ANNUAL REPORT
2020/2021

Ethiopian

A STAR ALLIANCE MEMBER

PROUD TO BE A
★ ★ ★ ★
AIRLINE

Best Airline in Africa for 4 years in a row

Contents

GLOBAL CONNECTOR OF PEOPLE AND GOODS WITH AWARD WINNING SERVICES


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BOEING 777-200LR
ET-ANN
The Blue Nile

BOARD OF DIRECTORS

Mr. Abadula Gemeda
Board Chairman

Dr. Arkebe Oqubay
Board V/Chairman

Mrs. Dagmawit Moges Board Member

Ambassador Berhanu Tsegaye
Board Member
Jun. 2020 – Dec. 2020

Gen. Adem Mohammed
Board Member
Jun. 2020 – Dec. 2020

Lt. General Yilma Merdasa
Board Member
Jan. 2021 – Jun. 2021

Mr. Teklewold Atnafu
Board Member

Dr. Eyob Tekalegn
Board Member

Mr. Tadesse Tilahun
Board Member

Mr. Girma Wake
Board Member

Mr. Retta Melaku
Board Member

Mr. Alemayehu Assefa
Board Member

H.E Ambassador Redwan Hussein
Board Member
Jan. 2021 – Jun. 2021

EXECUTIVE MANAGEMENT

(WST)

Mr. Tewolde GebreMariam
Group Chief Executive Officer of Ethiopian Airlines

Tewolde GebreMariam was appointed as Group Chief Executive Officer of Ethiopian Airlines in January 2011. He began his career at Ethiopian in 1985 as Transportation Agent and held a number of senior leadership positions in different divisions in the Airline including Ethiopian Cargo, Area Offices and Sales & Marketing.

In his role as CEO, Mr. Tewolde has been a multiple award winner including 'African CEO of the Year', 'Best African Business Leader', 'The Airline Strategy Award for Regional Leadership' and 'The Most Gender Focused CEO Award'.

Mr. Tewolde also serves as a member of the High-Level Advisory Group on Sustainable Transport with United Nations, Chief Executive Board member of Star Alliance, Board member of International Air Transport Association (IATA) and Airlink Advisory Council. Additionally, he is an Executive Committee member of the African Airlines Association (AFRAA), a member of Board of Directors of Africa Travel Association (ATA) and Board of Directors of Ethiopian Tourism Organization (ETO).

Mr. Tewolde graduated from Addis Ababa University with B.A. Degree in Economics. He earned his Master's Degree in Business Administration from Open University in the United Kingdom.

Mr. Tewolde GebreMariam

Group Chief Executive Officer

Mr. Mesfin Tasew
Chief Operating Officer

Mr. Esayas WoldeMariam
A/ Chief Commercial Office

Mr. Meseret Bitew
Chief Financial Officer

Mr.Mengistu Bezie
A/VP Internal Audit, QMS, SMS, Compliance and Business Sustainability

Mr. Mesay Shiferaw
VP Corporate HRM

Mr. Michael Yared
VP Customer Service



Mr. Getinet Tadesse
A/Chief Information Officer

Mr. Genanaw Assefa
VP Legal Counsel & Corporate Secretariat

Mrs. Rahel Assefa
VP Marketing



Capt.Yohannes HaileMariam
VP Flight Operations

Mr. Busera Awel
VP Strategic Planning and Alliances

Mr. Fitsum Abady
MD Ethiopian Cargo Services

Mr. Solomon Debebe
MD Ethiopian Aviation Academy

Mr. Retta Melaku
MD Ethiopian MRO Services

Mr. Lemma Yadecha
MD Ethiopian International Services

Mr. Tadele Barega
A/MD Ethiopian Ground Services

GROUP CEO MESSAGE

The fiscal year 2019/20 was almost the most challenging time for the global aviation sector due to the outbreak of COVID-19. In fact, the global Pandemic has restricted the air transport traffic across the world due to the implementation of countries' bans on flights, travel restrictions and border closures so as to limit the spread of the Coronavirus.

COVID-19 has severely hit global airlines to the extent that they couldn't sustain their basic normal operations. As a result, a number of airlines have completely stopped their operation in the aviation market, Likewise, others have temporarily grounded their fleet and implemented pay cuts, headcount deductions, and terminating employee contracts against their employees. Many others are still pleading with their governments for bailout money

The Pandemic has also adversely affected our overall operations, particularly our major revenue source - the passenger market. For instance, our international traffic has reduced almost to 10 percent; this has damaged our financial books. That said, fighting the virus, we continued working very hard to maximize revenue from our cargo business and passenger repatriation charter flights. This helped us to sustain in the market without even without terminating a single employee from our 17 thousand plus workforce. Not only this, we have continued our operation without claiming any bailout from the government.

As soon as COVID-19 outbreak occurred, we have realized that protecting our valued customers and employees should be our top priority agenda. Therefore, we immediately took measures by implementing COVID protocols at the ground and during inflight settings. Simultaneously, we were implementing our diversified business model to survive from the encountered revenue loss. For instance, we have modified 25 passenger aircraft in to cargo ones and served the high global demand of cargo transportation. In fact, we have achieved this with our internal engineering capacity. In all parameters, Ethiopian Airlines has proved to be one of the few resilient global airlines against COVID-19, and which is the only one that remained profitable as well.

Ethiopian Airlines is one of the few global carriers that did not stop flight amid the Pandemic. As part of our global mission, we were fighting against COVID-19 at the forefront of the global battle field. Actually, we have carried out a number of rescue missions - transporting lifesaving medical equipment, connecting stranded families due to the Pandemic, and the like are among the few. Due to this, we have received grand recognitions and awards from world leaders and international prominent organizations.

All the victories we have achieved over the global Pandemic is due to our hard working women and men! and our management team also deserve the credit. I deeply would like to thank them all for their invaluable and extraordinary performance they displayed in the swimming and emerging stronger out of the tide of COVID-19.

MISSION STATEMENT

VISION

Vision 2025:

To become the most competitive and leading aviation group in Africa by providing safe, market driven and customer focused passenger and cargo transport, aviation training, flight catering, MRO and ground

MISSION

To become the leading Aviation group in Africa by providing safe and reliable passenger and cargo air transport, Aviation Training, Flight Catering, MRO and Ground Services by 2025.

To ensure being an airline of choice to its customers, employer of choice to its employees and an investment of choice to its Owner,

To contribute positively to socio economic development of Ethiopia in particular and the countries which it operates in general by undertaking its corporate social responsibilities and providing vital global air connectivity,

VALUES

As an airline, safety is our first priority,

Ethiopian is a high performance and learning organization with continuous improvements, innovation and knowledge-sharing. We accept change for the growth opportunity it brings and always seek for and apply the best ideas regardless of their source,

We recognize and reward employees for their performance and demonstrate integrity, respect to others, candor and team work,

Act in an open fashion and be result-oriented, creative and innovative,

Adopt Zero tolerance to indifference, inefficiency and bureaucracy,

Encourage 360º free flow and sharing of information,

Treat our customers the same way we would like to be treated and always look for ways to make it easier for customers to do business with us,

We are an equal opportunity employer

AWARDS

- Ethiopian Cargo & Logistics Services, Africa's largest network cargo operator and multi-award winner, has been crowned with the 'Best Cargo Airline – Africa' Award at the Air Cargo News Awards 2020.

- Ethiopian Airlines Group, the Largest Aviation Group in Africa, is pleased to announce that it has won the 'Overall Excellence for Outstanding Crisis Leadership 2020 Award' from Global Finance magazine.

- Ethiopian Airlines takes the honor of leading African carrier at Decade of Airline Excellence Awards

- Airbus Awards Ethiopian for its Unique Agility and Resilience During the COVID – 19 Global Pandemic Crisis

- Ethiopian Airlines Group, Africa's largest airline, has been honored with gold award for the volume of cargo transported to and from Guangdong Airport in 2020.

GRADUATION EAA

- Ethiopian Aviation Academy Holds First of its kind Virtual Graduation Ceremony Ethiopian Aviation Academy, the largest and the most modern aviation training academy in Africa, has graduated 558 aviation professionals on a graduation ceremony that was held in a virtual environment for the first time due to COVID-19 pandemic. The graduates include 72 pilots, 173 cabin crew, 7 aircraft technicians and 306 marketing professionals from six countries including Ethiopia.

- Ethiopian Aviation Academy, the largest Aviation Academy in Africa, in collaboration with Open University of UK has graduated fifteen management staff in Master of Business Administration /MBA/ on Saturday, June 12, 2021. The graduates are higher management staff of the airline who have been attending the MBA program in the UK's Open University.

TECHNOLOGY DEVELOPMENT

- Ethiopian Airlines Group, the Largest Aviation Group in Africa, is pleased to introduce an upgraded chat-bot for domestic and international flight uses. The Ethiopian chat-bot, dubbed "Lucy" is equipped with various self-service features that will enable passengers to easily process their travel needs.

- Ethiopian Airlines Group, the leading aviation group in Africa, establishes a global standard cargo Conversion program to convert the B-767-300 ER to dedicated freighter services in partnership agreement with Israel Aerospace Industries (IAI).

ROUTE AND FREQUENCEY

Destination frequency

- Ethiopian Airlines, Africa's largest airline is pleased to announce its valued customers that it has increased the frequency of its scheduled flights on its domestic destinations to meet the growing demand. The destinations with increased frequencies include Bahir Dar (BJR) from 21 to 28 weekly flights, Axum (AXM) from 4 to 7 (daily), and Gondar (GDQ) from 14 to 21 weekly flights.

- Ethiopian Cargo & Logistics Services, the Largest Cargo Network Operator in Africa, has launched Trans-Pacific routes, extending from Incheon to Atlanta via Anchorage effective 09 Nov 2020.

MEGA

INFRASTRUCTURE DEVELOPMENTS

INFRASTRUCTURES

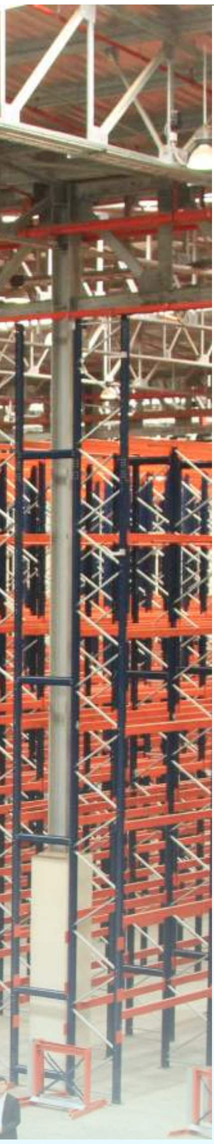
- Ethiopian Expands Its Global Hub - Addis Ababa Bole International Airport, unveils its new Aviation Infrastructure blending Modernity with Bio Safety The new terminal has check-in hall with sixty check-in counters, thirty self-check-in kiosks, ten self-bag drop/SBD/, sixteen immigration counters with more e-gate provisions, sixteen central security screening areas for departing passengers are the new faces of the airport. In addition, it has three contact gates for wide body aircraft along with ten remote contact gates with people mover - travellator, escalator, and panoramic lifts. It will house thirty-two arrival immigration counters with eight e-gate provisions at the mezzanine floor level.

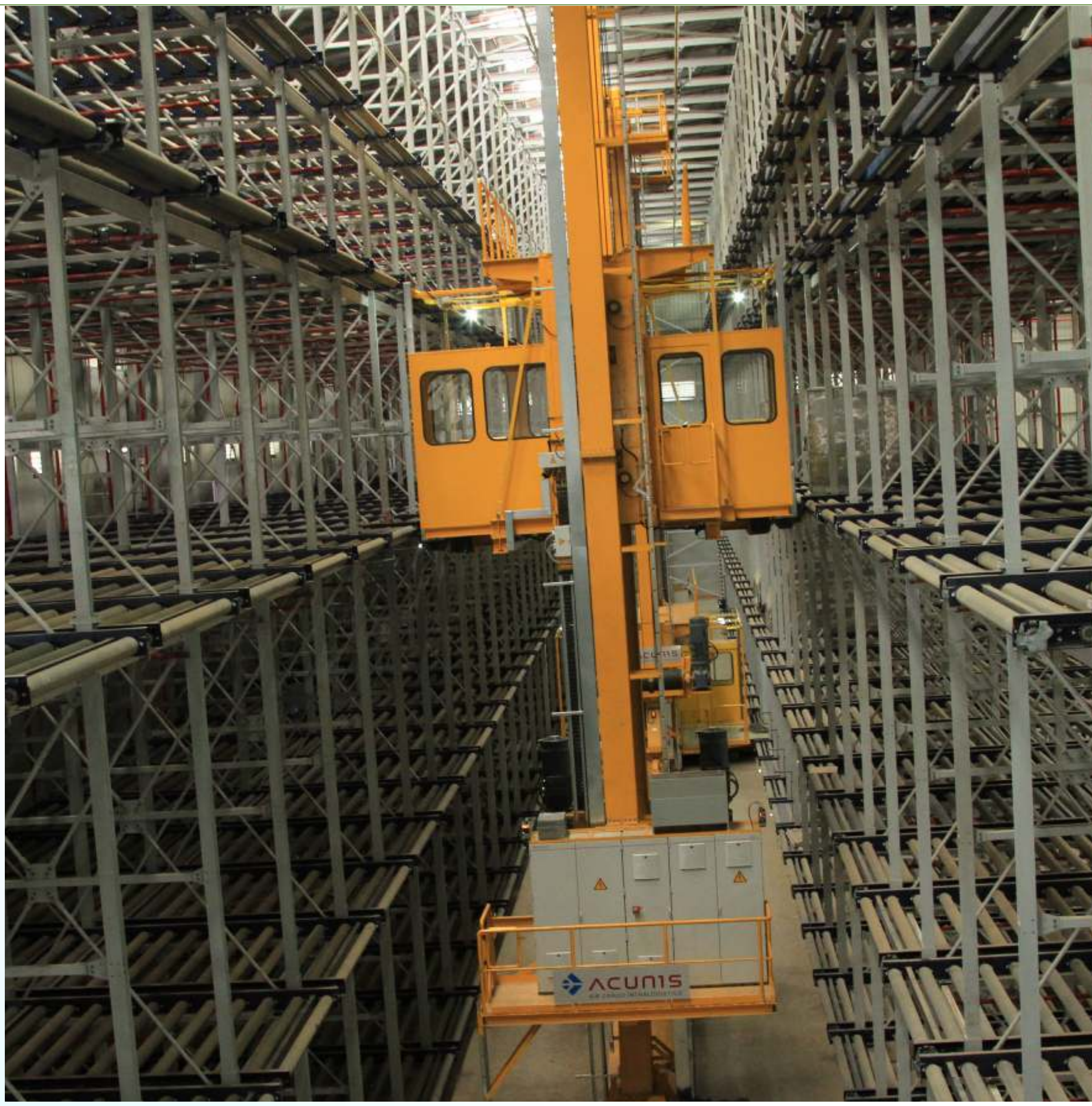
- Ethiopian Airlines, the multi-award winning and largest airline in Africa, has become the first airline in Africa and the Middle East to successfully carry out the GEnx-1B engine correlation test.

Ethiopian የኢትዮጵያ
Cargo & Logistics Services

CARGO

In its cargo business, the Ethiopian airlines Group has identified the entire freight service as a distinct performance obligation. The customer receives the benefit of the transport service and uses the service at the same time as this performance obligation is fulfilled with each transport segment. In this case, the customer takes control of the company's output while the carrier provides its service. The customer receives the benefit of the service as each transport segment is fulfilled. The corresponding cargo revenue is therefore recognized at the prorate value when the documents for each individual freight segment are used. Ethiopian Airlines group consider for per- forming its service once the transport has been carried out.

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MAINTENANCE, REPAIR AND OVERHAUL (MRO)

The main distinct performance obligations in the MRO segment are the provision of maintenance, aircraft, and engine overhaul services, which are recognized over time. These performance obligations involve estimating the proportion of the total contract already completed and the profit overall contract, so that an input-oriented measurement of the percentage of completion can be made contract assets and contract liabilities are therefore both recognized. In some cases, the contracts in the MRO segment make it necessary not to recognize distinct services as individual performance obligations but rather as a series. Furthermore, some of the contracts include stand by obligations that require the recognition of revenue over time.

This is particularly the case when remuneration is paid in the form of a fixed rate per hour of flying time. For such contract, the percentage of completion is primarily measured on the basis of the hours invoiced monthly to the customer.


Ethiopian የኢትዮጵያ
Maintenance
Overhaul
BOEING 787-8
ET-ATJ

Ethiopian
የኢትዮጵያ Catering

CATERING

The Ethiopian airlines group offers products and services related to in-flight service. These include catering, in-flight sales and entertainment, in-flight service equipment and the related goods and services and the operation of lounges related to this catering have been identified as distinct performance obligations. The performance obligation to prepare meals is generally fulfilled when the meals are delivered to the customers. The catering performance obligation is fulfilled over time between the transport of the meals to the airport and the disposal of the waste, depending on the services ordered by the customer. For performance obligations over time, the percentage of completion is measured on an output basis.

The Ethiopian airlines group offers services related to Airport services like landing, parking, lighting, terminal facility, passenger services, rental of offices, warehouse, restaurants, shops, and checking counters. Identified performance obligations the performance obligation to give airport services are ready to use and the revenue recognized when the contract obligation full field.


Catering
T-1022
1517
T-1022
1517
T-1107

Ethiopian የኢትዮጵያ
Aviation Academy
PIONEER OF AVIATION EXCELLENCE




EFFICIENT GROUND SERVICE OPERATION


Ethiopian airports
ADDIS ABABA
INTERNATIONAL AIRPO

AIRPORT SERVICE

Ethiopian የኢትዮጵያ
Skylight Hotel

SKYLIGHT HOTEL

HOTEL SERVICES

The Ethiopian airlines group offers services related to hotels services .The performance obligation related to this services are provide goods, services, and the revenue recognized when the contract obligation full filed.

Email:reservation@ethiopianskylighthotel.com
Tel:+251116818181
www.ethiopianskylighthotel.com

FINANCIAL REPORT

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AUDIT SERVICES CORPORATION

ETHIOPIAN AIRLINES GROUP

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2021

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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN AIRLINES GROUP

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Airlines Group (Ethiopian), which comprise the statement of financial position as at 30 June 2021, 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 financial statements present fairly, in all material respects, the financial position of Ethiopian Airlines Group as at 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Ethiopian 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.

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Audit Services Corporation ★ The Federal Democratic Republic Of Ethiopia ★

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INDEPENDENT AUDITOR'S REPORT TO THE SUPERVISING AUTHORITY OF ETHIOPIAN AIRLINES GROUP (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. We have determined the matters described below to be a key audit matters to be communicated in our report.

A. Passenger and cargo revenue recognition

The accounting for passenger revenue recognition for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions. There are risks that operating revenue may not be appropriately and completely recognized. In response to the assessed risk, we have tested the operating effectiveness of key controls designed for the passenger revenue process. We have analyzed the flow of transactions from ticket sales to passenger revenue. We have also identified and tested manual postings to passenger revenue. We have tested a sample of passenger tickets to ensure that the revenue was recognized in the correct period. 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 detail test work. Overall, we found no concerns in respect to the recording of revenue at appropriate values.

B. Long term loans

Long term loans may not be recorded in the correct amounts or may not be recorded at all; they may not be properly classified and disclosed in the financial statements. There are risks that accrued interest may not be properly recorded. In response to these risks, we checked Board minutes, selected loan agreements, loan disbursement tables and confirmed that loan balances were recorded in the appropriate amounts and timing. The translation of the amounts of loans denominated in foreign currencies into the presentation currency were checked, as was the treatment of gains and losses on foreign exchange in accordance with IFRS. Balance confirmations were requested of lenders and the replies compared with the accounting records. The classification of the current maturities of the loans was tested. Our audit procedures did not identify major weaknesses and, overall, we found no concerns in respect to the recording of long term loans.

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INDEPENDENT AUDITOR'S REPORT
TO THE SUPERVISING AUTHORITY OF
ETHIOPIAN AIRLINES GROUP (continued)

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 International Financial Reporting Standards 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 Ethiopian'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group financial reporting process.

Auditor's 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 Ethiopian'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 ETHIOPIAN AIRLINES GROUP (continued)

Auditor's 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 condition that may cast significant doubt on the Ethiopian'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 Ethiopian to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, 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 Ato Tegegn Hailemariam.

Audit Services Corporation

25 March 2022

Audit Services Corporation ★ The Federal Democratic Republic Of Ethiopia

ETHIOPIAN AIRLINES GROUP

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

			2020
	Notes	Birr	Birr
Operating Revenue	4	139,409,747,392	120,131,762,011
Operating Expenses	5	(115,704,618,753)	(106,688,741,090)
GROSS OPERATING PROFIT		**23,705,128,639**	**13,443,020,921**
Interest Income		136,254,113	156,417,647
Provision for Stock & Receiveables		591,360,583	(148,476,649)
Finance Costs	12	(7,258,061,030)	(6,375,714,243)
Gain / (Loss) On Foreign Curency Translation		(964,436,983)	(40,076,144)
Share Of Loss In Associates		(1,019,193,826)	(162,736,688)
Non - Operating Revenue	6	5,588,392,577	1,091,896,331
Non - Operating Expenses	7	(890,093,289)	(724,852,544)
NON OPERTAING GAIN (LOSS)		**(3,815,777,855)**	**(6,203,542,290)**
PROFIT FOR THE YEAR		**19,889,350,784**	**7,239,478,631**
Profit Tax	26	(20,918,647)	-
PROFIT AFTER TAX		**19,868,432,137**	**7,239,478,631**
Other Comprehensive Income			
Items that will not be reclassified to profit or Loss			
Exchange Rate Diference On			
Translation To Presentation Curency		**19,105,506,445**	**11,447,680,375**
Employee Benefits	22(c)(v)	**6,043,080**	**80,735,615**
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**38,979,981,662**	**18,767,894,620**

Audit Services Corporation ★ The Federal Democratic Republic Of Ethiopia ★

ETHIOPIAN AIRLINES GROUP
STATEMENT OF FINANCIAL POSITION
AS of 30 JUNE 2021

	Notes	Birr	2020 Birr
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2(f),(g),9	255,882,476,143	208,039,709,357
Intangible Assets	2(h),(g),10	250,195,036	208,274,212
Right of use assets	2(c)(d),29A	123,234,070,922	101,660,545,066
Investment in associates	2(q),11	282,667,596	679,621,685
Standing deposits	13	16,086,242,811	14,440,967,183
Other loan receivables	2(j),14	524,158,491	485,326,884
		396,259,810,999	**325,514,444,387**
CURRENT ASSETS			
Stock	2(p),15	7,769,012,608	6,514,499,341
Trade and other receiveables	2(k),16	30,954,905,930	19,128,121,173
Short term investments	17	1,144,878	1,679,810,839
Cash and cash equivalents	2(r),18	35,101,311,627	17,129,005,132
		73,826,375,043	**44,451,436,485**
TOTAL ASSETS		**470,086,186,042**	**369,965,880,872**
EQUITY AND LIABILITIES			
CAPITAL			
Authorized - Birr 100,000,000,000			
Paid up capital	19	100,000,000,000	97,742,793,895
Retained Earning		17,538,987,131	
Other comprehensive income		41,287,601,336	22,182,094,890
TOTAL EQUITY		**158,826,588,467**	**119,924,888,785**
NON-CURRENT LIABILITIES			
Long term loans	2(k),20	110,519,999,739	89,472,803,316
Provision for maintenance	2(n),21	1,989,705,448	1,377,127,013
Lease liabilities	2(c),29B	109,222,026,756	92,127,102,064
Employee benefit	22	645,728,071	477,942,719
Defered Tax Liability	23	6,675,617	0
Deferred and non-current liabilities	24	1,957,386,925	1,200,227,818
		224,341,522,556	**184,655,202,930**
CURRENT LIABILITIES			
Trade and other liabilities	2(j),25	20,809,826,985	16,403,349,810
Contract Liabilities	30	30,837,997,235	21,047,015,322
Profit Tax Payable	26	8,607,070	0
State dividend payable curent portion		0	110,131,034
Curent maturity of lease Liabilities	2(c),29B	16,336,369,843	12,373,480,965
Current maturity of long term loans	20	18,925,273,886	15,451,812,026
		86,918,075,019	**65,385,789,157**
TOTAL EQUITY AND LIABILITIES		**470,086,186,042**	**369,965,880,872**

ETHIOPIAN AIRLINES GROUP

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Paid up capital Birr	Retained Earning Birr	Other comprehensive income (loss) Birr	Profit Birr	Total Birr
Balance at 30 June 2019	90,625,693,785	-	10,653,678,900	-	101,279,372,685
Profit for the year				7,239,478,631	7,239,478,631
Transfer to capital	7,239,478,631	-		(7,239,478,631)	-
Capital Adjustment	(122,378,521)				(122,378,521)
Other comprehensive income(loss)	-	-	11,528,415,990	-	11,528,415,990
Balance at 30 June 2020	97,742,793,895	-	22,182,094,891	-	119,924,888,785
Profit After Tax				19,868,432,137	19,868,432,137
Transfer to capital	2,329,445,006	17,538,987,131		(19,868,432,137)	(0)
Capital Adjustment (Note 28)	(72,238,900)	-			(72,238,900)
Other comprehensive income	-	-	19,105,506,445	-	19,105,506,445
Balance at 30 June 2021	100,000,000,000	17,538,987,131	41,287,601,336	-	158,826,588,467

ETHIOPIAN AIRLINES GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

		2020
CASH FLOWS FROM OPERATING ACTIVITIES	Birr	Birr
Profit for the year	19,889,350,784	7,239,478,631
Adjustments for		
Income tax expense recognized in profit or loss	20,918,647	-
Finance costs recognized in profit or loss	7,258,061,030	3,343,017,475
Interest income recognized in profit or loss	(136,254,112)	(156,417,646)
Depreciation and amortization	30,875,192,061	24,565,382,670
Amortization of purchase incentives	(330,769,247)	(473,756,002)
Loss on currency fluctuation on loans	(19,654,299)	(96,201,193)
Provision for doubtful debts	(943,159,725)	(74,520,699)
Provision for stock obsolescence	351,799,143	117,816,167
Share of loss from associate	1,019,193,826	162,736,688
Provision for maintenance	1,018,612,506	644,970,243
Creditors' accounts written back to profit or loss	(246,768,933)	(1,465,087)
	58,756,521,682	**35,271,041,248**
Movements in working capital		
Increase in stock	(1,830,073,665)	(2,170,553,327)
Decrease/(Increase) in Trade and other receiveables	(12,976,660,177)	5,203,495,585
Increase in standing deposits	(1,645,275,628)	(1,067,783,310)
Increase in Trade and other liabilities	5,141,744,649	1,283,690,640
Increase (decrease) in Lease Liabilities	21,057,813,570	12,373,480,965
Increase (Decrease) in Contract Liability	9,790,981,913	(1,145,025,242)
(Decrease)/ Increase in deferred and non-current liabilities	757,159,106	418,701,553
Cash generated from operations	**79,052,211,450**	**50,167,048,112**
Finance costs Paid	(3,653,776,237)	(3,340,100,248)
Foreign exchange gain received	94,119,839	(162,643)
Net cash generated by operating activities	**75,492,555,052**	**46,826,785,222**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	59,144,716	113,810,365
Payments for property, plant and equipment	(14,865,083,559)	(9,901,133,672)
Change in investment in associate	396,954,090	(187,113,720)
Payment for short term investment	1,678,665,961	1,493,213,080
Payment for intangible assets	(243,031,208)	(183,473,939)
Net cash used in investing activities	**(12,973,350,000)**	**(8,664,697,887)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from government subsidy	68,482,785	190,691,351
Payment for State dividend	(110,131,033.94)	(385,458,596)
Interest paid on Lease Liabilities	(3,623,373,269)	(3,032,696,767)
Repayment for lease Liabilities	(20,045,323,166)	(10,973,403,866)
Repayment of borrowings	(18,409,362,615)	(16,733,217,019)
Net cash generated from financing activities	**(42,119,707,299)**	**(30,934,084,897)**
Effect of exchange rates differences (net)	(2,427,191,257)	(933,812,699)
(Decrease)/Increase in cash and cash equivalents	17,972,306,496	6,294,189,739
Cash and cash equivalents at the beginning of the year	17,129,005,132	10,834,815,394
Cash and cash equivalents at the end of the year	**35,101,311,627**	**17,129,005,132**
Cash and cash equivalents comprise:-		
Cash and bank balances	**35,101,311,627**	**17,129,005,132**
	35,101,311,627	**17,129,005,132**

Ethiopian Airlines Group
Notes to The Financial Statements
30 June 2021

1. Business Description

Ethiopian Airlines Group was originally established in June 1945 and had its first scheduled flight in April 1946. It is the flag carrier of the country and during the year served 127 international and 22 domestics' destinations.

The Airline was established as a public Enterprise in Ethiopia in 1995 by council of Ministers regulations NO.216/1995 and is governed further by Council of Ministers Regulations No.81/2003, 147/2008, 292/2013 and NO.389/2016. Its principal place of business is in Addis Ababa Ethiopia and it has area and station offices all over the world. Ethiopian Airlines Group is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

Ethiopian airlines group follows multi business model to get advantage of buying another company so that they can give complete services for our customers. The airline business is mainly six-freedom traffic /permit to fly different countries /where by passengers passes through the main hub Addis Ababa and layover and connect next flights. Then they can stay near to airport to its own hotel.

Ethiopian Airlines Group was established for the following purposes:

- To provide domestic and international air transportation services as well as general aviation services;
- To manufacture and repair aircraft and aircraft parts
- To construct, expand, maintain and administer airports
- To provide aviation training services
- To provide airport Services (landing, parking, lighting, Passenger services and terminal facility)
- To provide hotel, recreational and other tourism services related to the aviation industry or invest in such services through equity participation
- To engage in other related activities necessary for the attainment of its purpose.

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2. Summary of Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently in the preparation of these financial statements, are set out below.

A. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretation issued by the IFRS interpretation committee applicable to companies as issued by International Accounting Standards Board. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. 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 preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires for management to exercise judgment in the process of applying the Ethiopian Airlines Group's accounting policies. The areas involving a high degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

B. Going concern

Management has assessed the Ethiopian airlines group ability to continue as a going concern and is certain that it has the resources to continue in business for the near future.

C. Changes in accounting policies and disclosures

New standards, amendments to published standards and interpretations that are relevant to Ethiopian airlines group:

New Standards Effective and applied in the current year

Certain new standards or amendments became effective for the current year. These are as follows

Amendment to IFRS 16, Lease

As a result of the economic disruption caused by the outbreak of COVID-19 pandemic, many lessors around the world have granted rent concessions to lessees, such concessions might take a variety of forms, including waivers and deferral of lease payments. In May 2020, the IASB introduced an amendment to IFRS 16 which provides lessees with an option to treat qualifying rent concession in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for lease rental waivers as a credit to the statement of profit or loss.

The amendment is effective for accounting periods beginning on or after 01 June 2020 with earlier application permitted. ETAG has adopted the amendment from 01 April 2020 and has applied the practical expedient to all leases.

Not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new accounting standards have been published that are not mandatory for the financial year ended 30 June 2021 and have not been early adopted. The following new standards impact not assessed:

Title	Effective date (annual periods beginning on or after)	Impact on financial statement assessment status
Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 16 and IFRS 17 Interest rate benchmark reform	1-Jan-21	Impact not assessed

D. Lease

Right of use of assets are capitalized at the commencement of the lease and recognised at cost, comprising of the present value of payments to be made to the lessor, any repayments made at commencement, together with the initial direct cost incurred by Ethiopian Airlines Group in respect of acquiring the lease and the present value of an estimates of costs to be incurred to meet the contractual restoration obligations, less any lease incentives received.

Right-of-use assets are depreciated over the useful life or lease term (whichever is lower) unless the underlying lease contract provides an option to Ethiopian airlines Group to acquire the asset at the end of the lease term.

Ethiopian Airlines Group uses two exemptions which as permitted by IFRS 16 for not capitalising the leased asset i.e., short-term lease and lease contracts for which the value of the underlying asset is materially low. For these leases, none of which relate to aircraft, the lease rental charges are recognised as an operating on a straight-line basis over the lease term.

E. Foreign currency translation

I Functional and presentation currency

The functional currency of the Ethiopian Airlines Group is United States Dollar (USD) while that of Ethiopian Airports and Ethiopian SkyLight Hotel (the operating segment under Ethiopian Airlines Group) is Ethiopian Birr. These financial statements are presented in Ethiopian Birr.

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II Foreign currency transactions and balances

All foreign currency transactions are recorded, on initial recognition in USD, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period, foreign currency monetary items are translated using the closing rates. Foreign exchange gains and losses arising on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements or on the settlement of monetary items are recognized in profit or loss in the period in which they arise. Ethiopian Airlines Group financial statements are presented in Ethiopian Birr by translating all assets and liabilities at the closing rate at the date of the statement of financial position and all revenue and expenses presented in the statement of profit or loss and other comprehensive income are translated at exchange rates at the dates of the transactions. For practical reasons an average rate for a month has been used for all transactions in each foreign currency occurring during the year. All the resultant exchange differences are recognized in other comprehensive income as per the requirements of IAS 21.

F. Property, Plant, and Equipment

Recognition and measurement

Property, Plant and equipment are measured at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Aircraft

All aircrafts purchased by Ethiopian Airlines Group shall be considered as capital assets and measured at cost including any conversion expenses.

Aircraft Accessories (Rotables)

This category of capital assets includes all durable accessories, including but not necessarily limited to engines, propellers, starters, generators. For determination of items falling into this classification of assets, an accessory, which can normally be repaired and re-used over the serviceable life of the related type of aircraft shall be considered as durable accessory or Rotable spares.

Ground Equipment

This category of capital asset shall include radio field/passenger, Service/ramp equipment, furniture and fixture and are capitalized if the unit cost of the item plus shipping and other purchasing costs are equivalent to Birr 55,706 (USD 1,250) or more.

Tools

Tools shall be capitalized if the unit cost of the item plus shipping and other purchasing costs is equivalent to Birr 13,369 (USD300) or more.

Neon Signs

Neon Signs shall be capitalized if the unit cost of the item is equivalent to Birr 41,711 (USD1, 500) or more.

Computerized Equipment

Computerized equipment shall be capitalized if the unit cost of the item plus shipping and other purchasing costs are equivalent to Birr 55,706 (USD 1,250) or more.

Motorized Vehicles and Equipment

This category of capital assets shall include all self-propelled and motorized vehicles and mobile equipment and are capitalized at cost.

Capitalization of modification costs

Modification expenses on airframes and jet engines will be capitalized if such expenses increase the productivity or extend the serviceable life of the equipment. The detailed are as follows: -

Item	Amount to be capitalized
Jet Airframe	USD 35,000.00 and over
Turbo Prop Airframe	USD 25,000.00 and over
Twin Otter Airframe	USD 15,000.00 and over
Jet Engine	USD 15,000.00 and over

G. Building

The construction costs of all buildings are capitalized. Subsequent costs of improvement, modification or extension are capitalized only if it is probable that future economic benefits associated with the item will flow to Ethiopian Airlines Group and the cost of the item is over Birr 589,782.00 (USD 20,000). All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Depreciation of an asset begins when it is available for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Class of assets	Service Life- Years	Residual Values (% on cost)
Airframe and Engines Jet	18	10
Turbo Propeller	12	10
Twin Otter	10	10
Light Aircraft	9	10
Simulators	12	-
Rotables	As per the life of the respective aircraft	-
Building	35	10
Office furniture and fixture	5	-
Computerized equipment	4	-
Motorized vehicles and equipment	15	-
Ground equipment	5	-
Radio, field passenger's service, hangar, ramp, tools, equipment and office machines	5	-
Neon Signs	5	-

Property, plant and equipment obtained by donation

Items obtained by donation are recorded based on the price estimation or market value received from either the donors or manufacturers. These items are capitalized if they meet the capitalization policy of Ethiopian Airlines Group.

H. Land

Land is recorded separately from the Building or runway as non-depreciable asset. The value is determined based on appraisals prepared by external professional valuators.

I. Intangible assets

Intangible assets are measured on initial recognition at cost only when future economic benefits are probable. Cost includes the purchase price together with any directly attributable expenditure. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

In the case of internally developed intangibles, development expenditure is capitalized if:

- cost can be measured reliably;
- the product is technically feasible and commercially viable;
- Future economic benefits are probable, and there exists an intent and ability to complete the development and to use or sell the asset.

Other research and development expenditures not meeting the criteria for capitalization are recognized in the statement of profit or loss as incurred. Intangible assets are amortized on the straight-line basis over their estimated useful lives between 3 and 7 years.

J. Impairment of non-financial assets

At each reporting date, Ethiopian Airlines Group reviews the carrying amount of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGU).

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sale. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then reduce the carrying amount of the other asset in the CGU on a prorate basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization if no impairment loss had been recognized.

Impairment assessment has been made for aircrafts which are the Ethiopian Airlines Group major non-financial assets. All aircrafts have air worthiness certificate and can operate properly. Furthermore, the value in use of the aircrafts was tested.

K. Financial assets and financial liabilities

I. Recognition and Measurement

Financial assets and liabilities are recognized when Ethiopian Airlines Group becomes a party to the contractual provisions of the instrument.

All financial instruments are classified under amortized cost and measured initially at fair value plus transactions costs that are directly attributable to its acquisition of the respective financial instruments and subsequently measured at amortized cost. Ethiopian Airlines Group has the following classification of financial assets and liabilities.

Long Term loans

Ethiopian Airlines Group has foreign long term loans to finance the purchase of aircrafts under fixed rate and floating rate with standard interest rates (such as the benchmark rates of LIBOR plus margin) to be paid quarterly. At initial recognition, the loan is measured at fair value minus the transactions cost and subsequently measured at amortized cost discounted using effective interest rate. For loans with floating interest rate, interests are compounded quarterly using the average benchmark rate (LIBOR) for the quarter where interest is accrued and paid to the Loan providers. On subsequent measurement, Ethiopian Airlines Group check if there is any circumstance that changes the effective interest rate and re-measure the loans with discounting rate of the effective interest rate.

Trade Receivables

Trade receivables are classified under amortized cost, initially recognized at fair value, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Where provisions made based on expected credit losses (ECL) rather than only incurred credit losses.

Trade payables

Trade payables are classified under amortized cost, recognized initially at fair value, and subsequently measured at amortized cost using effective interest method.

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II. De recognition of financial assets and financial liabilities

De recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

The right to receive cash flows from the assets has expired, or Ethiopian Airlines Group has transferred its rights to receive cash flows from the asset or, has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and either

a. has transferred substantially all the risks and rewards of the asset, or
b. Has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When Ethiopian Airlines Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Ethiopian Airlines Group continuing involvement in the asset. In that case, Ethiopian Airlines Group also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Ethiopian Airlines Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Ethiopian Airlines Group could be required to repay.

De recognition of financial liabilities

A financial liability is derecognized when the contractual obligations are discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liabilities are substantially modified, such an exchange or modification is treated as de recognition of the original liabilities and the recognition of a New liability, and the difference in the respective carrying amounts is recognized in profit or loss.

III. Impairment of financial assets

Ethiopian Airlines Group assesses at each reporting date financial asset or a group of financial assets impairment, which is calculated based on expected loss on the future those loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the balance aged more than a year, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

L. Provisions

A Provisions is recognized when there is a present obligation (legal or constructive) as a result of a past event and 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.

M. Income Tax

Ethiopian Airlines Group is exempt from income tax in accordance with a decision of the-Council of Ministers. but one of the operating segments Ethiopian SkyLight Hotel is required to pay business profit tax in accordance with a decision of the-Council of Ministers.

i. Current income tax

The income tax expense of Ethiopian SkyLight Hotel for the year is the tax payable on the current year's taxable income based on the applicable income tax rate in Ethiopian Airlines Group 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.

ii. Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liabilities is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

N. Provision for aircraft maintenance

Ethiopian Airlines Group operates aircrafts through operating lease and monthly maintenance reserve payments are paid based on agreed charges on contractual agreements taking into account block hours, actual flight hours, and cycle to ratio. This amount will cover maintenance cost, which will occur in the future due to the current activities. From past trend analysis, the actual maintenance payments for leased aircrafts vary when compared with the monthly contractual payments when the maintenance is due.

Additional provisions are maintained based on the number of hours flown by each aircraft/engine and an estimated rate for any shortfalls' other than maintenance reserve paid and for those lease aircrafts without maintenance reserve payments.

Ethiopian Airlines Group record this cost as maintenance reserve expense on monthly basis based on actual activities of the aircrafts. The long-term portion of the provision is not discounted to its present value due to uncertainties as the final maintenance costs to be incurred when compared to the estimated rate applied.

O. Value Added Taxes

Domestic airfares are exempted while international fares are zero-rated. Revenues, expenses and assets are recognized net of the amount of value added taxes except where the value added tax incurred on purchased assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of the asset or absorbed as an expense.
The net amount of value added tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the statements of financial position.

P. Stock

Inventories are held for consumption in the process of rendering services and are measured at the lower of cost and estimated net realizable value based on market assessment. Cost is determined using the weighted average method

Q. Investment in associates

Associates are those entities over which Ethiopian Airlines Group has significant influence accompanying a shareholding between 20% and 50% of the voting right. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investment in associates is accounted for using the equity method. Under the equity method, investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss after the date of acquisition. Ethiopian Airlines Group share of its associate's post acquisition profits or losses is recognized in the statement of profit or loss. When the Ethiopian Airlines Group share of losses in an associate exceeds its interest in the associate, the Group does not recognize any further losses. Although Ethiopian Airlines group has 99% share in Ethiopian Mozambique Airlines LTD and has full control, Ethiopian Airlines Group did not consolidate in this financial statement.

R. Cash and cash equivalents

Cash comprises cash on hand and cash at banks in the current and deposit accounts. Cash equivalents are short term, highly liquid investments which are easily convertible into cash within three months or less from the date of acquisition.

S. Offsetting of financial asset and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when and only when there is a legally enforceable right to offset the amount and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future event and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy.

T. Manufacturers credits

Ethiopian Airlines Group receives credit from manufacturers in connection with the acquisition of certain aircrafts and engines. Depending on their nature, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses.

U. Revenue

Revenue from passenger tickets including excess baggage and cargo sales is recognized when the transportation services is provided. Sales of unutilized tickets and airway bills are recognized as a liability and shown in the statement of financial position under current liabilities with the heading contract liabilities. The values of unused tickets are recognized as revenue after the expiry date of one-year. Ethiopian airlines group major Revenues, which is reported in operating revenues, are:

Passenger transport

The Ethiopian Airlines Group sells flight tickets primarily via agents, its own websites, own sales office or other air- lines in the course of interlining. The payments are received by the Ethiopian Airlines Group via credit card billing companies, agents, or other airlines, generally, before the corresponding service is provided. Receivables from the sale of flight tickets and related ancillary services are only amounts payable by credit card billing companies, agents, or other airlines.

The Ethiopian Airlines Group initially recognizes all ticket sales as liabilities from unused flight documents. These are presented as current liabilities. Depending on the terms of the selected fare, the contract liabilities reflect a range of possibilities for refunding services that have not yet been provided. Liabilities include both the deferred income for future flights and ancillary services that are recognized as revenue when the flight documents are used, and the liabilities for award miles credited to the passenger when the flight documents are used. The Ethiopian airlines Group allocates the transaction price to all of the performance obligations identified on the flight ticket based on their individual transaction prices. The individual transaction prices for flight segments are determined using the IATA procedure. The total price payable is allocated to individual flight segments using what is known as a prorate calculation. The individual transaction prices for ancillary services that are not included in the fare are directly observable prices. The Ethiopian Airlines Group reduces liabilities from unused flight documents and recognizes revenue for each flight when the respective document is used. For tickets that cover more than one flight segment, the Ethiopian airlines Group identifies each flight segment as a distinct performance obligation, since each flight segment is independent and can be distinguished in the context of the contract.

Cargo

In its cargo business, the Ethiopian airlines Group has identified the entire freight service as a distinct performance obligation. The customer receives the benefit of the transport service and uses the service at the same time as this performance obligation is fulfilled with each transport segment. In this case, the customer takes control of the company's output while the carrier provides its service. The customer receives the benefit of the service as each transport segment is fulfilled. The corresponding cargo revenue is therefore recognized at the prorate value when the documents for each individual freight segment are used. Ethiopian Airlines group consider for performing its service once the transport has been carried out.

Maintenance, Repair and Overhaul (MRO)

The main distinct performance obligations in the MRO segment are the provision of maintenance, aircraft and engine overhaul services, which are recognized over time. These performance obligations involve estimating the proportion of the total contract already completed and the profit overall contract, so that an input-oriented measurement of the percentage of completion can be made contract assets and contract liabilities are therefore both recognized. In some cases, the contracts in the MRO segment make it necessary not to recognize distinct services as individual performance obligations but rather as a series. Furthermore, some of the contracts include stand by obligations that require the recognition of revenue over time.

This is particularly the case when remuneration is paid in the form of a fixed rate per hour of flying time. For such contract, the percentage of completion is primarily measured on the basis of the hours invoiced monthly to the customer.

Catering

The Ethiopian airlines group offers products and services related to in-flight service. These include catering, in-flight sales and entertainment, in-flight service equipment and the related goods and services and the operation of lounges related to this catering have been identified as distinct performance obligations.

The performance obligation to prepare meals is generally full filed when the meals are delivered to the customers. The catering performance obligation is fulfilled over time between the transport of the meals to the airport and the disposal of the waste, depending on the services ordered by the customer. For performance obligations over time, the percentage of completion is measured on an output basis.

Airport services

The Ethiopian airlines group offers services related to Airport services like landing, parking, lighting, terminal facility, passenger services, rental of offices, warehouse, restaurants, shops, and checking counters. Identified performance obligations the performance obligation to give airport services are ready to use and the revenue recognized when the contract obligation fulfilled.

Hotel Services

The Ethiopian airlines group offers services related to hotels services. The performance obligation related to these services are provided goods, services, and the revenue recognized when the contract obligation fulfilled.

Frequent flyer program

Ethiopian Airlines Group operates a customer loyalty program called Sheba Miles, the Frequent Flyer Program (FFP). That allows qualifying customers to accumulate mileage credits that entitle them to a choice of various awards such as primarily free travel and upgrading of tickets. There are two steps between the time passengers accumulate their flown miles and the time they are privileged to be benefited from their accumulated flown miles.

Step 1 -Earn: This is the process of accumulating flown miles which occurs upon purchase of ticket. There is a minimum set up miles for earning economy and business class in which the number of miles required before redeeming benefit depends on destination to destination.

Step 2-Redeem (spend): This is the process where loyal members start to benefit from their accumulated miles.

The consideration in respect of the initial sales is allocated to Sheba Mile awards based on the relative stand-alone selling price and adjusted for expected expiry and the extent to which the demand for an award cannot be met. The estimated amount of Sheba Mile awards is recorded under current liabilities under the heading unearned transportation. The stand-alone selling price is determined based on the price of the benefit Ethiopian Airlines Group provide to the customers through assessment using estimation techniques and taking in to account the consideration of various redemption options available to Sheba Miles.

V. Non-operating revenue and expenses

i. Revenue from Aircrafts trading

Aircrafts are ordered in advance as production takes long time. Before delivery of the respective aircraft, management may decide either to sale or sale and lease back the respective aircraft. Under such circumstance the difference between the sales price and initial order price will be recognized under non-operating revenue.

ii. Finance income and costs

Interest income and expenses are recognized on a time proportion basis using the effective interest method.

iii. Other non-operating revenue

Other non-operating revenue is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably. Unclaimed sundry liabilities over one-year-old are absorbed to non-operating income.

iv. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to prepare or acquire for their intended use, are added to the costs of those assets until such time that the assets are substantially ready for their intended use.

Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus fund is deducted from borrowing costs eligible for capitalization. In the case of general borrowings, a capitalization rate, which is the weighted average rate of general borrowing costs, is applied to the expenditure on qualifying asset and included in the cost of the asset.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

W. Operating leases

The new standard replaces IAS 17 and requires almost all leases to be recognised on the Statement of financial Position by a lessee, as the distinction between operating and finance lease is removed. Under the new standard, an asset (right-of-use) and a financial liability to pay rentals is recognised. Leases are capitalised as right-of-use assets by recognising the present value of the lease payments and are depreciated over the lease term except in cases where the underlying asset will be acquired by the lessee at the end of the lease term, in which case the right-of-use asset is depreciated over the useful life of the asset. In respect of the statement of profit or loss, the operating lease expense has been replaced with depreciation of the right-of-use asset and interest on the lease liabilities.

X. Employee benefits

i. Defined Contribution plan

Defined contribution plan is a pension scheme under which Ethiopian Airlines Group pays fixed contribution. The fund is administered by an independent Government Agency and is funded by fixed contributions from both Ethiopian Airlines Group and the employees. Ethiopian Airlines Group has no legal or constructive obligation to pay further contribution if the fund does not hold sufficient asset to settle the benefit relating to the employee's services in the current and prior periods. Contributions to the pension fund are charged to the statement of profit or loss in the period in which they fall due.

Ethiopian Airlines Group makes contributions to a statutory defined contribution pension scheme. The employer and the employee make contributions of 11% and 7% of the employee's basic salary respectively, as determined by statute. For the year ended 30 June 2021 Ethiopian Airlines Group contributed Birr 366,312,602 (2020-Birr 359,377,694.) which has been charged to the profit or loss account in the period to which they relate.

ii. Defined benefit plan

Ethiopian Airlines Group net obligation in respect of defined benefit plan is calculated by estimating the sum of future benefits that employees have earned in return for their service in the current and prior periods, those benefits are discounted to determine the present value and any unrecognized past service costs and the fair value of any plan asset is deducted. The discount rate is the current government deposit rate.

The calculation is performed annually by independent qualified actuary using the projected unit credit method. The current service cost of the defined benefit plan, recognized in the statement of profit or loss in employee benefit expenses, except were included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past service costs are recognized immediately in profit or loss and other comprehensive income.

Actuarial gains or loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

iii. Short term benefit

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are rendered by employees.

A liability is recognized for the amount expected to be paid and include mainly wages and salaries, bonus, leave benefits and other allowances and incentives as a result of past service provided by the employees, and the obligation can be estimated reliably.

iv. Termination benefits

According to the law in the case of unjustified dismissal, employers are obliged to pay to their employee's compensation based on the years of service. This obligation is computed as per proclamation no 377/2003, further amended by proc.NO 494/2006.

3. Significant accounting estimates, judgments, and assumptions

In the preparation of these financial statements a number of estimates, judgments and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets liabilities, revenues, and expenses. The estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstance. The following narrative addresses the accounting policies that require subjective and complex judgment often as a result of the need to make estimates.

A. Useful lives and residual values of aircraft and related assets

Management assigns useful lives and residual values to aircrafts and related assets based on the intended use and the economic lives of those assets.

Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual value to be different from initial estimates

B. Provision for leased aircraft maintenance costs

From past trend analysis, the actual maintenance payments for leased aircrafts vary when compared with the monthly contractual payments when the maintenance is due. Management estimates the shortfall and maintain provision based on the actual flight hour when leased aircraft operates. Moreover, for those leased aircrafts with no contractual maintenance reserve payments, management estimate and maintain provision based on actual flight hours and estimated provision rate.

C. Defined benefits plans

The cost of the defined benefits of long service awards, severance pay, and retirement awards and the present value of these defined benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

D. Investment in associates

Judgments made in applying accounting policies have the most significant effect on the amounts recognized in the combined financial statements and the related disclosures. One of these is determination of whether there is significant influence over investees. Management used the control model under IFRS 10 to determine whether the control indicators set out are used to define whether there is significant influence in investment under equity partners or control. Management determined that Ethiopian Airlines Group has significant influence over the associate companies.

E. Going concern

Management has assessed the Ethiopian Airlines Group ability to continue as a going concern and is certain that it has the resources to continue in business for the near future. The COVID-19 outbreak has developed rapidly in 2020 and 2021, with a significant number of infections being recorded globally. Measures taken to contain and slow the spread of the virus have significantly affected global economic activity including limiting movements of people and restricting flights. The worldwide aviation market has been significantly disrupted in the short term. This disruption is expected to be followed by a gradual recovery as travel restrictions are lifted. As a global network airline, Ethiopian airlines Group has been unable to viably operate its normal full passenger services. On the other hand, the couple of month's disruptions in global supply chain caused by the closure of factories mainly in China due to the very COVID-19 has caused a sudden and large demand in global air cargo transport. Hence, the air cargo business is booming, and it is operating at its peak capacity.

As a result of the outbreak, although the full impact and the time period of the disruption is not possible to predict with certainty. Ethiopian Airlines group has taken various measures to maximize cargo revenue by using passenger airplanes for cargo transport either with their seats using the traditional cabin loading or by taking out the seats and loading cargo in the main cabin floor of the aircraft besides the cargo aircrafts. There is also implementing numerous cost savings measures and delivering efficiency across operational areas, reducing discretional capital expenditure, monitoring each flight profitability before it operates. Based on measures Ethiopian airlines group has taken, management believes there is no doubt on going concern.

4 OPERATING REVENUE

		2020
	Birr	**Birr**
Passenger	55,144,213,097	70,614,227,255
Airport charges	298,603,122	401,723,529
Freight	53,618,066,552	26,393,046,749
Charter	18,430,339,312	13,555,605,867
Excess baggage	3,178,289,710	1,957,683,824
Customer services - work orders	2,703,631,605	2,847,966,907
Subsidiaries	863,400,572	962,886,308
Mail	1,389,250,985	349,854,454
Commission	724,910,237	685,021,126
Aircraft lease	514,211,938	642,166,418
Hotel Services	282,541,003	310,958,039
Miscellaneous	2,262,289,259	1,410,621,534
	139,409,747,392	**120,131,762,011**

5 OPERATING EXPENSES

	Birr	2020 Birr
Salaries and related benefits	7,593,547,939	7,285,618,992
Aircraft fuel and oil	34,879,321,659	35,372,925,258
Rentals	529,696,783	597,695,614
Overflying and navigation	7,037,006,719	5,945,602,408
Depreciation of flying equipment	28,037,622,206	21,580,976,456
Passengers' expense	2,350,533,930	3,795,095,006
Handling	6,555,291,205	4,971,365,210
Commission and incentives	2,507,918,856	2,961,912,933
Foreign overhauls	6,926,463,116	5,826,196,660
Maintenance of leased aircraft	3,711,396,690	3,261,718,717
Landing and parking	1,569,909,151	1,243,084,757
Central reservation system charge	1,675,745,970	2,108,774,490
Aircraft materials	2,607,251,160	2,271,203,414
Travel	1,263,986,018	1,516,282,573
Service	1,414,366,267	1,520,526,545
Depreciation non - flying equipment	1,796,789,684	1,507,723,908
Insurance	2,725,180,410	1,516,784,295
Communications	777,594,580	633,644,523
Utilities	89,352,681	72,512,933
Taxes	125,060,569	91,745,771
Advertising and publishing	11,024,387	107,816,295
Amortization	1,040,785,727	1,454,682,465
Entertainment	2,843,820	6,933,386
Supplies	340,626,196	383,042,189
Cost of sales hotel	57,555,159	62,002,228
Other	77,747,869	592,874,063
	115,704,618,753	**106,688,741,090**

6 NON OPERATING REVENUE

	Birr	2020 Birr
Write back of creditors account	246,768,933	1,465,087
Revenue from purchase incentive	330,769,247	473,756,002
Others	5,010,854,397	616,675,242
	5,588,392,577	**1,091,896,331**

7 NON OPERATING EXPENSE

	Birr	2020 Birr As restated
Bank Charges	(136,125,241)	(145,691,783)
Credit card Charges	(549,115,619)	(562,566,727)
Miscellaneous Expenses	(204,852,429)	(16,594,034)
	(890,093,289)	**(724,852,544)**

8 STAFF COSTS

	Birr	2020 Birr
Salaries and related benefits	7,227,235,337	6,943,026,728
Pension costs - Company contribution	366,312,602	359,377,694
	7,593,547,939	**7,302,404,422**

9. Property plant and equipment

	Balance at 30 June 2020	Exchange rate var on beginning balance	Balance at 30 June 2020	Additions	Disposals,& Retirements	Balance at 30 June 2021
	Birr	Birr	Birr	Birr	Birr	Birr
COST OR VALUATION						
Flight equipment	193,165,139,107	48,088,547,403	241,253,686,510	21,361,751,681	(9,305,008,135)	253,310,430,057
Other property	25,379,338,006	4,839,694,523	30,219,032,529	5,746,739,765	(4,302,864)	35,961,469,430
Land	34,088,638,455	195,273,866	34,283,912,321	-	-	34,283,912,321
Engine maintenance cost	8,899,432,111	2,215,517,587	11,114,949,698	2,925,111,079	-	14,040,060,778
Runways, taxiways & aprons	7,425,819,261	-	7,425,819,261	781,198,484	-	8,207,017,745
	268,958,366,941	**55,339,033,378**	**324,297,400,319**	**30,814,801,010**	**(9,309,310,998)**	**345,802,890,331**
DEPRECIATION						
Flight equipment	58,280,255,277	14,508,895,505	72,789,150,782	14,082,720,909	(3,225,371,698)	83,646,499,993
Other property	8,264,390,776	1,894,953,196	10,159,343,972	772,703,537	(4,184,967)	10,927,862,542
Engine maintenance cost (am	6,205,560,853	1,544,877,137	7,750,437,991	2,187,726,861	-	9,938,164,849
Runways, taxiways & aprons	758,671,182	-	758,671,182	399,439,604	-	1,158,110,786
	73,508,878,089	**17,948,725,838**	**91,457,603,927**	**17,442,590,911**	**(3,229,556,665)**	**105,670,638,170**
NET BOOK VALUE						
Flight equipment	134,884,883,830	33,579,651,898	168,464,535,729	7,279,030,772	(6,079,636,437)	169,663,930,064
Other property	17,114,947,230	2,944,741,327	20,059,688,557	4,974,036,227	(117,897)	25,033,606,888
Land	34,088,638,455	195,273,866	34,283,912,321	-		34,283,912,321
Engine maintenance cost	2,693,871,258	670,640,450	3,364,511,707	737,384,219	-	4,101,895,926
Runways, taxiways & aprons	6,667,148,079	-	6,667,148,079	381,758,880	-	7,048,906,959
	195,449,488,852	**37,390,307,541**	**232,839,796,392**	**13,372,210,099**	**(6,079,754,333)**	**240,132,252,161**
Work orders in progress	12,590,220,504	884,855,530	13,475,076,034	5,188,094,615	(2,912,946,667)	15,750,223,982
Goods in transit (GIT)	-	-	-	-	-	-
Ex rate variance beg balance	-	-	-		-	-
	208,039,709,357	**38,275,163,073**	**246,314,872,430**	**18,560,304,714**	**(8,992,701,001)**	**255,882,476,143**

N.B Four B 737 Max with a book value of birr 5,840,638,085 is included in PPE while aircrafts are grounded due to ET 302 accident. Boeing commercial has fixed the problem and Ethiopian will start the commercial scheduled flight soon.

10 INTANGIBLE ASSET

	Balance at 30 June 2020 Birr	Additions Birr Birr	Balance at 30 June 2021 Birr
COST			
Software costs	831,882,431	243,031,208	1,074,913,640
Amortization	(623,608,219)	(201,110,385)	(824,718,603)
Net book value	**208,274,212**		**250,195,036**

11 INVESTMENTS IN ASSOCIATES

	Birr	2020 Birr
ASKY Airlines (900,000 shares of US dollars 20 each par value and each share has one voting right)	803,271,738	643,157,414
Malawi Airlines (460,000 shares of US Dollars 35 each par value and each share has 1 voting right)	717,493,444	349,681,640
Chad Airlines (441,000 Shares each share has 1 voting right)	327,551,280	229,814,484
Ethiopian Mozambique Airlines LTD (99% of shares)	534,777,600	428,181,600
DHL-ET logisticis services (5,355 shares each par value Ehiopian Birr 1000)	13,082,456	8,705,941
Ethiopian Sky Technologies P.L.C	6,737,524	
Other foreign investments	129,736,525	115,897,692
Share of loss from investment	(2,249,982,972)	(1,095,817,085)
	282,667,596	**679,621,685**

12 FINANCE COSTS

	Birr	2020 Birr
Interest Expense on Lease Liabilities	3,623,373,269	3,032,696,767
Interest Expense on Term loans	3,634,587,177	3,341,248,323
Other Finance Costs	100,584	1,769,153
	7,258,061,030	6,375,714,243

13. Standing Deposits

These are deposits for security, aircraft lease, hotel, hospital and similar purposes. It also includes pre-delivery advances for aircraft purchase.

14. Other Loan Receivables

This represents loan given to employees for housing construction at interest rate of 9.5%. The carrying amount of the loan was discounted at effective interest rate of 9.5% and shown at fair value. There is no difference between the carrying amount and the discounted amount.

15 STOCK

		2020
	Birr	**Birr**
Aircraft parts	7,870,171,553	6,170,815,857
Supplies stock - customer work orders	19,909,683	18,000,813
Stock of stationery and other materials	1,447,949,108	1,319,140,010
	9,338,030,345	7,507,956,680
Less: Provision for stock obsolescence	(1,569,017,736)	(993,457,339)
	7,769,012,608	**6,514,499,341**

16 Trade and other receiveables

		2,020
	Birr	**Birr**
Transportation - Others	7,054,458,855	5,696,187,971
Airport Service Charges	366,590,815	233,215,160
Trade Debtors	55,278,375	91,145,558
Deposits and prepayments	8,177,130,398	7,728,535,349
Transportation - Airlines	4,760,376,922	1,274,239,571
Claims from aircraft lessor	106,549,495	23,043,780
Ethiopian Government	31,527,179	55,791,266
Value added tax and duties recoverable	1,704,231,690	1,332,775,282
Airmail	49,098,026	29,658,139
Claims from insurance	4,500,531,132	404,060,704
Miscellaneous	6,261,196,799	4,737,756,082
	33,066,969,684	21,606,408,864
Less: Allowance for expected credit losses	(2,112,063,754)	(2,478,287,691)
	30,954,905,930	**19,128,121,173**

17 SHORT TERM INVESTMENTS

	Birr	2020 Birr
Short term deposits	1,144,878	1,679,810,839
	1,144,878	**1,679,810,839**

18 CASH AND CASH EQUIVALENTS

	Birr	2020 Birr
Cash with foreign banks	26,596,329,481	15,959,949,174
Less: Provision for accounts, difficult to transfer	(4,843,580)	(3,878,120)
	26,591,485,901	15,956,071,053
Cash with local banks	8,427,072,528	1,098,453,414
Cash on hand	82,753,197	74,480,664
	35,101,311,627	**17,129,005,132**

19 Capital

Ethiopian Airlines Group is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. There are no shares and no-par value. Ethiopian airlines Group is authorized by the Council of Ministers to transfer the net profits to paid up capital.

20 Long term loans

	Birr	2020 Birr
Balance at 30 June 2020	103,907,856,767	89,241,763,899
Additional loans	17,141,346,321	13,787,226,725
Curency Translation Difference	26,562,883,888	18,628,841,738
	147,612,086,976	121,657,832,361
Less: Repayments	18,166,813,349	16,733,217,019
	129,445,273,627	**104,924,615,343**
Less: Amounts repayable within 12 months	**18,925,273,886**	**15,451,812,026**
	110,519,999,739	**89,472,803,316**

Loans from foreign lending institutions, secured on aircraft, bearing interest at rates of between 1.50% and 7.31% per annum, and repayable in quarterly instalments.

Secured and unsecured loans from local and foreign lending institutions and development agencies, bearing interest at rates of between 2.38% and 4.66% per annum, and repayable in, mainly, quarterly instalments.

21 Provision for maintenance

	Birr	2020 Birr
Balance at 30 June 2020	1,377,127,013	879,706,375
Additional provision	1,018,612,506	644,970,243
Amortization	(406,034,071)	(147,549,605)
	1,989,705,448	**1,377,127,013**

The provision for maintenance is made to match aircraft maintenance costs with the generated revenues.

22 Employee Benefit Obligation

A. Ethiopian Airlines Group operates an unfunded lump sum Gratuity Arrangement (lithe Arrangement"). As the Arrangement is unfunded, gratuity benefits are paid out of the Ethiopian Airlines Group general revenues. The following arrangement benefits were valued:

A. Severance Pay

Severance benefits are based on the statutory severance benefit as set out in labour Proclamation No. 377/2003 Article No. 39 and 40 as amended by labour proclamation No 494/2006 Article NO.2. This benefit is implemented for those employees who have a service period of a minimum of 5 years.

Severance pay is calculated as the employee's one month's salary for the first year of service and 1/3 (one third) of the employee's salary for every additional year of service. This benefit is paid on withdrawal, death, and ill health retirement from the Company.

Employees who are over 55 years and have a past service of more than 25 years are not entitled to this benefit. In addition, this benefit is not paid on retirement from the company.

B. Service Award

Long service award benefits are payable to employees only on completion of specified anniversaries of service as follows:

Service anniversary (years)	Amount Birr
2oth	4,000
25th	7,000
30th	10,000
35th	13,000
40th	15,000

C. Retirement Award

Retirement benefit awards are payable to employees on retirement from the Ethiopian Airlines Group. The retirement benefit is Birr 6,000 plus Birr 500 for every year above 20 Years of service.

I Reconciliation of benefit obligation

	Birr	2020 Birr
Opening benefit obligation	477,942,719	345,695,560
Current service cost (employer)	41,442,613	39,153,123
Interest cost	25,896,051	25,114,466
Employee contributions		
Actuarial (gain) / loss - due to experi	(6,043,080)	(111,879,230)
Actuarial (gain) / loss - due to changes in assumptions		
Past service cost		70,374,419
Benefits paid	(12,495,949)	(12,988,078)
Insurance premiums		
Adjustment Reclasification of OCI	(70,374,419)	
Adjustment Reclasification of P&L	70,374,419	
Curency Translation Difference	118,985,717	122,472,459
Closing benefit obligation	**645,728,071**	**477,942,719**

II Reconciliation of assets

	Birr	2020 Birr
Interest income on plan assets		
Employer contributions	(12,495,949)	(12,988,078)
Employee contributions		
Return on plan assets, excluding amount in interest income		
Benefits paid	12,495,949	12,988,078
Insurance premium		
Settlements		
Closing market value of assets	0.00	0.00

III Defined benefit obligation (asset) Recognized in the balance sheet

		2020
	Birr	**Birr**
Present value of funded obligations	645,728,071	477,942,719
"Fair" value of Scheme assets		
Net underfunding in funded plan	645,728,071	477,942,719
Defined benefit obligation (asset) reco	**645,728,071**	**477,942,719**

IV Amount recognized in profit or loss

		2020
	Birr	**Birr**
Service Cost		
Current service cost (employer)	41,442,613	39,153,123
Past Service Cost		
Losses/(gains) on curtailments and settlements		
Total Service Cost	**41,442,613**	39,153,123
Interest Cost		
Interest cost on defined benefit obligation	25,896,051	25,114,466
Interest income on plan assets		
recognition of past service medical cost	(70,374,419)	70,374,419
Net Interest Cost on Balance Sheet Liability	**(44,478,368)**	95,488,885
Total included in profit and loss in respect of Scheme	**(3,035,755)**	**134,642,008**

V Amount recognized in OCI

	Birr	2020 Birr
Change in unrecognized positions		
Actuarial (gain)loss - experience adjustments arising from changes in financial assumptions		
Actuarial (gain)loss - experience adjustments arising from participants` movement	(6,043,080)	(111,879,230)
Return on plan assets (excluding amount in interest cost)		
Adjustment Reclasification from P&L	70,374,419	
Change in effect of asset ceiling (excluding amoun in interest cost)		
Amount recognized in OCI statement for the fiscal year	**64,331,339**	**(111,879,230)**

These will not be reclassified subsequently to profit or loss

VI Reconciliation

	Birr	2020 Birr
Net liability at start of period	477,942,719	345,695,560
Net expense recognised in the income statement	(3,035,755)	134,642,008
Employer contributions	64,331,339	(111,879,230)
Amount recognized in OCI	(12,495,949)	(12,988,078)
Curency Translation Difference	118,985,717	122,472,459
Net liability at end of period	**645,728,071**	**477,942,719**

VII Actuarial Assumptions

	Birr	2020 Birr
Discount rate (% p.a.)	7.00%	7.00%
Future salary increases (% p.a.)	6.00%	6.00%
Mortality Assumptions -males	A1949-52 males	A1949-52 males
Mortality Assumptions -females	A1949-52 females	A1949-52 females
weighted average duration of defined benefit obligation	7.80	7.70

Ethiopian Airlines Group also make statutory contributions to the national social security fund. Contributions are determined by the local statute and are shared between the employer and employee. For the year, ended 30 June 2021 Ethiopian Airlines Group contributed birr 366,312,602 (2020 birr 359,377,694).

VII Sensitivity analysis:

The results of the actuarial valuation will be more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, we have relied on calculations of the duration of the liability.

Since, the majority of benefits payable under the arrangements are salary related, the sensitivity of the liability to a change in the salary escalation assumptions is not expected to be materially different.

VIII Expected impact on future cash flow

The current arrangements are unfunded with no pre-determined contributions. The Ethiopian Airlines Group however meets benefits payments on a pay-as-you-go basis. The company benefit outgo was birr 12,495,949 (2020 birr 12,988,078)

23 Deferred Tax Liability

For Ethiopian SkyLight Hotel, one of Ethiopian Airlines group segment deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The deferred tax Liability at the end of the year is attributable to the difference between the tax basis of property, plant and equipment and Its carrying value for financial reporting purposes.

Movement on the deferred tax account is as follows:

	Birr
Beginning Balance	-
Curent year Profit or Loss	6,675,617
Defered Tax Liabilities	**6,675,617**

24 Deferred and Non-Current Liabilities

	Birr	2020 Birr
Management fee	0	17,474,131
	0	17,474,131
Non - Current liabilities		
Security deposits	399,798,681	323,586,697
Retentions payable	49,601,972	54,129,915
Leased Aircraft maintenance reserve	384,642,053	290,054,960
Miscellaneous	1,123,344,218	514,982,115
	1,957,386,925	1,182,753,687
	1,957,386,925	**1,200,227,818**

25 Trade and other liabilities

	Birr	2020 Birr
Transportation tax and embarkation fees	1,941,719,671	2,136,068,531
Payable to oil companies	25,782,494	(209,022,021)
Goods received but not billed	630,866,747	504,251,799
Customers' advances for work orders	35,686,601	79,211,051
Accrued interest	9,713,547	10,957,929
Accruals for leasing and maintenance of aircraft	-	452,226,414
Pool apportionment with other airlines	-	160,211,282
Services received but not billed	9,655,449,023	5,840,337,809
Others	8,510,608,902	7,429,107,017
	20,809,826,985	**16,403,349,810**

26 Taxation

Ethiopian Airlines Group exempted from tax but one of the segment Ethiopian SkyLight Hotel are not exempted.

A Profit or loss account Income tax expense	**Birr**
Curent Taxation based on profit for the year at 30%	14,243,030
	6,675,617
	20,918,647
B Tax expense computation	
Net Profit Before tax	81,697,554
ADD :Dis Allowed expenses	
Deprciation	75,994,189
Provision for doubtful debts	(137,714)
Entertainment	1,315,008
	158,869,036
Less: Allowed Expenses	
Deprciation	108,003,036
Loss cary forward	3,389,233
Taxable Profit	**47,476,767**
Tax expense at 30%	14,243,030
Defered Tax	6,675,617
Tax expense	**20,918,647**

C Reconcilation of Tax expense to the expected tax based on accounting profit

Net profit before taxation	81,697,554
Tax at the applicable rate 30%	24,509,266
Tax effect of expenses not deductible for tax purpose	23,151,445
Tax effect of expenses deductible for tax purpose	(33,417,681)
Deferred tax	6,675,617
Tax expense	**20,918,647**

D Tax payable

Beginning of the year	-
Paid during the period	-
Withholding tax	(5,635,961)
Curent year Tax payable	14,243,030
	8,607,070

27 CASH flows

Increases and decreases in the statement of Financial position items without actual movement of cash these are as follows: -

An increase in property, plant and equipment financed by loan **ETB 17,141,346,321**

28 Adjustment in changes in owners' equity

Ethiopian Airport one of Ethiopian airlines segment adjusted changes in owners' equity for ETB (72,238,900) due to Cash injection from Government ETB 68,482,784 for ongoing airport projects and ETB (140,721,684) related to Fixed asset previous year errors adjustment.

29 Right of use assets and Liability

A. Right of use assets

	Aircrafts (ETB)	Spare Engine (ETB)	Total (ETB)
Beginning Balance	100,072,316,049	1,588,229,017	101,660,545,066
Additions	4,798,634,120	-	4,798,634,120
Re-measurements	703,690,401,350	(10,164,134)	703,680,237,216
Depreciation for the year	(15,790,045,893)	(236,328,393)	(16,026,374,286)
Currency translation difference	(671,276,357,766)	397,386,571	(670,878,971,195)
Net Carrying value on 30 June 2021	**121,494,947,860**	**1,739,123,061**	**123,234,070,922**

B. Lease liability

Gross Lease Liabilities	Aircrafts (ETB)	Spare Engine (ETB)	Total (ETB)
Within one year	19,970,008,037	275,233,576	20,245,241,612
between 2 and 5 years	87,417,850,693	1,376,167,878	88,794,018,571
After 5 years	34,586,703,700	381,535,093	34,968,238,793
Future Interest	(18,206,310,188)	(242,792,189)	(18,449,102,378)
Present value of lease liabilities	**123,768,252,242**	**1,790,144,357**	**125,558,396,599**
Repayable as follows			
Within one year	**16,119,797,582**	**216,572,262**	**16,336,369,843**
between 2 and 5 years	75,176,228,579	1,202,852,444	76,379,081,023
After 5 years	32,472,226,081	370,719,652	32,842,945,733
Total Over one year	**107,648,454,660**	**1,573,572,096**	**109,222,026,756**

30 Contract Liability

Contract liability beginning Balalance in ETB	21,047,015,322	Revenue realized from contract liability Beginning of the year	29,402,564,976
Contract liability Curent year addition In ETB	345,716,318,206	Revenue realized from curent year contract liability	162,713,951,481
Curency Translation Difference	5,239,663,837	Total revenue recognised In ETB	192,116,516,457
		Total Refund from Current Year liability In ETB	149,048,483,674
Total	**372,002,997,366**	Total	**341,165,000,131**
Contract liability Ending Balalance in ETB	**30,837,997,235**		

Contract liability increased due to COVID 19 impact, customers change their plans to utilize the tickets and Ethiopian airlines group waive the expiry date of tickets and accumulated miles for additional years.

31 Segment Information

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker. The Chief operating decision maker is the executive management members of Ethiopian Airlines.

Ethiopian Airlines Group who make strategic decisions and are responsible for allocating resources and assessing the performance of the operating segments. The operating segments of Ethiopian Airlines Group are defined based on IFRS 8, considering the 10% threshold of segment revenue, total assets, and profits of the year. Ethiopian Airlines Group Chief Executive Officer monitors the operating results of the business units for making decisions about resource allocation and performance assessment.

Ethiopian Airlines Group has three reportable segments: Ethiopian Airlines, Ethiopian Airports and Ethiopian Sky-Light Hotel. Ethiopian Airlines Group provides commercial air transportation including passenger, and cargo services, Ethiopian Airports provides airport services and Ethiopian SkyLight Hotel provide hotel services.

The performance of the business units is evaluated based on segment profit or loss and is measured consistently based on the profit of the year as shown in the combined financial statements. Intersegment revenues and expenses and assets and liabilities were eliminated upon combination.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Ethiopian Airlines Group accounts for intersegment sales and transfers as if the sales or transfers were to a third party, which is at current market prices.

	EthiopianAirlines	Ethiopian Airports	Skylight hotel	Inter segment transactions	Ethiopian Airlines Group
	Birr	Birr	Birr	Birr	Birr
Total segment revenue	138,434,980,173	2,587,622,174	438,350,521	(2,051,205,476)	139,409,747,392
Revenue from external customers	138,434,980,173	1,914,904,261	136,301,215		140,486,185,649
Segment profit before tax	18,500,571,630	1,307,081,598	81,697,556		19,889,350,784
Finance income	136,254,113	-	-		136,254,113
Finance cost	(7,192,373,402)	-	(65,687,628)		(7,258,061,030)
Income tax			(20,918,647)		(20,918,647)
Depreciation and amortization	30,047,894,876	751,308,551	75,994,189		30,875,197,617
Segment Net asset	106,467,454,652	52,315,089,953	44,043,862		158,826,588,467

32 Financial Risk management objectives and policies

1. Risk Management Framework

Ethiopian Airlines Group carries out its activities in an extremely dynamic and highly volatile commercial environment, and both opportunities and risks are encountered as part of everyday business. The Group's ability to identify, control and manage risks at the early stage and pinpoint and exploit opportunities are vital to effectively realize its corporate vision and mission.

The Group is exposed to financial risks arising from its underlying operations and financial activities. It is primarily exposed to commodity risk (volatility of fuel prices), Interest rate risk, currency risk and credit risk. The main objective of the airline's risk management framework is therefore to reduce the negative impact of such risks on cash flow, financial performance and equity.

A continuous dialogue is maintained between the senior management and the various departments in the airline to assure the effectiveness of the risk management framework. The risk management system is governed by guidelines defining the structure and processes of risk assessments.

Financial risk management policies and guidelines cover commodity risk, interest rate risk, currency risk and credit risk. Its policies and guidelines cover areas of cash management and raising of short and long-term debt. Compliance to these policies and guidelines is managed by segregated functions within the Group.

2. Financial Risk Management

The Group is exposed to financial risks such as changes in exchange rates of various countries, interest rates of various jurisdictions and the volatility of jet fuel prices. In accordance with its financial risk policies and procedures, the Group manages these risk exposures using various instruments when it is appropriate.

2.1. Currency Risk Management

Currency risk is a financial risk that the airline is exposed because of the nature of its sales operations. The airline conducts ticket and airwaybill sales activities in multiple currencies and its remittance is exposed to fluctuations in exchange rates.

To mitigate this risk exposure, the most common and primary hedging mechanism that the airline uses is to utilize natural hedging, where all local commitments including major direct operating costs such as fuel, landing, and handling are settled in local currency in which the revenue inflows were received to counterbalance any exchange rate fluctuation.

The airline's major commitments such as loan repayments and lease commitments are mostly paid in USD and the concentration account is maintained in USD as well. This can minimize the currency risk in terms of convertibility and volatility.

Major currencies in our revenue stream in Asia and Europe are easily convertible and can be moved to the airline's concentration accounts to protect exposure and they are also precisely managed through the natural hedging. CFA Francs in Africa are pegged to EUR and it only moves when EUR moves against the Dollar and repatriation risks are minimized.

Most of our sales currencies in Africa and some parts of Asia are not tradeable to use onshore derivatives and money market instruments as a risk mitigation tool. To protect the devaluation risk in these jurisdictions, fixed income instruments such as dollar indexed government bonds are used for hedging.

2.2. Interest Rate Risk

The Group's interest rate risk primarily relates to its borrowings. Most of the debts are asset backed, which reveals the capital-intensive nature of the Industry. 93% of the loans are denominated in USD and the remaining 7% in other currencies. 80% of the airline's debts are on fixed and 20% on floating interest rate basis, averaged at an effective interest rate of 3.0% p.a.

The interest rate movements are closely monitored on the world market to keep the balance between fixed and floating interest rate loans. Closely monitoring the movement of interest rates will continue and swaps could also be considered if the rate is declining further.

Interest rate risk sensitivity analysis is conducted to monitor the impact of fluctuations on the floating portion of the loan and its sensitivity on income statement and equity is assessed.

2.3. Commodity Risk (Fluctuations on Jet Fuel Prices)

Ethiopian Airlines Group is exposed to the volatility of jet fuel prices. This is the risk of loss arising from adverse fluctuations in jet fuel prices. To manage this risk, the airline has adopted a policy of hedging up to 75% of its annual fuel requirements for a maximum period of one year.

All hedging instruments are open for consideration. Currently, due to high volatility of jet fuel prices, with much uncertainty on its direction, lack of clear long-term predictions and uncertainty over technical adjustment to fuel supplies, the Group has not hedged any of its requirements. However, the future jet fuel prices and the hedging practice of competitors are being closely monitored as airline business does not allow automatic price adjustment in case of sudden fall of jet fuel prices below the hedged price.

To control and monitor the impact of swings in jet fuel prices on income statement and equity and to identify the effect of increases on crude oil prices on jet fuel, sensitivity analysis is being conducted from time to time. The risk of loss due to price increase is also minimized by practicing a fuel tinkering mechanism where more fuel is uplifted in cheaper stations than the expensive ones.

3. Credit Risk

The credit risk exposure of the Group primarily emanates from travel agents; both IATA approved and Non-IATA sales agents through which its major sales are conducted.

The default risk of IATA sales agents is managed by IATA through local financial criteria which are gauged by the sales volume of each member agent. The Group as participating airline involves in the process of evaluation and decision making of each local financial criterion. A mandatory financial security is required on IATA BSP link platform before the member agents are authorized to sell airline tickets. The financial security is held in the form of bank guarantee, letter of credit or insurance guarantee calculated based on the agent's sales volume.

For non- IATA agents which are connected to the airline's stock directly, the same methodology is used where they will be required to provide an irrevocable bank guarantee or security deposit in line with the volume of their sales and remittance period.

Though the credit risk is minimal, corporate customers, where tickets and air waybills are issued on credit, are also required to sign a full-fledged credit agreement after they present their financial statements fully evaluated for credit fitness.

33 Commitments

Ethiopian Airlines Group has commitments, not provided for in these financial statements of Birr 106,064,224,000 for the purchase of 35 aircrafts. Out of which Birr 45,545,225,600 is with the possibility of sale and lease back arrangement. The commitments will be financed through long term Loan and partially through the company own funds.

34 Contingent Liabilities

Ethiopian Airlines Group has contingent liabilities, not provided for in these financial statements of Birr 853,310,936.71 in respect of legal actions brought by different organizations and individuals, which are being contested by Ethiopian Airlines Group. It is not possible to determine the outcome of these cases.

35 Employees

The Ethiopian Airlines Group employed 14,260 staff on 30 June 2021 (2020-13,556).

36 . Subsequent events

Ethiopian Airlines Group has returned its B737 MAX back to the skies on February 1,2022 after three years and the commercial schedule flight will start soon.

37 Related parties

A. Remuneration of key management personnel

Key management members received the following remuneration during the years ended 30 June 2021 and 2020.

	2021 (Birr)	2020 (Birr)
Short term benefit	25,781,489	29,226,127

Compensation of key management personnel includes salaries, housing allowances, fuel allowance, representation allowance and bonus. These amounts are also included in operating expenses.

B. Other related parties

As of the reporting date, Ethiopian Airlines Group has investment of 24% shareholding in African sky (ASKY) based in Lomé Togo, 49% shareholding in Malawi Airlines based in Lilongwe Malawi,46% shareholding Tchadia airlines ,99% shareholding Ethiopian Mozambique Airlines LTD, and 51% Shareholding DHL-ET Logistics Services.

Outstanding balances at the year-end are interest free and settlements are to be made in cash. For the year-ended 30 June 2021, Ethiopian Airlines Group has maintained provision for doubtful debts relating to amounts owed by ASKY, Malawi airlines, Tchadia, Ethiopian Mozambique Airlines LTD, Zambia Airways and DHL-ET Logistics service. Assessment is undertaken at the end of each reporting date through examining the financial position of the related parties and the market in which the related parties operate.

As at 30 June 2021, Ethiopian Airlines Group has due from ASKY Airlines Birr 316,520,104.70, Ethiopian Airlines Group has due from Zambia Airways Birr 44,979,670.21 Ethiopian Airlines Group has due from Malawi Airlines Birr 125,756,631.02, Ethiopian Airlines Group has due from Tchadia airlines Birr 178,596,765.44, due from Ethiopian Mozambique Airlines LTD Birr 584,602,264.80 and due from DHL-ET logistics service Birr 1,352,434.72.

38 Special purpose entities

Ethiopian Airlines Group has established special purpose entities for the purpose of selling and leasing back aircraft and accessories. Those latter are registered in the names of the entities and either the assets or the entities themselves serve as collateral for loans. No other material transactions have been carried out by the entities and all transactions are recognized in these financial statements.

39 Date of Authorization

The Chief Executive Officer of Ethiopian Airlines Group authorized the issue of these financial Statements on 25 March 2022.

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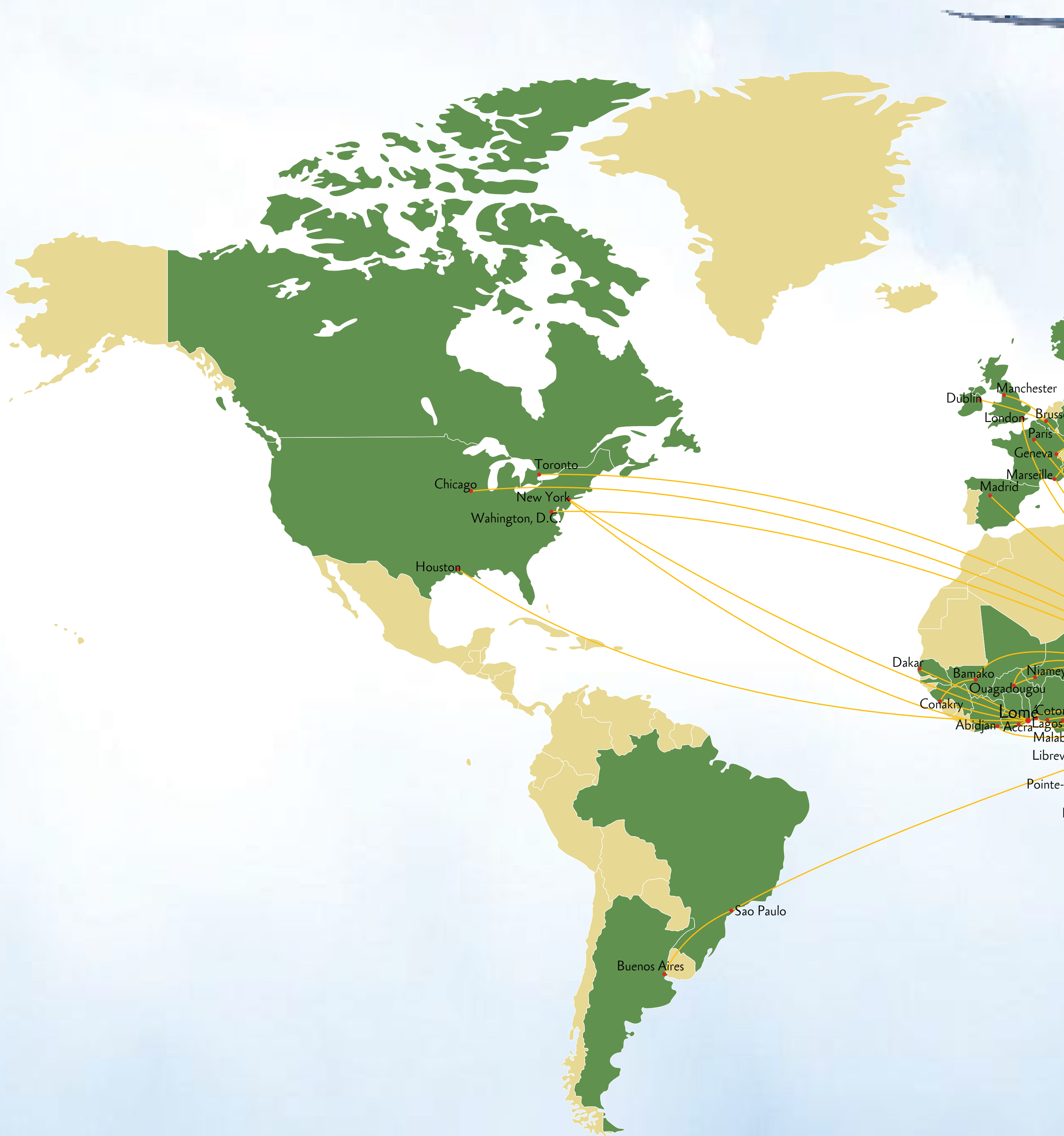

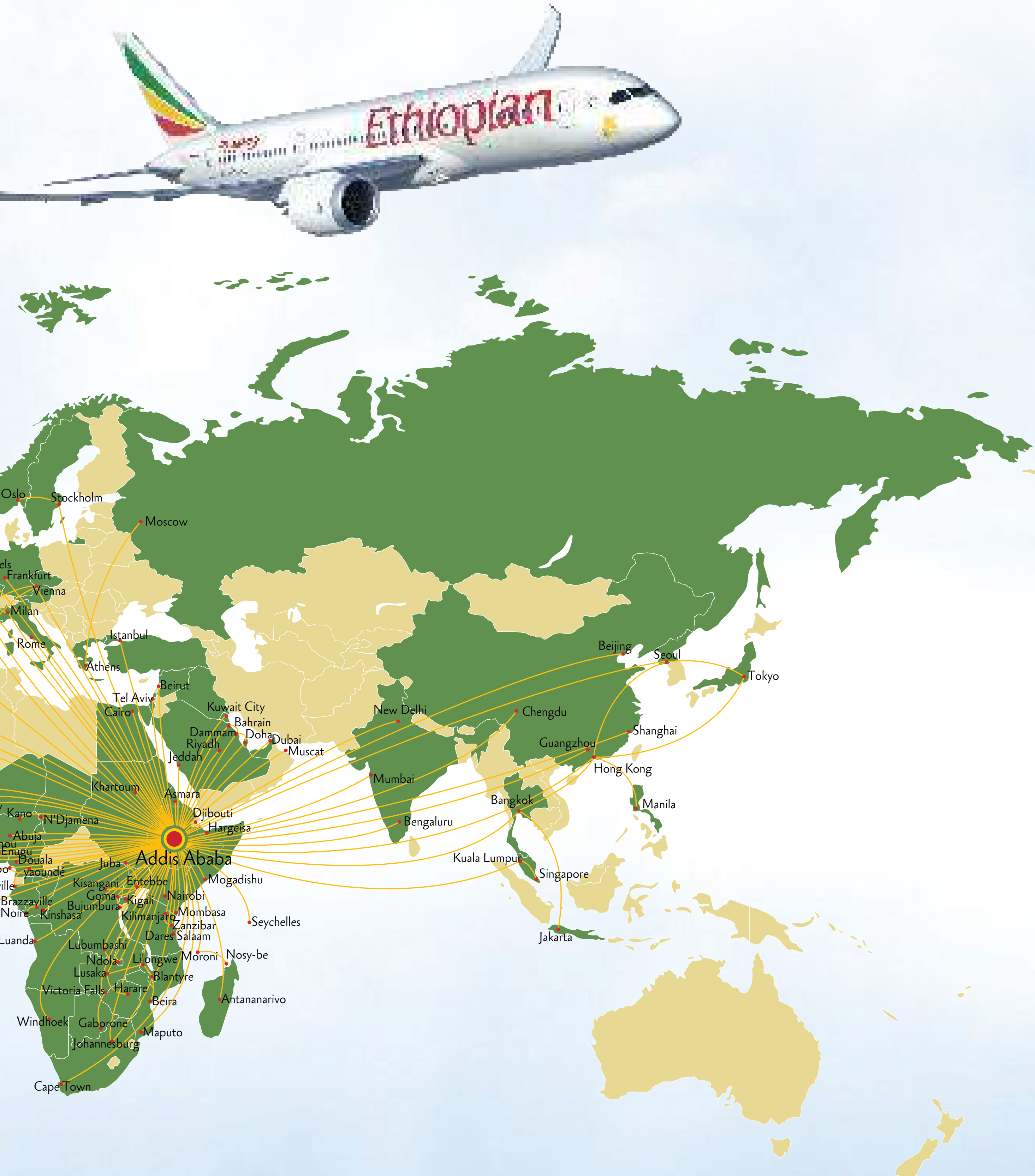
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MORE THAN 62 DESTINATIONS IN AFRICA

MORE THAN 22 DOMESTIC DESTINATIONS

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