INDEPENDENT AUDITOR’S REPORT TO THE
SUPERVISING AUTHORITY OF
ETHIOPIAN ELECTRIC POWER

We have audited the financial statements of Ethiopian Electric Power, Geothermal Sector Development Project, financed under SCF-SREP Grant No TF 017206, which comprise the balance sheet as at 7 July 2016, and the statement of sources and uses of funds and the Designated Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Chief Executive Officer’s Responsibility for the Financial Statements

The Chief Executive Officer of Ethiopian Electric Power is responsible for preparation of financial statements that give a true and fair view under the modified cash basis of accounting as described in note 2 to the financial statements 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a
basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of
Ethiopian Electric Power, Geothermal Sector Development Project, financed under SCF-SREP Grant No TF 017206, as at 7 July 2016 and of its sources and uses of funds for the year
then ended in accordance with the modified cash basis of accounting described in note 2 to
the financial statements.

Report on Other Requirements

In our opinion

- all necessary supporting documents, records and accounts have been maintained in
  respect of all Project activities;

- there was a clear linkage between the books of account and the financial statements;

- our examination revealed no weaknesses or irregularities in the systems of internal
  controls over financial expenditure;

- the Designated Account has been maintained in accordance with the provisions of the
  financing agreement and funds disbursed out of the Account were used only for the
  purposes intended in the financing agreement.

Audit Services Corporation

3 January 2017
ETIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No. TF 017206
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2016

<table>
<thead>
<tr>
<th></th>
<th>2016 Ethiopian Birr</th>
<th>Cumulative Ethiopian Birr</th>
<th>2015 Ethiopian Birr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCING</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit from IDA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial deposit to Designated Account</td>
<td>-</td>
<td>30,670,950</td>
<td>30,670,950</td>
</tr>
<tr>
<td>Gain on foreign exchange</td>
<td>1,867,500</td>
<td>2,075,250</td>
<td>207,750</td>
</tr>
<tr>
<td><strong>TOTAL FINANCING</strong></td>
<td>1,867,500</td>
<td>32,746,200</td>
<td>30,878,700</td>
</tr>
<tr>
<td><strong>PROJECT EXPENDITURES</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EXCESS OF FINANCING OVER EXPENDITURES</strong></td>
<td>1,867,500</td>
<td>32,746,200</td>
<td>30,878,700</td>
</tr>
</tbody>
</table>
### ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No TF 017206
BALANCE SHEET
AS AT 7 JULY 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Notes</th>
<th>2016 Ethiopian Birr</th>
<th>2015 Ethiopian Birr</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>3</td>
<td>32,746,200</td>
<td>30,878,700</td>
</tr>
<tr>
<td>REPRESENTED BY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCUMULATED FUND</td>
<td></td>
<td>32,746,200</td>
<td>30,878,700</td>
</tr>
</tbody>
</table>
ETHIOPIAN ELECTRIC POWER
GEOTHERMAL SECTOR DEVELOPMENT PROJECT
SCF-SREP-GRANT No TF 017206
DESIGNATED ACCOUNT STATEMENT

For year ended 7 July 2016
Account number 100651300009
Depository bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related Grant SCF-SREP-GRANT No TF 017206
Currency USD

<table>
<thead>
<tr>
<th>USD</th>
<th>Equivalent in Ethiopian Birr</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,500,000.00</td>
<td>30,878,700.00</td>
</tr>
<tr>
<td>-1,867,500.00</td>
<td>1,867,500.00</td>
</tr>
<tr>
<td><strong>1,500,000.00</strong></td>
<td><strong>32,746,200.00</strong></td>
</tr>
</tbody>
</table>

Ending balance at 7 July 2016
1 PROJECT INFORMATION

This Project was established to implement SCF-SREP-Grant No TF 017206 which was jointly financed by the Government of the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) on 10 June 2014. The grant amounts equal to twenty four million five hundred thousand United States Dollar ($24,500,000). The objective of the Project is to develop Geothermal Resources in the territory of Ethiopia which consists of the following part:

Part 1: Aluto Geothermal Site Development
(a) Drilling and testing production wells and setting up a steam gathering system;
(b) Financing of drilling management and supervision contracts, as well as services related to reservoir engineering and management of Aluto geothermal site development.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared on a modified cash basis whereby non-monetary assets are expensed when acquired and monetary assets and liabilities are carried at fair value.

b) Currency

These financial statements are presented in Birr. Transactions in foreign currency are translated into Birr at the approximate rate of exchange prevailing at the date of the transaction. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the balance sheet date.

3 BANK BALANCES

<table>
<thead>
<tr>
<th>National Bank of Ethiopia-A/c No. 0100651300009</th>
<th>Ethiopian Birr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32,746,200</td>
</tr>
</tbody>
</table>

4 DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Electrical Power authorized the issue of these financial statements on 3 January 2017.