



2021/2022

# ANNUAL REPORT



A STAR ALLIANCE MEMBER 

# AWARD WINNING AIRLINE



**BEST AIRLINE IN AFRICA FOR 5 YEARS IN A ROW**



**BEST BUSINESS AND ECONOMY CLASS AIRLINE IN AFRICA FOR 4 YEARS IN A ROW**



**BEST BUSINESS CLASS ONBOARD CATERING IN AFRICA**

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Ethiopian  
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CELEBRATING 75 YEARS



**RS OF EXCELLENCE**



**ETHIOPIAN AIRLINES  
GROUP MANAGEMENT  
BOARD**



**Mr. Girma Wake**  
Board Chairman



**Mr. Teklewold Atnafu**  
Board V/Chairman



**Mr. Temesgen Tiruneh**  
Board Member



**Lt. General Yilma Merdasa**  
Board Member



**Mr. Tadesse Tilahun**  
Board Member



**Mr. Retta Melaku**  
Board Member



**Mr. Alemayehu Assefa**  
Board Member

# **EXECUTIVE MANAGEMENT**





**Mesfin Tasew**  
Group Chief Executive Officer,  
Ethiopian Airlines

Mr. Mesfin Tasew was appointed as Group Chief Executive Officer of Ethiopian Airlines in March 2022.

He joined Ethiopian in 1984 as Associate Engineer and progressed through the ladder and served in supervisory and managerial positions in the Aircraft Maintenance and Engineering areas. In 1997 and 1999, he was appointed as Director Operations & Technical Systems Support and Chief Information Officer, respectively.

In 2006, he was appointed as Vice President of Maintenance and Engineering. Mr. Mesfin also served as Chief Operating Officer of Ethiopian Airlines from 2010 – 2021, and Chief Executive Officer of ASKY Airlines from April 2021 to March 2022.

Mr. Mesfin also serves as a member of the International Air Transport Association (IATA) Board of Governors.

He holds BSc and MSc Degrees in Electrical Engineering from Addis Ababa University. He also holds Master's in Business Administration (MBA) from Open University in the UK.

*Mesfin Tasew*  
*Group Chief Executive Officer,*  
*Ethiopian Airlines*



**Mr. Retta Melaku**  
Chief Operating  
Officer



**Mr. Lemma Yadecha**  
Chief Commercial  
Officer



**Mr. Meseret Bitew**  
Chief Financial  
Officer



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



**Mrs. Zenebework  
G/Tsadik**  
Acting Group VP  
HRM



**Mr. Michael Yared**  
VP Customer Service



**Mr. Getinet Tadesse**  
Chief Information  
Officer



**Mr. Genanaw Assefa**  
VP Legal Counsel &  
Corporate Secretariat



**Mrs. Rahel Assefa**  
VP Marketing



**Capt. Yoseph Hailu**  
VP Flight Operations



**Mr. Daniel Abebe**  
Group VP Strategic  
Planning & Alliance



**Mr. Hailemelekot  
Mamo**  
VP ET Holiday, Digital  
Sales and GCIC



**Mr. Eskinder Alemu**  
CEO Ethiopian Airports



**Mr. Kassie Yimam**  
MD Ethiopian Aviation  
Academy



**Mr. Kidus Melkamu**  
MD Ethiopian MRO  
Services



**Mr. Abel Alemu**  
MD Ethiopian Cargo  
& Logistics Services



**Mr. Mesfin Biru**  
MD Ethiopian  
International Services



**Mr. Girma Kebede**  
MD Ethiopian Ground  
Services

# GROUP CEO MESSAGE

The year 2021/22 is a period in which most Ethiopian Airlines businesses have recovered from the influence of the pandemic and are rolling back to their pre-COVID-19 period and beyond. It is a year of excellence and achievement across the businesses of the Ethiopian Airlines Group.

Ethiopian achieved a high revenue and net profit during this financial year, with cargo accounting for almost half of the Group's revenue. Ethiopian Cargo has transported more than 750,000 tons of cargo which is a record high in a fiscal year. The number of passengers has also increased significantly and reached close to 9 million.

This achievement can be attributed to the lifting of restrictions on movement around the world, the Airline's expansion in terms of bringing new fleets, introducing new routes, and resuming flights.

This fiscal year has also witnessed the return of the B737 MAX to service in Ethiopian operation after recertification by the FAA, EASA, Transport Canada, CAAC, ECAA, and other regulatory bodies.

In terms of partnerships, Ethiopian launched Zambia's National Carrier in a joint venture with Industrial Development Corporation Limited (IDC) of Zambia with 45% stake. In addition, Ethiopian Airlines and Liege Airport Extend their Long-Standing Partnership.

Ethiopian Airlines has continued to surpass milestones during this fiscal year, too. It is leading the African Aviation in financial performance, traffic growth, network expansion, fleet modernization, onboard services, and overall product quality.

These achievements have not been left unseen. The airline was accoladed with multiple prestigious awards at SKYTRAX 2021 World Airline Awards, including Best Airline in Africa 2021 for the 4th consecutive year, Air Cargo Industry Customer Care Award 2022, Air Cargo Leadership Award on the Airline Strategy Awards 2021, and many others.

This is a testimony to the hard work Ethiopian Airlines employees and management team put in order to provide our valued passengers with the best quality service. Ethiopian will continue to provide a world-class service tailored to African-flavored Ethiopian hospitality.

However, this does not mean Ethiopian has not faced any challenges. The fiscal year had challenges as usual, including all consequences of the Russia-Ukraine war, the ever-fluctuating jet fuel price, and stiff air transport competition. Nevertheless, Ethiopian has had ample experience to handle situations like this, and it has managed to overcome the challenges and become successful.

All the achievements we have attained in the fiscal year are due to our patriotic, intelligent, and hard-working staff and our wonderful management team. I deeply would like to thank them all for the invaluable and extraordinary performance they displayed during the fiscal year.

# 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,

# 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 360° 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

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,

# AWARDS

- Ethiopian Airlines Wins 'Best African Airline' Award at the 2021 Business Traveler Awards. Ethiopian Airlines Honored with Multiple Prestigious Awards at SKYTRAX 2021 World Airline Awards.
  - Best Airline in Africa 2021 for 4th consecutive years,
  - Best Business Class in Africa 2021 for 3rd consecutive years,
  - Best Economy Class in Africa 2021 for 3rd consecutive years and
  - Best Cabin Crew in Africa 2021.
- Ethiopian Wins Gold Award for Cargo Volume
- Ethiopian Airlines Wins Multiple Prestigious Awards at SKYTRAX 2022 World Airline Awards, Moves 11 Ranks Up in the World's Top 100 Airlines.
  - Best Airline in Africa 2022 for 5th consecutive years,
  - Best Business Class Airline in Africa 2022 for 4th consecutive years,
  - Best Economy Class Airline in Africa 2022 for 4th consecutive years and
  - Best Business Class Onboard Catering in Africa



# 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 FREQUENCY

## Destination frequency

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Ethiopian Airlines, Africa’s leading carrier, commenced thrice-weekly passenger service to Washington DC via Lomé, Togo as of 01 June 2022. The new flight increases the frequency of Ethiopian Airlines’ flights to Washington DC to 10 from the existing seven weekly flights it operates via Dublin.



# **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 - traveller, 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.



## CARGO

Ethiopian Cargo and Logistics services is the largest cargo network operator in Africa and has won multiple global awards including Best Cargo Airline in Africa by Air Cargo News for 3 Years in a Row. Currently with our 9 - Boeing 777-200F, 2- Boeing 767-300F and 4 - Boeing 737-800F dedicated freighters and 131 passenger aircrafts, we serve 67 cargo dedicated and 130+ passenger destinations in Africa, the Middle East, Asia, Europe and the Americas with an average daily uplift of over 2000 tons of which over 611 tons is transported in a belly hold capacity. With its well experienced and dedicated human capital, it has achieved the highest aircraft daily utilization over 17 hours on its B777F's. With a modern warehouse of one million tons annual storage capacity, fully automated with state-of-the-art technologies, Ethiopian Cargo is providing its service globally. Through a revision of its vision 2025, Ethiopian Cargo and Logistics Services is planning to grow its cargo network to 90 destinations and operate 37 freighter aircrafts by 2035.







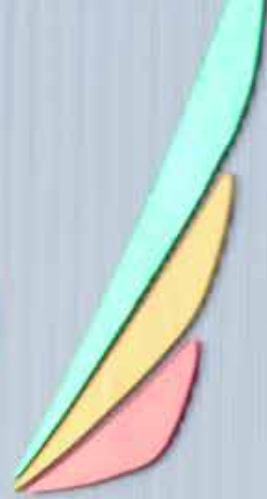
## MAINTENANCE, REPAIR AND OVERHAUL (MRO)

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 787-9

ET-ATJ





## CATERING

Ethiopian In-Flight catering facility has a capacity to produce 100,000 meals a day. The facilities are modern and fully equipped to deal with high demand. Good food is important to our discerning customers. Ethiopian In-Flight Catering is dedicated to delivering high-quality service and part of that is delivering high quality dining and beverage options. The new menus give customers the choice of local Injera, a vegan option, and a variety of world cuisines including Chinese, Halal, Kosher and Indian to Italian.





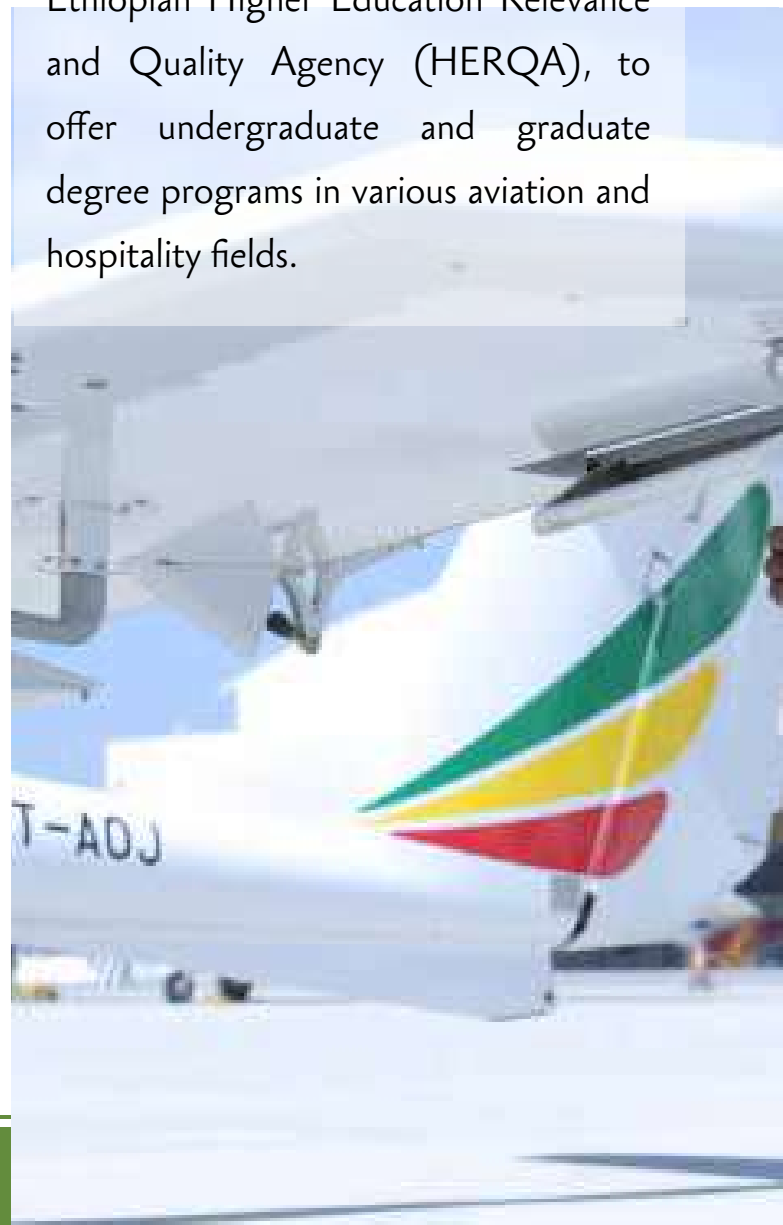


Ethiopian Aviation Academy (EAA) is the largest and most modern aviation academy in Africa recognized as ICAO Regional Training Center of Excellence. To train aviation professionals from classrooms to full flight simulator training, EAA offers leading industry standard training for pilots, aircraft technicians, cabin attendants and ground services staff both for initial and recurrent students. The Leadership & Career Development Center is also training thousands in Management and Leadership Skills.

Our cabin crew training simulates real-time scenarios with training aircraft designed for emergency drills and service trainings. Our pilot training school uses light aircraft for its basic training with dedicated simulators. Full flight simulators of all fleets Ethiopian operates are available for flight training. Virtual Maintenance Trainers (VMTs) and various workshops feature our aircraft maintenance training. Beyond these, our academy develops standard training packages including e-learning and virtual classroom trainings. Trainee services include a trainee's cafeteria, dormitories, an

administration complex and a plush new auditorium. The academy plans to take in 4,000 students a year in its training programs.

In line with the rapid growth of Ethiopian Airlines Group, Ethiopian Aviation Academy has been upgraded to Ethiopian Aviation University, which will enable it to provide a broader range of educational programs and increase the level of expertise in the Aviation Industry. The University has been accredited by the Ethiopian Higher Education Relevance and Quality Agency (HERQA), to offer undergraduate and graduate degree programs in various aviation and hospitality fields.





# EFFICIENT GROUND SERVICE OPERATION









# AIRPORT SERVICE

# Ethiopian የአትዮጵያ SKYLIGHT HOTEL

## ETHIOPIAN SKYLIGHT HOTEL SERVICES

Ethiopian Skylight Hotel is Ethiopian Airlines Group's ultra-luxurious Five-Star hotel. Phase one of the hotel was inaugurated on January 27, 2019 with a total of 373 stunning rooms with relaxing and superb designs that are suitable for both corporate and leisure travelers. It has an added feature for Presidential Suits, Executive Suits, Apartments, Persons with limited mobility. With the completion of phase two of the hotel on January 2023, the total room capacity grew to 1024, making it the largest hotel in the continent co-located in one area.

It has also launched an ultra-luxurious hotel within the Addis Ababa Bole International Airport Departure Terminal 2 (Ethiopian Skylight In-Terminal Hotel) which is suitable for all air travelers transiting through Addis Ababa Bole International Airport with a capacity of 97 rooms: having conference rooms, restaurant, gym and other facilities.

Email: [reservation@ethiopiaskylighthotel.com](mailto:reservation@ethiopiaskylighthotel.com)  
Tel: +251116818181  
[www.ethiopiaskylighthotel.com](http://www.ethiopiaskylighthotel.com)







# FINANCIAL REPORT



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የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን  
**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 2022, 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 2022 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.

*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.

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

*Key Audit Matters (continued)*

**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.

***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.

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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 (continued)***

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.

***Auditor's Responsibilities for the Audit of the Financial Statements***

- 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.



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

*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

- 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*

14 February 2023



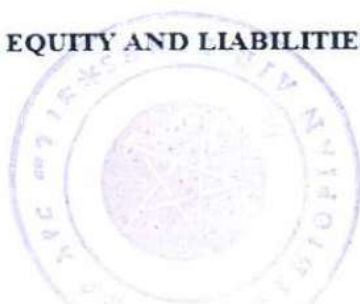
**ETHIOPIAN AIRLINES GROUP**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2022**

|  | Notes    | Birr                   | 2021<br>Birr           |
|--|----------|------------------------|------------------------|
| Revenue  | 4(a)     | 253,055,649,189        | 139,409,747,392        |
| Other Income   | 4(b)     | 9,472,330,733          | 5,588,392,577          |
| Operating Expense  | 5        | (205,274,618,669)      | (117,022,545,285)      |
| <b>GROSS OPERATING PROFIT</b>  |          | <b>57,253,361,253</b>  | <b>27,975,594,683</b>  |
| Finance Income   | 12 (a)   | 189,509,624            | 136,254,113            |
| Finance Costs  | 12 (b)   | (8,023,776,931)        | (7,258,061,030)        |
| Gain/ (Loss) On Foreign Currency Translation                           | 2(e),6   | (1,807,352,972)        | (964,436,983)          |
| <b>NON OPERATING GAIN (LOSS)</b>                                       |          | <b>(9,641,620,280)</b> | <b>(8,086,243,899)</b> |
| <b>PROFIT FOR THE YEAR</b>   |          | <b>47,611,740,973</b>  | <b>19,889,350,784</b>  |
| Profit Tax   | 26       | (89,646,431)           | (20,918,647)           |
| <b>PROFIT AFTER TAX</b>  |          | <b>47,522,094,542</b>  | <b>19,868,432,137</b>  |
| <b>Other Comprehensive Income (Loss)</b>                               |          |                        |                        |
| Items that will not be reclassified to profit or Loss                  |          |                        |                        |
| Gain (Loss) on Translation from functional To Presentation<br>Currency | 2(e),7   | 22,334,085,107         | 19,105,506,445         |
| Gain (Loss) on Employee Benefits                                       | 22(c)(v) | (154,185,208)          | 6,043,080              |
|  |          | -                      | -                      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                         |          | <b>69,701,994,441</b>  | <b>38,979,981,662</b>  |



**ETHIOPIAN AIRLINES GROUP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2022**

|                                       |            | Birr                          | 2021<br>Birr                  |
|---------------------------------------|------------|-------------------------------|-------------------------------|
| <b>ASSETS</b>                         |            |                               |                               |
| <b>NON-CURRENT ASSETS</b>             |            |                               |                               |
| Property, plant and equipment         | 2(f),(g),9 | 303,571,372,068               | 255,879,612,884               |
| Intangible Assets                     | 2(i),10    | 373,936,129                   | 253,058,296                   |
| Right of use assets                   | 2(d),29a   | 129,496,330,749               | 123,234,070,922               |
| Investment in associates              | 2(q),11    | 807,109,587                   | 282,667,596                   |
| Standing deposits                     | 13         | 23,455,712,382                | 16,086,242,811                |
| Employee loan receivables             | 2(k),14    | 434,445,235                   | 442,167,754                   |
|                                       |            | <b><u>458,138,906,150</u></b> | <b><u>396,177,820,262</u></b> |
| <b>CURRENT ASSETS</b>                 |            |                               |                               |
| Stock                                 | 2(p),15    | 10,366,093,800                | 7,769,012,608                 |
| Trade and other receivables           | 2(k),16    | 33,627,252,086                | 30,954,905,930                |
| Employee loan receivables             | 2(k),14    | 94,661,024                    | 81,990,737                    |
| Short term investments                | 17         | 24,669,249,504                | 1,144,878                     |
| Cash and cash equivalents             | 2(r),18    | 50,387,708,586                | 35,101,311,627                |
|                                       |            | <b><u>119,144,965,000</u></b> | <b><u>73,908,365,780</u></b>  |
| <b>TOTAL ASSETS</b>                   |            | <b><u>577,283,871,150</u></b> | <b><u>470,086,186,042</u></b> |
| <b>EQUITY AND LIABILITIES</b>         |            |                               |                               |
| <b>EQUITY</b>                         |            |                               |                               |
| Paid up capital                       | 19         | 100,000,000,000               | 100,000,000,000               |
| Retained Earning                      |            | 65,065,259,225                | 17,538,987,131                |
| Other comprehensive income            | 7          | 63,621,686,442                | 41,287,601,336                |
| <b>TOTAL EQUITY</b>                   |            | <b><u>228,686,945,667</u></b> | <b><u>158,826,588,467</u></b> |
| <b>NON-CURRENT LIABILITIES</b>        |            |                               |                               |
| Long term loans                       | 2(k),20    | 111,818,383,491               | 110,519,999,739               |
| Provision for maintenance             | 2(n),21    | 2,044,345,656                 | 1,989,705,448                 |
| Lease liabilities                     | 2(d),29b   | 114,682,360,292               | 109,222,026,756               |
| Employee benefit                      | 2(w),22    | 985,585,048                   | 645,728,071                   |
| Deferred Tax Liability                | 23         | 20,576,459                    | 6,675,617                     |
| Deferred liabilities                  | 24         | 2,254,377,090                 | 1,957,386,925                 |
|                                       |            | <b><u>231,805,628,036</u></b> | <b><u>224,341,522,556</u></b> |
| <b>CURRENT LIABILITIES</b>            |            |                               |                               |
| Trade and others Payables             | 2(k),25    | 26,663,927,607                | 20,809,826,985                |
| Contract Liabilities                  | 30         | 50,167,440,858                | 30,837,997,235                |
| Profit Tax Payable                    | 26(d)      | 68,202,619                    | 8,607,070                     |
| Current Maturity of Lease Liabilities | 2(d),29b   | 19,147,007,022                | 16,336,369,843                |
| Current Maturity of Long Term Loans   | 2(k),20    | 20,744,719,341                | 18,925,273,886                |
|                                       |            | <b><u>116,791,297,447</u></b> | <b><u>86,918,075,019</u></b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |            | <b><u>577,283,871,150</u></b> | <b><u>470,086,186,042</u></b> |





**ETHIOPIAN AIRLINES GROUP**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2022**

|   | <u>Paid up capital</u><br>Birr | <u>Retained Earning</u><br>Birr | <u>Other comprehensive<br/>income (loss)</u><br>Birr | <u>Profit</u><br>Birr | <u>Total</u><br>Birr   |
|---|--------------------------------|---------------------------------|--|-----------------------|------------------------|
| <b>Balance at 30 June 2020</b>            | 97,742,793,894                 |                                 | 22,182,094,891                                       |                       | 119,924,888,785        |
| Profit for the year                       |                                |                                 |  | 19,868,432,137        | 19,868,432,137         |
| Transfer to capital                       | 2,329,445,006                  | 17,538,987,131                  |  | (19,868,432,137)      |                        |
| Capital Adjustment (Note 28)              | (72,238,900)                   |                                 |  |                       | (72,238,900)           |
| Other comprehensive income(loss)          |                                |                                 | 19,105,506,445                                       |                       | 19,105,506,445         |
| <b>Balance at 30 June 2021</b>            | <u>100,000,000,000</u>         | <u>17,538,987,131</u>           | <u>41,287,601,336</u>                                | -                     | <u>158,826,588,467</u> |
| Profit After Tax                          |                                |                                 |  | 47,522,094,542        | 47,522,094,542         |
| Transfer to capital                       |                                | 47,522,094,542                  |  | (47,522,094,542)      |                        |
| Government Subsidy (Note 28)              |                                | 4,177,552                       |  |                       | 4,177,552              |
| Other comprehensive income(loss) (Note 7) |                                |                                 | 22,334,085,106                                       |                       | 22,334,085,106         |
| <b>Balance at 30 June 2022</b>            | <u>100,000,000,000</u>         | <u>65,065,259,225</u>           | <u>63,621,686,442</u>                                | -                     | <u>228,686,945,668</u> |



**ETHIOPIAN AIRLINES GROUP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022**

|   | Note | Birr                           | 2021<br>Birr                   |
|---|------|--------------------------------|--------------------------------|
| <b>Net Cash Flows From Operating Activities</b>                 | 27   | <b>121,085,145,394</b>         | <b>77,137,830,680</b>          |
| <b>Cash Flows From Investing Activities</b>                     |      |                                |                                |
| Interest received   |      | 247,807,953                    | 59,144,716                     |
| Payments for property, plant and equipment                      |      | (19,010,212,202)               | (14,865,083,559)               |
| Change in investment in associates                              |      | (524,441,991)                  | 396,954,090                    |
| Increase in standing deposits                                   |      | (7,369,469,571)                | (1,645,275,628)                |
| Payment for short term investment                               |      | (24,668,104,624)               | 1,678,665,961                  |
| Payment for intangible assets                                   |      | (148,033,794)                  | (243,031,208)                  |
| <b>Net cash used in investing activities</b>                    |      | <b><u>(51,472,454,229)</u></b> | <b><u>(14,618,625,628)</u></b> |
| <b>Cash Flows From Financing Activities</b>                     |      |                                |                                |
| Proceed from government subsidy                                 |      | 4,177,552                      | 68,482,785                     |
| Payment for State dividend                                      |      |                                | (110,131,034)                  |
| Interest paid on Lease Liabilities                              |      | (4,724,039,909)                | (3,623,373,269)                |
| Repayment for lease Liabilities                                 |      | (14,312,880,938)               | (20,045,323,166)               |
| Repayment of borrowings   |      | (30,962,843,729)               | (18,409,362,615)               |
| <b>Net cash generated from financing activities</b>             |      | <b><u>(49,995,587,025)</u></b> | <b><u>(42,119,707,299)</u></b> |
| Effects on Translation from functional To Presentation Currency |      | (4,330,707,181)                | (2,427,191,257)                |
| <b>Increase in cash and cash equivalents</b>                    |      | <b>15,286,396,959</b>          | <b>17,972,306,496</b>          |
| Cash and cash equivalents at the beginning of the year          |      | 35,101,311,627                 | 17,129,005,132                 |
| <b>Cash and cash equivalents at the end of the year</b>         |      | <b><u>50,387,708,586</u></b>   | <b><u>35,101,311,627</u></b>   |
| <b>Cash and bank balances</b>                                   |      | <b><u>50,387,708,586</u></b>   | <b><u>35,101,311,627</u></b>   |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2022**

**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 128 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.406/2017. 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 / whereby 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.





## **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

#### **Amendments to Interest rate benchmark reform**

Amendments to IFRS on Interest Rate Benchmark Reform to the changes in financial markets have been introduced in two phases:



## ETHIOPIAN AIRLINES GROUP

### NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2022

**Phase 1** amendments provide temporary exceptions for specific hedge accounting requirements impacted by uncertainties arising from the reform before an existing interest rate benchmark (IBOR) is replaced with an alternative benchmark interest rate.

**Phase 2** amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for financial assets, financial liabilities or lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships.

Ethiopian airlines Group has no hedge accounting requirements and incremental borrowing rate is used to discount lease liabilities and based on the management assessment this amendment will not have financial impact.

#### 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 2022 and have not been early adopted. The following new standards impact not assessed:

| Title   | Effective date<br>(annual periods<br>beginning on or<br>after) | Impact on financial<br>statement assessment<br>status |
|---|--|---|
| Reference to the Conceptual Framework<br>(Amendments to IFRS 3)                           | 1-Jan-22   | Impact not assessed                                   |
| Property, Plant and Equipment — Proceeds<br>before Intended Use (Amendments to IAS<br>16) | 1-Jan-22   | Impact not assessed                                   |
| Onerous Contracts — Cost of Fulfilling a<br>Contract (Amendments to IAS 37)               | 1-Jan-22   | Impact not assessed                                   |
| Annual Improvements to IFRS Standards<br>2018–2020  | 1-Jan-22   | Impact not assessed                                   |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**D. Lease**

The group recognises right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Ethiopian airlines Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using weighted average borrowing rate, which is the rate of interest that the Group would have to pay for long term loans for financing of similar assets for a similar value to the right of use asset in a similar economic environment. the right-of-use assets and liability are presented as a separate line in the statement of financial position.

**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.

**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

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

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 66,292 (USD 1,250) or more.

**Tools**

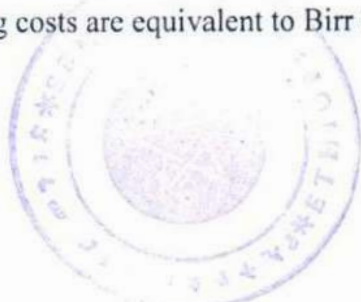
Tools shall be capitalized if the unit cost of the item plus shipping and other purchasing costs is equivalent to Birr 15,910 (USD300) or more.

**Neon Signs**

Neon Signs shall be capitalized if the unit cost of the item is equivalent to Birr 79,550 (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 66,292 (USD 1,250) or more.



## ETHIOPIAN AIRLINES GROUP

### NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2022

#### 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        | Birr 1,856,179 (USD 35,000.00) and over |
| Turbo Prop Airframe | Birr 1,325,842 (USD 25,000.00) and over |
| Twin Otter Airframe | Birr 795,505 (USD 15,000.00) and over   |
| Jet Engine          | Birr 795,505 (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 1,060,674 (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.





**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

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

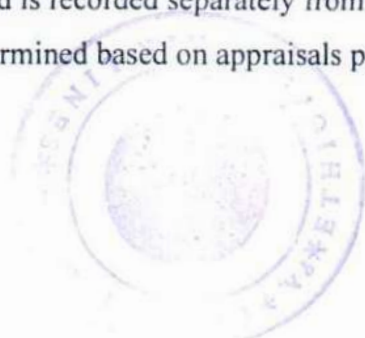
| Class of assets  | Service Life- Years                        | Residual Values (% on cost) |
|--|--|-----------------------------|
| Airframe and Engines Jet   | 18   | 10                          |
| Turbo Propeller  | 12   | 10                          |
| Twin Otter   | 10   | 10                          |
| 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 valuers.



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**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.

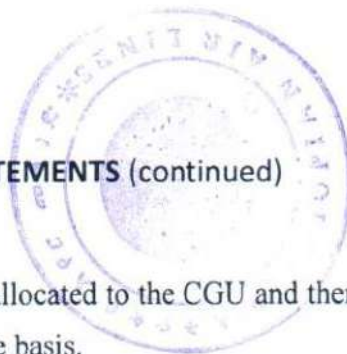
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGU).

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

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



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 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

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



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.

**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 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

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



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.

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



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**

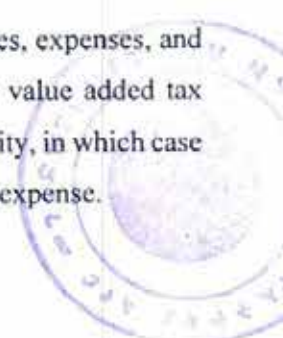
Ethiopian Airlines Group operates aircrafts through lease and monthly maintenance reserve payments are paid based on agreed charges on contractual agreements taking into account block hours, actual flight hours, and cycle to ratio. This amount will cover maintenance cost, which will occur in the future 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.

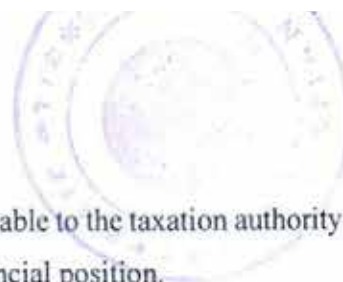
Ethiopian Airlines Group record this cost as maintenance reserve expense on monthly basis based on actual activities of the aircrafts. The long-term portion of the provision is not discounted to its present value due to uncertainties as the final date of maintenance and costs to be incurred when compared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

**O. Value Added Taxes**

Domestic Air fares 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.



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



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.



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**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,



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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 Group recognises aircraft and engine maintenance and overhaul revenue over time as the benefits are transferred to the customers by determining the appropriate amount of revenue and cost relating to third-party maintenance contracts to be recognised in the statement of profit or loss in each period, when the outcome can be estimated reliably. Estimation is based on cost plus margin. Maintenance revenue is recognised as the related performance obligations are satisfied (over time), being where the control of the goods or services are transferred to the customer. When the outcome of a maintenance contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that are likely to be recoverable.

**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.



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**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.

**Aviation related Training services**

Revenue from aviation training services is recognised over time as per the customer receive and consume the benefits of these services and the group fulfil the contractual obligations over the training period. The level of completion of course work is measured on a straight-line basis over training period. The training period varies based on the type of course. Advance payments are recognised as contract liabilities and recognised as revenue as coursework is completed.

**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

## ETHIOPIAN AIRLINES GROUP

### NOTES TO THE FINANCIAL STATEMENTS (continued)

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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.

#### **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.

#### **Lease Revenue**

The Group enters into lease agreements as a lessor with respect to some of its aircraft. Rental income from operating leases is recognised as lease revenue over the lease period. Initial direct costs incurred in negotiating and arranging an operating lease are directly reflected on the statement of profit or loss.

#### **V. Finance income and costs**

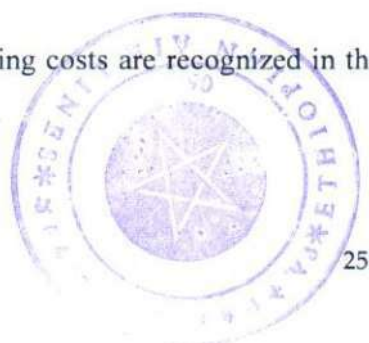
Interest income and expenses are recognized on a time proportion basis using the effective interest method.

#### **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.



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**Other 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.

**W. 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 2022 Ethiopian Airlines Group contributed Birr 527,992,675 (2021-Birr 366,312,602.) 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.



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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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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

**ETHIOPIAN AIRLINES GROUP**  
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**30 JUNE 2022**



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. 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

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

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delivering efficiency across operational areas, reducing discretionary capital expenditure, monitoring each flight profitability before it operates. The COVID-19 outbreak infections has seriously affected the industry and now there is significant recovery of Business. IATA has forecasted that the airline Industry will reach the pre-COVID in year 2024 but Ethiopian Airlines Group is currently about 80% of pre-COVID level and will reach 100% very soon. Based on measures Ethiopian airlines group has taken, management believes there is no doubt on going concern.

### 4. REVENUE

#### (A) Revenue from Contract Customer

|                                 | Birr                          | 2021<br>Birr                  |
|---------------------------------|-------------------------------|-------------------------------|
| Passenger                       | 101,511,013,695               | 55,612,753,220                |
| Freight                         | 90,229,849,576                | 54,363,894,745                |
| Charter                         | 43,408,754,141                | 18,430,339,312                |
| Excess baggage                  | 4,776,386,708                 | 3,178,289,710                 |
| Customer services - work orders | 3,637,218,818                 | 2,665,215,275                 |
| Airport charges                 | 2,024,887,558                 | 298,603,122                   |
| Mail                            | 1,281,785,099                 | 1,389,250,985                 |
| Commission                      | 1,451,285,059                 | 724,910,237                   |
| Hotel Services                  | 815,745,516                   | 282,541,003                   |
| Ground handling                 | 321,565,874                   | 193,301,572                   |
| Cargo Terminal                  | 683,207,501                   | 452,055,460                   |
| Aviation Academy                | 310,764,148                   | 114,418,947                   |
| In-Flight Sales                 | 456,305,198                   | 192,857,794                   |
| Aircraft lease                  | 589,775,136                   | 514,211,938                   |
| Catering Operations             | 36,441,015                    | 11,865,861                    |
| Miscellaneous                   | 1,520,664,146                 | 985,238,212                   |
|                                 | <b><u>253,055,649,189</u></b> | <b><u>139,409,747,392</u></b> |

#### (B) Other Income

|                                 | Birr                        | 2021<br>Birr                |
|---------------------------------|-----------------------------|-----------------------------|
| Write back of creditors account | 193,631,343                 | 246,768,933                 |
| Revenue from purchase incentive | 563,597,540                 | 330,769,247                 |
| Others                          | 8,715,101,849               | 5,010,854,397               |
|                                 | <b><u>9,472,330,733</u></b> | <b><u>5,588,392,577</u></b> |

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

**5. OPERATING EXPENSE**

|   | Birr                          | 2021<br>Birr                  |
|---|-------------------------------|-------------------------------|
| Salaries and related benefits               | 11,716,449,564                | 7,593,547,939                 |
| Aircraft fuel and oil                       | 85,851,232,740                | 34,879,321,659                |
| Depreciation of flying equipment            | 15,872,487,077                | 12,677,900,130                |
| Depreciation for Right of use assets        | 19,324,566,836                | 14,269,618,994                |
| Foreign overhauls                           | 10,821,253,361                | 7,967,248,844                 |
| Overflying and navigation                   | 9,693,603,033                 | 7,037,006,719                 |
| Handling                                    | 9,486,763,278                 | 6,555,291,205                 |
| Landing and parking                         | 3,489,514,974                 | 1,569,909,151                 |
| Passengers' expense                         | 4,485,930,646                 | 2,350,533,930                 |
| Commission and incentives                   | 4,435,977,108                 | 2,507,918,856                 |
| Aircraft materials                          | 4,030,342,598                 | 2,607,251,160                 |
| Maintenance of leased aircraft              | 3,958,291,032                 | 3,711,396,690                 |
| Central reservation system charge           | 3,158,411,409                 | 1,675,745,970                 |
| Insurance                                   | 3,178,455,829                 | 2,725,180,410                 |
| Travel                                      | 2,126,675,918                 | 1,263,986,018                 |
| Service                                     | 2,435,910,940                 | 1,414,366,267                 |
| Amortization for Engine Maintenance         | 2,673,389,398                 | 1,090,103,082                 |
| Depreciation non - flying equipment         | 1,623,160,304                 | 1,355,062,027                 |
| Depreciation for Runways, Taxiways & Aprons | 424,571,283                   | 399,439,604                   |
| Corporate Taxes                             | 952,879,867                   | 125,060,569                   |
| Communications                              | 908,199,602                   | 777,594,580                   |
| Rentals                                     | 671,893,920                   | 529,696,783                   |
| Supplies                                    | 279,363,700                   | 340,626,196                   |
| Impairment for Stock                        | 138,871,803                   | 351,799,143                   |
| Impairment for Trade and other Receivable   | 711,015,291                   | (943,159,725)                 |
| Amortization for Intangible Asset           | 67,013,890                    | 42,288,053                    |
| Utilities                                   | 123,343,138                   | 89,352,681                    |
| Advertising and publishing                  | 31,509,008                    | 11,024,387                    |
| Training                                    | 6,907,530                     | (7,128,602)                   |
| Entertainment                               | 5,018,664                     | 2,843,820                     |
| Cost of sales hotel                         | 102,086,122                   | 57,555,159                    |
| Bank Charges                                | 149,359,261                   | 136,125,241                   |
| Credit card Charges                         | 1,074,301,326                 | 549,115,619                   |
| ECL for Cash & Cash Equivalents             | 1,011,517,269                 | -                             |
| Miscellaneous                               | 254,350,949                   | 1,308,922,726                 |
|   | <b><u>205,274,618,669</u></b> | <b><u>117,022,545,285</u></b> |



**ETHIOPIAN AIRLINES GROUP**  
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**30 JUNE 2022**



**6. FOREIGN CURRENCY TRANSLATION**

|   | Birr                   | 2021<br>Birr         |
|---|------------------------|----------------------|
| Gain / (Loss) On Translation from Foreign Currency to Functional Currency for Long Term Loans       | 2,586,585,185          | (215,187,232)        |
| Gain / (Loss) On Translation from Foreign Currency to Functional Currency for others monetary Items | (4,393,938,157)        | (749,249,751)        |
|   | <u>(1,807,352,972)</u> | <u>(964,436,983)</u> |

This arises from different foreign currency transaction translation to functional currency.

**7. OTHER COMPREHENSIVE INCOME**

|  | Closing Date<br>Exchange Rate | Actual Exchange Rate | Other<br>Comprehensive<br>Income (Loss) |
|--|-------------------------------|----------------------|---|
|  | Birr                          | Birr                 | Birr                                    |
| Beginning balance Retained earning       | 86,004,456,300                | (46,679,281,684)     | 39,325,174,616                          |
| Addition From Profit                     | 20,462,998,349                | (18,500,571,630)     | 1,962,426,718                           |
| Equity as of June 30,2021                | 106,467,454,649               | (65,179,853,314)     | <u>41,287,601,336</u>                   |
| Beginning balance Retained earning       | 106,467,454,649               | (65,179,853,314)     | 41,287,601,336                          |
| Effect Of Currency Translation           | 20,232,621,415                | -                    | 20,232,621,415                          |
| Total Beginning balance Retained earning | 126,700,076,064               | (65,179,853,314)     | 61,520,222,750                          |
| Addition From Profit                     | 46,266,094,766                | (44,164,631,073)     | 2,101,463,693                           |
| Equity as of June 30,2022                | 172,966,159,607               | (109,344,484,387)    | <u>63,621,686,442</u>                   |
| OCI for the year 2022                    |                               |                      | <u>22,334,085,107</u>                   |

**8. STAFF COSTS**



|                                      | Birr                  | 2021<br>Birr         |
|--------------------------------------|-----------------------|----------------------|
| Salaries and related benefits        | 11,254,483,738        | 7,331,637,396        |
| Pension costs - Company contribution | 527,992,675           | 366,312,602          |
|                                      | <u>11,782,476,413</u> | <u>7,697,949,998</u> |

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**9. PROPERTY, PLANT AND EQUIPMENT**

|  | <u>Birr</u>            | <u>Birr</u>                     | <u>Birr</u>             | <u>Birr</u>                      | <u>Birr</u>           | <u>Birr</u>            | <u>Birr</u> |
|--|------------------------|---------------------------------|-------------------------|----------------------------------|-----------------------|------------------------|-------------|
|  | Flight Equipment       | Land, Building & Other Property | Engine Maintenance Cost | Land, Runways, Taxiways & Aprons | Work In Progress      | Total Balance          |             |
| <b>Year ended 30 June 2020</b>   |                        |                                 |                         |                                  |                       |                        |             |
| COST OR VALUATION  | 193,165,139,107        | 26,306,461,380                  | 8,899,432,111           | 40,584,471,082                   | 12,590,220,504        | 281,545,724,184        |             |
| ACCUMULATED DEPRECIATION   | 58,280,255,277         | 8,264,390,776                   | 6,205,560,853           | 758,671,182                      | -                     | 73,508,878,089         |             |
| Effect on Translation from functional To Presentation on Operating Balance | 33,579,651,898         | 3,140,015,197                   | 670,640,450             | -                                | 884,855,530           | 38,275,163,075         |             |
| <b>NET BOOK VALUE</b>  | <b>168,464,535,728</b> | <b>21,182,085,801</b>           | <b>3,364,511,707</b>    | <b>39,825,799,900</b>            | <b>13,475,076,034</b> | <b>246,312,009,170</b> |             |
| <b>Year ended 30 June 2021</b>   |                        |                                 |                         |                                  |                       |                        |             |
| Additions  | 20,298,447,088         | 4,678,296,175                   | 2,925,111,079           | -                                | 5,188,094,615         | 33,089,948,958         |             |
| Disposals/ Retirements   | (6,079,636,437)        | (117,897)                       |                         |                                  |                       | (6,079,754,333)        |             |
| Transfer Work In Progress  | 1,063,304,593          | 1,068,443,590                   |                         | 781,198,484                      | (2,912,946,667)       | -                      |             |
| Depreciation   | (12,677,900,130)       | (1,355,062,027)                 | (1,090,103,082)         | (399,439,604)                    | -                     | (15,522,504,843)       |             |
| Effect Of Currency Translation on Depreciation                             | (1,404,820,779)        | 582,358,491                     | (1,097,623,779)         |                                  |                       | (1,920,086,067)        |             |
| <b>NET BOOK VALUE</b>  | <b>169,663,930,064</b> | <b>26,156,004,133</b>           | <b>4,101,895,926</b>    | <b>40,207,558,780</b>            | <b>15,750,273,982</b> | <b>255,879,612,884</b> |             |
| Effect on Translation from functional To Presentation on Operating Balance | 32,242,192,433         | 2,984,867,906                   | 779,506,391             |                                  | 1,147,768,495         | 37,154,335,226         |             |
| <b>Year ended 30 June 2022</b>   | <b>201,906,122,497</b> | <b>29,140,872,038</b>           | <b>4,881,402,317</b>    | <b>40,207,558,780</b>            | <b>16,897,992,477</b> | <b>293,033,948,110</b> |             |
| Additions  | 18,409,285,226         | 668,591,926                     | 1,865,383,942           | -                                | 13,236,390,414        | 34,179,651,509         |             |
| Disposals/ Retirements   | (1,629,528,991)        | (172,974,850)                   |                         |                                  |                       | (1,802,503,841)        |             |
| Transfer Work In Progress  | 5,093,062,713          | 6,073,632,295                   |                         | 1,245,706,964                    | (12,412,401,971)      | -                      |             |
| Depreciation   | (15,872,487,077)       | (1,623,160,304)                 | (2,673,389,398)         | (424,571,283)                    |                       | (20,593,608,061)       |             |
| Effect Of Currency Translation on Depreciation                             | (1,435,912,479)        | (55,162,973)                    | 244,959,802             |                                  |                       | (1,246,115,650)        |             |
| <b>NET BOOK VALUE</b>  | <b>206,470,541,899</b> | <b>34,031,798,133</b>           | <b>4,318,356,663</b>    | <b>41,028,694,461</b>            | <b>17,721,980,920</b> | <b>303,571,372,068</b> |             |

N.B Boeing commercial has fixed the B737 Max aircrafts problem and all aircrafts are back to operation.

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 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 30 JUNE 2022

**10. INTANGIBLE ASSET**

|  | <b>Birr</b>               | <b>2021</b>               |
|--|---------------------------|---------------------------|
|  |                           | <b>Birr</b>               |
| Balance brought forward  | 253,058,296               | 212,561,437               |
| Additional For the Year  | 148,033,794               | 42,097,789                |
| Amortization for Intangible Asset                                  | (67,638,602)              | (43,712,017)              |
| Effects on Translation from functional To<br>Presentation Currency | 40,482,641                | 42,111,088                |
| <b>Balance carried forward</b>                                     | <b><u>373,936,129</u></b> | <b><u>253,058,296</u></b> |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**11. INVESTMENT IN ASSOCIATES**

**(A) Investment in Associates**

| Associates   | Percentage of equity owned | Principal activities            | Country of incorporation and principal operations |
|--|----------------------------|---------------------------------|---|
| ASKY Airlines<br>(901,500 shares of US dollars 20 each par value and each share has one voting right)                | 25.26                      | Air transport services          | Lomé, Togo  |
| Malawi Airlines (460,000 shares of US Dollars 35 each par value and each share has 1 voting right )                  | 49                         | Air transport services          | Lilongwe, Malawi                                  |
| Chad Airlines (441,000 Shares each share has 1 voting right )  | 49                         | Air transport services          | N'Djamena, Chad                                   |
| Ethiopian Mozambique Airlines LTD (99% of shares)  | 99                         | Air transport services          | Maputo, Mozambique                                |
| DHL-ET logistics services (5,355 shares each par value Ethiopian Birr 1000 ), Management effective control under DHL | 51                         | Logistics services              | Addis Ababa, Ethiopia                             |
| Ethiopian Sky Technologies P.L.C (6,103 shares each par value Ethiopian Birr 1000)                                   | 51                         | Manufacturing services          | Addis Ababa, Ethiopia                             |
| Zambia Airways (450,000 shares each par value ZMW 1)   | 45                         | Air transport services          | Lusaka, Zambia                                    |
| Universal Air Travel Plan (UATP) (71 shares each par value USD 20,000 )  | 71 Shares                  | Information technology services | Washington, D.C, USA                              |
| France Telecom (271,640 shares each par value EUR 11.22 )  | 271,640 Shares             | Telecommunications services     | Paris, France                                     |
| SITA (37 shares each par value EUR 5 )   | 5 Shares                   | Information technology services | Geneva, Switzerland                               |

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**(B) Movement of Investment in Associates**

|  | Birr                      | 2021<br>Birr              |
|--|---------------------------|---------------------------|
| ASKY Airlines<br>(901,500 shares of US dollars 20 each par value and each share has one voting right)                | 955,921,992               | 803,271,738               |
| Less; Share of loss from investment  | (717,091,944)             | (803,271,738)             |
| <b>Net investment</b>  | <b>238,830,047</b>        | -                         |
| Malawi Airlines (460,000 shares of US Dollars 35 each par value and each share has 1 voting right )                  | 853,842,766               | 717,493,444               |
| Less; Share of loss from investment  | (550,230,177)             | (593,377,388)             |
| <b>Net investment</b>  | <b>303,612,589</b>        | <b>124,116,056</b>        |
| Chad Airlines (441,000 Shares each share has 1 voting right )  | 389,797,695               | 327,551,280               |
| Less; Share of loss from investment  | (389,797,695)             | (325,038,130)             |
| <b>Net investment</b>  | -                         | <b>2,513,150</b>          |
| Ethiopian Mozambique Airlines LTD  | 534,777,600               | 534,777,600               |
| Less; Share of loss from investment  | (534,777,600)             | (534,777,600)             |
| <b>Net investment</b>  | -                         | -                         |
| DHL-ET logistics services (5,355 shares each par value Ethiopian Birr 1000 ), Management effective control under DHL | 15,568,588                | 13,082,456                |
| Less; Share of loss from investment  | (1,711,096)               | 6,481,885                 |
| <b>Net investment</b>  | <b>13,857,493</b>         | <b>19,564,340</b>         |
| France Telecom (271,640 shares each par value EUR 11.22 )  | 168,925,944               | 129,722,427               |
| Ethiopian Sky Technologies P.L.C (6,103 shares each par value Ethiopian Birr 1000)                                   | 8,017,894                 | 6,737,524                 |
| Zambia Airways (450,000 shares each par value ZMW 1)   | 72,794,693                | -                         |
| Universal Air Travel Plan (UATP) (71 shares each par value USD 20,000 )  | 1,060,674                 | -                         |
| SITA (37 shares each par value EUR 5 )   | 10,254                    | 14,098                    |
|  | <b><u>807,109,587</u></b> | <b><u>282,667,596</u></b> |

**12. FINANCE INCOME AND COSTS**

**(A) Finance income**

Interest income on bank deposits and Investment  
 Others  
**Finance income**



| Birr                      | 2021<br>Birr              |
|---------------------------|---------------------------|
| 161,584,849               | 101,914,245               |
| 27,924,775                | 34,339,868                |
| <b><u>189,509,624</u></b> | <b><u>136,254,113</u></b> |

## ETHIOPIAN AIRLINES GROUP

### NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2022

#### (B) Finance cost

Interest expense on lease liabilities  
Interest Expense on Long Term loans  
Other Finance Costs  
**Finance costs**



|  | Birr                        | 2021<br>Birr                |
|--|-----------------------------|-----------------------------|
|  | 4,724,039,909               | 3,623,373,269               |
|  | 3,299,600,138               | 3,634,587,177               |
|  | 136,884                     | 100,584                     |
|  | <b><u>8,023,776,931</u></b> | <b><u>7,258,061,030</u></b> |

### 13. STANDING DEPOSITS

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

#### (A) Standing Deposit Movement

|   |       | Birr                         | 2021<br>Birr                 |
|---|-------|------------------------------|------------------------------|
| Security Deposit  |       | 8,751,334,565                | 7,273,347,865                |
| Deposit for Pre-delivery payment for aircraft purchase                | 13(b) | 14,752,539,538               | 8,823,755,297                |
| Less; Effects on Translation from functional To Presentation Currency |       | (48,161,721)                 | (10,860,351)                 |
|   |       | <b><u>23,455,712,382</u></b> | <b><u>16,086,242,811</u></b> |

#### (B) Pre-delivery Aircraft schedule

The deposit relates to Pre-delivery payment for aircraft purchase represent amount paid to Boeing and Airbus in relation to B777F , B737 MAX & Q400 aircrafts. The delivery schedule is as follows:

Within one year  
Between 2 and 5 years  
After 5 years



|  | Birr                         | 2021<br>Birr                |
|--|------------------------------|-----------------------------|
|  | 11,071,896,733               | 6,598,229,131               |
|  | 3,680,642,805                | 2,219,111,420               |
|  | =                            | 6,414,746                   |
|  | <b><u>14,752,539,538</u></b> | <b><u>8,823,755,297</u></b> |

## ETHIOPIAN AIRLINES GROUP

### NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2022

#### 14. EMPLOYEE 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 amortized cost. The loan is guaranteed by employee houses as collateral.

#### 15. STOCK

|   | Birr                         | 2021<br>Birr                |
|---|------------------------------|-----------------------------|
| Aircraft parts                          | 11,299,142,580               | 7,890,081,236               |
| Stock of stationery and other materials | <u>1,821,499,589</u>         | <u>1,447,949,108</u>        |
|   | 13,120,642,169               | 9,338,030,345               |
| Less: Impairment for stock              | <u>(2,754,548,368)</u>       | <u>(1,569,017,736)</u>      |
|   | <u><b>10,366,093,800</b></u> | <u><b>7,769,012,608</b></u> |

#### 16. TRADE AND OTHER RECEIVABLES

|  | Birr                         | 2021<br>Birr                 |
|--|------------------------------|------------------------------|
| Transportation - Others                          | 9,383,997,877                | 7,054,458,855                |
| Airport Service Charges                          | 263,933,614                  | 366,590,814                  |
| Trade Debtors                                    | 2,561,977,078                | 1,078,204,524                |
| Deposits and prepayments                         | 11,779,482,248               | 8,177,130,398                |
| Transportation - Airlines                        | 5,895,274,183                | 4,760,376,922                |
| Claims from aircraft lessor                      | 526,091,614                  | 106,549,495                  |
| Ethiopian Government                             | 177,526,767                  | 31,527,179                   |
| Value added tax and duties recoverable           | 2,488,645,240                | 2,454,747,948                |
| Airmail  | 36,106,431                   | 49,098,026                   |
| Claims from insurance                            | 485,422,787                  | 4,500,531,132                |
| Miscellaneous                                    | <u>3,148,733,821</u>         | <u>4,487,754,391</u>         |
|  | 36,747,191,659               | 33,066,969,683               |
| Less: Impairment for Trade and Other Receivables | <u>(3,119,939,574)</u>       | <u>(2,112,063,754)</u>       |
|  | <u><b>33,627,252,086</b></u> | <u><b>30,954,905,930</b></u> |

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

**17. SHORT TERM INVESTMENTS**

|                                      | Birr                         | 2021<br>Birr            |
|--------------------------------------|------------------------------|-------------------------|
| Short term Investment                | 24,730,980,731               | 1,144,878               |
| Less: ECL for Short Term Investments | <u>(61,731,227)</u>          | =                       |
|                                      | <u><b>24,669,249,504</b></u> | <u><b>1,144,878</b></u> |

**18. CASH AND CASH EQUIVALENTS**

|                                       | Birr                         | 2021<br>Birr                 |
|---------------------------------------|------------------------------|------------------------------|
| Cash with foreign banks               | 44,787,072,634               | 26,561,192,080               |
| Less: ECL for Cash & Cash Equivalents | <u>(955,232,988)</u>         | <u>(4,843,580)</u>           |
|                                       | <u><b>43,831,839,646</b></u> | <u><b>26,556,348,500</b></u> |
| Cash with local banks                 | 6,527,296,632                | 8,462,209,930                |
| Cash on hand                          | 28,572,308                   | 82,753,197                   |
|                                       | <u><b>50,387,708,586</b></u> | <u><b>35,101,311,627</b></u> |

**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. As per Council of Ministers proclamation number 406/2009 Ethiopian airlines Group is authorized to transfer the net profits to paid up capital.





ETHIOPIAN AIRLINES GROUP  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 30 JUNE 2022  
 20. LONG TERM LOANS



(A) Long Term Loans Movement

|   |        | Birr                   | 2021<br>Birr           |
|---|--------|------------------------|------------------------|
| Balance brought forward   |        | 129,445,273,628        | 103,907,856,767        |
| Additional loans  |        | 15,183,714,817         | 17,141,346,321         |
| Effects on Translation from Transaction to functional Currency  |        | 2,586,585,184          | -215,187,232           |
| Effects on Translation from functional To Presentation Currency |        | 17,185,909,778         | 26,778,071,120         |
|   |        | <u>164,401,483,406</u> | <u>147,612,086,976</u> |
| Less: Repayments  |        | 31,838,380,574         | 18,166,813,349         |
| Balance carried forward   | 20 (c) | <u>132,563,102,832</u> | <u>129,445,273,629</u> |
| Accrued interest  |        | 350,215,752            | 322,221,401            |
| Principal Payable within One Year                               |        | 20,394,503,591         | 18,603,052,485         |
| <b>Total Current Maturity</b>                                   |        | <u>20,744,719,341</u>  | <u>18,925,273,886</u>  |
| <b>Long Term Loan</b>   | 20 (b) | <u>111,818,383,491</u> | <u>110,519,999,739</u> |

(B) Long Term Loan Repayable Schedule

|                             | Birr                   | 2021<br>Birr           |
|-----------------------------|------------------------|------------------------|
| Within one year             | 20,744,719,341         | 18,925,273,886         |
| Between 2 and 5 years       | 36,375,013,632         | 36,948,079,667         |
| After 5 years               | 75,443,369,858         | 73,571,920,074         |
| <b>Total Long Term Loan</b> | <u>111,818,383,491</u> | <u>110,519,999,741</u> |

(C) Long Term Loan denominated currencies

|                    | Birr                   | 2021<br>Birr           |
|--------------------|------------------------|------------------------|
| US Dollar          | 103,354,824,731        | 112,459,927,578        |
| EURO               | 16,358,792,786         | 3,669,575,705          |
| Chinese yuan (CNY) | 10,034,180,852         | 10,295,134,256         |
| Japanese Yen (JPY) | 2,815,304,463          | 3,020,636,089          |
|                    | <u>132,563,102,832</u> | <u>129,445,273,628</u> |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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Loans from foreign lending institutions secured on aircraft bearing interest at rates of between 0.35% and 7.35% per annum and repayable in quarterly instalments.

All Ethiopian airlines aircraft and Project loans are secured loan from 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**

|  | <b>Birr</b>                 | <b>2021<br/>Birr</b>        |
|--|-----------------------------|-----------------------------|
| Balance brought forward  | 1,989,705,447               | 1,377,127,013               |
| Additional For the Year  | 723,814,858                 | 675,776,123                 |
| Utilized In the Year   | (1,047,289,584)             | (406,034,071)               |
| Effects on Translation from functional To<br>Presentation Currency | <u>378,114,935</u>          | <u>342,836,383</u>          |
| Balance carried forward  | <u><b>2,044,345,656</b></u> | <u><b>1,989,705,448</b></u> |

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

**22. EMPLOYEE BENEFIT OBLIGATION**

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.



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

**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 |
|-----------------------------|-------------|
| 20th                        | 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**

|   | <b>Birr</b>               | <b>2021</b>               |
|---|---------------------------|---------------------------|
|   |                           | <b>Birr</b>               |
| Opening benefit obligation                                    | 645,728,071               | 477,942,719               |
| Current service cost (employer)                               | 45,055,855                | 41,442,613                |
| Interest cost   | 29,469,439                | 25,896,051                |
| Actuarial (gain) / loss - due to experience                   | 154,185,208               | (6,043,080)               |
| Benefits paid   | (11,611,670)              | (12,495,949)              |
| Adjustment Reclassification of OCI                            |                           | (70,374,419)              |
| Adjustment Reclassification of P&L                            |                           | 70,374,419                |
| Effect on Translation from Transaction to Functional Currency | 122,758,145               | 118,985,717               |
| <b>Closing benefit obligation</b>                             | <b><u>985,585,048</u></b> | <b><u>645,728,071</u></b> |



ETHIOPIAN AIRLINES GROUP  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 30 JUNE 2022



**II - Reconciliation of assets**

|                                | Birr         | 2021<br>Birr |
|--------------------------------|--------------|--------------|
| Employer contributions         | (11,611,670) | (12,495,949) |
| Benefits paid                  | 11,611,670   | 12,495,949   |
| Closing market value of assets | <u>0.00</u>  | <u>0.00</u>  |

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

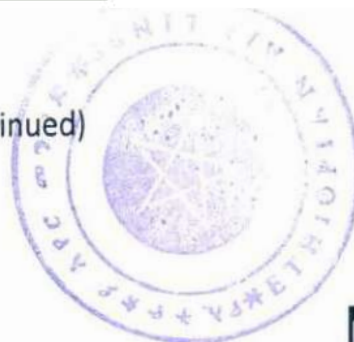
|  | Birr               | 2021<br>Birr       |
|--|--------------------|--------------------|
| Present value of funded obligations              | 985,585,048        | 645,728,071        |
| "Fair" value of Scheme assets                    |                    |                    |
| Net underfunding in funded plan                  | 985,585,048        | 645,728,071        |
| Defined benefit obligation (asset) recognized in | <u>985,585,048</u> | <u>645,728,071</u> |

**IV - Amount recognized in profit or loss**

|  | Birr              | 2021<br>Birr       |
|--|-------------------|--------------------|
| Service Cost   |                   |                    |
| Current service cost (employer)                        | 45,055,855        | 41,442,613         |
| Total Service Cost                                     | 45,055,855        | 41,442,613         |
| Interest cost on defined benefit obligation            | 29,469,439        | 25,896,051         |
| Recognition of past service medical cost               |                   | (70,374,419)       |
| Net Interest Cost on Balance Sheet Liability           | 29,469,439        | (44,478,368)       |
| Total included in profit and loss in respect of Scheme | <u>74,525,294</u> | <u>(3,035,755)</u> |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**V - Amount recognized in OCI**

|   | <b>Birr</b>        | <b>2021<br/>Birr</b> |
|---|--------------------|----------------------|
| Actuarial (gain)loss - experience adjustments arising from participants' movement | 154,185,208        | (6,043,080)          |
| Adjustment Reclasification from P&L   |                    | 70,374,419           |
| Amount recognized in OCI statement for the fiscal year                            | <u>154,185,208</u> | <u>64,331,339</u>    |

These will not be reclassified subsequently to profit or loss

**VI - Reconciliation**

|   | <b>Birr</b>        | <b>2021<br/>Birr</b> |
|---|--------------------|----------------------|
| Net liability at start of period                              | 645,728,071        | 477,942,719          |
| Net expense recognised in the income statement                | 74,525,294         | (3,035,755)          |
| Employer contributions  | 154,185,208        | 64,331,339           |
| Amount recognized in OCI                                      | (11,611,670)       | (12,495,949)         |
| Effect on Translation from Transaction to Functional Currency | 122,758,145        | 118,985,717          |
| Net liability at end of period                                | <u>985,585,048</u> | <u>645,728,071</u>   |

**VII - Actuarial Assumptions**

|   | <b>Birr</b> | <b>2021<br/>Birr</b> |
|---|-------------|----------------------|
| Discount rate (% p.a.)                                  | 14.25%      | 7.00%                |
| Future salary increases (% p.a.)                        | 10.00%      | 6.00%                |
| weighted average duration of defined benefit obligation | 7.70        | 7.80                 |



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 2022 Ethiopian Airlines Group contributed birr 527,992,675 (2021 birr 366,312,602).

**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**VIII - 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.

|   | <b>Scenario-1<br/>Base</b> | <b>Scenario-2<br/>Discount Rate<br/>Increased By 1%</b> | <b>Scenario-3<br/>Salary Rate<br/>Increased By 1%</b> |
|---|----------------------------|---|---|
| Discount Rate   | 14.25%                     | 15.25%  | 14.25%  |
| Salary Increase   | 10.00%                     | 10.00%  | 11.00%  |
| Net Liability At start of Period                              | 404,269,895                | 404,269,895   | 404,269,895   |
| Total Net Expense Recognised in the Income Statement          | 74,525,294                 | 74,525,294  | 74,525,294  |
| Net expense Recognised in the OCI                             | 154,185,208                | 105,828,623   | 211,158,891   |
| Employer Contributions  | (11,611,670)               | (11,611,670)  | (11,611,670)  |
| Effect on Translation from Transaction to Functional Currency | 364,198,321                |   |   |
| <b>Net Liability At end of Period</b>                         | <b>985,567,048</b>         | <b>573,012,142</b>                                      | <b>678,342,410</b>                                    |

**Sensitivity Analysis (Continued)**

|  | <b>Scenario-4<br/>Discount Rate<br/>Decreased By 1%</b> | <b>Scenario-5<br/>Salary Rate<br/>Decreased By 1%</b> | <b>Scenario-6<br/>Increased<br/>Decrements<br/>(+10%)</b> | <b>Scenario-7<br/>Decreased<br/>Decrements<br/>(-10%)</b> |
|--|---|---|---|---|
| Discount Rate  | 13.25%  | 14.25%  | 14.25%  | 14.25%  |
| Salary Increase                                      | 10.00%  | 9.00%   | 10.00%  | 10.00%  |
| Net Liability At start of Period                     | 404,269,895   | 404,269,895   | 404,269,895   | 404,269,895   |
| Total Net Expense Recognised in the Income Statement | 74,525,294  | 74,525,294  | 74,525,294  | 74,525,294  |
| Net expense Recognised in the OCI                    | 211,512,791   | 105,677,405   | 163,043,144   | 145,268,808   |
| Employer Contributions                               | (11,611,670)  | (11,611,670)  | (11,611,670)  | (11,611,670)  |
| <b>Net Liability At end of Period</b>                | <b>678,696,310</b>                                      | <b>572,860,924</b>                                    | <b>630,226,663</b>  | <b>612,452,327</b>  |

**ETHIOPIAN AIRLINES GROUP**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**30 JUNE 2022**



**XI - 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 11,611,670 (2021 birr 12,495,949).

**23. DEFERRED TAX LIABILITY**

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                     | 2021<br>Birr            |
|---------------------------------|--------------------------|-------------------------|
| Beginning Balance               | 6,675,617                | -                       |
| Current year Deferred tax       | 13,900,843               | 6,675,617               |
| <b>Deferred Tax Liabilities</b> | <b><u>20,576,459</u></b> | <b><u>6,675,617</u></b> |

**24. DEFERRED LIABILITIES**

|                                     | Birr                        | 2021<br>Birr                |
|-------------------------------------|-----------------------------|-----------------------------|
| Security deposits                   | 495,357,158                 | 399,798,681                 |
| Retentions payable                  | 430,843,277                 | 49,601,972                  |
| Leased Aircraft maintenance reserve | 520,419,499                 | 384,642,053                 |
| Miscellaneous                       | 807,757,156                 | 1,123,344,218               |
|                                     | <u>2,254,377,090</u>        | <u>1,957,386,925</u>        |
|                                     | <b><u>2,254,377,090</u></b> | <b><u>1,957,386,925</u></b> |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

**25. TRADE AND OTHER PAYABLES**

|  | Birr                         | 2021<br>Birr                 |
|--|------------------------------|------------------------------|
| Transportation tax and embarkation fees          | 4,552,699,875                | 1,941,719,671                |
| Payable to oil companies                         | 7,710,852                    | 25,782,494                   |
| Goods received but not billed                    | 321,882,768                  | 630,866,731                  |
| Customers' advances for work orders              | 156,485,030                  | 35,686,601                   |
| Accruals for leasing and maintenance of aircraft | 8,750,561                    | 16                           |
| Services received but not billed                 | 13,761,739,451               | 9,655,449,023                |
| Others   | <u>7,854,659,071</u>         | <u>8,520,322,449</u>         |
|  | <u><b>26,663,927,607</b></u> | <u><b>20,809,826,985</b></u> |

**26. TAXATION**

Ethiopian Airlines Group exempted from tax but one of the segment Ethiopian Skylight Hotel is not exempted.

**A - Profit or loss account Income tax expense**

|  | Birr                     | 2021<br>Birr             |
|--|--------------------------|--------------------------|
| Current Taxation based on profit for the year at 30% | 75,745,588               | 14,243,030               |
| Deferred tax   | <u>13,900,843</u>        | <u>6,675,617</u>         |
|  | <u><b>89,646,431</b></u> | <u><b>20,918,647</b></u> |





**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

**B - Tax expense computation**

|                               |                          | <b>2021</b>              |
|-------------------------------|--------------------------|--------------------------|
|                               |                          | <b>Birr</b>              |
| <b>Net Profit Before tax</b>  | 301,459,859              | 81,697,554               |
| ADD :Dis Allowed expenses     |                          |                          |
| Depreciation                  | 76,379,113               | 75,994,189               |
| Provision for doubtful debts  | (122,663)                | (137,714)                |
| Entertainment                 | 2,625,061                | 1,315,008                |
| Gain-Unrealized Exchange Rate | (5,140,823)              |                          |
|                               | <b>375,200,548</b>       | <b>158,869,037</b>       |
| Less: Allowed Expenses        |                          |                          |
| Deprciation                   | 122,715,256              | 108,003,036              |
| Loss carry forward            | -                        | 3,389,233                |
| Taxable Profit                | <b>252,485,292</b>       | <b>47,476,767</b>        |
| <b>Tax expense at 30%</b>     | <b>75,745,588</b>        | <b>14,243,030</b>        |
| Defered Tax                   | 13,900,843               | 6,675,617                |
| <b>Tax expense</b>            | <b><u>89,646,431</u></b> | <b><u>20,918,647</u></b> |

**C - Reconciliation of Tax expense to the expected tax based on accounting**

|   |                          | <b>2021</b>              |
|---|--------------------------|--------------------------|
|   |                          | <b>Birr</b>              |
| Net profit before taxation                            | 301,459,859              | 81,697,554               |
| <b>Tax at the applicable rate 30%</b>                 | 90,437,958               | 24,509,266               |
| Tax effect of expenses not deductible for tax purpose | 23,664,453               | 23,151,445               |
| Tax effect of expenses deductible for tax purpose     | (36,814,577)             | (33,417,681)             |
| Deferred tax  | 13,900,843               | 6,675,617                |
| <b>Tax expense</b>                                    | <b><u>91,188,677</u></b> | <b><u>20,918,647</u></b> |



# ETHIOPIAN AIRLINES GROUP

## NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2022

### D - Tax payable

Beginning of the year  
Paid during the period  
Withholding tax  
Current year Tax payable



8,607,069.10  
(8,607,069.10)  
(7,542,968.54)  
75,745,588  
**68,202,619**

2021  
Birr

-  
-  
(5,635,961)  
14,243,030  
**8,607,069**

## 27. CASH FLOW FROM OPERATING ACTIVITIES

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 15,183,714,817**.

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the year

Birr  
47,611,740,973

2021  
Birr  
19,889,350,782

#### Adjustments for;

Income tax expense recognized in profit or loss

89,646,431

20,918,647

Finance costs recognized in profit or loss

8,023,776,931

7,258,061,030

Interest income recognized in profit or loss

(189,509,624)

(136,254,112)

Depreciation and amortization

39,985,188,788

30,875,192,061

Amortization of purchase incentives

(563,597,540)

(330,769,247)

Gain on Translation from Transaction to Functional Currency on loans

(2,586,585,184)

(19,654,299)

Impairment for Receivables

711,015,291

(943,159,725)

Impairment for stock

138,871,803

351,799,143

Share of loss from associates

12,425,926

1,019,193,826

Provision for maintenance

723,814,858

1,018,612,506

Creditors' accounts written back to profit or loss

(264,416,357)

(246,768,933)

**93,692,372,296**

**58,756,521,682**

#### Movements in working capital

Increase in stock

(3,782,611,824)

(1,830,073,665)

Increase in Trade and other receivables

(5,825,499,652)

(12,976,660,177)

Increase in Trade and other liabilities

7,991,015,974

5,141,744,648

Increase in Lease Liabilities

8,270,970,713

21,057,813,570

Increase in Contract Liability

19,329,443,623

9,790,981,913

Increase in deferred liabilities

296,990,165

757,159,106

#### Cash generated from operations

**119,972,681,296**

**80,697,487,078**

Finance costs Paid

(3,271,742,672)

(3,653,776,237)

Loss on Translation from Transaction to Functional Currency for others

4,393,938,157

94,119,839

Income tax paid

(9,731,387)

-

### NET CASH FLOWS FROM OPERATING ACTIVITIES

**121,085,145,394**

**77,137,830,680**





## 28. ADJUSTMENT ON CHANGE IN OWNERS EQUITY

Ethiopian airport one of Ethiopian Airlines segment adjusted changes in owners' equity for ETB 4,177,552 due to cash injection from Government for ongoing airport projects.

## 29. RIGHT OF USE ASSETS AND LIABILITY

### A- Right of use assets

|  | Birr                          | 2021<br>Birr                  |
|--|-------------------------------|-------------------------------|
| Balance brought forward  | 123,234,070,922               | 101,660,545,066               |
| Additions  | 3,484,138,005                 | 13,565,918,090                |
| Depreciation for the year                                      | (19,324,566,836)              | (14,278,497,051)              |
| Effects on Translation from Transaction to functional Currency | 22,102,688,659                | 22,286,104,816                |
| <b>Balance carried forward</b>                                 | <b><u>129,496,330,749</u></b> | <b><u>123,234,070,922</u></b> |

### B- Lease liability

|   | Birr                          | 2021<br>Birr                  |
|---|-------------------------------|-------------------------------|
| <b>Gross Lease Liabilities</b>            |                               |                               |
| Within one year                           | 23,482,280,545                | 20,245,241,612                |
| between 2 and 5 years                     | 100,257,836,741               | 88,794,018,571                |
| After 5 years                             | 27,700,681,318                | 34,968,238,793                |
| Future Interest                           | (17,611,431,290)              | (18,449,102,378)              |
| <b>Present value of lease liabilities</b> | <b>133,829,367,314</b>        | <b>125,558,396,599</b>        |
| Repayable as follows                      |                               |                               |
| Within one year                           | 19,147,007,022                | 16,336,369,843                |
| between 2 and 5 years                     | 88,388,616,619                | 76,379,081,023                |
| After 5 years                             | 26,293,743,672                | 32,842,945,733                |
| <b>Total Over A year</b>                  | <b><u>114,682,360,292</u></b> | <b><u>109,222,026,756</u></b> |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**30. CONTRACT LIABILITY**

|   | <b>Birr</b>                  | <b>2021<br/>Birr</b>         |
|---|------------------------------|------------------------------|
| Balance brought forward   | 30,837,997,235               | 21,047,015,322               |
| Addition for Current Year   | 530,548,417,238              | 293,009,549,142              |
|   | <b>561,386,414,473</b>       | <b>314,056,564,464</b>       |
| Revenue realized from Pervious Year   | (37,958,347,378)             | (20,911,462,109)             |
| Revenue realized from current year  | (215,097,301,811)            | (118,498,285,283)            |
|   | <b>(253,055,649,189)</b>     | <b>(139,409,747,392)</b>     |
| Total Refund amount for current Year  | (264,023,642,766)            | (149,048,483,674)            |
| Effects on Translation from functional To Presentation<br>Currency on Opening Balance | <u>5,860,318,341</u>         | <u>5,239,663,837</u>         |
| <b>Balance carried forward</b>  | <b><u>50,167,440,858</u></b> | <b><u>30,837,997,235</u></b> |

**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 makes 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 Skylight 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.



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

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.

**(A) Ethiopian Airlines**

|                                 | <b>Birr</b>     | <b>2021<br/>Birr</b> |
|---------------------------------|-----------------|----------------------|
| Total segment Revenue           | 258,960,588,436 | 144,139,178,264      |
| Revenue from External Customers | 258,833,797,768 | 144,139,178,264      |
| Intercompany Revenue            | 126,790,668     | -                    |
| Intercompany Expense            | 1,630,790,191   | 2,051,205,476        |
| Total segment Expense           | 214,795,957,362 | 125,638,606,634      |
| Expense from External Customers | 213,165,167,171 | 123,587,401,158      |
| Segment profit before tax       | 44,164,631,073  | 18,500,571,630       |
| Finance income                  | 189,509,625     | 136,254,113          |
| Finance cost                    | (7,951,065,630) | (7,192,373,402)      |
| Income tax                      | -               | -                    |
| Depreciation and amortization   | 39,027,317,139  | 29,007,109,149       |
| Segment Asset                   | 511,043,068,657 | 406,126,828,039      |
| Segment Liability               | 334,256,115,285 | 297,976,325,553      |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**

**(B) Ethiopian Airports**

|                                 | <b>Birr</b>    | <b>2021<br/>Birr</b> |
|---------------------------------|----------------|----------------------|
| Total segment Revenue           | 3,365,721,625  | 2,708,468,072        |
| Revenue from External Customers | 3,032,990,186  | 793,563,811          |
| Intercompany Revenue            | 1,534,607,271  | 1,914,904,261        |
| Intercompany Expense            | 30,266,525     | -                    |
| Total segment Expense           | 1,724,412,332  | 1,401,386,473        |
| Expense from External Customers | 1,694,145,807  | 1,401,386,473        |
| Segment profit before tax       | 3,145,650,040  | 1,307,081,598        |
| Finance income                  | -              | -                    |
| Finance cost                    | -              | -                    |
| Income tax                      | -              | -                    |
| Depreciation and amortization   | 877,955,354    | 747,771,369          |
| Segment Asset                   | 65,788,596,901 | 63,777,711,475       |
| Segment Liability               | 12,622,620,844 | 11,383,907,979       |

**(C) Ethiopian SKYLIGHT HOTEL**

|                                 | <b>Birr</b>   | <b>2021<br/>Birr</b> |
|---------------------------------|---------------|----------------------|
| Total segment Revenue           | 858,878,924   | 442,105,111          |
| Revenue from External Customers | 850,701,591   | 302,102,834          |
| Intercompany Revenue            | 96,182,921    | 136,301,215          |
| Intercompany Expense            | 96,524,143    | -                    |
| Total segment Expense           | 557,419,064   | 360,407,557          |
| Expense from External Customers | 460,894,921   | 360,407,557          |
| Segment profit before tax       | 301,459,859   | 81,697,554           |
| Finance income                  | -             | -                    |
| Finance cost                    | (72,711,301)  | (65,687,628)         |
| Income tax                      | (89,646,431)  | (20,918,647)         |
| Depreciation and amortization   | 76,379,113    | 75,994,189           |
| Segment Asset                   | 452,205,588   | 181,646,524          |
| Segment Liability               | 1,718,189,353 | 1,899,364,044        |



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**(D) Ethiopian Airlines Group**

|                                 | <b>Birr</b>     | <b>2021<br/>Birr</b> |
|---------------------------------|-----------------|----------------------|
| Total segment Revenue           | 263,185,188,984 | 147,289,751,447      |
| Revenue from External Customers | 262,717,489,545 | 145,234,844,908      |
| Intercompany Revenue            | 1,757,580,859   | 2,051,205,476        |
| Intercompany Expense            | 1,757,580,859   | 2,051,205,476        |
| Total segment Expense           | 217,077,788,758 | 127,400,400,664      |
| Expense from External Customers | 215,320,207,899 | 125,349,195,188      |
| Segment profit before tax       | 47,611,740,973  | 19,889,350,782       |
| Finance income                  | 189,509,625     | 136,254,113          |
| Finance cost                    | (8,023,776,931) | (7,258,061,030)      |
| Income tax                      | (89,646,431)    | (20,918,647)         |
| Depreciation and amortization   | 39,981,651,605  | 29,830,874,707       |
| Segment Asset                   | 577,283,871,145 | 470,086,186,038      |
| Segment Liability               | 348,596,925,483 | 311,259,597,576      |

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**1- Risk Management Framework**

Ethiopian Airlines Group conduct its business activities in a VUCA environment where volatility, uncertainty, complexity, and ambiguity of commercial environment is very difficult to plan and analyse the future of the business. The Group's understanding and knowledge of how to proactively mitigate the risk involved in this commercial environment is very crucial to improve the strategic decision and achieve its corporate Vision.

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.

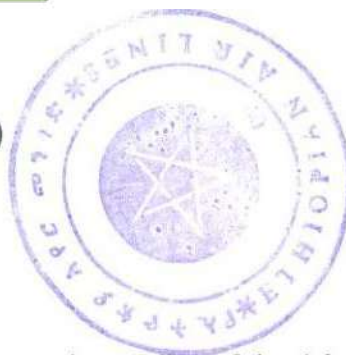
The airline's major commitments such as loan repayments and lease commitments are mostly paid in USD and the concentration account is maintained in USD as well. This can minimize the currency risk in terms of convertibility and volatility.

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.



**ETHIOPIAN AIRLINES GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**30 JUNE 2022**



**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. 85% of the loans are denominated in USD and the remaining 15% in other currencies. 82% of the airline's debts are on fixed and 18% on floating interest rate basis, at an average weighted interest rate of 3.01% 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 to the desirable level.

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 as below.

**Interest Rate Exposure**

|                        | 2022                  |                 | 2021                  |                 |
|------------------------|-----------------------|-----------------|-----------------------|-----------------|
|                        | Average Interest Rate | ETB In Millions | Average Interest Rate | ETB In Millions |
| Total Outstanding Loan | 3.01%                 | 132,563         | 3.00%                 | 129,445         |

**Interest rate risk: Sensitivity Analysis**

A variable interest rate loan is a loan where the interest rate on debt fluctuates throughout the loan period as a result of the rate tied to an index and 1% increase/decrease in the floating interest rate at the reporting date would have increased/decreased profit/loss and equity by the below shown amount.

| Profit / Loss & Equity      |                 |                 |
|-----------------------------|-----------------|-----------------|
| Variable Interest Rate Loan | 2022            | 2021            |
|                             | ETB In Millions | ETB In Millions |
| 1% Increase                 | (239)           | (259)           |
| 1% Increase                 | 239             | 259             |





### **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 tankering 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 152,843,123,400 for the purchase of 35 aircrafts. Out of which Birr 58,973,474,400 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.

### **35. EMPLOYEES**

The Ethiopian Airlines Group employed 14,673 staff on 30 June 2022 (2021-14,260).

### **36. EVENTS AFTER THE REPORTING PERIOD**

There are no significant events after the reporting period which should be reported in these financial statements.

### **37. RELATED PARTIES**

#### **A. Remuneration of key management personnel**

Key management members received the following remuneration during the years ended 30 June 2022 and 2021.

|                    | 2022 (Birr) | 2021 (Birr) |
|--------------------|-------------|-------------|
| Short term benefit | 44,198,561  | 25,781,489  |

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 25.26% shareholding in African sky (ASKY) based in Lomé Togo, 49% shareholding in Malawi Airlines based in Lilongwe Malawi, 46%

## ETHIOPIAN AIRLINES GROUP

### NOTES TO THE FINANCIAL STATEMENTS (continued)

30 JUNE 2022

shareholding Tchadia airlines, and 51% Shareholding DHL-ET Logistics Services, 49% Shareholding Zambia Airways.

Outstanding balances at the year-end are interest free and settlements are to be made in cash. For the year-ended 30 June 2022, Ethiopian Airlines Group has maintained provision for doubtful debts relating to amounts owed by ASKY, Malawi airlines, Tchadia, 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.

#### Summary of Related Parties Balance As of June 30,2022

| Partner Airlines         | Receivable In ETB | Payable In ETB | Net Balance In ETB | Remark                |
|--------------------------|-------------------|----------------|--------------------|-----------------------|
| ASKY Airlines            | 2,454,485,641     | 2,471,398,283  | 16,912,642         | In favour of Asky     |
| Malawi Airlines          | 242,293,350       | 518,829,949    | 276,536,600        | In favour of Malawian |
| T-Chadia Airlines        | 338,859,179       | 161,382,006    | 177,477,173        | In favour of ET       |
| Zambia Airways           | 78,185,286        |                | 78,185,286         | In favour of ET       |
| DHL-ET Logistics Service | 17,066,812        |                | 17,066,812         | In favour of ET       |

### 38. SPECIAL PURPOSE VEHICLES

Ethiopian Airlines Group has established special purpose Vehicles for the purpose of selling and leasing back aircraft and accessories in Tax free zone for legal documentation purpose. Those latter are registered in the names of the Special purpose vehicles and either the assets or the special purpose vehicles themselves serve as collateral for loans. No other transactions have been carried out by the special purpose vehicles to be recognized in these financial statements.

### 39. DATE OF AUTHORIZATION

Issue of these financial statement is authorized on 14 February 2023.



*Mesfin*

Ato Mesfin Tasew

Group Chief Executive Officer



*Jeet*

Ato Meseret Bitew

f/Group Chief Financial Officer

# PROUD TO SERVE

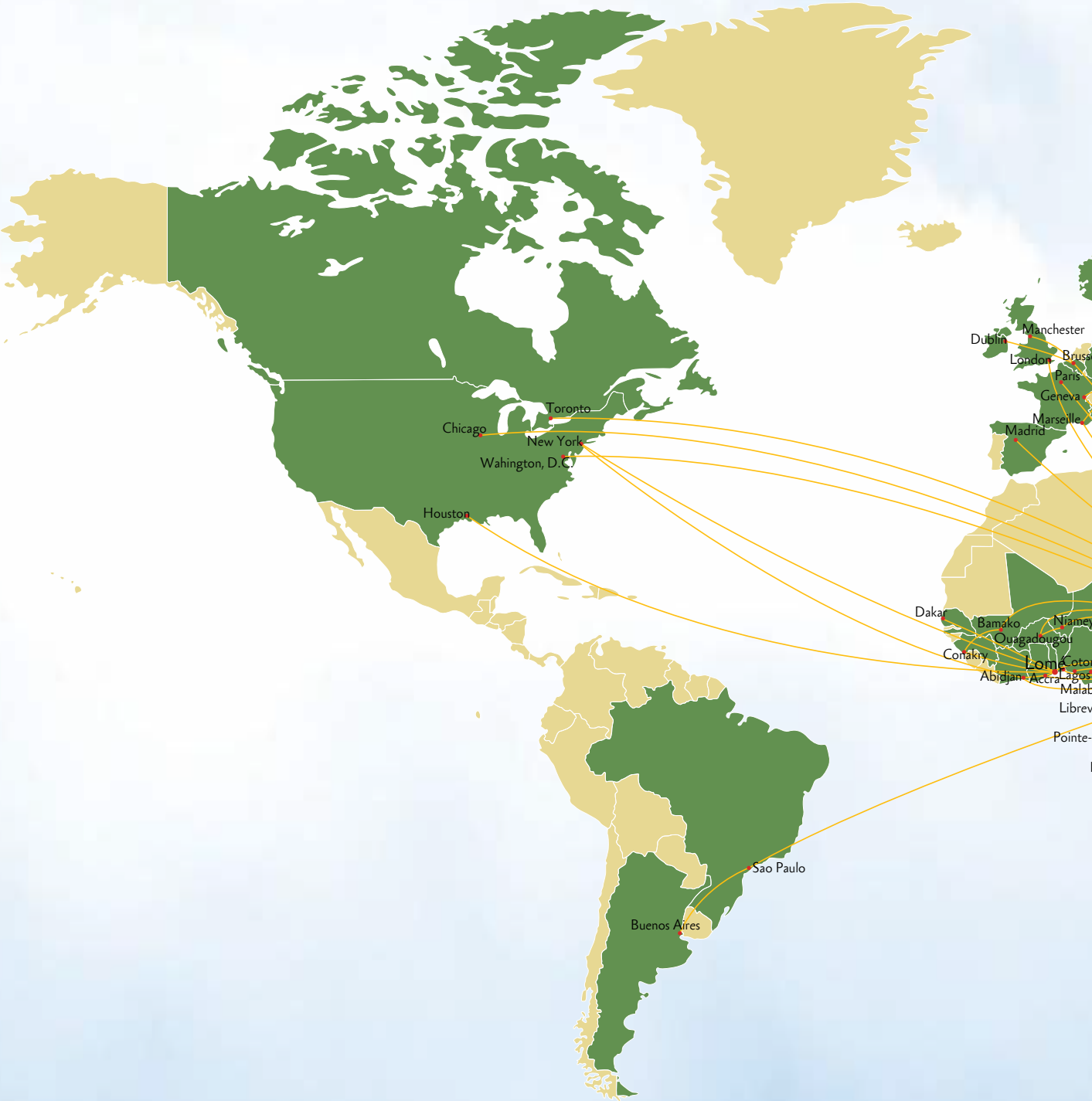


# ENCHANTING ETHIOPIA THE LAND OF TIMELESS APPEAL





# MORE THAN 127 INTERNATIONAL





# DESTINATIONS IN FIVE CONTINENTS



# MORE THAN 62 DESTINATIONS IN AFRICA



# MORE THAN 22 DOMESTIC DESTINATIONS



# ANNUAL REPORT 2021/2022

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A STAR ALLIANCE MEMBER 