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AUDIT SERVICE CORPORATION

ETHIO-TELECOM SHARE COMPANY
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
30 JUNE 2025

Ethio telecom Share Company
Financial Statements
For the Year Ended 30 June 2025

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Ethio telecom Share Company
Financial Statements
For the Year Ended 30 June 2025

Management Board and Executive Management

Management Board

H.E Ato Temesgen Tiruneh	Chairperson	Appointed	09 February 2024
H.E Dr Eyob Tekalign	Member	Appointed	03 February 2020
Ato Yodahe Arayasilassie	Member	Appointed	03 February 2020
Ato Worku Gachena	Member	Appointed	03 February 2020
Ato Muluneh Desalegn	Member	Appointed	03 February 2020
Ato Kassahun Seboka	Member	Appointed	03 February 2020

Executive Management

W/t Frehiwot Tamru Gebremariam	Chief Executive Officer
Ato Asseged Ayele Wendimkun	Chief Finance Officer
Ato Mesay Woubshet Bekele	Chief Communications Officer
Ato Teressa Belete Gudeta	Chief Customer Services Officer
Ato Said Aragaw Ahmed	Chief Marketing Officer
Ato Mahdi Jemal Shikur	Chief Strategic Planning and Program Management Officer
Ato Lemma Tesemma Yimere	Chief Legal Officer
Ato Tsegaye Emanuel Mekael	Chief Information Security Officer
Ato Endale Asrat Asfaw	Chief Information Officer
W/ro Beletu Delamo Dindamo	Chief Supply Chain Officer
Ato Solomon Abera Molla	Customer Experience and Quality Management Officer
Ato Mohammed Haji Abdulahi	Chief Sales Officer
Ato Tewodros H/meskel Gebremariam	Chief Fixed Network Officer
Ato Tesfaye Yemane Jembere	Chief Physical Security Officer
Ato Tesfaye Tadesse Woldesemayat	Chief Network Infrastructure Officer
Ato Tariku Demissie Gebre	Chief Technology Officer
Ato Chalew Demlie Anteneh	Chief Wireless Network Officer
Ato Aynalem Albene Ayele	Chief Fleet and Facilities Officer
Ato Tilahnu Negash Guta	Chief Human Resources Officer
Ato Zerihun Chekol Ejigu	A/Chief Internal Audit Officer
Ato Abebe Ambaw Aredo	Chief Service Operation Center Officer
Ato Bruk Adhana Haile	Chief Mobile Money Business Officer

Independent Auditor

Audit Services Corporation
Addis Ababa
Ethiopia

Corporate Office

Ethio telecom Share company Headquarter
Churchill Road
P.O. Box 1047
Addis Ababa, Ethiopia
Tel. +251115515700
web: www.ethiotelecom.et

Principal Banker

Commercial Bank of Ethiopia
Addis Ababa Branch
Addis Ababa, Ethiopia



Ethio telecom Share Company
Financial Statements
For the Year Ended 30 June 2025

Report of the Management Board

The management board members submit their report together with the financial statements for the year ended 30 June 2025 to Ethiopian Investment Holdings (EIH).

Incorporation and address

Ethio telecom Share Company ("the Company") was established as an autonomous public Enterprise by the Council of Ministers Regulation No.197/2010 in November 2010 and addendum directives No. 480/2021. It assumed the rights and obligations of the former Ethiopian Telecommunication Corporation with effect from 29 November 2010. The Company was governed by Public Enterprises Proclamation No 1314/2024 effective on 16 May 2024.

The Company's address is as below :

Ethio telecom Share company Headquarter
Churchill Road
P.O. Box 1047
Addis Ababa, Ethiopia
Tel. +251115515700
web: www.ethiotelecom.et

Principal activities

The Company's principal activity is to provide a comprehensive range of integrated telecommunication services including voice and data (both mobile and fixed), SMS, internet solutions, infrastructure collocations, technological solutions, cloud computing, digital finance and digital payment solutions (telebirr), enterprise solution, e-commerce platform (Zemen Gebeya) and other digital transformation solutions to its wide range of customers and subscribers.

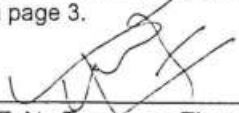
Results

The Company's results for the year ended 30 June 2025 are set out on page 11. The profit for the period has been transferred to retained earnings. The summarised results are presented below.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Revenue from contracts with customers	148,050,402	91,371,290
Profit before income tax	20,417,632	29,790,459
Income tax charge	(14,623,223)	(10,777,016)
Net profit for the period	5,794,409	19,013,443
Other comprehensive loss net of taxes	(13,701)	(130,477)
Total comprehensive income for the period	5,780,708	18,882,966

Management Board

The management board members who held office during the year and to the date of this report are set out on page 3.


H.E Ato Temesgen Tiruneh
Management Board Chairperson
20 October 2025



Ethio telecom Share Company
Financial Statements
For the Year Ended 30 June 2025

Statement of Management Board's Responsibilities

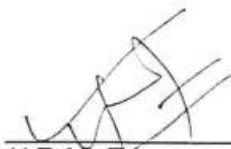
In accordance with the Financial Reporting Proclamation No. 847/2014, the Accounting and Auditing Board of Ethiopia (AABE) has directed The Company to prepare financial statements in accordance with International Financial Reporting Standards (IFRS).

The Company's management board is responsible for ensuring proper books of accounts are kept.

To enable the management board to meet this responsibility, the management board and executive management implement systems 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, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

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

Signed on behalf of the management board by:



H.E Ato Temesgen Tiruneh
Management Board Chairperson
20 October 2025



**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM SHARE COMPANY**



Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Ethio-Telecom Share Company (the Company), which comprise the statement of financial position as at 30 June 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 Company as at 30 June 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 Company 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
ETHIO-TELECOM SHARE COMPANY (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.

Revenue

A risk is that accounting principles for revenue recognition may be subject to differing interpretations. There may be a risk that management is inflating income by improperly recognizing revenue related to agreements with terms that preclude revenue recognition or by recording services before they are rendered or invoicing before products are delivered. In our response to these risks, we made a selection of transactions from source records and tested the completeness of the source records by ensuring their numerical sequence. We checked that data was input only once and was subject to validation. We selected a sample of individual transactions to determine the propriety of their recognition during the year. We scanned the revenue records to check whether there was any duplication of document numbers or gaps in the sequence of document numbers to identify documents cancelled, if any. We judgmentally selected a number of transactions each before and after the closing date to test the cut off procedures and controls. We determined that the accounting policies and methods of revenue recognition were appropriate and were applied consistently. Our testing did not identify major weaknesses in the design and operation of controls that would have required us to expand the nature or scope of our planned detailed test work. Overall, we found no concerns in respect to the recording of revenue at appropriate values.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.



INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM SHARE COMPANY (continued)

Report on the Audit of the Financial Statements (continued)

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

Those charged with governance are responsible for overseeing the Company'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.

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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**INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM SHARE COMPANY (continued)**

Report on the Audit of the Financial Statements (continued)

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

- 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 Company'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 Company 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.

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 Alganesh Araya.

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INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIO-TELECOM SHARE COMPANY (continued)

Report on Other Matter

Additional 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 the Management Board and Executive Management, in the report of the Management Board, and in the statement of Management Board's responsibilities, 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

20 October 2025



Ethio telecom Share Company
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Revenue from contracts with customers	5	148,050,402	91,371,290
Direct costs	6(a)	(58,131,009)	(25,606,800)
Operating expenses	6(b)	(28,548,881)	(28,606,550)
Net impairment losses on financial asset	14(b)	(2,204,548)	(232,387)
Other income (expense)	8	15,279,456	4,294,494
Earnings before interest, taxes, depreciation and amortization (EBITDA)		74,445,420	41,220,047
Depreciation of property, plant and equipment	11	(9,410,408)	(7,529,546)
Depreciation charge of right of use asset	12	(515,504)	(424,275)
Amortization of intangible assets	13	(1,508,286)	(403,420)
Depreciation charge of Investment Property	13(a)	(4,395)	(4,395)
		(11,438,593)	(8,361,636)
Operating profit		63,006,827	32,858,411
Finance income	9	7,630	10,607
Finance costs	9	(42,596,825)	(3,078,559)
Finance costs - net		(42,589,195)	(3,067,952)
Profit before income tax		20,417,632	29,790,459
Income tax expense	10(a)	(14,623,223)	(10,777,016)
Profit after tax		5,794,409	19,013,443
Other comprehensive income (OCI) net on income tax			
<i>Items that will not be subsequently reclassified into profit or loss:</i>			
Remeasurement gain/(loss) on post employment benefits obligations	18	(19,573)	(186,396)
Deferred tax (liability)/asset on remeasurement gain or loss	10(a)	5,872	55,919
		(13,701)	(130,477)
Total comprehensive income for the Year		5,780,708	18,882,966
Earning per share (ETB)	20(a)	5.79	

The Notes on pages 15 to 58 are an integral part of these financial statements.



Ethio telecom Share Company
Statement of Financial Position
As of 30 June 2025

		30 June 2025 Birr'000	30 June 2024 As Restated Birr'000
ASSETS	Notes		
Non current assets			
Property, plant and equipment	11	184,343,024	141,548,616
Right of use assets	12	2,219,042	1,247,275
Intangible assets	13	17,440,987	1,864,563
Investment Property	13(a)	204,896	209,291
Other assets	14(a)	54	261
Other financial assets at amortised cost	14(c)	7,101,156	7,101,156
Deferred tax Assets	10(d)	7,946,220	3,569,757
		219,255,379	155,540,919
Current assets			
Inventories	15	25,138,458	14,921,202
Other assets	14(a)	8,471,373	4,565,762
Trade receivables	14(b)	30,544,145	9,505,447
Other financial assets at amortised cost	14(c)	2,826	15,188
Cash and cash equivalents	16	47,804,725	29,643,117
		111,961,527	58,650,716
Total assets		331,216,906	214,191,635
EQUITY AND LIABILITIES			
LIABILITIES			
Non-current liabilities			
Borrowings	17	19,311,616	13,001,808
Provisions	19(c)	242,471	159,549
Lease liabilities	12	1,344,542	731,928
Grants		419	455
Defined benefit liabilities	18	1,161,163	956,574
		22,060,211	14,850,314
Current liabilities			
Borrowings	17	10,516,360	4,683,898
Contract liabilities	19(a)	6,689,699	8,099,163
Trade and other payables	19(b)	164,628,129	63,901,534
Provisions	19(c)	34,443	20,198
Lease liabilities	12	496,220	298,352
Grants		21	21
Defined benefit liabilities	18	94,017	51,077
Dividend payable		8,595,748	12,643,940
Current income tax	10(c)	16,369,760	9,712,831
		207,424,397	99,411,013
Total liabilities		229,484,608	114,261,327
Equity attributable to owners			
Share Capital	20	100,000,000	100,000,000
Retained earnings		(1,835,415)	(3,361,387)
Legal reserve	21	3,541,716	3,251,996
Other reserves	22	25,996	39,697
Total equity		101,732,297	99,930,306
Total equity and liabilities		331,216,906	214,191,635

The Notes on pages 15 to 58 are an integral part of these financial statements.



Ethio telecom Share Company
Statement of Changes in Equity
As of 30 June 2025



Notes	Capital	Retained earnings	Legal reserve	Other reserves	Total equity
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
As at 30 June 2023	100,000,000	1,808,599	2,301,324	170,174	104,280,097
Profit for the period		19,013,443			19,013,443
Transaction with owners in their capacity as owners :					
Dividends Payment		(9,669,545)			(9,669,545)
Transfer to Legal Reserve		(950,672)	950,672		
Other comprehensive income:					
Re-measurement gains/(loss) on defined benefit plans (net of tax)				(130,477)	(130,477)
Total comprehensive income for the year	-	8,393,226	950,672	(130,477)	9,213,421
As at 30 June 2024 as previously reported	100,000,000	10,201,823	3,251,996	39,697	113,493,516
Adjustment Note 24		(13,563,210)			
As Restated	100,000,000	(3,361,387)	3,251,996	39,697	99,930,306
Profit for the year		5,794,409			5,794,409
Transaction with owners in their capacity as owners :					
Government Share Dividend Payables		(3,853,282)			(3,853,282)
Arrears Dividend payment		(125,434)			(125,434)
Transfer to Legal Reserve		(289,720)	289,720		
Other comprehensive income:					
Re-measurement gains/(loss) on defined benefit plans (net of tax)				(13,701)	(13,701)
Total comprehensive income for the period	-	1,525,972	289,720	(13,701)	1,801,991
As at 30 June 2025	100,000,000	(1,835,415)	3,541,716	25,996	101,732,297



The Notes on pages 15 to 58 are an integral part of these financial statements.

Ethio telecom Share Company
Statement of Cash Flows
For the Year Ended 30 June 2025

	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash flows from operating activities			
Cash generated from operations	25	136,626,841	43,183,292
Interest income received	9	7,630	10,607
Interest expense paid	17a&b,12	(2,139,155)	(799,560)
Income tax paid	10(c)	(12,101,302)	(8,823,074)
Net cash inflow from operating activities		122,394,014	33,571,265
Cash flows from investing activities			
Purchase of intangible assets	13	(1,642,417)	(575,329)
Purchase of property, plant and equipment	11	(67,684,015)	(19,660,923)
Payment for right of use assets		(3,253)	(3,365)
Proceeds from sale of property, plant and equipment		80,238	146,836
Net cash outflow from investing activities		(69,249,448)	(20,092,781)
Cash flows from financing activities			
Repayments of borrowings	17	(9,499,796)	(5,893,223)
Principal elements of lease payments	12	(598,490)	(406,240)
Payment of Dividend		(8,026,908)	(9,973,611)
Net cash outflow from financing activities		(18,125,194)	(16,273,075)
Net increase/(decrease) in cash and cash equivalents		35,019,372	(2,794,590)
Cash and cash equivalents at the beginning of the year	16	29,643,117	33,544,592
Effects of exchange rate changes on cash and cash equivalents	16	(16,857,764)	(1,106,885)
Cash and cash equivalents at the end of the period	16	47,804,725	29,643,117

The Notes on pages 15 to 58 are an integral part of these financial statements.



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

1 General information

Ethio telecom Share Company ("the Company") was established as an autonomous public Enterprise by the council of ministers regulation No.197/2010 in November 2010 and addendum directives No. 480/2021. It assumed the rights and obligations of the former Ethiopian Telecommunication Corporation with effect from 29 November 2010. The Company was governed by Public Enterprises Proclamation No 1314/2024 effective on 16 May 2024.

The Company has announced Initial Public offering (IPO) to sell a 10% stake to the public by registering one hundred million ordinary shares with Ethiopian Capital Market Authority (ECMA). The number of shares sold during the IPO period from October 16, 2024 - February 14, 2025 were:

No of Share sold	10,690,149
Number of Potential Share Holders	47,377
Price per share	300 ETB

However, there is no allotment for share buyers until the reporting date 30 June 2025.

The Company's address is as below :

Ethio telecom Share Company Headquarter
Churchill Road
P.O. Box 1047
Addis Ababa, Ethiopia
Tel. +251115515700
web: www.ethiotelecom.et

The Company's principal activity is to provide a comprehensive range of integrated telecommunication services including voice and data (both mobile and fixed), SMS, internet solutions, infrastructure collocations, technological solutions, cloud computing, digital finance and digital payment solutions (telebirr), enterprise solution, e-commerce platform (Zemen Gebeya) and other digital transformation solutions to its wide range of customers and subscribers.

2 Accounting policies

2.a Material accounting policies

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the comparatives presented, unless otherwise stated.

2.b Basis of preparation

The complete set of financial statements for the year ended on 30 June 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

The measurement basis applied is the historical cost basis except where otherwise stated in the accounting policies. Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 – fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are derived from inputs other than quoted prices used in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – fair values measurements are derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The preparation of the complete set of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.c Going concern

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

2.d Changes in accounting policies and disclosures

2.d(i) New Standards, amendments, interpretations not yet effective but earlier adopted by the

There are no new standards and amendments to standards and interpretations that are mandatory for the period ending 30 June 2025.

2.d(ii) New Standards, amendments, interpretations not yet effective and not early adopted by the Company

There are no standards, amendments, interpretations that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions except IFRS S1 General Requirement for Disclosure of Sustainability related financial information, IFRS S2 Sustainability Disclosure standard Climate related information Disclosures effective on or after 1 January 2024, IFRS 18 Presentation and Disclosure in Financial Statements effective on or after 1 January 2027 and IFRS 19 Subsidiaries without Public Accountability: Disclosures effective on or after 1 January 2027.



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

2.e Foreign currency translation

2.e(i) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the Functional Currency'). Both the Functional Currency and Presentation Currency of the Company is the Ethiopian Birr (Birr) rounded to the nearest thousand (Birr '000).

2.e(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognised in profit or loss within other (loss)/income. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

2.f Recognition of revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is recognised to depict the transfer of goods/services to customers in an amount that reflects the consideration that the Company is entitled to.

The Company principally generates revenue from providing telecommunication services, such as access to the network, airtime usage, messaging, internet services, cloud solution service, Infrastructure rent (Collocation) and sales of mobile devices as well as from digital financial services, Telebirr. Products and services may be sold separately or in bundled packages. The typical average term of a contract for the products and services ranges from 24 months to 72 months.

For bundled packages, the Company accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells the mobile devices, extended warranty and telecommunication services. For items that are not sold separately, the Company estimates stand-alone selling prices using the adjusted market assessment approach.

The Company typically satisfies its performance obligations over time with the exception of the sale of devices which occurs at a point in time. The nature of its performance obligations for services arising from provisions of voice, data, platforms, leases, internet, and SMS. The Company uses the output method /how much the subscribers used or consumed in the traffic) to recognise revenue from contracts with customers as this method provides a faithful depiction of the transfer of goods or services to its customers.

The Company has applied customer churn rates which represent the average life a customer stays connected on its mobile, fixed line and data services. This typically ranges between 24 to 72 months. The Company uses average customer life in accounting for contract liabilities to generate revenue from upfront and CAF commissions, connection, installation, and reconnection services over time.

The churn rate is also applied to determine contract assets arising from contract acquisition costs relates to customer applications commissions and dealers upfront commissions settled in advance. Contract liabilities relate mainly to unused airtime and other revenue (connection, reconnection and installation fees received) where the Company has not fulfilled performance obligations to customers.

The Company derives revenue from the transfer of goods and services over time and at a point in time from the following major product lines:



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2.f(i) Revenue recognised over time

Products and services	Nature
Voice revenue	This revenue arises from outgoing domestic and international voice calls including premium rate calls and directory enquires.
SMS/MMS revenue	This revenue arises from outgoing domestic and international SMS (Short Message Service) and MMS (Multimedia Message Service) including bulk SMS services.
Internet revenue	Internet protocol (IP) service relates to the flow of data across the internet. IP Traffic is also commonly referred to as web traffic. This includes VSAT (Very Small Aperture Terminal) rental services. Internet revenue arises from narrowband and broadband internet services including mobile data internet.
Roaming revenue	Roaming service enables subscribers to automatically make and receive voice calls, send and receive SMS and to get mobile internet access and other services when travelling outside the geographical coverage area of the Company via foreign country's operator's network.
Subscriptions revenue	Subscription revenue arises from first time activation of a service such as sim-card bought by a subscriber. It is the amount paid by the subscriber to obtain a sim-card and/or subscribe for other services.
Interconnections revenue	Interconnection revenue arises from connection between the Company's network infrastructure and those owned by third parties.
Leased circuits revenue	Leased circuit service enables customers, mainly multi-national corporations and international organizations to extend the reach into key overseas locations. It provides the means to establish connectivity for Enterprise customers into their premises worldwide. Leased circuit revenue arises from International Private Leased Circuit (IPLC) facility with secure digital point-to-point leased line service between two international locations
Hybrid services revenue	Hybrid services enables a subscriber to use voice, data and SMS services on a SIM card with both prepaid and postpaid payment features. Hybrid services revenue arises from voice,data and SMS services on hybrid SIM account plan.
Infrastructure sharing revenue	Infrastructure sharing service revenue arising from renting of sites, building , shelters, ground space, towers, masts, power supply, generators, UPS, poles, main/commercial power supply, air conditioner, transmission capacity, switching room collocation, and other services like physical security.
Short code revenue	Short codes (also known as short numbers) are special telephone numbers, significantly shorter than full telephone numbers that can be used to address SMS, MMS and voice. Short code revenue arises from SMS, MMS and Voice services to three or four digit numbers subscribed by businesses.
Digital finance service fees	The revenue generated from the digital financial service include maintenance fee for micro credit in collaboration with other financial institutions.
Enterprise Solutions	Enterprise solution revenue is generated from providing enterprise customers beyond traditional voice and data services to offer a range of enterprise solutions aimed at supporting businesses and institutions in their digital transformation.



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2.f(ii) Revenue recognised at a point in time

Products and services	Nature
Devices revenue	Devices are fixed and mobile devices available for customers to buy from the Company such as handsets, mobile wifi, dongles which enable customers to access the Company's services. Devices revenue arises from sale of fixed and mobile devices to customers.
Airtime credit service revenue	Airtime credit service (ACS) revenue relates to fees charged on customers to access airtime on credit. the Company offers this service in partnership with an agent who earns 20% of the fees charged. This 80% fees earned by Ethio Telecom are recognised as revenue at a point in time.
Digital financial service fees	Financial Service Commission is arising from services Provided which includes Cash in, Cash out, Airtime top up, various utility payment, Cash transfer, fund raising, mobile Remittance and merchant transaction payments and micro loan services to its customers.
National ID Registration and Printing	The National ID registration and printing fee relates with registering Ethiopian residents, initiate for update request of residents' on behalf of NIDP into the Fayida ID system, and offering printing services for registered people.

2.g Interest income and expense

For all government bills measured at amortised cost, interest income or expense is measured and recognized using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest income' for financial assets and interest expense for financial liabilities.



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2.h Financial Instruments

2.h(i) Financial Assets

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows of the financial asset. the Company business model is just hold to maturity.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt investments

Subsequent measurement of debt investments depends on the Company's business model for managing the financial assets and the cash flow characteristics of the financial asset.

The Company classifies its debt investments under amortised cost measurement category for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 7 - 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration as fair value that is unconditional to any circumstances.

The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about The Company's impairment policies and the calculation of the loss allowance are provided in Note 4 to the financial statements.



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Due to the short-term nature of the current receivables and no financial components are attached, their carrying amount is considered to be a reasonable approximation of their fair value. Other receivables generally arise from transactions outside the usual operating activities of the Company.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, e-money, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to almost zero risk of changes in value.

2.h(ii) Financial liabilities

Borrowings

Borrowings for the Company comprise of loans, notes payables, promissory notes and bank overdrafts. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, expired or otherwise extinguished. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

2.h(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt investments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 4 for further details.

2.h(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



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2.i Property, plant and Equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives, as follows:

Asset class	Major category	Useful life in years	Residual value %
Network Assets	Mobile network equipment	10	1.0%
	Fixed network equipment	10	1.0%
	Transmission equipment	10	1.0%
	IP network	10	1.0%
Power Equipment	Power Equipment	5-20	1.0%
Buildings	Buildings	20 - 50	10.0%
Motor Vehicles	Motor Vehicles	5-20	5.0%
Servers	Servers	5 - 7	0.5%
Spares Parts	Spares Parts	5-20	2.0%
Other Equipment	Furniture and fittings	5 - 12	0.5%
	Other office equipment	4 - 10	1.0%

The Company commences depreciation when the asset is available for use. Spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Property, plant and equipment acquired in exchange for non-monetary assets or a combination of monetary and non-monetary assets are measured at fair value of the new asset. If the fair value cannot be determined reliably, then the exchanged asset is measured at the carrying amount of the asset given up.



Right use of free hold land

The Company has owned 5,605,567 meter square free land received from the government of Ethiopia. Since 2016 IFRS adoption The Company disclosed that such free land hold has been stated with nominal value as permitted by the standard. The balance shown in the free hold land has been revalued as ETB 83.7 billion in 2023 by KPMG. Their useful life are expected to be infinite and are not depreciable.

Investment Property

The Company rented different buildings to lessees that will be categorized as an operating lease on different terms and the detail lists and their revenue are disclosed under Note 8 and 13 (a). The property stated at cost and depreciated using straight line method.

2.j Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expenses on intangible assets with finite lives is presented as a separate line item in the statement of profit or loss.

Amortisation for intangible assets with definite useful lives is calculated using the straight-line method to allocate their cost less residual values over their estimated useful lives as follows:

Asset class	Useful life in years
Network licenses	6-8
Softwares	6-8

i) Network licenses

Separately acquired network licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Telecommunication license fees are capitalised at cost and amortised over the period of the license using the straight-line method from commencement of the service of the network.

Network licences are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount

ii) Softwares

Softwares comprises softwares purchased from third parties as well as the cost of internally developed software. Software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Software integral to an item of hardware equipment is classified as property, plant and equipment. Costs associated with maintaining software programmes are recognised as an expense as incurred.



2.k Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

2.l Leases

The Company as a lessee

The Company leases various offices, warehouses, retail shops, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 months to 15 years but may have extension/termination options. The extension options range between 5 years to 10 years.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which The Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- i) fixed payments (including in-substance fixed payments), less any lease incentives receivable
- ii) variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- iii) amounts expected to be payable by the Company under residual value guarantees
- iv) the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- v) payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The discounting rate applied by the Company is 10% p.a which is assumed to be a representative of the Company's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise equipment and small items of office furniture.

Right of use asset

Right-of-use assets are measured at cost comprising the following:

- i) the amount of the initial measurement of lease liability
- ii) any lease payments made at or before the commencement date less any lease incentives received
- iii) any initial direct costs, and
- iv) restoration costs.

Restorations costs relate to estimate of costs to be incurred by the lessee in dismantling and removing



the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The provision for the restoration costs is recognised as a separate liability from lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company applies IAS 36 - Impairment of non-current assets on the right-of-use asset the same way as in property, plant and equipment.

Lease term - extension and termination options

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Reassessment of lease terms and lease modifications that are not accounted for as a separate lease

When the Company reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

Lease modifications that are accounted for as a separate lease

When the Company modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Company accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the Company elected the short-term lease exemption and the lease term is subsequently modified.

Residual value guarantees

The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

Short term lease and low value assets

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.



The Company as a lessor

When the Company acts as a lessor, it determines at lease commencement each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all risks and rewards of ownership incidental to the ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract. the Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

2.m Inventories

Inventories consist of handsets, SIM cards, scratch cards, modems, dongles and other apparatus required for network connectivity. Network maintenance spares that do not meet criteria for capitalisation are included as part of inventories.

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of inventories comprises purchase price and other incidental costs. Net realisable value is the estimate of the selling price and other incidental costs.

2.n Employee benefits

2.n(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Non monetary benefits include handsets, gifts/rewards, medical and communication benefits and cars for management staff. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Bonus plans

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.n(ii) Other long-term employee benefit obligations

Other long term obligation that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The defined benefits are valued as at 30 June 2025 and the balances are updated by the valuation results.

The obligations are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.



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2.n(iii) *Post-employment obligations*

The Company provides various post-employment schemes like post-employment medical plans and communication services Refer to Note 19 for further details.

The liability recognised in the statement of financial position in respect of defined benefit schemes are the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of zero-coupon government bond yield curves. The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included as employee defined contribution expense in operating expenses.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The defined benefits are valued as at 30 June 2025 and the balances are updated by the valuation results.

For defined contribution plans, the Company pays contributions to publicly administered pension plans authority on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

The Company provides communication benefits, farewell benefits, funeral benefits, medical benefits and Bereavement Benefit to their retirees as below.

- Communication benefits

The Company provides communication benefits for all retiring employees until death. The communication benefit amount varies on the retiring employee's position as at the time of retirement.

- Farewell benefits

Upon retirement, early retirement or voluntary retirement, the Company pays a monetary reward of Birr 20,000 to all retirees. The benefit amount is the same to all retirees. Additionally, the Company arranges a farewell ceremony while the retiring employees receive the Company pin.

- Funeral service benefits

In the event of the death of the employee, the surviving family of the employee is entitled to three months' salary, subject to a minimum of Birr of 30,000. An additional cash benefit of Birr 20,000 is payable in respect of Chief Executive Officer on the death of a first level family member. The benefit is entitled to all contract and permanent employees.

- Gratuity benefits

The gratuity benefits are based on the severance benefits as outlined by the Ethiopian Labour Proclamation number 1156/2019 effective 5 December 2019. Upon voluntary resignation of an employee who has been in service for more than 5 years, or death in service if the employee has between 5 to 10 years in service, the Company pays out 30 days of salary for the first year of service and 10 days of salary for each year of service after the first year, to a maximum of one year's salary. There is no benefit pay out if an employee is dismissed due to disciplinary case.



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- Post Retirement Medical Aid benefits

The Company provides a lifelong 100% medical coverage treated at government hospitals and clinics, 100% medical services at its own clinic service center, and 95% local medicine coverage purchased from contracted pharmacies for the retirees. The benefit is the same even if an employee has retired voluntarily, early or at retirement age.

- Bereavement Support Benefit

Ethio telecom Share company formed a fund which is named as "ET Edir Assistance and support Association through collecting ETB 30 from the monthly salary of the voluntary employees. The purpose of the fund is to provide support and assistance to the survival family during the death of employee. In the event of the death of the employee, the surviving family of the employee is entitled to get an amount which is equal to one third of the total monthly contribution made by the members as at the event (death) happened. The benefit will be paid to the survival family of the employee, whether the employee contributed or not the amount to the Association fund so far.

2.n(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits.

2.o Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as grants and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

The Company has received freehold land for business use from the Government of the Federal Democratic Republic of Ethiopia which is also the sole owner of the Company. Non-monetary government grants such as freehold land are recognised as both an asset and capital contribution at a revalued amount.

The Company accounts for the benefit arising from below-market loans from government or government related institutions as government grants. Such loans are recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received.

2.p Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.



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2.q Provisions

The Company recognises provisions when all the following conditions are met;

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions related to legal claims, restoration costs, service warranties and other similar obligations of uncertain timing or amount. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The Company accounts for the costs associated with dismantling and removing network infrastructure assets and returning a network infrastructure site operated under a lease to its original condition upon termination of the network infrastructure site lease in accordance with IAS 16.

A restoration provision is recorded based on the best estimate of the average restoration costs (being the future costs relating to dismantling and removing property, plant and equipment and restoring each site) multiplied by the number of sites for which The Company has a restoration obligation. This is then discounted to the present value of the obligation.

2.r Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for Ethiopia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Ethiopia, where the Company operates and generates taxable income (Proclamation number 979/2016 - Federal Income Tax Proclamation dated 8th July 2016 effective on 1 July 2016 and Proclamation number 983/2016 - Federal Tax Administration dated 20 August 2016). Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

2.s Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



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Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Realised foreign currency exchange losses related with capital expenditure incurred during a year are depreciated for six year and eight months useful life.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the Company's disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

As disclosed in Note 4, other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Capital management
- Financial risk management and policies

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

3.a Revenue recognition - allocating the transaction price

The Company enters into contracts with customers for the provision of telecommunication services. These services are normally sold individually but from time to time, these products are grouped together and sold to customers as a bundle at a discounted price.

Because such contracts include several performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling prices at contract inception based on observable prices of the good and or services likely to be provided and the goods and or services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to both performance obligations based on their relative stand-alone selling prices.

Revenue recognition - average customer life

Management applies judgement in estimating average customer life. Average estimated life of a customer is determined as total gross customer disconnections in the period divided by the average total customers in the period. The Company estimated the average expected duration of a subscriber to measure and recognized revenues and costs from contract liabilities and contract assets respectively.

Year	Wireless subscribers	Fixed line subscribers	Data only subscribers
2016 - 2020	48 months'	60 months'	48 months'
2021 - 2022	48 months'	72 months'	36 months'
2023 - 2024	36 months'	72 months'	24 months'
2024 - 2025	36 months'	60 months'	24 months'



3.b Leases - determining right of use asset and lease liability

Critical judgements required in the application of IFRS 16 includes the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the Company is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement;
- Determining the stand-alone selling prices of lease and non-lease components.
- Determining the lease term.

3.c Property, plant and equipment

The depreciation charge for property, plant and equipment is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the statement of profit or loss.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The depreciation rates used are set out in Note 2i.

3.d Post-employment benefits

Management uses estimates when determining the Company's liabilities and expenses arising for defined benefit schemes. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in Note 19 to the financial statements.

3.e Impairment on financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on The Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 4 to the financial statements.

3.f Income tax and deferred tax assets / liabilities

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Realized foreign currency exchange losses incurred related to acquisition of fixed assets during a year are capitalized and depreciated annually at 15% rate. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company is taxed by 30% on its annual taxable profit.

3.g Provisions and contingent liabilities

Management exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities as disclosed under Note 27 to the financial statements. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and estimates are required to determine the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.



4 Financial risk management

4.1 Introduction

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Financial risk management is carried out by the finance division under policies approved by the management board. The management board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Categories of financial instruments

The Company has the following financial instruments in the statement of financial position as at the reporting date:

		30 June 2025 Birr'000	30 June 2024 Birr'000
Financial assets at amortised cost Note			
Current			
Trade receivables	14(b)	30,544,145	9,505,447
Other financial assets at amortised cost	14(c)	2,826	15,188
Cash and cash equivalents	16	47,804,725	29,643,117
		126,156,421	68,806,869
Non current			
Other financial assets at amortised cost	14(c)	7,101,156	7,101,156
		<u>133,257,577</u>	<u>75,908,025</u>
Financial liabilities at amortised cost			
Current			
Borrowings	17	10,516,360	4,683,898
Lease liabilities	12	496,220	298,352
Contract liabilities	19(a)	6,689,699	8,099,163
Foreign creditors	19(b)	43,141,317	18,973,052
Local creditors	19(b)	21,059,167	12,271,187
		81,902,763	44,325,652
Non current			
Borrowings	17	19,311,616	13,001,808
Lease liability	12	1,344,542	731,928
		20,656,158	13,733,736
		<u>102,558,921</u>	<u>58,059,388</u>



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4.2 Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily, with respect to the US dollar, Euro and Japanese Yen. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company applies market foreign exchange rates with reference to National Bank of Ethiopia, the financial institutions regulator. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not The Company's functional currency.

The Company's exposure to foreign currency risk as at end of 30 June 2025, expressed in Ethiopian Birr currency units, was as follows: Exchange rate as at June 30 2025 USD=Buying Rate 131.5086 Selling Rate 134.1388, EUR=Buying Rate 149.8277 Selling Rate 152.8243, JPY=Buying Rate 0.9081 Selling Rate 0.9263

	30 June 2025			30 June 2024		
	USD	EUR	JPY	USD	EUR	JPY
	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000	Birr'000
Trade receivables	18,438,654			3,669,075		-
Cash and cash eq	1,031,558			12,087		-
Trade payables	(43,141,317)			(18,973,052)		-
Borrowings	(29,814,651)		(13,326)	(17,679,176)		(6,530)

If the local currency (Ethiopian Birr) had weakened/strengthened by 10% against the major foreign currencies with all other variables held constant, the impact on pre-tax profit and retained earnings would be as below;

	30 June 2025	30 June 2024
	Birr'000	Birr'000
USD/Birr exchange rate – increase 10% (2024 – 10%)	(19,399,814)	(2,879,942)
Euro/Birr exchange rate – increase 10% (4 – 10%)		
JPY/Birr exchange rate – increase 10% (2024 – 10%)	(683)	(411)
USD/Birr exchange rate – decrease 10% (2024– 10%)	19,399,814	2,879,942
Euro/Birr exchange rate – decrease 10% (2024 – 10%)	-	-
JPY/Birr exchange rate – decrease 10% (2024– 10%)	683	411

(ii) Price risk

The Company does not hold investments or securities that would be subject to price risk. The Company is not

(iii) 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. The Company's exposure to interest rate risk relates primarily to borrowings at variable rates. Fixed rate borrowings only give rise to interest rate risk if measured at fair value. The Company has no financial assets or liability measured at fair value at the reporting date. Maximum exposure to interest rate risk are detailed below :

	Note	30 June 2025	30 June 2024
		Birr'000	Birr'000
Borrowings	18	29,827,976	17,685,706

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The following table demonstrates the sensitivity of changes in EIR rate with all other variables held constant :

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Effect on profit before tax with increase in interest rate of 1%	767,698	355,236
Effect on profit before tax with decrease in interest rate of 1%	(767,698)	(355,236)



4.3 Credit risk

Credit risk is the risk that a counter party will default on its contractual obligations resulting in financial loss. The Company is exposed to credit risk in respect of

- payment of trade receivables as invoices fall due between 30 and 90 days after being raised (Note 14)
- financial assets with banking institutions (Note 17)
- contractual cash flows of debt investments and staff receivables carried at amortised cost (Note 14)

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a regular basis. Management manages credit risk arising from its dealer trade debtors by imposing guarantee requirements.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings. The Company's debt investments are limited to government securities issued by the Federal Democratic Republic of Ethiopia.

For these purpose default management has made an assumption that default occurs for receivables invoices outstanding above 360 days for all products.

The Company uses lifetime expected loss allowance method. The Company groups its financial assets on the basis of shared credit risk characteristics, comprised of: postpaid, interconnect, roaming, leased and dealer.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- i) significant financial difficulty of the issuer or the borrower;
- ii) a breach of contract, such as a default or past due event;
- iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- v) the disappearance of an active market for that financial asset because of financial difficulties; or
- vi) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Company's gross carrying amount of financial assets with exposure to credit risk at the reporting date is as follows:

		Fully performing	Impaired over 360 days
		Birr'000	Birr'000
30 June 2025	Note		
Other financial assets at amortised cost	14(c)	7,103,982	
Trade receivables	14(b)	30,544,145	5,494,813
Cash and cash equivalents	16	47,804,725	
		<u>85,452,852</u>	<u>5,494,813</u>
30 June 2024			
Other financial assets at amortised cost	14(c)	7,116,344	
Trade receivables	14(b)	9,505,447	3,308,014
Cash and cash equivalents	16	29,643,117	
		<u>57,323,748</u>	<u>3,308,014</u>



Fully performing assets represents counter parties that are paying their dues as they fall due and are operating within their approved credit limits. Impaired financial assets represents contractual obligation that are overdue and/or have exceeded the approved credit limits and are fully provided for.

Credit risk is managed by the Chief Finance Officer who is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered. For financial assets, the following credit risk modelling applies:

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk The Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor

The Company does not grade the credit quality of receivables. The utilisation of credit limits is in place and regularly monitored.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 360 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with The Company. The Company categorises receivables for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Contract acquisition costs/deposits and prepayments/ prepaid benefit assets by nature are not subject to credit risk and therefore not subject to expected credit losses. Sundry debtors include short term advances to staff which do not bear credit risk. Expected credit losses have been assessed and recognised for trade receivables, Investment securities at amortised cost and cash and cash equivalents.

(i) Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These categories comprise of : postpaid, interconnect, roaming , leased and dealer

The expected loss rates are based on the payment profiles of sales over a period between 01 October 2017 and 30 June 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP, foreign currency exchange rate and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.



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On that basis, the loss allowance was determined as follows :

	Past due but not impaired	Impaired (Over 360 days)
30 June 2025		
Average probability of default (%)	7%	100%
Average loss given default (%)	86%	92%
30 June 2024		
Average probability of default (%)	18%	100%
Average loss given default (%)	82%	91%

The loss allowance provision for trade receivables reconciles to the opening loss allowance for that provision as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
At start of year	3,308,014	3,075,626
Increase (decrease) in expected credit losses	2,204,548	232,388
Expected credit losses		
At the end of the period	5,494,813	3,308,014

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 360 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment losses on financial assets is summarised below :

	Note	30 June 2025 Birr'000	30 June 2024 Birr'000
Impairment losses on trade receivables	14(b)	5,494,813	3,308,014
Total loss allowance under IFRS 9		5,494,813	3,308,014



4.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. the Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's undiscounted financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Less than 1 year Birr'000	Between 1 and 5 years Birr'000	Over 5 years Birr'000	Total Birr'000	Carrying amount Birr'000
At 30 June 2025:					
Borrowings	10,516,360	19,806,959		30,323,319	29,841,302
Foreign creditors	43,141,317			43,141,317	43,141,317
Local creditors	21,059,167			21,059,167	21,059,167
Contract liabilities	6,689,699			6,689,699	6,689,699
	<u>81,406,543</u>	<u>19,806,959</u>	-	<u>101,213,502</u>	<u>100,731,485</u>
At 30 June 2024:					
Borrowings	4,683,898	13,514,726		18,198,624	17,692,236
Foreign creditors	18,973,052			18,973,052	18,973,052
Local creditors	12,271,187			12,271,187	12,271,187
Contract liabilities	8,099,163			8,099,163	8,099,163
	<u>44,027,300</u>	<u>13,514,726</u>	-	<u>57,542,026</u>	<u>57,035,638</u>
	Less than 1 year Birr'000	Between 1 and 5 years Birr'000	Over 5 years Birr'000	Total Birr'000	Carrying amount Birr'000
At 30 June 2025:					
Lease liability	600,788	1,474,033	213,948	2,288,769	1,840,762
At 30 June 2024:					
Lease liability	247,946	862,471	193,226	1,303,643	1,029,267

4.5 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to earn returns and to maintain an optimal capital structure to reduce the cost of capital. The gearing ratios at 30 June 2025 and 30 June 2024 were as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Debt (Note 17c)	31,668,740	18,715,986
Less: cash and cash equivalents (Note 16)	(47,804,725)	(29,643,117)
Net debt (i)	<u>(16,135,985)</u>	<u>(10,927,131)</u>
Equity (ii)	101,732,297	113,493,516
Net debt to equity ratio	1:0.15	1:0.096

(i) Debt is defined as liabilities from financing activities as detailed in Note 17 (c)

(ii) Equity comprises of capital, retained earnings, legal reserve and other reserves



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	30 June 2025	30 June 2024
	Birr'000	Birr'000

5 Revenue from contracts with customers

The disaggregation of revenue based on timing and nature is as below :

Overtime:

Subscription	1,087,600	639,645
Traffic Voice	15,951,623	14,192,491
Traffic Data	39,320,286	30,574,465
Traffic IP	17,210,721	12,469,262
Traffic Visitor Roaming	1,938,160	1,103,878
Interconnect	20,251,182	9,310,511
Leased Circuit	4,062,595	1,702,534
Hybrid Services	11,616,132	5,695,971
Short Code (Premium SMS)	7,830,649	5,022,243
Cloud Service	268,003	102,209
Enterprise Solution	9,400,759	2,040,394
	128,937,712	82,853,604

At a point in time:

Mobile Money Service	4,125,949	2,318,111
Devices revenue	9,153,386	5,188,270
Airtime credit service revenue	2,235,638	1,009,127
Domain & Web Hosting	656,968	2,178.83
National ID	2,940,749	
	19,112,690	8,517,686
	148,050,402	91,371,290

Contract acquisition costs and contract liabilities as at reporting date is as below :

	30 June 2025	30 June 2024
	Birr'000	Birr'000

Reconciliation of movement in contract acquisition costs arising from revenue from contracts with customers:

Beginning	171,713	94,660
Additions in the period	240,250	117,029
Recognised as Expense	(78,509)	(39,976)
Balance at the end of the period	333,455	171,713



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Reconciliation of movement in contract liabilities arising from revenue from contracts with customers:

Beginning	8,099,163	8,231,309
Additions in the period	93,230,118	68,813,678
Recognised as revenue	(94,639,582)	(68,945,825)
	<u>6,689,699</u>	<u>8,099,163</u>
Balance at the end of the period	<u>6,689,699</u>	<u>8,099,163</u>

The Company recognised impairment losses of Birr as at 30 June 2025 5,494,813 (2024 : Birr 3,308,014) from financial assets arising from revenue from contracts with customers.

6 Expenses by nature	30 June 2025 Birr'000	30 June 2024 Birr'000
6(a) Direct costs		
Network access costs	19,452,773	4,513,988
Network maintenance and support costs	6,089,623	2,928,436
Handset and other devices costs	13,100,297	4,693,592
Commission	14,043,945	9,982,020
Purchase of materials	5,444,370	3,488,764
	<u>58,131,008</u>	<u>25,606,800</u>

On the prior fiscal year license registration and renewal and Fintech commission were classified as operating expenses under Sundry expense category, but they are now classified as direct costs under network access cost and commission categories respectively.

6(b) Operating expenses	30 June 2025 Birr'000	30 June 2024 Birr'000
Employee benefits expense	15,960,724	14,440,865
Sundry Expense	878,474	6,801,889
Travelling	847,051	805,775
Rent	1,377,458	762,965
Utilities	1,447,928	960,601
Fuel	2,197,392	1,754,921
Advertisement & Publicity	2,990,067	1,061,132
Maintenance	904,582	763,340
Other operating expenses	1,945,204	1,255,063
	<u>28,548,882</u>	<u>28,606,549</u>

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



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7 Employee benefits expense

The following items are included within employee benefits expense:

Short term employee benefits :

Salaries and wages	9,362,981	8,142,552
Allowances	2,533,672	2,410,437
Bonus	1,097,973	1,263,819
Overtime	384,727	274,293
Leave and holiday pay	176,131	489,825
Staff medical cost	542,649	437,881
Staff loan benefit cost	207	94
Staff commissions	2,078	890
Other staff benefits	601,175	401,582
Employee defined contribution expense	969,401	824,767
	15,670,994	14,246,140

Long term employee benefits :

Employee defined benefit expense	289,730	194,724
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15,960,724 **14,440,865**

8 Other income (expense)

Gains from sale of property, plant and equipment	43,332	124,513
Write (down) or writeback on inventory	494,052	290,542
Write (back)/off of differences on PPE carrying values	721,865	191,579
Building Rent fee	29,938	17,373
Grant income / (expense)	22	15
Sundry income	13,881,904	3,670,472

15,279,456 **4,294,494**

9 Finance income / (cost)

Finance income

Interest income	7,630	10,607
	7,630	10,607

Finance costs

Interest expense	(1,123,545)	(745,756)
Other finance charges	(26,232)	(183,219)
Net foreign exchange losses	(41,447,047)	(2,149,584)
	(42,596,825)	(3,078,560)

Finance costs - net

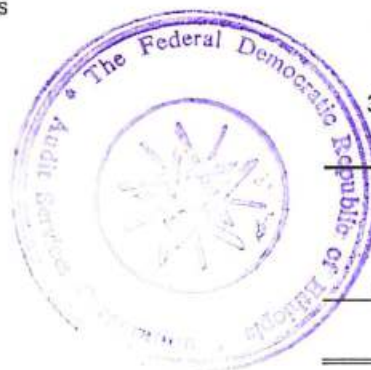
(42,589,195) **(3,067,953)**

One of Microeconomic reforms announced by Ethiopia's government on July 29, 2024 was the foreign exchange rate is set by the market. This shift in the foreign exchange rate is noteworthy in comparison to the previous fixed exchange rate system. This resulted in a significant increase in the foreign exchange loss on outstanding debts and trade payables denominated in foreign currency. Foreign exchange loss has increased in 1825% as compared to previous year



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	30 June 2025 Birr'000	30 June 2024 Birr'000
10 Current income and deferred tax		
10(a) Current income tax		
Current income tax	18,758,231	10,371,242
Deferred income tax/(credit) to profit or loss	(4,370,590)	142,521
Current tax of prior periods	235,582	263,252
Total income tax charge to profit or loss	14,623,223	10,777,016
Income tax (credit) on other comprehensive income	(5,872)	(55,919)
Total current income tax expense in statement of profit or loss and other comprehensive income	<u>14,617,351</u>	<u>10,721,097</u>
10(b) Reconciliation of effective tax to statutory tax		
The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit before tax	20,417,632	29,790,459
Tax calculated at applicable income tax rate of 30% (2024:30%)	6,125,290	8,937,138
Tax effect of:		
Income not subject to tax	(21,584,877)	(7,530,460)
Expenses not deductible for tax	34,217,818	8,964,564
Current tax of prior periods	235,582	263,252
Tax charge due to deferred tax	(4,376,462)	86,602
Income tax expense	<u>14,617,351</u>	<u>10,721,097</u>
Expenses not deductible for income tax mainly include the following:		
	30 June 2025 Birr'000	30 June 2024 Birr'000
Depreciation of property, plant and equipment	(9,410,408)	(7,529,546)
Amortization intangible assets	(1,508,286)	(403,420)
Write (down) or writeback on Inventory	494,052	290,542
Net impairment losses on financial assets	(2,204,548)	(232,387)
Net foreign exchange losses	(41,447,047)	(2,149,584)
10(c) Current income tax liability		
	30 June 2025 Birr'000	30 June 2024 As restated Birr'000
Balance at the beginning of the year	9,712,831	7,245,392
Charge for the year:		
Income tax expense	18,758,231	11,290,513
Payment during the period	(12,101,302)	(8,823,074)
Balance at the end of the period	<u>16,369,760</u>	<u>9,712,831</u>



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

10(d) Deferred income tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Deferred tax asset	7,946,220	3,569,758
	<u>7,946,220</u>	<u>3,569,758</u>

Deferred income tax assets and liabilities, deferred income tax charge/(credit) in profit or loss ("P/L"), in equity and other comprehensive income are attributable to the following items:

Deferred income tax assets/(liabilities):	At 1 July 2024 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2025 Birr'000
Property, Plant and Equipment	1,107,469	82,543		1,190,012
Investment Property	(62,787)	1,318		(61,469)
Intangible assets	(230,792)	(59,158)		(289,951)
Right of use assets	(374,182)	(291,530)		(665,713)
Inventories	927,989	(148,216)		779,774
Other assets	(5,612)	8,645		3,033
Other financial assets at amortised cost	(4,556)	(2,126,638)		(2,131,194)
Trade receivables	192,553	(174,696)		17,857
Cash and cash equivalents	(524)	(4,258)		(4,783)
Defined benefit obligations	302,295	74,259	5,872	382,426
Borrowings	(38,451)	10,543		(27,907)
Lease liabilities	309,084	243,145		552,229
Contract liabilities	124,735	(23,119)		101,617
Trade and other payables	1,268,469	6,748,614		8,017,083
Provisions	53,924	29,150		83,074
Grants	145	(13)		133
Total deferred tax assets/(liabilities)	3,569,758	4,370,590	5,872	7,946,220
Deferred income tax assets/(liabilities):	At 1 July 2023 Birr'000	Credit/ (charge) to P/L Birr'000	Credit/ (charge) to equity Birr'000	30 June 2024 Birr'000
Property, Plant and Equipment	1,560,066	(452,597)		1,107,469
Investment Property	(64,106)	1,319		(62,787)
Intangible assets	(283,957)	53,165		(230,792)
Right of use assets	(362,330)	(11,853)		(374,182)
Inventories	1,015,152	(87,163)		927,989
Other assets	44,899	(50,511)		(5,612)
Other financial assets at amortised cost	(5,922)	1,366		(4,556)
Trade receivables	129,156	63,396		192,553
Cash and cash equivalents	-	(524)		(524)
Defined benefit obligations	141,788	104,588	55,919	302,295
Borrowings	(947)	(37,504)		(38,451)
Lease liabilities	296,474	12,610		309,084
Contract liabilities	146,573	(21,837)		124,735
Trade and other payables	1,039,515	228,954		1,268,469
Provisions	-	53,924		53,924
Grants	-	145		145
Total deferred tax assets/(liabilities)	3,656,361	(142,521)	55,919	3,569,758



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11 Property, plant and equipment

	Network Assets Birr'000	Power Equipment Birr'000	Buildings Birr'000	Motor Vehicles Birr'000	Servers Birr'000	Spare Parts Birr'000	Other Equipment Birr'000	Work in Progress Birr'000	Total Birr'000
Year ended 30 June 2023									
Opening net book amount	17,721,080	2,715,951	87,475,123	1,478,162	1,457,314	89,314	1,304,262	17,597,293	129,838,499
Reclassifications (CIP)	9,390,394	1,506,584	1,716,678		-	(180,210)		(13,012,593)	(398,937)
Reclassifications of spare parts	162,396	16,442	1,372		-	226,309			
Additions	5,929,594	146,423	133,917	166,406			531,324	12,526,950	19,660,923
Disposals				(5,349)			(16,973)		(22,322)
Depreciation charge	(4,963,074)	(682,387)	(585,557)	(217,904)	(574,460)	(55,311)	(450,853)		(7,529,546)
Closing net book amount	28,240,390	3,703,013	88,741,533	1,421,314	882,854	80,101	1,367,760	17,111,650	141,548,616
At 30 June 2024									
Cost	54,227,503	11,398,450	93,506,414	3,819,808	6,160,813	700,328	3,544,354	17,111,650	190,469,320
Accumulated depreciation	(25,987,113)	(7,695,437)	(4,764,881)	(2,398,494)	(5,277,959)	(620,227)	(2,176,593)	-	(48,920,704)
Net book amount	28,240,390	3,703,013	88,741,533	1,421,314	882,854	80,101	1,367,760	17,111,650	141,548,616
Year ended 30 June 2024									
Opening net book amount	28,240,390	3,703,013	88,741,533	1,421,314	882,854	80,101	1,367,760	17,111,650	141,548,616
Reclassifications (CIP)	28,075,343	4,066,949	4,826,166						
Reclassifications of spare parts	75,952	20,212	394						
Additions	2,391,614	259,301	283,055	886,775	108,812	(96,558)	1,500,623	62,183,076	67,684,015
Disposals	(2,155)	(3,155)	(27,442)	(3,296)			(857)		(36,906)
Depreciation charge	(6,610,553)	(1,005,220)	(714,668)	(234,589)	(270,057)	(50,376)	(524,946)		(9,410,408)
Closing net book amount	52,170,592	7,041,100	93,109,037	2,070,204	721,609	3,926	2,342,580	26,883,976	184,343,024
At 30 June 2025									
Cost	84,768,258	15,741,757	98,588,586	4,703,286	6,269,625	674,528	5,044,120	26,883,976	242,674,136
Accumulated depreciation	(32,597,666)	(8,700,657)	(5,479,549)	(2,633,082)	(5,548,016)	(670,602)	(2,701,540)	-	(58,331,112)
Net book amount	52,170,592	7,041,100	93,109,037	2,070,204	721,609	3,926	2,342,580	26,883,976	184,343,024



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

12 Leases

i) *Amounts recognised in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

	30 June 2025 Birr '000'	30 June 2024 Birr '000'
Right of use asset		
Properties	2,219,042	1,247,275
Lease liability		
Current	496,220	298,352
Non-current	1,344,542	731,928
	<u>1,840,762</u>	<u>1,030,280</u>

ii) *Right of use assets*

	30 June 2025 Birr '000'	30 June 2024 Birr '000'
Balance at start of the year	1,247,275	1,207,765
Additions in the period	256,094	181,393
Remeasurement of Right of use asset	1,231,177	282,392
	<u>2,734,546</u>	<u>1,671,550</u>
Depreciation expense	(515,504)	(424,275)
Balance at end of the period	<u>2,219,042</u>	<u>1,247,275</u>

iii) *Lease liability*

Balance at start of the year	1,030,278	988,248
Additions in the period	252,841	178,029
Remeasurement of lease liability	1,156,132	270,244
Interest expense	157,961	106,719
	<u>2,597,212</u>	<u>1,543,239</u>
Repayments in the period	(756,451)	(512,959)
Balance at end of the period	<u>1,840,762</u>	<u>1,030,278</u>

iv) *Amounts recognised in the statement of profit or loss*

The statement of profit or loss shows the following amounts relating to leases:

	30 June 2025 Birr '000'	30 June 2024 Birr '000'
Depreciation charge right-of-use assets	515,504	424,275
Interest expense included in finance costs under Note 9	157,961	106,719
	<u>673,465</u>	<u>530,994</u>

v) *Amounts recognised in the statements of cash flows*

Cash generated from operations - Interest paid	(157,961)	(106,719)
Cash generated from financing activities - lease payments	(598,490)	(406,240)



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Notes to the Financial Statements
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13 Intangible assets

	Network licenses Birr'000	Software Birr'000	Total Birr'000
Year ended 30 June 2023			
Opening net book value	364,999	928,719	1,293,718
Reclassifications from WIP	34,408	364,529	398,937
Additions	542,301	33,027	575,329
Amortisation charge	(109,604)	(293,816)	(403,420)
Closing net book value	832,104	1,032,459	1,864,564
At 30 June 2024			
Cost	1,344,796	4,723,626	6,068,421
Accumulated amortisation	(512,691)	(3,691,166)	(4,203,858)
Net book amount	832,104	1,032,459	1,864,564
As at 30 June 2024			
Opening net book value	832,104	1,032,459	1,864,564
Reclassifications from WIP	4,855,199	10,587,094	15,442,293
Additions	954,745	687,672	1,642,417
Amortisation charge	(355,100)	(1,153,186)	(1,508,286)
Closing net book value	6,286,948	11,154,039	17,440,987
At 30 June 2025			
Cost	7,154,739	15,998,392	23,153,131
Accumulated amortisation	(867,791)	(4,844,353)	(5,712,144)
Net book amount	6,286,948	11,154,039	17,440,987

13(a) Investment Property

At 30 June 2024	
Cost	244,159
Accumulated amortisation	(34,868)
Net book amount	209,291
At 30 June 2024	
Opening net book value	209,291
Additions	
Depreciation charge	(4,395)
Closing net book value	204,896
At 30 June 2025	
Cost	244,159
Accumulated amortisation	(39,263)
Net book amount	204,896



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

14(a) Other assets

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Contract acquisition costs	333,455	171,713
Deposits and prepayments	6,009,323	3,017,377
Prepaid benefit assets	76	283
Sundry debtors	2,128,575	1,376,652
	8,471,429	4,566,025
Current	8,471,373	4,565,762
Non-Current	54	261
	8,471,429	4,566,025

Contract acquisition costs relates to customer applications commissions and dealers upfront commissions settled in advance. Deposits and prepayments mainly relate to advances paid to suppliers.

14(b) Trade receivables

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Trade receivables	36,038,958	12,813,461
Less: Provision for impairment losses	(5,494,813)	(3,308,014)
	30,544,145	9,505,447

Movement on impairment losses on trade is as follows:

At start of year	3,308,014	3,075,626
Impairment losses for the period	2,204,548	232,388
	5,494,813	3,308,014

14(c) Other financial assets at amortised cost

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Staff receivables	2,826	15,188
Advance to Ministry of Finance	7,101,156	7,101,156
	7,103,982	7,116,344

Included in staff receivables are staff mortgage, holiday and other loans and advances to the staff. The loans are secured by the staff's terminal benefits. Management has assessed the attrition rate for permanent staff as being low. As such, the loss given default for staff loans is deemed to be low and consequently the expected credit losses as immaterial.

Current	2,826	15,188
Non-Current	7,101,156	7,101,156
	7,103,982	7,116,344



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15 Inventories	30 June 2025 Birr'000	30 June 2024 Birr'000
Commercial	2,807,222	2,085,131
Non commercial inventories	22,331,236	12,836,071
	<u>25,138,458</u>	<u>14,921,202</u>

Commercial inventories are meant for sale to customers and include handsets, SIM cards, scratch cards, modems and dongles, laptops, Desktops, Ideahubs and other enterprise solutions. Noncommercial inventories consist of consumables and support items network maintenance spares that do not meet criteria for capitalization as property, plant and equipment.

Write (down) or writeback of inventories to net realisable value in the year ended 30 June 2025 amounted to Birr 494,052 (2024 – Birr 290,542. These were recognised as other expense/income in the statement of profit or loss in the respective periods.

16 Cash and cash equivalents	30 June 2025 Birr'000	30 June 2024 Birr'000
Cash in hand	81,635	23,935
Cash at bank	47,723,089	29,619,182
	<u>47,804,725</u>	<u>29,643,117</u>

Effects of exchange rate changes on cash and cash equivalents

	30 June 2025 Birr'000	30 June 2024 Birr'000
Closing unrealised (gains)/losses on cash and cash equivalents	15,934,300	183,421
Opening unrealised (gains)/losses on cash and cash equivalents	923,464	923,464
	<u>16,857,764</u>	<u>1,106,885</u>



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Notes to the Financial Statements
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17 Borrowings

	30 June 2025 Birr'000	30 June 2024 Birr'000
Non Current		
Government loan 18(a)	9,916	5,180
Promissory notes 18(b)	19,301,701	12,996,628
	<u>19,311,616</u>	<u>13,001,808</u>
Current		
Government loan 18(a)	3,410	1,350
Promissory notes 18(b)	10,512,950	4,682,548
	<u>10,516,360</u>	<u>4,683,898</u>
	<u>29,827,976</u>	<u>17,685,706</u>

17 (a) Government loan

Ministry of Finance

Ministry of Finance borrowing is an on-lending facility from the Japanese government. The loan principal is JPY 118,973 (Birr 1,970) bearing interest at the rate of 0.75% per annum and repayable in 30 semi annual instalments. The loan will mature in 2029. A reconciliation of the changes in government loan is as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	6,530	7,441
Interest charged	152	115
Principal repayments	(2,840)	(1,208)
Interest repayments	(38,242)	(40)
Amortisation of grant	22	25
Translation effect on foreign currency loans	47,704	197
Balance at the end of the period	<u>13,326</u>	<u>6,530</u>

This loan was issued at below market interest rate. The Company's recognition of the grant arising of Birr 22 (2024: Birr 10)

17 (b) Promissory notes payable

	30 June 2025 Birr'000	30 June 2024 Birr'000
ZTE corporation - Telecom Expansion Project	6,611,906	3,790,634
Huawei Technologies Co. Ltd	21,557,616	12,774,634
Ericsson Credit A.B	1,645,129	1,113,908
	<u>29,814,651</u>	<u>17,679,176</u>



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The promissory notes arise from financing agreements with various vendors for the Company's next generation network and Telecom Expansion Project (TEP). The terms of the financing agreements are as below:

	Currency	Maximum credit (Million)	Contractual interest rate	Effective interest rate	Maturity
ZTE corporation - TEP	USD	300	6 months USD LIBOR + 1.5% margin	2.83%	16th February, 2029
Huawei Technologies Co.Ltd	USD	800	6 months USD LIBOR + 1.5% margin	2.56%	18th October, 2028
Ericsson Credit AB	USD	400	6 months USD LIBOR + 3.0% margin	4.48%	15th March 2028

A reconciliation of the changes in promissory notes payable is as follows:

	30 June 2025 Birr'000	30 June 2024 Birr'000
Balance at the beginning of the year	17,679,176	22,132,902
Promissory notes issues	-	-
Interest charged	964,601	559,146
Principal repayments	(9,496,956)	(5,892,016)
Interest repayments	(1,942,952)	(692,801)
Translation effect of foreign currency promissory notes	22,610,782	1,571,944
Balance at the end of the period	29,814,651	17,679,176

17 (c) Net debt reconcillation

The Company's financing activities comprise of borrowings and leasing arrangements. An analysis of net debt and the movements in net debt arising from financing activities for each of the periods is as presented below :

	Borrowings Birr'000	Leases Birr'000	Total Birr'000
Net debt as at 01 July 2023	22,140,342	988,248	23,128,591
Net cashflows	(6,586,064)	(334,930)	(6,920,994)
Foreign exchange adjustments	1,572,141	-	1,572,141
Other changes (effective interest and other finance charges)	559,286	376,963	936,249
Net debt as at 30 June 2024	17,685,706	1,030,281	18,715,986
Net debt as at 01 July 2024	17,685,706	1,030,281	18,715,986
Net cashflows	(11,480,991)	(503,610)	(11,984,601)
Foreign exchange adjustments	22,658,486	-	22,658,486
Other changes (effective interest and other finance charges)	964,775	1,314,093	2,278,868
Net debt as at 30 June 2025	29,827,976	1,840,764	31,668,740



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	30 June 2025	30 June 2024
	Birr'000	Birr'000
18 Defined benefit obligations		
Defined benefits liabilities:		
– Communication benefit	83,278	70,204
– Farewell benefit	32,149	28,809
– Funeral benefit	98,661	94,566
– Gratuity benefit	250,070	237,921
– Post retirement medical benefit	751,718	538,325
– Bereavement benefit	39,304	37,826
Liability in the statement of financial position	1,255,180	1,007,651
Statement of profit or loss charge included in personnel expenses:		
– Communication benefit	5,694	34,702
– Farewell benefit	7,840	6,621
– Funeral benefit	21,305	22,748
– Gratuity benefit	50,312	67,514
– Post retirement medical benefit	133,585	62,816
– Bereavement benefit	9,220	11,233
Total defined benefit expenses	227,956	205,634
Remeasurements for:		
– Communication benefit	7,380	(115,971)
– Farewell benefit	(4,500)	382
– Funeral benefit	(17,210)	2,195
– Gratuity benefit	(38,163)	(4,525)
– Post retirement medical benefit	79,808	312,936
– Bereavement benefit	(7,742)	(8,621)
	19,573	186,396

The statement of profit or loss charge included within employee expenses includes current service cost, interest cost, past service costs on the defined benefit schemes.

Maturity analysis

	30 June 2025	30 June 2024
	Birr'000	Birr'000
Current	94,017	51,077
Non-Current	1,161,163	956,574
	1,255,180	1,007,651

The significant actuarial assumptions were as follows:

i) **Financial assumptions applied**

	30 June 2025	30 June 2024
Discount Rate (p.a) for all benefits	19.00%	21.60%
Salary increase rate (p.a) for funeral, gratuity and post retirement medical be	17.00%	19.60%
Inflation rate (p.a) for all benefits except gratuity		
Inflation rate (p.a) for gratuity		
Inflation rate (p.a) for all benefits	13.32%	13.17%
Benefits increase rate (p.a) for communication/farewell Benefits	3%/7.5%	3.7%/9.5%



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ii) Mortality in Service

The rate of mortality assumed for employees are those according to the Demographic and Health Survey ("DHS") of Ethiopia as below:

Age	Mortality rate	
	Males	Females
20	0.31%	0.22%
25	0.30%	0.23%
30	0.36%	0.31%
35	0.41%	0.28%
40	0.52%	0.32%
45	0.45%	0.43%
50	0.76%	0.44%
55	1.04%	0.86%
60	1.76%	1.60%

Post retirement mortality rates were assumed to follow KE01-03 mortality. Sample rates are provided below:

Age	Mortality rate	
	Males	Females
65	4.12%	2.48%
70	8.55%	4.30%
75	13.51%	9.66%
80	20.85%	28.95%
85	28.97%	11.74%
90	40.99%	50.38%

iii) Withdrawal from Service

The withdrawal rates are believed to be reasonably representative of the Ethiopian experience. The valuation assumed a rate of withdrawal of 8.00% at the youngest ages falling with increasing age to 0.50% at age 50.

The sensitivity of the overall defined benefit liabilities to changes in the weighted principal assumptions is as

		Impact on communication benefit obligation			
		30 June 2025		30 June 2024	
Change in assumption		Impact of an increase	Impact of a decrease	Impact of an increase	Impact of a decrease
		Birr'000	Birr'000	Birr'000	Birr'000
Discount rate	1%	(148,509)	186,548	(117,642)	69,360
Benefit Rate	1%	189,779	(153,096)	137,673	(60,592)
Mortality Rate	10%	(11,887)	14,645	(9,086)	(13,003)



The above sensitivity analysis is based on changes in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period has been applied as when calculating the defined benefits liabilities recognised within the statement of financial position.

Projected defined benefit obligations

The the effect of the defined benefit plans on the Company's future cash flows is summarised as below :

Projected benefit payments	Birr'000
Year ending 30 June 2026	94,017
Year ending 30 June 2027	96,116
Year ending 30 June 2028	107,771
Year ending 30 June 2029	119,607
Year ending 30 June 2030	132,115
Total projected benefits payments over 5 years	549,626

Risks to the Company in respect of the benefits are summarised and described below:

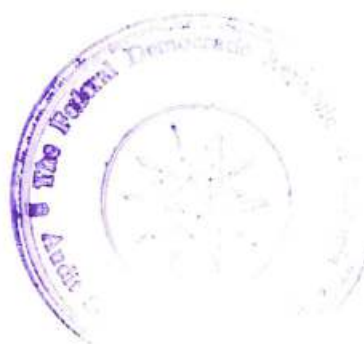
Take-up risk: if the proportions of employees who will take up various parts of the benefits increases from current reported utilization, the cost to the Company will increase;

Inflation Risk: if costs of the benefits increase at a faster rate than that assumed inflation rate, the cost to the Company will increase;

Demographic risk: if more employees retire than expected, the cost to the Company will increase;

Cashflow risk: similarly, if more employees retire than expected, the Company will need to allocate additional cashflows to pay for the benefits; and

Discount rate risk: if bond yields drop significantly from year to year, the liabilities and costs will increase. This will not impact the ultimate cost of the benefit but may adversely affect the Company's statement of financial position in the short term.



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

19 Contract liabilities, provisions, trade and other payables

	Note	30 June 2025 Birr'000	30 June 2024 Birr'000
19(a) Contract liabilities			
Contract liabilities		6,689,699	8,099,163
Contract liabilities relate mainly to unused airline and other revenues (connection, reconnection and installation fees received) where the Company has not fulfilled performance obligations to customers.			
19(b) Trade and other payables			
Trade payables			
Foreign creditors		43,141,317	18,973,052
Local creditors		21,059,167	12,271,187
Mobile Money Payables		14,009,560	7,117,552
		<u>78,210,044</u>	<u>38,361,791</u>
Other payables			
Accrual Payables		75,123,085	19,388,930
Other taxes		3,560,085	1,351,200
Retention Payable		1,649,884	1,219,333
Leave accrual		1,737,002	1,612,599
Deposits received		719,751	482,821
Sundry creditors		3,628,279	1,484,860
		<u>86,418,086</u>	<u>25,539,743</u>
		<u>164,628,129</u>	<u>63,901,534</u>
19(c) Provisions			
Provision for legal expense		34,443	20,198
Provision for lease restoration costs		242,471	159,549
		<u>276,914</u>	<u>179,747</u>
Balance at the beginning of the year			
Balance at start of the year		179,747	159,734
Provision in the period		<u>97,167</u>	<u>20,013</u>
Balance at the end of the Period		<u>276,914</u>	<u>179,747</u>

Provisions relate to legal claims and restoration costs which are of uncertain timing or amount.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Current		
Provision for lease restoration		
Provision for legal expense	34,443	20,198
	<u>34,443</u>	<u>20,198</u>
Non-Current		
Provision for lease restoration	242,471	159,549
	<u>276,914</u>	<u>179,747</u>



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

20 Share Capital

The Company Share Capital has been amended in 2021 by regulation No.480/2021. As per the amendment the Company paid up capital is ETB 100 billion which is fully paid in cash and in kind. In accordance with the pre-privatization Proclamation No. 1206/2020 and commercial code proclamation No. 1243/2021, Ethio telecom converted into a share company with one billion subscribed shares and par value one hundred ETB, with EIH as the sole shareholder. Ethio telecom shares are governed as per Ethiopian Capital Market Proclamation No.1248/2021.

20(a) Earning Per Share

Earnings per share (EPS) is calculated by dividing the profit attributable to equity holders by the number of shares as at June 30, 2025.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Profit attributable to share holder	5,794,409	19,013,443
Number of Share subscribed	1,000,000	-
Earning per share	5.79	-

21 Legal reserve

The legal reserve is a statutory reserve. The legal reserve is accumulated by transferring 5% of annual net profits to the reserve until the amount reaches 20% of paid up capital.

22 Other reserves

Other reserves include remeasurement gains and losses on employee defined benefit schemes arising from experience adjustments and changes in actuarial assumptions. See further details in Note 19.

	30 June 2025 Birr'000	30 June 2024 Birr'000
At the beginning of the year	39,697	170,174
Re-measurement gains on defined benefit plans	(19,573)	(186,396)
Deferred tax (liability)/asset on remeasurement gain or loss	5,872	55,919
At the end of the year	25,996	39,697

23 Government Share Dividend Payables

According to the directive No. 02/2023 issued on June 10, 2023 by Ethiopian Investment Holdings (EIH), 70% of the company's net profit, after deducting all expenses and reserve funds from total revenue, shall pay to Ethiopian Investment Holdings (EIH)

24 Retained Earning

To recognize the missing dividend for FY24 payable to the government, an adjustment of Birr 12,643,940 was made and restated in FY25.

Following the completion of the FY24 financial audit, an assessment of the profit tax payable was conducted. As a result, an additional payment of 919,271 for profit tax was made during the period, and it has been reported as a restatement in fiscal year 2025.



Ethio telecom Share Company
Notes to the Financial Statements
For the Year Ended 30 June 2025

25	Cash generated from operating activities	Notes	30 June 2025 Birr'000	30 June 2024 Birr'000
	Profit before tax		20,417,632	29,790,459
	Adjustments:			
	Depreciation of property, plant and equipment	11	9,410,408	7,529,546
	Depreciation charge on right of use assets	12	515,504	424,275
	Amortization of intangible assets	13	1,508,286	403,420
	Depreciation charge of Investment Property	13(a)	4,395	4,395
	Amortization of grants	17	22	25
	Employee defined benefit Expense	18	19,573	186,396
	Effect of Remeasurement on Right of use Asset	12	(1,231,177)	(282,392)
	Effect of Remeasurement on Lease Liability	12	1,156,132	270,244
	Write (down) or writeback on inventory	8	(494,052)	(290,542)
	Impairment of trade receivables	14(b)	2,186,799	232,388
	Gains from sale of property, plant and equipment	8	(43,332)	(124,513)
	Interest income arising from investments	9	(7,583)	(10,560)
	Interest income arising from fair valuation of staff loans	9	(47)	(47)
	Interest expense	9	1,123,545	745,756
	Net foreign exchange (gains) / losses	9	41,447,047	2,149,584
	Changes in operating assets and liabilities:			
	-Decrease/ (Increase) in inventories	15	(9,723,204)	(3,594,360)
	-Decrease/ (Increase) in trade receivables	14(b)	(25,412,296)	(2,964,466)
	-Decrease/ (Increase) in other assets	14(a)	(3,905,404)	(1,591,438)
	-Decrease/ (Increase) in other financial assets at amortized cost		12,362	4,553
	-Increase/ (Decrease) in defined benefit liabilities	18	227,956	147,526
	-Increase/ (Decrease) in contract liabilities	19(a)	(1,409,464)	(132,146)
	-Increase/ (Decrease) in grants arising from loans		(2)	(2)
	-Increase/ (Decrease) in grants arising from leasehold land		(21)	(21)
	-Increase/ (Decrease) in provisions	19(c)	97,167	20,013
	-Increase/ (Decrease) in trade and other payables	19(b)	100,726,595	10,265,199
			136,626,841	43,183,292



26 Related party transactions

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both.

The related parties for the Company include management board members, key management personnel and State owned Enterprises including Ethiopian Investment Holdings (Parent Company). Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any management board members.

In the normal course of business, a number of transactions are entered into with related parties i.e. staff, management board members or companies associated with management board members. These include staff loans and employment compensations. These are disclosed below:

26(a) Key management compensation

Key management has been determined to be the members of the management board and the executive management of the Company. The compensation paid or payable to key management is shown below. Key management also receive free communication benefits (mobile equipments and telecommunication services), vehicle and monthly fuel coupon as per the Company's benefit policy. Such costs are expensed within employee benefit expenses in the statement of profit or loss.

	30 June 2025 Birr'000	30 June 2024 Birr'000
Executive management's compensation	128,894	112,715
Management board's remuneration	399	3,260

26(b) Employees

- i) The average number of persons employed by the Company during the period was as follows:

	30 June 2025	30 June 2024
Technician Team	6,598	7,396
Commercial Team	5,414	5,502
Support Team	4,341	3,844
	16,353	16,742

- ii) The table below shows the number of employees, emoluments in the year ended 30 June 2025 and were within the bands stated below:

	30 June 2025	30 June 2024
10,000 - 30,000	-	-
30,001 - 50,000	-	1
50,001 - 100,000	1	3
Above 100,000	16,352	16,738
	16,353	16,742



26(c) EIH and State owned Enterprises

In accordance with Proclamation No. 1263/2021 and Regulation No. 487/2022 Ethiopian Investment Holdings has been established to administer a portfolio of state owned enterprises including Ethio telecom share company. The following are related parties for Ethio telecom share company.

Ethiopian Investment Holdings	Ethiopian Postal Services
Birhanena Selam Printing Enterprise	Ethiopian Pulp and paper S.co.
Chemica Industry Corporation	Ethiopian Railway Corporation
Commercial Bank of Ethiopia	Ethiopian Security Exchange
Development and Hotel Company	Ethiopian Shipping and Logistic Service Enterprise
Development Bank of Ethiopia	Ethiopian Sugar Industry Group
Education Material Production and Development Enterprise	Ethiopian Toll Roads Enterprise
Ethiopian Agricultural Business Corp.	Ethiopian Tourist Trading Enterprise
Ethiopian Air Lines Group	Ethiopian Trading Business Corp.
Ethiopian Construction Works Corp.	Federal Housing Corporation
Ethiopian Electric Power	Fincha Sugar Factory
Ethiopian Electric Utility	Genet Hotel Enterprise
Ethiopian Engineering Corporation	Ghion Hotel Enterprise
Ethiopian Engineering Group	Kessem Sugar Factory
Ethiopian Industrial Input Development Enterprise	Metehara Sugar Factory
Industrial Parks Development Corporation	National Alcohol Liquor Factory
Ethiopian Insurance Corporation	National Veterinary Institute
Ethiopian Mineral Corporation	Spa Service Enterprise
Ethiopian National Lottery	Tana Beles Sugar factory
Ethiopian Petroleum Supply Enterprise	Wonji Shewa Sugar factory



27 Contingent liabilities

The Company is a party to numerous legal actions brought by different organizations and individuals arising from its normal business operations. The Company considers it to be probable that some judgements will not be in its favor and should therefore recognize a provision in relation to these claims as disclosed under Note 19.

The potential undiscounted amount of the total payments that the Company could be required to make if there was an adverse decision related to the numerous legal actions is estimated to be approximately Birr 4,969 (30 June 2024: Birr 47,230).

28 Launch of Mobile Money Business

The Company has started mobile money business, branded as "telebirr" with the license number of NPS PII /01/2021 to provide digitalized financial services to its customers. The services include cash in, cash out, airtime top up, cash transfer, fund raising, mobile remittance, merchant transaction payments, cash deposit, microcredit and various utility payments.

In addition the Company launched e-commerce platform, branded as Zemen Gebeya starting from May 2025 to provide an Online service for selling and buying of goods.

29 Event after reporting period

There were no significant events that occurred between 30 June 2025 and the date of issue of these financial statements.

30 Date of Authorization

The financial statements on pages 11 to 58 were authorized for issue by Chief Executive Officer on 20 October 2025

