the travel advance or per-diem paid to the staffs and not settled at the year end.

19 Inventories

	2025 (ETB)	2024 (ETB)
General Stock	36,508,848,193	15,460,001,647
Stationery	306,135,125	174,461,335
Diesel Fuel	-	-
Oil and Lubricants	6,998,749	2,133,989
Other	650,493,914	253,837,108
Obsolete material	399,214,834	356,524,728
	37,871,690,815	**16,246,958,807**
Pro. For Stock Obsolescence	(398,875,945)	(356,524,728)
	37,472,814,871	15,890,434,079
Goods In transit	15,945,401,467	1,887,807,046
Total inventories at the lower of cost and net realizable value	**53,418,216,338**	**17,778,241,125**

20 Legal Reserve

The legal reserve is a statutory reserve to which 5% of net profits for the year shall be transferred each year to this reserve until it amounts to 20 % of the capital.

21 Retained earnings

The utility transfer net profit after deducting legal Reserve to Retained Earning . Because the utility is exempted from Profit tax and Government Profit share as per Letter from Ministry of Finance with Letter reference no ት/ከ/ቀ/5/20 dated 21-10-2010 E.C.

22 Contribution

This is an equity reserve to which budget contribution received from the Government of the Federal democratic republic of Ethiopia is accumulated. Loan forgiven and assumed by Government are also transferred to grant.

23 Other reserve

A component of equity to which an increase or a decrease in the projections used to value a Utility's defined benefit pension plan obligations (severance and KWH benefit liability) is charged.

24 Reserve for excess of deemed cost over book value

The reserve for excess of deemed cost is resulted from the increase in revaluation of property, plant and equipment at first time adoption of IFRS. The reserve is not available to distribution or capital enhancement.

25 Lease liability (Building)

	2025 (ETB)	2024 (ETB)
Balance at 7 July 2024	68,877,842	177,667,268
Additional obligation - new contract	555,668,840	25,966,550
Finance charge	41,463,936	13,786,850
Repayments	(220,023,152)	(148,542,826)
Balance at 7 July 2025	**445,987,466**	**68,877,842**

The lease agreements include fixed monthly lease payments with commitment for restoration and removal costs at the final time of the lease. The management considers restoration and removal costs are immaterial and do not include the provision for restoration and removal costs in the right-of-use assets; the utility recognizes such costs in profit and loss when they are incurred.

26 Financial liabilities at amortized cost:

This note is a summary of all financial liabilities of the utility at the reporting date. Each elements of the liabilities are further explained below from note 26.1 - 26.5

26.1 Trade and other payables

	2025 ETB	2024 ETB
Trade payable	12,615,339,079	3,150,713,617
Regulatory Fee	(10,453,011)	-
Interest Payable - Long term loan	0	2,371,653,498
Payable to EBC	21,256,634	13,221,247
Sundry payable	2,050,673,721	1,542,982,992
	14,676,839,422	**7,078,571,353**

26.2 Long term loans

	Foreign loan					
Loan type	IDA72940	ADELEIDA-68570	ADF-20-956-000	IDA-6157	IDA-6158	Total
Interest rate	2.5%	2%	3%	0%	6%	
Maturity	Oct-60	Dec-46	Jan-48	Oct-41	Oct-41	
Balance at 7 July 2024	1,314,458,264	60,360,328	328,087,131	4,680,831,589	8,002,617,450	14,386,354,763
Add: Disbursement	10,807,307,722	4,223,777,220				15,031,084,942
: Forex loss	1,595,524,619	69,954,322	380,211,892	5,424,828,200	9,110,560,497	16,581,079,529
Less: Concessional loan	(666,599,079)					(666,599,079)
Current Maturity			-			-
Loan Extinguished	(13,050,691,526)	(4,354,091,868)	(708,279,024)	(10,105,659,789)	(17,113,177,948)	(45,331,900,156)
Balance at 7 July 2025	-	-	-	-	-	-

26.3 Customer Deposit

Customer deposit is refundable deposit made by the customer up on connection (up on inception of the contract) as guarantee for meter installed at the customer's premise. It is recognized as a payable up on collection of advance. The deposit is refunded up on termination of the contract by the customer.

26.4 Contractors' retention / Retention Payable

Represent a Payment made for a construction works that is withheld pending the completion of some specified condition. When a contractor bills the utility for works executed. The utility withheld five percent (5%) of the payment due as a retention money until the constructed plant is successfully competed and become operational.

27 Financial Risk Management

27.1 Introduction

The utility's risk management policy aimed to assess the existing and potential risk, examine the level of existing risk, control and take remedy action. The utility is exposed to a wide array of risks internally such as daily operations, internal processes assets, properties etc. and externally such as issues related to legal, social, political and economic etc. The Utility's overall risk management program focuses on the identification and management of risks and seeks to minimize potential adverse effects on finance, customer, injury loss time, project delay etc

The Utility's activities expose it to a variety of financial risks, including financial risk (credit and Market risk, and interest rates risk), Liquidity risk, and Non financial risks.

27.1.1 Risk management structure

The Management has the ultimate responsibility for establishing and ensuring the effective functioning of the Risk and Compliance Management activities of the Utility.
The responsibility for risk management is decentralized. Corporate Planning Directorate in collaboration with respective directorates is responsible for the development and regularly update risk management and implementing principles, frameworks, policies and risk mitigation plan and forwards to management for approval. It is also responsible for performing compliance monitoring and testing, preparing periodic risk and compliance exposure reports to management
The Management is responsible for translating and implementing the Utility's risk management strategy, priorities and policies as approved by the Managing Directors.
The Utility's policy is that risk management processes throughout the Utility are assessed periodically by the management. This will help to adequately capture risk exposure, aggregate exposure of risk types and incorporate short run as well as long run impact on the Utility.

27.1.2 Risk measurement and reporting systems

The Utility's risks are measured using methods that reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical model. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Monitoring and controlling risks is primarily performed based on limits established by the Utility. These limits reflect the business strategy and market environment of the Utility as well as the level of risk that the Utility is willing to accept, with additional emphasis on selected regions. In addition, the Utility measures and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

27.1.3 Risk mitigation

The Utility uses various risk mitigating techniques to reduce its risk to the level acceptable. Risk controls and mitigate, identified and approved for the Utility, are documented for existing and new processes and systems.
The adequacy of these mitigate is tested on a periodic basis through administration of control self-assessment questionnaires, using an operational risk management tool which requires risk owners to confirm the effectiveness of established controls. These are subsequently reviewed as part of the review process.

27.2 Financial risk

Financial instruments by category

The Utility's financial assets are classified into the following categories: at fair value through profit or loss (FVTPL) or amortized cost and the financial liabilities are classified into other liabilities at amortized cost.
Financial instruments are classified in the statement of financial position in accordance with their legal form and substance.

The Utility's classification of its financial assets is summarized in the table below:

7 July 2025	FVTPL ETB	Amortized Cost ETB	Total ETB
Cash and balances with banks	36,611,890,379	-	36,611,890,379
Trade receivables	-	4,162,552,392	4,162,552,392
Other receivables excluding prepayments	-	1,023,397,538	1,023,397,538
Total financial assets	36,611,890,379	5,185,949,930	41,797,840,309

7/7/2024	FVTPL ETB	Amortized Cost ETB	Total ETB
Cash and balances with banks	33,353,380,786	-	33,353,380,786
Trade receivables	-	2,088,323,242	2,088,323,242
Other receivables excluding prepayments	-	269,096,532	269,096,532
Total financial assets	33,353,380,786	2,357,419,774	35,710,800,560

27.3 Credit risk

The Utility has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Utility is exposed to credit risk is trade receivables.

27.3.1 Management of credit risk

The table below show the maximum exposure to credit risk for the Utility's financial assets. The maximum exposure is show gross before the effect of mitigation:

	Notes	7 July 2025 ETB	7 July 2024 ETB
Cash and balances with banks		36,611,890,379	33,353,380,786
Trade receivables	18.1	4,162,552,392	2,088,323,242
Other receivables excluding prepayments	18.2	1,023,397,538	269,096,532
		41,797,840,309	35,710,800,560

27.3.2 Credit quality analysis

(a) Credit quality of cash and cash equivalents

The credit quality of cash and bank balances and short-term Investments that were neither past due nor impaired at as 07 July 2025, 07 July 2024 and are held in Ethiopian banks have been classified as non-rated as there are no credit rating agencies in Ethiopia. The Utility has cash that are held in foreign currency and it is translated & recorded in ETB during every transaction based on the current exchange rate.

(b) The Utility applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

The expected loss rates are based on the payment profile for sales over the past 48 months before 7 July 2025 and 7 July 2024 respectively as well as the corresponding historical credit losses during that period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Utility on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The ECL is computed based on historical data , it is difficult to incorporate the expected data related to macroeconomic (inflation , GDP , unemployment) determinant to each utility customers in our country.

On the above basis the expected credit loss for trade receivables as at 30 June 2025 and 2024 was determined as follows:

30-Jun-25	0-30	30 - 60 days	60 - 90 days	90 Days - 1 Years	1 - 2 Years	2 Years +	Total
Expected credit loss rate	0%	36%	59%	86%	46%	100%	
Gross carrying amount	2,314,504,898	241,109,073	417,190,988	1,100,443,346	132,054,920	948,422,640	5,354,044,371
Lifetime expected credit loss	-	99,803,186	325,114,674	945,781,481	129,898,258	909,299,643	2,409,897,340

30 June 2024	0-30	30 - 60 days	0 - 90 days	90 Days - 1 Years	1 - 2 Years	2 Years +	Total
Expected credit loss rate	0%	0%	0%	6%	71%	100%	
Gross carrying amount	1,610,090,879	248,640,829	272,690,719	505,095,810	174,625,765	230,027,245	3,041,161,244
Lifetime expected credit loss	-	90,033,648	160,218,816	434,107,173	80,277,918	230,027,245	994,764,801

The closing balances of the trade receivables loss allowance as at 7 July 2025, and 7 July 2024 reconciles with the trade receivables loss allowance opening balance as follows;

	ETB
Loss allowance as at 7 July 2024	994,764,801
Loss allowance recognized during the year	1,415,132,539
Loss allowance as at 7 July 2025	2,409,897,340

27.4 Liquidity risk

Liquidity risk is the risk that the Utility cannot meet its maturing obligations when they become due, at reasonable cost and in a timely manner. Liquidity risk arises because of the possibility that the Utility might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Utility on acceptable terms.

Liquidity risk management in the Utility is solely determined by the Chief Finance Officer(CFO). CFO bears the overall responsibility for liquidity risk. The main objective of the Utility's liquidity risk framework is to maintain sufficient liquidity in order to ensure that the Utility will settle maturing obligations.

27.4.1 Management of liquidity risk

Cash flow forecasting is performed by the finance department. The finance department monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

The Utility evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Utility devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Utility's reputation.

27.4.2 Maturity analysis of financial liabilities

The table below analyses the Utility's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The cash flows presented are the undiscounted amounts to be settled in future.

	Notes	0-180 days	181 - 365 days	Over 1 year	Total
		ETB	ETB	ETB	ETB
7-Jul-25					
Trade and other payable	26.1	14,676,839,422			14,676,839,422
Contractors Retention	26.4			9,771,215,960	9,771,215,960
Other tax obligations	29	2,139,375,585			2,139,375,585
Accruals and Provision	31	3,114,995	761,992,342		765,107,337
Long term loans				18,681,545,907	18,681,545,907
Total financial liabilities		**16,819,330,002**	**761,992,342**	**28,452,761,867**	**46,034,084,211**
7-Jul-24					
Trade and other payable	26.1	5,380,065,908			5,380,065,908
Contractors Retention	26.4			1,846,359,280	1,846,359,280
Other tax obligations	29	77,345,303			77,345,303
Accruals and Provision	31	13,463,429	398,468,416		411,931,845
Long term loans				18,681,545,907	18,681,545,907
Suppliers Credit				862,453,818	862,453,818
Total financial liabilities		**5,470,874,639**	**398,468,416**	**21,390,359,005**	**27,259,702,061**

27.4.3 Maturity analysis of Lease Liabilities

The table below analyses the Utility's lease liabilities based on the remaining period at the statement of financial position. The cash flows presented are the undiscounted amounts to be settled in future.

	0-180 days ETB	181-365 days ETB	Over 1 year ETB	Total ETB
7-Jul-25	144,307,779	147,159,374	217,254,427	508,721,580
7-Jul-24	24,978,327	44,147,745	12,282,898	81,408,969

27.5 Market risk

Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk is monitored by the Sales and Marketing department on regular basis, to identify any adverse movement in the underlying variables.

(i) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Borrowings obtained at variable rates give rise to interest rate risk.

The Utility's exposure to the risk of changes in market interest rates relates primarily to the Utility's obligations and financial assets with floating interest rates. The Utility is also expo8ed on fixed rate financial assets and financial liabilities. The Utility's investment portfolio is comprised of Loans and equity investments.

The Utility has loans and borrowings and therefore is exposed to interest rate risk as far as loans and borrowings are concerned. Loans and receivable assets are carried at cost, hence any movement in market interest rate has no effect on the value of such assets.

The table below sets out information on the exposures to fixed and variable interest instruments

7-Jul-25

	Fixed ETB	Floating interest bearing ETB	Non-interest bearing ETB	Total ETB
Assets				
Cash and bank balances	36,611,890,379	-	-	36,611,890,379
Trade receivables	-	-	4,162,552,292	4,162,552,292
Other receivables excluding prepayments	-	-	1,023,397,538	1,023,397,538
Total	36,611,890,379	-	5,185,949,830	41,797,840,209
Liabilities				
Trade payables	-	-	24,448,055,382	24,448,055,382
Borrowings	-	-	-	-
Other liabilities	-	-	3,516,871,294	3,516,871,294
Total	-	-	27,964,926,676	27,964,926,676

7-Jul-24

	Fixed ETB	Floating interest bearing ETB	Non-interest bearing ETB	Total ETB
Assets				
Cash and bank balances	33,353,380,786	-	-	33,353,380,786
Trade receivables	-	-	2,088,323,242	2,088,323,242
Other receivables excluding prepayments	-	-	269,096,532	269,096,532
Total	33,353,380,786	-	2,357,419,774	35,710,800,560
Liabilities				
Trade payables	-	-	9,894,937,863	9,894,937,863
Borrowings	14,386,334,763	-	-	14,386,334,763
Other liabilities	-	-	1,154,983,148	1,154,983,148
Total	14,386,334,763	-	11,049,921,011	25,436,255,774

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Utility primarily transacts in Ethiopian Birr and its assets and liabilities are denominated in the same currency.

27.6 Capital management

The Utility's objectives when managing capital are to safeguard the Enterprise's ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital. The gearing ratios as at 2025, and 2024 where as follows.

	2025 ETB	2024 ETB
paid up capital	123,565,452,611	62,289,554,816
Legal reserve	826,457,573	623,782,331
Retained earnings	7,388,442,630	3,537,613,034
Other reserve	14,410,264,849	10,309,655,017
Equity	146,190,617,663	76,760,605,199
Total liability	50,930,117,197	41,407,028,458
Less: current liability	(18,693,145,064)	(9,299,295,147)
Net debt	32,236,972,133	32,107,733,311
Gearing	18%	29%

27.7 Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify measured or disclosed fair values according to a hierarchy that reflects the significance of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, which comprises of three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

27.7.1 Fair value methods and assumptions

Trade receivables are carried at cost net of provision for impairment. The estimated fair value represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

27.7.2 Valuation technique using significant unobservable inputs – Level 3

The Utility has no financial asset measured at fair value on subsequent recognition.

27.7.3 Transfers between the fair value hierarchy categories

During the two reporting periods covered by these annual financial statements, there were no movements between levels as a result of significant inputs to the fair valuation process becoming observable or unobservable.

27.8 Offsetting financial assets and financial liabilities

There are no offsetting arrangements. Financial assets and liabilities are settled and disclosed on a gross basis.

28 Defined benefit obligation (Severance and Electric Energy Benefit)

Valuation Approach

The provision was based on an independent actuarial valuation performed by Ruparelia Consultants Limited (RCL) using the projected unit credit method. The severance benefit and Electric Energy benefit plan is an unfunded defined benefit scheme. The key financial assumptions are the discount rate , the rate of salary increases and age of retirement. The Utility does not maintain any assets for the schemes but ensures that it has sufficient funds for the obligations as they crystallize. The actuarial valuation for post employee benefit obligation for the year 7 July 2023 was made by professional actuary Ruparelia Consultants Limited (RCL). The Actuarial (gain) loss comprises of financial assumptions and experience adjustment. We use 2022 Actuarial valuation re-measurement rate to estimate the value of 2023 post employment benefit obligation.

	7 July 2025 ETB	7 July 2024 ETB
Defined benefits liabilities: (Note 28 a)		
Present value of funded obligation - Electric Energy Benefit	1,066,188,755	893,424,446
Present value of funded obligation - Severance Benefit	136,854,111	95,527,221
Defined Benefit Obligation (Asset) recognized in the SOFP	**1,203,042,865**	**988,951,666**

Income statement charge included in personnel expenses: (Note 28 b)

	2025 (ETB)	2024 (ETB)
Electric Energy Benefit	172,764,309	146,766,346
Severance Benefit	41,326,890	28,795,888
Total defined benefit expenses	**214,091,199**	**175,562,234**

re-meauresment s gain or loss for the Defined Benefit Obligation

28 a Liability recognized in the financial position

	7 July 2025 ETB	7 July 2024 ETB
Electric energy benefit	1,066,188,755	893,424,446
Severance pay	136,854,111	95,527,221
	1,203,042,865	**988,951,666**

28 b Amount recognized in the profit or loss

	7 July 2025 ETB	7 July 2025 ETB	7 July 2024 ETB	7 July 2024 ETB
	Electric Energy Benefit	Severance Benefit	Electric Energy Benefit	Severance Benefit
Current service cost (excluding interest)	55,517,309	26,483,522	45,765,574	21,831,634
Interest cost	134,595,086	15,960,999	112,648,277	11,144,650
Benefit Paid	(17,348,085)	(1,117,631)	(11,647,505)	(4,180,396)
	172,764,310	**41,326,890**	**146,766,346**	**28,795,888**

28 c Changes in the present value of the defined benefit obligation

	7 July 2025 ETB	7 July 2025 ETB	7 July 2024 ETB	7 July 2024 ETB
	Electric Energy Benefit	Severance Benefit	Electric Energy Benefit	Severance Benefit
At the beginning of the year	893,424,446	95,527,221	746,658,100	66,731,332
Current service cost	55,517,309	26,483,522	45,765,574	21,831,634
Interest cost	134,595,086	15,960,999	112,648,277	11,144,650
Actuarial (gains)/losses on experience	-	-	-	-
Benefits paid	(17,348,085)	(1,117,631)	(11,647,505)	(4,180,396)
At the end of the year	**1,066,188,755**	**136,854,110**	**893,424,446**	**95,527,221**

28 d The principal assumptions used in determining defined benefit obligations

	7 July 2025 ETB	7 July 2024 ETB
Discount rate (p.a)	14.75%	14.75%
Long term salary increases (p.a)	10.75%	10.75%
Retirement age assumption	55	55

(i) ***Discount rate***

The Utility opted to use a discount rate of (7 July 2022: 14.75%.) based on the prevailing commercial banks lending rate as advised by the Association of Ethiopian Insurers.

(ii) ***Long term salary increases***

A salary increase assumption of 10.75% p.a. has been assumed at 7 July 2022 . Salary increases have been assumed to occur at the end of each accounting year (I.e. at 7 July every year)..The salary increase has been determined by the management as mutually compatible rate taking into account the likely future economic scenarios of the country.

(iii) ***Electric Energy consumption Tariff***

In order to estimate the monetary value of this benefit, the KWh has been converted into Birr using the tariff rates determined by the management.

(iv) *Withdrawals from service*

The withdrawal rate selected was based on experience in other similar arrangements.

Age	Withdrawal rates
20	15.0%
25	12.0%
30	6.0%
35	2.5%
40	1.8%
45	1.0%
50	0.0%
55	0.0%
60	0.0%

(v) *Ill-health / Disability*

Age	Ill-health rates
20	0.04%
25	0.04%
30	0.04%
35	0.04%
40	0.06%
45	0.11%
50	0.20%
55	0.35%
60	0.57%

28 e Quantitative sensitivity analysis for significant assumption

The sensitivity of the overall defined benefit liability to changes in the weighted principal assumption is:

Figures in Birr

	Sensitivity scenarios				
Assumptions being varied	**(1) Base**	**(2) I + 1**	**(3) I - 1**	**(4) e & cpi**	**(5) e & cpi-1**
Discount rate (i)	14.75%	15.75%	13.75%	14.75%	14.75%
Salary increases (e) and inflation (cpi)	10.75%	10.75%	10.75%	11.75%	9.75%
Actuarial Liability					
7-Jul-22	695,136,006	617,494,864	791,566,502	797,276,188	612,272,330

Key risks

The risks associated with severance benefit entitlements are as follows:

The benefits are linked to salary and consequently has an associated risk of an increase in salary.

The benefits are defined as per the labour proclamation and hence possible amendment to the proclamation could change this benefit and materially change the cost of the Utility

The severance benefit is unfunded with no separate assets, an investment risk would therefore not arise.

Severance benefit is payable when an employees contract of employment is terminated by the initiation of the employer against the provision of law. The actual cost to the Utility of the benefits is therefore subject to the demographic movement of the employees.

29 Other tax and obligation

	2025 ETB	2024 ETB
Employment Income tax	9,709,082	1,269,773
Withholding tax payable	55,686,198	17,328,993
Vat Payable / Receivable	2,071,495,115	291,643
Pension contribution payable	2,485,189	3,841,281
	2,139,375,585	22,731,690

30 Contract liabilities

Contract liablity represents to EEU's obligation to deliver services to a customer for which the entity has received consideration from the customer.

	Customer Contribution		Prepaid	Total
	Capital ETB	Non Capital ETB	Current Liablity ETB	
At 7 July 2024	7,793,302,597	5,984,405,993	548,710,217	14,326,479,007
Deferred during the year	5,222,639,711	12,417,683,004	440,055,673	18,079,376,388
Released to the statement of profit or loss	(981,566,659)	(10,547,205,248)	(62,892,729)	(11,591,764,636)
Transfer to other liabilities				
At 7 July 2025	12,034,375,848	7,850,841,749	925,873,160	20,811,090,758

31 Accrual and Provision

	Accural	Provision		Total
	Accural	Annual Leave	Legal	
	ETB	ETB	ETB	ETB
Balance at 7 July 2024	32,674,225	397,788,215	184,953,398	615,415,837
Provision For the year	9,756,543	327,133,979	174,691,237	511,581,760
Reversal/Repayment	(39,315,772)	(227,961,305)	(94,613,183)	(361,890,260)
Accrual and Provision At 7 Jult 2025	3,114,996	496,960,890	265,031,452	765,107,337

Included in accrual is cumulative annual leave , utility , unclaimed salary and others accrued at the reporting date. Each employee is entitled to an annual leave of 16 days for the first year of employment and keeps on increasing one day per additional two year of service until it reaches the maximum amount allowed per year . However , the leave can only be carried forward for two more year.

Provision for legal claims arising from litigation of labour cases; contractual and extra contractual liability and property damage claims are being recognized.

32 Related party transactions'

A party is related to an entity if, directly or indirectly through one or more intermediaries, the party: controls, controlled by, or under common control with, the entity and has an interest in the entity that gives it significant influence over the entity. The Utility discloses the nature of relationships between its related parties irrespective of whether there have been transactions between them.

32.1 Key management has been determined to be the members of the management board and the executive management of the Utility

	2025 ETB	2024 ETB
Board Allowance	261,000	315,900
Key Management Compensation		

The compensation paid to key management personnel shown below

2025 ETB	2024 ETB
19,324,384	26,723,698

Compensation of key management includes Salary, management allowance, house rent allowance, telephone allowance, fuel and free electricity.

32.2 Ethiopian Electric utility is under the control of Ethiopian Investment holdings which have 40 and above subsidiaries under it. The utility has receivables from the sales of Electricity and purchase of goods and services both from Ethiopian Investment holdings and its subsidiaries'.

Organization Under Ethiopian Investment Holdings	Balance of Payable To	Balance of Sales To	Balance of Purchase From
Educational Material Production Development Enterprise		414,533	
Genet Hotel Enterprise		931,549	
Ethiopian Construction Works Corporation		412,422	
Chemical Industry Corporation		21,347,898	
Ethiopia Pulp and Paper S.C		8,360,508	
Development & Hotel Company		709,192	
SPA Services Enterprise		4,143,661	
Ethiopian Agricultural Business Corporation		362,406	
Ghion Hotel Enterprise		1,509,717	
National Alcohol and Liquor Factory		4,640,154	
Ethiopian Insurance Corporation	17,502,280	735,333	
Ethiopian Electric Power	3,813,031,332	217,895,997	
Ethiopian Airlines Group	875,703	73,550,147	
Ethiopian Engineering Corporation		94,772,962	
Ethiotelecom	70,594,148	435,588,713	
Ethiopian Shipping and Logistics	10,130,565		189,047,350

33 Contingent liabilities and commitments

The entity has contingent liabilities arising from legislation that has been sued by different entities and individuals, but not provided for in these financial statements amounting to Birr 143,834,524.

The Entity has commitments which is not provided in these financial statements of approximately Birr 2,947,108,916.47 in respect to various purchase contracts.