ANNUAL REPORT

2019/2020

Ethiopian

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A STAR ALLIANCE MEMBER

PROUD TO BE

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AIRLINE

Best Airline in Africa for 3 years in a row

Contents


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The Blue Nile
ET-ANN

GLOBAL CONNECTOR OF PEOPLE AND GOODS WITH AWARD WINNING SERVICES

BOARD OF DIRECTORS

Mr. Abadula Gemeda
Board Chairman

Dr. Arkebe Oqubay
Board V/Chairman

Mrs. Dagmawit Moges
Board Member

Ambassador Berhanu Tsegaye
Board Member

Gen. Adem Mohammed
Board Member

Mr. Teklewold Atnafu
Board Member

Dr. Aklilu Hailemichael
Board Member

Mr. Tadesse Tilahun
Board Member

Mr. Girma Wake
Board Member

Mr. Retta Melaku
Board Member

Mr. Alemayehu Assefa
Board Member

EXECUTIVE MANAGEMENT(WST)

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

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

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

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

Mr. Tewolde GebreMariam

Group Chief Executive Officer

Mr. Mesfin Tasew
Chief Operating Officer

Mr. Esayas WoldeMariam
A/ Chief Commercial Office

Mr. Meseret Bitew
Chief Financial Officer

Mr. Laeke Tadesse
Chief Information Officer

Mr. Genanaw Assefa
VP Legal Counsel & Corporate Secretariat

Mrs. Rahel Assefa
VP Marketing

Mr. Kassim Geresu
VP Internal Audit and Corporate QMS, SMS & EMS Compliance

Mr. Mesay Shiferaw
VP Corporate HRM

Mr. Michael Yared
VP Customer Service

Capt.Yohannes HaileMariam
VP Flight Operations

Mr. Busera Awel
VP Strategic Planning and Alliances

Mr. Fitsum Abady
MD Ethiopian Cargo Services

Mr. Solomon Debebe
MD Ethiopian Aviation Academy

Mr. Zelalem Tsehaye
MD Ethiopian MRO Services

Mr. Lemma Yadecha
MD Ethiopian International Services

Mr. Tekle G/Yohannes
MD Ethiopian Ground Services


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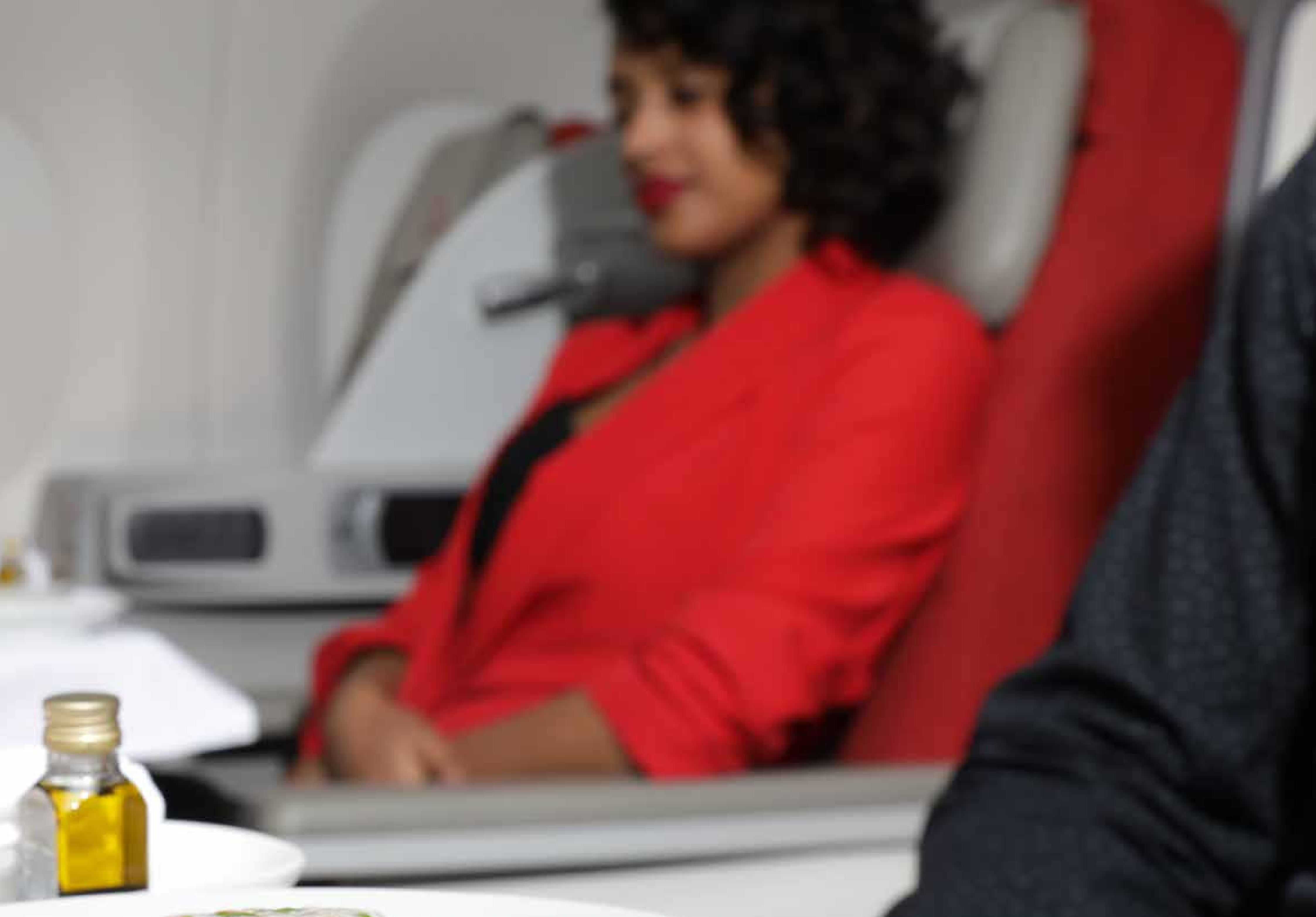
ALLIER
Ethiopian



GROUP CEO MESSAGE

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

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

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

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

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

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

MISSION STATEMENT

VISION

Vision 2025:

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

MISSION

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

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

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

VALUES

As an airline, safety is our first priority,

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

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

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

Adopt Zero tolerance to indifference, inefficiency and bureaucracy,

Encourage 360º free flow and sharing of information,

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

We are an equal opportunity employer

AWARDS

1. Addis Ababa University conferred Honorary Doctorate Degree upon Mr. Tewolde GebreMariam, Group CEO of Ethiopian Airlines
2. Ethiopian Wins 'International Air Cargo Marketer of the Year' Award.
3. Airbus Awards Ethiopian for its Unique Agility and Resilience During the COVID – 19 Global Pandemic Crisis
4. Ethiopian Wins Overall Excellence for Outstanding Crisis Leadership 2020 Award
5. Ethiopian Cargo & Logistics Services Wins 'Best Cargo Airline – Africa' Award
6. Ethiopian Group CEO Named 'Airline Executive of the Year' by CAPA
7. EAA Awarded at the 6th Global Aviation Training & TRAINAIR PLUS Symposium.
8. Ethiopian Airlines Group is Voted 'Best Airline in Africa' for 3rd Consecutive Year at Skytrax 2019 World Airlines Award

GRADUATION

#	SCHOOL	2019/2020 Graduated
1	Aviation Maintenance Training	139
2	Pilot Training School	90
3	Commercial and Ground Services	330
4	Cabin Crew and Catering	204

TECHNOLOGY DEVELOPMENT

Ethiopian Airlines and the Ethiopian Immigration Services Reawakens Tourism with Online Visa: User Number Hits Record 200,000

Ethiopian-Abay Bank Partnership Expands Air Ticket Payment Options

SANAD AND ETHIOPIAN AIRLINES JOIN FORCES TO CREATE MRO CENTER OF EXCELLENCE IN AFRICA

Ethiopian Adds Innovative App Feature 'Feel Addis' to Elevate Passengers' Layover Experience

Ethiopian Rolls Out Onboard WiFi Internet Connectivity Using Latest Satellite Technology

ROUTE AND FREQUENCEY

1. Ethiopian Connects Chongqing with Freight Corridors of the World Addis Ababa, 9 July, 2019
2. Ethiopian Launch's Flight to Garowe and Bosaso, Somalia
3. Ethiopian Launch's Operation to the City of Beira in Central Mozambique
4. Ethiopian Resume Flight to Athens
5. Ethiopian Launches Cargo Flights to Bangkok & Hanoi
6. Ethiopian start flight Service to India Adding Bengaluru in Its Network

MEGA INFRASTRUCTURE DEVELOPMENTS

INFRASTRUCTURES

Ethiopian Airlines, the Largest Aviation Group in Africa and SKYTRAX Certified Four Star Global Airline, inaugurated state-of-the-art passenger terminal and its Skylight Hotel on January 27, 2019 in the presence of FDRE Prime Minister H.E. Dr. Abiy Ahmed, African Union Chairperson H.E. Mr Moussa Faki, Ministers, high level government officials, Ethiopian Airlines Board Members, Group CEO Ethiopian Airlines Mr Tewolde GebreMariam, Executive Management Members and invited guests.

Encourage 360º free flow and sharing of information, Treat our customers the same way we would like to be treated and always look for ways to make it easier for customers to do business with us,
We are an equal opportunity employer each flight when the respective document is used. For tickets that cover more than one flight segment, the Ethiopian airlines Group identifies each flight segment as a distinct performance obligation, since each flight segment is independent and can be distinguished in the context of the contract.

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Cargo & Logistics Services

CARGO

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


Ethiopian
Cargo
Ethiopian

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.


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Maintenance
Overhaul
ET-ATJ
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CATERING

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

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


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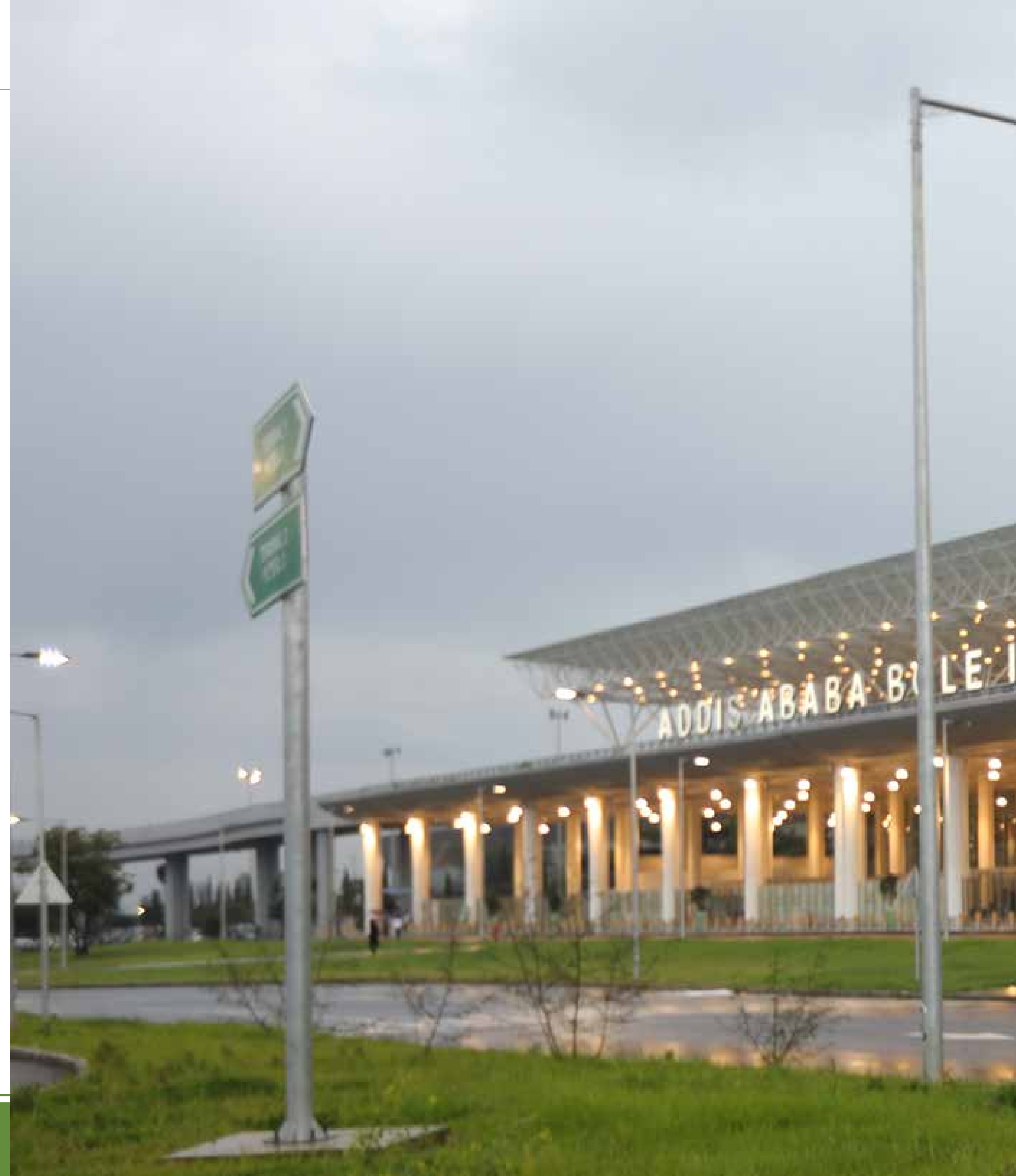
Catering
T-1022
T-1107
T-1272


Ethiopian የኢትዮጵያ
Aviation Academy
PIONEER OF AVIATION EXCELLENCE

EFFICIENT GROUND SERVICE OPERATION


SAFETY
SAFETY

AIRPORT SERVICE

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Ethiopian የኢትዮጵያ
SKYLIGHT HOTEL

SKYLIGHT HOTEL

HOTEL SERVICES

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

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

TECHNOLOGY DEVELOPMENT

- Ethiopian Airlines and the Ethiopian Immigration Services Reawakens Tourism with Online Visa: User Number Hits Record 200,000
- Ethiopian-Abay Bank Partnership Expands Air Ticket Payment Options
- SANAD AND ETHIOPIAN AIRLINES JOIN FORCES TO CREATE MRO CENTER OF EXCELLENCE IN AFRICA
- Ethiopian Adds Innovative App Feature 'Feel Addis' to Elevate Passengers' Layover Experience
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	SCHOOL	2019/2020 Graduated
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FINANCIAL REPORT

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The Federal Democratic Republic of Ethiopia
Audit Services Corporation

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Airlines Group (Ethiopian), which comprise the statement of financial position as at 30 June 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ethiopian as at 30 June 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

A. Passenger and cargo revenue recognition

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

B. Long term loans

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

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

Key Audit Matters (continued)

C. Leases

IFRS 16 *Leases* became effective during the year. As the Standard was new, the risk was that implementation by Ethiopian would not be properly effected. It was essential that Ethiopian discover information that was not previously needed when preparing financial reports. The possibilities for omissions and clerical errors were many. Therefore, we checked in detail compliance with IFRS, as to measurement and disclosure requirements; we also checked how crucial information was obtained and we verified significant calculations exhaustively. Our audit procedures did not identify major weaknesses and, overall, we found no concerns in respect to the recording of right-of-use assets and lease liabilities.

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

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

In preparing the financial statements, management is responsible for assessing 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 Ethiopian or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the 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.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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 Tegegn Haile Mariam..

Audit services Corporation

23 March 2021

The Federal Democratic Republic of Ethiopia * Audit Services Corporation *

ETHIOPIAN AIRLINES GROUP
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Birr	2019 Birr
Operating Revenue	4	120,131,762,011	113,068,129,257
Operating Expenses	5	(106,688,741,090)	(105,331,230,778)
GROSS OPERATING PROFIT		**13,443,020,921**	**7,736,898,479**
Interest Income		156,417,647	143,813,454
Provision for Stock & Receiveables		(148,476,649)	20,771,694
Borowing Costs		(3,259,542,789)	(2,590,784,827)
Gain / (Loss) On Foreign Curency Translation		(40,076,144)	122,864,709
Share Of Loss In Associates		(162,736,688)	(13,003,188)
Non - Operating Revenue	6	1,091,896,331	2,402,887,336
Non - Operating Expenses	7	(3,841,023,997)	(993,398,536)
NON OPERTAING GAIN (LOSS)		**(6,203,542,290)**	**(906,849,360)**
PROFIT FOR THE YEAR		**7,239,478,631**	**6,830,049,119**
Income Tax		-	-
PROFIT AFTER TAX		**7,239,478,631**	**6,830,049,119**
Other Comprehensive Income			
Items that will not be reclassified to profit or Loss			
Exchange Rate Diference On			
Translation To Presentation Curency		**11,447,680,375**	**2,808,327,705**
Employee Benefits	22(v)	**80,735,615**	**(5,136,043)**
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,767,894,621**	**9,633,240,781**

ETHIOPIAN AIRLINES GROUP
STATEMENT OF FINANCIAL POSITION
AS of 30 JUNE 2020

	Notes	Birr	2019 Birr
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2(f),(g),9,29	208,039,709,357	172,826,600,835
Intangible Assets	2(h),(g),10	208,274,212	178,280,356
Right of use asset-Aircraft and Engine	2(c)(I),29	101,660,545,066	0
Investment in associates	2(p),11	679,621,685	492,507,965
Treasury Bond	12	0	961,341,419
Standing deposits	13	14,440,967,183	13,373,183,873
Other loan receivables	2(j),14	485,326,884	298,257,587
		325,514,444,387	**188,130,172,035**
CURRENT ASSETS			
Stock	2(o),15	6,514,499,341	4,611,067,046
Trade and other receiveables	2(j),16	19,128,121,173	23,724,998,782
Short term investments	17	1,679,810,839	2,211,682,500
Cash and cash equivalents	2(q),18	17,129,005,132	10,834,815,394
		44,451,436,485	**41,382,563,721**
TOTAL ASSETS		**369,965,880,872**	**229,512,735,756**
EQUITY AND LIABILITIES			
CAPITAL			
Authorized - Birr 100,000,000,000			
Paid up capital	19	97,742,793,895	90,625,693,785
Other comprehensive income		22,182,094,890	10,653,678,899
TOTAL EQUITY		**119,924,888,785**	**101,279,372,685**
NON-CURRENT LIABILITIES			
Long term loans	2(j),20	89,472,803,316	77,292,240,450
Provision for maintenance	2(m),21	1,377,127,013	879,706,375
Lease liability-Aircraft $ Engine lease	2(c)(I),29	92,127,102,064	0
Employee benefit	22	477,942,719	345,695,560
Deferred and non-current liabilities	24	1,200,227,818	781,526,265
		184,655,202,930	**79,299,168,650**
CURRENT LIABILITIES			
Trade and other liabilities	2(j),25	16,403,349,810	14,193,713,209
Contract Liability	2(u),30	21,047,015,322	22,192,040,564
Income Tax Payable	2(l),26	0	103,327,570
State dividend payable curent portion	27	110,131,034	495,589,630
Curent maturity of Finance lease obligation	2(c)(I),29	12,373,480,965	0
Current maturity of long term loans	20	15,451,812,026	11,949,523,448
		65,385,789,157	**48,934,194,421**
TOTAL EQUITY AND LIABILITIES		**369,965,880,872**	**229,512,735,756**

ETHIOPIAN AIRLINES GROUP
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Paid up capital	Other comprehensive income (loss)	Profit	Total
	Birr	Birr	Birr	Birr
Balance at 30 June 2018	81,568,068,791	7,845,351,195	-	89,413,419,986
			-	-
Deferred Tax Liability (Note 23)	2,227,575,875			2,227,575,875
Profit for the year			6,830,049,119	6,830,049,119
Transfer to capital	6,830,049,119		(6,830,049,119)	-
Other comprehensive income(loss)	-	2,808,327,705	-	2,808,327,705
Balance at 30 June 2019	90,625,693,785	10,653,678,900	-	101,279,372,685
Profit for the year			7,239,478,631	7,239,478,631
Transfer to capital	7,239,478,631		(7,239,478,631)	-
Capital Adjustment (Note 28)	(122,378,521)			(122,378,521)
Other comprehensive income	-	11,528,415,990	-	11,528,415,990
Balance at 30 June 2020	97,742,793,895	22,182,094,891	-	119,924,888,785

ETHIOPIAN AIRLINES GROUP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		2019
CASH FLOWS FROM OPERATING ACTIVITIES	**Birr**	**Birr**
Profit for the year	7,239,478,631	6,830,049,119
Adjustments for		
Finance costs recognized in profit or loss	3,343,017,475	2,590,784,827
Interest income recognized in profit or loss	(156,417,646)	(143,813,454)
Depreciation and amortization	24,565,382,670	8,444,022,035
Amortization of purchase incentives	(473,756,002)	(527,741,308)
Loss on currency fluctuation on loans	(96,201,193)	(282,331,312)
Provision for doubtful debts	(74,520,699)	(212,631,368)
Provision for stock obsolescence	117,816,167	191,859,674
Share of loss from associate	162,736,688	13,003,188
Provision for maintenance	644,970,243	546,140,531
Creditors' accounts written back to profit or loss	(1,465,087)	(727,455,507)
	35,271,041,248	**16,721,886,426**
Movements in working capital		
Increase in stock	(2,170,553,327)	(992,241,207)
Decrease/(Increase) in Trade and other receiveables	5,203,495,585	(6,529,869,856)
Increase in standing deposits	(1,067,783,310)	768,491,715
Increase in Trade and other liabilities	1,283,690,640	3,760,480,470
Increase (decrease) in Leased Assets liability	12,373,480,965	-
Increase (Decrease) in Contract Liability	(1,145,025,242)	3,027,344,579
(Decrease)/ Increase in deferred and non-current liabilities	418,701,553	(793,070,100)
Cash generated from operations	**50,167,048,112**	**15,963,022,027**
Interest paid	(3,340,100,248)	(2,510,282,586)
Interest paid on Leased assets	(3,032,696,767)	
Foreign exchange gain received	(162,643)	
Income tax paid	-	(409,226,132)
Net cash generated by operating activities	**43,794,088,454**	**13,043,513,310**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	113,810,365	121,254,206
Treasury Bond	-	(85,963,091)
Payments for property, plant and equipment	(9,901,133,672)	(7,044,025,500)
Payment for investment in associate	(187,113,720)	(472,631,180)
Payment for short term investment	1,493,213,080	(1,994,114,853)
Payment for intangible assets	(183,473,939)	(38,029,507)
Net cash used in investing activities	**(8,664,697,887)**	**(9,513,509,925)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from government subsidy	190,691,351	354,046,465
Proceeds from borrowings	-	51,083,166
Payment for State dividend	(385,458,596)	(678,166,950)
Payment for leased assets	(10,973,403,866)	-
Repayment of borrowings	(16,733,217,019)	(10,024,087,606)
Net cash generated from financing activities	**(27,901,388,130)**	**(10,297,124,925)**
Effect of exchange rates differences (net)	**(933,812,699)**	**1,779,674,125**
(Decrease)/Increase in cash and cash equivalents	6,294,189,739	(4,987,447,415)
Cash and cash equivalents at the beginning of the year	10,834,815,394	15,822,262,807
Cash and cash equivalents at the end of the year	**17,129,005,132**	**10,834,815,394**
Cash and cash equivalents comprise:-		
Cash and bank balances	**17,129,005,132**	**10,834,815,394**
Short term investments which mature with in three months		
	17,129,005,132	**10,834,815,394**

1. BUSINESS DESCRIPTION

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

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

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

Ethiopian Airlines Group was established for the following purposes:

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

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) 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 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

The financial statements have been prepared on a going concern basis. Management has no doubt that the Ethiopian Airlines Group would remain in existence after 12 months.

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

I. IFRS 16, Leases

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

In accordance with the transitional provisions of IFRS 16, Ethiopian Airlines Group applied the new standard from 1 July 2019 ('transition date') by adopting the modified retrospective approach, under which the right of use of asset is measured at the present value of the remaining lease payments at the transition date, and comparatives are not restated.

Lease liabilities are measured at the present value of the remaining lease payments. The discount rate used to value the lease liabilities corresponds for each lease portfolio to Ethiopian Airlines Group incremental borrowing rate for similar assets as at the transition date. Ethiopian Airlines Group chose on a lease-by-lease basis to measure the right-of-use asset At an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately prior to the date of transition.

On transition to IFRS 16 Ethiopian Airlines Group applied the practical expedient and elected not to reassess which contractual arrangements qualify as leases under IFRS 16 It applied the transition rules of IFRS 16 only to contracts that were previously identified as leases as per IAS 17 or IFRIC 4.

The definition of a lease under IFRS 16 was applied to contracts entered into or changed on or after the transition date. Further Ethiopian Airlines Group has applied the following permitted practical expedients on a lease-by-lease basis:

A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics, the new lease measurement rules have been applied to leases which expire within 12 months of the transition date and are accounted for as short term leases, Initial direct costs associated with the lease have been excluded from the measurement of the right-of-use asset and As required by IFRS 16 operating lease charges have been replaced by interest and depreciation expenses. IFRS 16 typically causes the profit line to be front-loaded as projected with Ethiopian Airlines group operating aircraft fleet. The adoption of IFRS 16 resulted in an adverse statement of profit or loss impact in the current year. Since the numbers for financial year 2018-19 have not been restated statement of profit or loss for the two years are not directly comparable.

The first-time application of IFRS 16 resulted in material effects on the opening statement of financial position including recognising right-of-use assets of ETB 83,218 million and lease liabilities of ETB 83,218 million. Accounting for leases under IFRS 16 involves the use of judgements, estimates and assumptions that affect the amounts recognised as right-of-use assets and lease liabilities Key amongst these are:

- assumptions and estimates
- assessment of lease term and extension options
- discount rate used to determine the lease liabilities
- application of clauses for cancellations or modifications

Ethiopian Airlines group has established processes and controls for the complete and accurate recording of leases. Furthermore, the first-time application required an IT system to be implemented to report information on these leases.

Because of adopting IFRS 16 starting from 01 July 2019, the statement of financial position and the profit or loss statements are impacted as follows:

DESCRIPTION	JUNE 2020(ETB)	JUNE 2019(ETB)	CHANGE (ETB)
Right of use of asset	101,660,545,066	-	101,660,545,066
Lease liabilities	92,127,102,064	-	92,127,102,064
Lease expense as per IAS 17	14,505,534,835	10,940,318,137.69	3,565,216,697
Depreciation expense ROU	12,653,405,351	-	12,653,405,351
Interest expense lease liabilities	3,204,838,700	-	3,204,838,700
Total ease expense as per IFRS 16	15,858,244,052	-	15,858,244,052
Additional expense as per IFRS 16	1,352,709,216		

II. IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies how to account for income tax when it is unclear whether the taxing authority will accept the company's tax treatment. If there is an uncertain tax treatment, which is any tax treatment, applied by a company when it is unclear whether the tax authorities will accept that treatment. The IFRS Interpretations Committee (IFRS IC) observed that entities applied diverse accounting methods when the application of tax laws has been uncertain. Under IFRIC 23, the key test is whether it is probable (i.e. more likely than not) that the taxing authority will accept the company's tax treatment as reported in the income tax filing. If yes, the company records the same amount in the financial statements as submitted (or planned to be submitted) in the income tax return, If no, the company reflects the effect of the tax uncertainty with different method that it expects will better predict the resolution of the uncertainty: IFRIC 23 applies to all aspects of income tax accounting when there is uncertainty about the income tax treatment of an item, including taxable profit or loss, the tax basis of assets and liabilities, tax losses and credits, and tax rates. In the case of Ethiopian airlines group tax applied only one of Business segments, which is Skylight hotel. And there is no different tax treatment and Ethiopian Airlines Group believe the tax authority accept our treatment.

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 2020, and have not been early adopted. The following new standards impact not assessed:

Title	Effective date (annual periods beginning on or after)	Impact on financial statement assessment status
Amendments to IFRS 3, 'Business combinations', Definition of a business	1-Jan-20	Impact not assessed
Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors Definition of material	1-Jan-20	Impact not assessed
Amendments to IFRS 9, IAS 39 and IFRS 17 Interest rate benchmark reform	1-Jan-20	Impact not assessed
Amendments to the Conceptual framework	1-Jan-20	Impact not assessed

D. 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 Sky light 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 the year. All the resultant exchange differences are recognized in other comprehensive income as per the requirements of IAS 21.

E. 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 36,861.38 (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 8,846.73 (USD300) or more.

Neon Signs

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

Computerized Equipment

Computerized equipment shall be capitalized if the unit cost of the item plus shipping and other purchasing costs are equivalent to Birr 36,861.38 (USD 1,250) or more.

Motorized Vehicles and Equipment

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

Capitalization of modification costs

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

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

F. Building

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

Depreciation

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

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

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

G. Property, plant and equipment obtained by donation

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

H. Land

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

I. Intangible assets

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

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

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

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

J. Impairment of non-financial assets

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

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

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

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

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

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

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

K. Financial assets and financial liabilities

i. Recognition and Measurement

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

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

Long Term loans

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

Trade Receivables

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

Trade payables

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

ii. De recognition of financial assets and financial liabilities

De recognition of financial assets

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

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

a. has transferred substantially all the risks and rewards of the asset, or

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

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

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

iii. Impairment of financial assets

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

L. Provisions

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

M. Income Tax

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

i. Current income tax

The income tax expense of Ethiopian Airlines Group Skylight hotel for the year is the tax payable on the current year's taxable income based on the applicable income tax rate in Ethiopian Airlines Group adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

ii. Deferred tax

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

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

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

N. Provision for aircraft maintenance

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

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

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

O. Value Added Taxes

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

The net amount of value added tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the statements of financial position.

P. Stock

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

Q. Investment in associates

Associates are those entities over which Ethiopian Airlines Group has significant influence accompanying a shareholding between 20% and 50% of the voting right. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for using the equity method. Under the equity method, investments are initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss after the date of acquisition. Ethiopian Airlines Group share of its associate's post acquisition profits or losses is recognized in the statement of profit or loss. When the Ethiopian Airlines Group share of losses in an associate exceeds its interest in the associate, the Group does not recognize any further losses. Although Ethiopian Airlines group has 99% share in Ethiopian Mozambique Airlines LTD and has full control, Ethiopian Airlines Group did not consolidate in this financial statement as the airline is newly established as of December 2018 and will evaluate and report in the next financial year.

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 legal enforceable right must not be contingent on future event and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

T. Manufacturers credits

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

U. Revenue

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

Passenger transport

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

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

Cargo

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

Maintenance, Repair and Overhaul (MRO)

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

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

Catering

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

The performance obligation to prepare meals is generally 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.

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 full field.

Hotel Services

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

Frequent flyer program

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

Step 1 -Earn: This is the process of accumulating flown miles which occurs up on 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 from destination to destination.

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

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

V. Non-operating revenue and expenses

i. Revenue from Aircrafts trading

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

ii. Finance income and costs

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

iii. Other non-operating revenue

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

iv. Borrowing costs

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

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

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

W. Operating leases

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

X. Employee benefits

i. Defined Contribution plan

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

Ethiopian Airlines Group makes contributions to a statutory defined contribution pension scheme. The employer and the employee make contributions of 11% and 7% of the employee's basic salary respectively, as determined by statutory. For the year ended 30 June 2020 Ethiopian Airlines Group contributed Birr 359,377,694 (2019-Birr 297,585,357.) 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 amount 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 where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

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

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

iii. Short term benefit

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

A liability is recognized for the amount expected to be paid and include mainly wages and salaries, bonus, leave benefits and other allowances and incentives as 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 estimate the short fall 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 IFRS10 to determine whether the control indicators set out are used to define whether there is significant influence in investment under equity partners or control. Management determined that Ethiopian Airlines Group has significant influence over the associate companies.

E. Going concern

Management has assessed the Ethiopian Airlines Group ability to continue as a going concern and is certain that it has the resources to continue in business for the near future. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded globally. Measures taken to contain and slow the spread of the virus have significantly affected global economic activity including limiting movements of people and restricting flights. The worldwide aviation market has been significantly disrupted in the short term. This disruption is expected to be followed by a gradual recovery as travel restrictions are lifted. As a global network airline, Ethiopian airlines Group has been unable to viably operate its normal full passenger services. On the other hand the couple of months disruption 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 more activities on passenger charter and MRO. Based on measures Ethiopian airlines group has taken, management believes there is no doubt on going concern.

4. OPERATING REVENUE

		2019
	Birr	Birr
Passenger	70,614,227,255	80,634,372,904
Airport charges	401,723,529	969,612,135
Freight	26,393,046,749	17,769,032,811
Charter	13,555,605,867	4,668,117,799
Excess baggage	1,957,683,824	2,351,956,965
Customer services - work orders	2,847,966,907	2,297,937,064
Subsidiaries	962,886,308	1,124,241,220
Mail	349,854,454	288,320,952
Commission	685,021,126	757,075,527
Aircraft lease	642,166,418	705,779,785
Hotel Services	310,958,039	91,298,294
Miscellaneous	1,410,621,534	1,410,383,801
	120,131,762,011	**113,068,129,256**

5. OPERATING EXPENSES

		2019
	Birr	Birr
Salaries and related benefits	7,285,618,992	6,975,520,661
Aircraft fuel and oil	35,372,925,258	39,440,318,856
Rentals	597,695,614	11,288,754,059
Overflying and navigation	5,945,602,408	5,753,237,418
Depreciation of flying equipment	21,580,976,456	6,968,919,165
Passengers' expense	3,795,095,006	4,432,444,578
Handling	4,971,365,210	4,497,129,845
Commission and incentives	2,961,912,933	3,090,052,078
Foreign overhauls	5,826,196,660	4,339,449,866
Maintenance of leased aircraft	3,261,718,717	3,003,781,266
Landing and parking	1,243,084,757	1,673,455,842
Central reservation system charge	2,108,774,490	2,576,712,381
Aircraft materials	2,271,287,877	2,336,965,394
Travel	1,516,282,573	1,656,853,870
Service	1,520,526,545	1,352,324,127
Depreciation non - flying equipment	1,507,723,908	1,475,102,870
Insurance	1,516,784,295	783,814,545
Communications	633,644,523	556,297,219
Utilities	72,512,933	49,542,918
Taxes	91,745,771	115,389,523
Advertising and publishing	107,816,295	70,417,843
Training	1,411,721	4,560,140
Amortization	1,454,682,465	2,141,546,143
Entertainment	6,933,386	3,234,660
Supplies	382,957,726	270,194,664
Cost of sales hotel	62,002,228	20,974,122
Other	591,462,342	454,236,727
	106,688,741,090	**105,331,230,778**

6. NON OPERATING REVENUE

		2019
	Birr	Birr
Write back of creditors account	1,465,087	727,455,507
Revenue from purchase incentive	473,756,002	527,741,308
Others	616,675,242	1,147,690,520
	1,091,896,331	**2,402,887,337**
		-

7. NON OPERATING EXPENSE

		2019
	Birr	Birr
Bank Charges	(145,691,783)	(145,872,754)
Credit card Charges	(558,206,512)	(568,250,163)
Miscellaneous Expenses	(3,137,125,702)	(279,275,619)
	(3,841,023,997)	**(993,398,537)**

8. STAFF COSTS

		2019
	Birr	Birr
Salaries and related benefits	6,943,026,728	6,693,385,408
Pension costs - Company contribution	359,377,694	297,585,357
	7,302,404,422	**6,990,970,765**

9. PROPERTY PLANT AND EQUIPMENT

	Balance at 30 June 2019	Exchange rate var on beginning balance	Balance at 30 June 2019 (as restated)	Additions	Disposals,& Retirements	Balance at 30 June 2020
	Birr	Birr	Birr	Birr	Birr	Birr
COST OR VALUATION						
Flight equipment	145,969,041,291	30,653,444,222	176,622,485,513	16,598,347,721	(1,560,855)	193,165,139,108
Other property	20,924,371,404	3,253,081,375	24,177,452,779	941,022,212	(12,091)	25,379,338,006
Land	33,952,521,074	136,117,381	34,088,638,455	-	-	34,088,638,455
Engine maintenance cost	5,936,007,693	1,246,559,401	7,182,567,094	1,716,865,017	-	8,899,432,111
Runways, taxiways & aprons	7,425,781,102	-	7,425,781,102	38,160	-	7,425,819,261
	214,207,722,564	**35,289,202,379**	**249,496,924,943**	**19,256,273,110**	**(1,572,946)**	**268,958,366,941**
DEPRECIATION						
Flight equipment	39,472,252,534	8,289,158,308	47,761,410,842	10,522,278,494	(96,241)	58,280,255,277
Other property	5,739,780,627	1,171,638,426	6,911,419,053	1,224,893,902	(3,194)	8,264,390,776
Engine maintenance cost (am	3,926,346,986	824,531,402	4,750,878,388	1,454,682,465	-	6,205,560,853
Runways, taxiways & aprons	225,256,836	-	225,256,836	378,311,848	-	758,671,182
	49,363,636,983	**10,285,328,136**	**59,648,965,119**	**13,580,166,709**	**(99,435)**	**73,508,878,088**
NET BOOK VALUE						
Flight equipment	106,496,788,757	22,364,285,914	128,861,074,671	-	(1,464,614)	134,884,883,831
Other property	15,184,590,777	2,081,442,949	17,266,033,726	(119,719,968)	(8,897)	17,114,947,230
Land	33,952,521,074	136,117,381	34,088,638,455			34,088,638,455
Engine maintenance cost	2,009,660,707	422,027,999	2,431,688,706	-	-	2,693,871,258
Runways, taxiways & aprons	7,200,524,266	-	7,200,524,266	(378,273,689)	-	6,667,148,079
	164,844,085,581	**25,003,874,243**	**189,847,959,824**		**(1,473,511)**	**195,449,488,853**
						-
Work orders in progress	7,982,515,254	329,347,858	8,311,863,112	4,294,616,344	(16,258,952)	12,590,220,504
Goods in transit (GIT)	-	-	-	-	-	-
Ex rate variance beg balance	-	-	-		-	-
	172,826,600,835	**25,333,222,101**	**198,159,822,936**	**4,294,616,344**	**(17,732,463)**	**208,039,709,357**

N.B

Four B 737 Max with a book value of birr 5,669,557,088 is included in PPE while aircrafts are grounded due to ET 302 accident. Boeing commercial is working to fix the problem and management believe all grounded aircrafts will be back to the operation.

10. INTANGIBLE ASSET

	Balance at 30 June 2019 Birr	Additions Birr Birr	Balance at 30 June 2020 Birr
COST			
Software costs	623,648,214	208,234,217	831,882,431
Amortization	(445,367,858)	(178,240,361)	(623,608,219)
Net book value	**178,280,356**		**208,274,212**

11. INVESTMENTS IN ASSOCIATES

		2019
	Birr	**Birr**
ASKY Airlines		
(900,000 shares of US dollars 20 each par value)	643,157,414	530,803,800
Malawi Airlines (490,000 shares of Usdollars 20 each		
par value)	349,681,640	288,993,180
Chad Airlines (441,000 Shares each par value)	229,814,484	113,238,144
Ethiopian Mozambique Airlines LTD (99% of shares)	428,181,600	353,869,200
DHL-ET logisticis services (5,355 shares each par value		
Ehiopian Birr 1000)	8,705,941	5,523,836
Other foreign investments	115,897,692	19,876,785
Share of loss from investment	**1,095,817,085**	(819,796,980)
	679,621,685	**492,507,965**

12. TREASURY BONDS

These are treasury bonds purchased from Industry Trade Bank in Angola in AOA currency bearing interest 7% at market rate semi-annually. It will mature between11 July 2020 to 4 December 2020 and the balance transferred to short term investment category in the statement of financial position.

13. STANDING DEPOSITS

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

14. OTHER LOAN RECEIVABLES

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

15. STOCK

		2019
	Birr	Birr
Aircraft parts	6,170,815,857	4,327,357,521
Supplies stock - customer work orders	18,000,813	10,366,342
Stock of stationery and other materials	1,319,140,010	999,679,491
	7,507,956,680	5,337,403,353
Less: Provision for stock obsolescence	(993,457,339)	(726,336,307)
	6,514,499,341	**4,611,067,046**

16. TRADE AND OTHER RECEIVABLES

		2019
	Birr	**Birr**
Transportation - Others	5,696,187,971	5,013,863,825
Airport Service Charges	233,215,161	852,929,888
Debtors	91,145,558	63,384,605
Deposits and prepayments	7,728,535,349	6,539,113,942
Transportation - Airlines	1,274,239,571	4,278,530,870
Claims from aircraft lessor	23,043,780	545,588,167
Ethiopian Government	55,791,266	89,288,412
Value added tax and duties recoverable	1,332,775,282	1,097,327,567
Airmail	29,658,139	24,822,778
Miscellaneous	5,141,816,786	7,380,700,048
	21,606,408,864	25,885,550,104
Less: Allowance for expected credit losse	(2,478,287,691)	(2,160,551,322)
	19,128,121,173	**23,724,998,783**

17. SHORT TERM INVESTMENT

		2019
	Birr	Birr
Short term deposits	1,679,810,839	2,211,682,500
	1,679,810,839	**2,211,682,500**

These are treasury bonds purchased from Industry Trade Bank in Angola in AOA curency bearing interest 7% They mature between 11 July 2020 and 04 December 2020.

18. CASH AND CASH EQUIVALENT

		2019
	Birr	Birr
Cash with foreign banks	15,963,495,690	9,850,851,001
Less: Provision for accounts, difficult to transfer	(3,878,120)	(3,205,059)
	15,959,617,569	9,847,645,942
Cash with local banks	1,094,906,898	934,188,501
Cash on hand	74,480,664	52,980,951
	17,129,005,132	**10,834,815,393**

19. CAPITAL

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

20. LONG TERM LOANS

		2019
	Birr	Birr
Balance at 30 June 2019	89,241,763,899	80,308,502,666
Additional loans	13,787,226,725	27,568,539,716
Foreign exchange fluctuation	18,628,841,737	-8,611,190,878
	121,657,832,361	99,265,851,504
Less: Repayments	16,733,217,019	10,024,087,606
	104,924,615,342	**89,241,763,899**
Less: Amounts repayable within 12 months	15,451,812,026	11,949,523,448
	89,472,803,316	**77,292,240,450**

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

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

21. PROVISION FOR MAINTENANCE

		2019
	Birr	Birr
Balance at 30 June 2019	879,706,375	346,017,710
Additional provision	644,970,243	546,140,531
Reduction arising from actual costs	(147,549,605)	(12,451,866)
	1,377,127,013	**879,706,375**

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

22. EMPLOYEE BENEFIT OBLIGATION

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

A. Severance pay

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

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

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

B. Service Award

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

Service anniversary (years)	Amount Birr
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

		2019
	Birr	**Birr**
Opening benefit obligation	345,695,560	205,955,912
Current service cost (employer)	39,153,123	38,957,843
Interest cost	25,114,466	15,174,792
Employee contributions		
Actuarial (gain) / loss - due to experi	(111,879,230)	31,143,615
Actuarial (gain) / loss - due to changes in assumptions		
Past service cost	70,374,419	71,767,567
Benefits paid	(12,988,078)	(17,304,169)
Insurance premiums		
Curtailments		
Settlements		
Closing benefit obligation	**355,470,260**	**345,695,560**

ii. Reconciliation of assets

		2019
	Birr	Birr
Interest income on plan assets		
Employer contributions	(12,988,078)	(17,304,169)
Employee contributions		
Return on plan assets, excluding amount in interest income		
Benefits paid	12,988,078	17,304,169
Insurance premium		
Settlements		
Closing market value of assets	0.00	0.00

iii. Defined benefit obligation (asset) Recognized in the balance sheet

		2019
	Birr	Birr
Present value of funded obligations	355,470,260	345,695,560
"Fair" value of Scheme assets		
Net underfunding in funded plan	355,470,260	345,695,560
Defined benefit obligation (asset) reco	355,470,260	345,695,560

iv. Amount recognized in profit or loss

		2019
Service Cost	**Birr**	**Birr**
Current service cost (employer)	39,153,123	38,957,843
Past Service Cost		
Losses/(gains) on curtailments and settlements		
Total Service Cost	**39,153,123**	38,957,843
Interest Cost		
Interest cost on defined benefit obligation	25,114,466	15,174,792
Interest income on plan assets		
recognition of past service medical cost	70,374,419	71,767,567
Net Interest Cost on Balance Sheet Liability	**95,488,885**	86,942,359
Total included in profit and loss in respect of Scheme	**134,642,008**	**125,900,202**

v. Amount recognized in OCI

		2019
	Birr	Birr
Change in unrecognized positions		
Actuarial (gain)loss - experience adjustments arising from changes in financial assumptions	(22,006,559)	
Actuarial (gain)loss - experience adjustments arising from participants` movement	(89,872,671)	31,143,615
Return on plan assets (excluding amount in interest cost)		
Change in effect of asset ceiling (excluding amoun in interest cost)		
Amount recognized in OCI statement for the fiscal year	**(111,879,230)**	**31,143,615**

These will not be reclassified subsequently to profit or loss

vi. Reconciliation

		2019
	Birr	Birr
Net liability at start of period	345,695,560	205,955,912
Net expense recognised in the income statement	134,642,008	125,900,202
Employer contributions	(111,879,230)	(17,304,169)
Amount recognized in OCI	(12,988,078)	31,143,615
Net liability at end of period	**355,470,260**	**345,695,560**

vii. Actuarial Assumptions

		2019
	Birr	Birr
Discount rate (% p.a.)	7.00%	7.00%
Future salary increases (% p.a.)	6.00%	6.00%
Mortality Assumptions -males	A1949-52 males	A1949-52 males
Mortality Assumptions -females	A1949-52 females	A1949-52 females
weighted average duration of defined benefit obligation		-

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 2020 Ethiopian Airlines Group contributed birr 359,377,694 (2019 birr 297,585,357).

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.

ix. Expected impact on future cash flow

The current arrangements are unfunded with no pre-determined contributions. The Ethiopian Airlines Group however meets benefits payments on a pay-as-you-go basis. The company benefit outgo was birr 12,988,078 (2018 birr 17,304,169)

23. DEFERRED TAX LIABILITY

For sky light 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. As per the proclamation Ethiopian airport one of the Ethiopian airlines group segment tax exempted, the deferred tax liability amount which is reported on the previous year's as liability the balance absorbed and transferred to the equity .

24. DEFERRED AND NON-CURRENT LIABILITIES

		2019
	Birr	**Birr**
Management fee	17,474,131	36,273,984
	17,474,131	36,273,984
Non - Current liabilities		
Security deposits	323,586,697	208,230,771
Foreign termination indemnity	-	1,129,545
Retentions payable	54,129,915	33,499,695
Leased Aircraft maintenance reserve	290,054,960	226,760,707
Miscellaneous	514,982,115	275,631,565
	1,182,753,687	745,252,282
	1,200,227,818	**781,526,265**

25. TRADE AND OTHER LIABILITIES

		2019
	Birr	**Birr**
Transportation tax and embarkation fees	2,136,068,531	2,437,288,806
Payable to oil companies	(209,022,021)	69,542,580
Goods received but not billed	504,251,799	688,217,055
Customers' advances for work orders	79,211,051	161,882,247
Accrued interest	10,957,929	50,099,091
Accruals for leasing and maintenance of aircraft	452,226,414	58,678,366
Pool apportionment with other airlines	160,211,282	76,671,660
Services received but not billed	5,840,337,809	5,933,339,185
Others	7,429,107,017	4,717,994,218
	16,403,349,810	**14,193,713,209**

26. TAXATION

Ethiopian airlines group exempted from tax but one of the segment SKY light hotel are not exempted.

27. CASH FLOWS

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

An increase in property, plant and equipment financed by loan ETB 13,631,728,032

28. ADJUSTMENT IN CHANGES IN OWNERS' EQUITY

Ethiopian airport one of Ethiopian airlines segment adjusted changes in owners' equity for the amount of ETB 122,378,521 due to Cash injection from Government for ongoing airport projects ETB 190, 691,350, adjustment on previously duplicate record on Fixed asset (ETB 272,490,980.50) ,and Under Accrual for Previous year Tax payable (ETB 40,578,891).

29. RIGHT OF USE ASSETS AND LIABILITY

A. Right of use assets

	Aircrafts (ETB)	Spare Engines (ETB)	Total (ETB)
Net book amount of right-of-use assets recognized on adoption of IFRS 16	113,698,134,627	1,775,852,268	115,473,986,895
Additions	-	-	-
Re-measurements	-	-	-
Depreciation Charge for the Year	(13,625,818,578)	(187,623,251)	(13,813,441,829)
Net Carrying value at 30 June 2020	100,072,316,049	1,588,229,017	101,660,545,066

B. Lease liability

	Aircrafts (ETB)	Spare Engines (ETB)	Total (ETB)
Lease Liability at Commencement date	113,698,134,627	1,775,852,268	115,473,986,895
Additions	-	-	-
Deductions	(7,583,033,033)	(161,333,704)	(7,744,366,737)
Balance at 30 June 2020	106,115,101,594	1,614,518,564	104,500,583,029
Future variable lease payments	-	-	-
Termination fees	-	-	-

30. CONTRACT LIABILITY

Contract liability beginning Balance in ETB	22,192,040,564	Revenue realized from contract liability Beginning of the year	26,030,871,584
Contract liability Current year addition In ETB	242,704,326,874	Revenue realized from current year contract liability	147,508,272,308
Exchange rate difference on Opening Balance	4,660,320,231	Total revenue recognized In ETB	173,539,143,892
		Total Refund from Current Year liability In ETB	74,970,528,455
Total	269,556,687,669	Total	248,509,672,347
Contract liability Ending Balance in ETB	21,047,015,322		

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 considered to be the executive management members of Ethiopian Airlines Group who make strategic decisions and are responsible for allocating resources and assessing the performance of the operating segments. The operating segments of Ethiopian Airlines Group are defined based on IFRS8, 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 SKY light hotel. Ethiopian Airlines Group provides commercial air transportation including passenger, and cargo services, Ethiopian Airports provides airport services and SKY light hotel provide hotel services.

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

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

	EthiopianAirlines	Ethiopian Airports	Sky light hotel	Inter segment transactions	Ethiopian Airlines Group
	Birr	Birr	Birr	Birr	Birr
Total segment revenue	119,160,428,151	2,415,303,237	411,888,338	(1,855,857,716)	120,131,762,011
Revenue from external customers	119,160,428,151	1,769,650,901	86,206,815		121,016,285,867
Segment profit before tax	6,057,507,543	1,154,184,144	27,786,943		7,239,478,630
Finance income	142,377,808	14,039,838	-		156,417,646
Finance cost	(3,259,542,789)	-	-		(3,259,542,789)
Income tax					-
Depreciation and amortization	23,888,167,564	581,666,842	73,548,424		24,543,382,829
Segment Net asset	68,861,376,574	51,080,247,256	(16,735,045)	(172,584,440.00)	119,752,304,345

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A. Introduction

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

Accordingly, the financial risk management section under Treasury is responsible to assess, identify, measure and mitigate the important financial risk exposures of the Ethiopian Airline Group.

Ethiopian Airlines Group is exposed to various financial risks arising from its underlying operations and financial activities. It is primarily exposed to liquidity risk, market risk (i.e. fuel price, interest rate and currency risks) and credit risk. Volatility and fluctuations in the market conditions exposes Ethiopian Airlines Group to various Financial risks and management gives a strong emphasis on the importance of financial risk management as an element of control. The policy and aim is therefore to reduce the negative impact of such risks on cash flow, financial performance and equity.

This note is intended to present information about Ethiopian Airlines Group exposure to each of the above risks, its objectives, policies and processes for measuring and managing risks.

B. Ethiopian Airlines Group's risk management framework

A continuous dialogue between the Management, Risk management team under Treasury department, Fraud and Risk Management team and the Audit Committee is maintained in order to assure its effectiveness in this area. The Risk Management section of Treasury department deals with financial risk analysis and report to the Fraud and Risk management through which the report goes to higher Management staffs for the decision purposes. The risk management system is governed by the Risk Assessment Guideline defining the structure and the process of risk assessments.

Financial risk management of Ethiopian Airlines Group is governed by policies and guidelines approved by the senior managements. These policies and guidelines cover interest rate risk, currency risk, credit risk and liquidity risk. Its policies and guidelines also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. Compliance with the policies and guidelines is managed by segregated functions within Ethiopian Airlines Group. The objective of financial risk management is to minimize or reduce the negative impact of such risks on its results, cash flow, financial performance and equity.

C. Market Risk and its management

Market risk is the possibility of experiencing losses due to factors that affect the overall performance of the financial markets in which Ethiopian Airlines Group is involving. It is the risk that market prices change due to the change in Interest rates, Jet fuel prices and foreign exchange rates and which will affect Ethiopian Airlines Group's income or the value of its holdings of financial instruments.

In accordance with its financial risk policies, Ethiopian Airlines Group manages its market risk exposures through the use of financial instruments when it is appropriate. This is applied by entering into derivative transactions with the intention to reduce exposure to price risk by shifting that risk to companies that have opposite risk profiles or to investors who are willing to accept the risk in exchange for profit opportunity.

I. Currency risk and its management

Currency risk is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of Ethiopian Airlines Group and it is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the foreign currency risk exposure, Treasury department under its Risk management team closely review and monitor exchange rate trends. Having those currencies with high volatility and devaluation on its watch lists, the team is responsible to assess the impact of currency fluctuation on Sales and transfers. Natural hedging is used as the most common and primary hedging mechanism by the Ethiopian Airlines Group. Procedurally all local commitments including major direct operating costs such as fuel, landing, and handling will be settled in local currency in which the revenue inflows are received.

Onshore derivatives such as, outright forward purchase and money market instruments are used to hedge and mitigate the exchange rate risk of major currency with volatility and repatriation risk.

The team also study some other hedging structures available in the market for those currencies which Ethiopian Airlines Group is exposed and recommend to top management for implementation of the exchange rate hedging.

As major commitments such as loan repayments are mostly in United States Dollar (USD) and the concentration account is maintained in USD, the currency risk is assessed in terms of convertibility and volatility against USD. Major currencies in Ethiopian Airlines Group revenue stream such as Yuan (CNY), Euro (EUR), Hong Kong Dollar (HKD) and Indian Rupee (INR) are easily convertible. As XAF/XOF (CFA Franc) is pegged with EUR it is only moves as EUR moves against dollar, repatriation risks are also minimum.

The revenue inflows are coming through 91 currencies of which 82.15% of the revenue originates from eleven currencies namely USD (25.29%), CNY (14.3%), ETB (Ethiopian Birr) (10.73%), EUR (9.53%), HKD (4.83%), XAF (4.34%), INR (3.14%), XOF (3.04%), NGN (2.44%), AED (2.35%) and GBP (2.17%). The ETB inflows are fully utilized for local expenditures even at times requiring foreign currency inflows to meet local commitments in ETB.

Other currencies with small proportion to revenue but with devaluation risk and where no derivative instruments are available in the market, fixed income instruments such as dollar indexed bonds are used for hedging. The Risk Management Team closely monitors economic changes and forecasts in Ethiopian Airlines Group markets (the market for which Ethiopian Airlines Group operates in) to identify and mitigate exchange rate and repatriation risks in a proactive manner. Country risk ratings are profiled and those markets with speculative grade ratings are further scrutinized by the team. Macro-economic data are collected and analyzed to identify and mitigate devaluation and repatriation risk.

II. Interest rate risk and its management

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. Ethiopian Airlines Group market risk due to changes in interest rates primarily relates to its cash deposits and borrowings.

Most of Ethiopian Airlines Group debts are asset backed, which reveals the capital intensive nature of the Airline Industry. It has a mix of both fixed rate interest loans and variable or floating rate interest loans.

94% of the loans are USD denominated at LIBOR benchmarked rates. The Risk Management Team under Treasury closely monitors the interest rate movements on the world market and keeps a balance between fixed and floating interest rate loans. As of 30 Jun 2020 about 83% of the loans of Ethiopian Airlines Group are at fixed rate averaging 3.2% p.a. (USD LIBOR rate has been decreasing).

Closely monitoring the movement of interest rate will continue and swaps could also be considered if the rate is declining further.

Treasury Department under Financial risk management section has been conducting interest rate risk sensitivity analysis based on the assumption that interest rate fluctuation will affect the floating portion of the loan. Under these assumptions, the effect of increase In LIBOR rate (at various scenario cases) and its sensitivity on statement of profit or loss and equity is being assessed to control and monitor the impact.

III. Fuel price risk and its management

Ethiopian Airlines Group is exposed to jet fuel price risk to the extent that there are significant changes in the prices of jet fuel. Jet Fuel price risk is the risk of loss to the Group arising from adverse fluctuations in

Fuel prices. Treasury Department will review price trends, forecasts & hedging structures available in the market and recommend to top management for implementation of hedging.

Ethiopian Airlines Group policy currently allows to hedge fuel price, up to the maximum of 75% of its annual fuel volume uplift requirements at any one time for a maximum period of one year. However, if conditions are believed to be extremely favourable to hedge fuel prices for more than one year, proper management approval is required.

All hedging instruments are open for consideration. Currently, due to high volatility of oil prices, with much uncertainty on the oil price direction, lack of clear long-term prediction and uncertainty over technical adjustment to oil supplies, the Ethiopian Airlines Group has not hedged any volume. However, the oil future prices are being

monitored closely and hedging practice of close competitors is also being monitored as airlines business does not allow automatic price adjustment in case of sudden fall of oil prices below the hedged amount.

Treasury Department under Financial risk management section has been conducting Jet fuel price risk sensitivity analysis based on the assumption that all other factors, such as fuel surcharge and uplift volume remain constants. Under these assumptions, the effect of increase in crude oil prices (at various scenario cases) and its sensitivity on statement of profit or loss and equity is being assessed to control and monitor the impact.

D. Liquidity Risk and its management

Liquidity risk is the risk that Ethiopian Airlines Group will be unable to meet its financial obligations or liabilities when they fall due and to replace funds when they are withdrawn. Ethiopian Airlines Group's approach to managing liquidity risk is to make sure that it will have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to its reputation.

Financial Risk Management section of Treasury department carries out Cash flow forecasts at various planned profit scenario cases on monthly basis, monitors rolling forecasts of Ethiopian Airlines Group and assess liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining excess amount, so that Ethiopian Airlines Group do not default on any of its borrowing facilities.

E. Credit risk and its management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The credit risk exposure of Ethiopian Airlines Group primarily emanates from travel agents; both International Air Transport Association (IATA) approved Sales agents and non-IATA agents through which its major sales are conducted.

The default risk of IATA Billing Settlement Plan (BSP) agents is managed by IATA through local financial criteria which are gauged by the sales volume of the agent. Ethiopian Airlines Group as participating airline involves in the process of evaluation and decision making of each local financial criterion. Adherence to the financial criteria is monitored on an on-going basis by IATA through the Association's Agency Program.

A financial security is mandatory to be activated on IATA BSP link platform where the 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. All new agents are required to have a security of USD 50,000. The credit risk associated with these sales agents is relatively low. Ethiopian Airlines Group receivables are generated largely from the sales of passenger tickets and cargo transportation services.

Majority of these sales are in accounts receivable which are generally short term in duration in terms of collection period and the risk associated with these receivables is minimal.

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. Similarly, corporate customers are also required to present their financial statements and bank guarantee to have a credit facility from Ethiopian Airlines Group.

33. COMMITMENTS

Ethiopian Airlines Group has commitments, not provided for in these financial statements of Birr 103,548,583,600 for the purchase of 41 aircrafts. Out of which Birr 42,675,432,800 is with the possibility of sale and lease back arrangement. Furthermore, there are additional commitment of Birr 5,352,270,000.00 the remaining cost for the construction of phase II Ethiopian Airlines Group Skylight Hotel. The commitments will be financed through long term Loan and partially through equity.

34. CONTINGENT LIABILITIES

Ethiopian Airlines Group has contingent liabilities, not provided for in these financial statements of Birr 408,463,926.99 in respect of legal actions brought by different organizations and individuals, which are being contested by Ethiopian Airlines Group. It is not possible to determine the outcome of these cases.

35. EMPLOYEES

The Ethiopian Airlines Group employed 13,556 staff at 30 June 2020 (2019- 13,953).

36. SUBSEQUENT EVENTS

Ethiopian airlines group has continued to form equity partnership with other airlines by way of investment in different African countries and has formed Zambia Airways with 45% shareholding and will start operations from June 2021.

37. RELATED PARTIES

A. Remuneration of key management personnel

Key management members received the following remuneration during the years ended 30 June 2019 and 2020.

	2020 (Birr)	2019 (Birr)
Short term benefit	**29,226,127**	**26,555,375**

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

B. Other related parties

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

Outstanding balances at the year-end are interest free and settlements are to be made in cash. For the year-ended 30 June 2020, Ethiopian Airlines Group has not maintained any provision for doubtful debts relating to amounts owed by ASKY, Malawi airlines, Tchadia, Ethiopian Mozambique Airlines LTD and DHL-ET Logistics service. Assessment is undertaken at the end of each reporting date through examining the financial position of the related parties and the market in which the related parties operate.

As at 30 June 2020, Ethiopian Airlines Group has due from ASKY Airlines Birr 83,164,910.75, Ethiopian Airlines Group has due from Malawi Airlines Birr 248,897,037.14, Ethiopian Airlines Group has due from Tchadia airlines Birr 36,115,197.92, due from Ethiopian Mozambique Airlines LTD Birr 375,393,370.25 and due from DHL-ET logistics service Birr 504,274.82.

38. SPECIAL PURPOSE ENTITIES

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

39. DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Airlines Group authorized the issue of these financial Statements on 23 March 2021.

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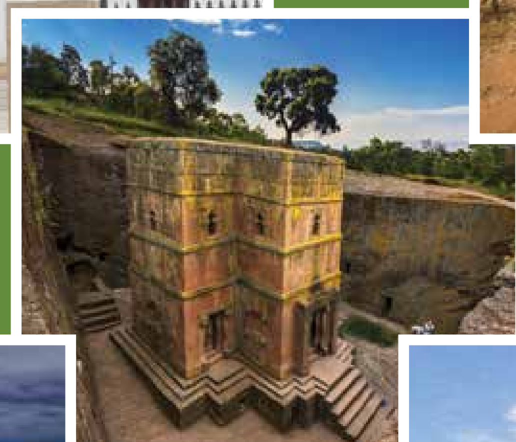
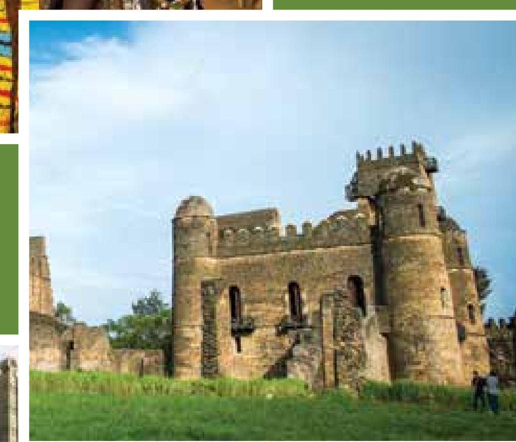
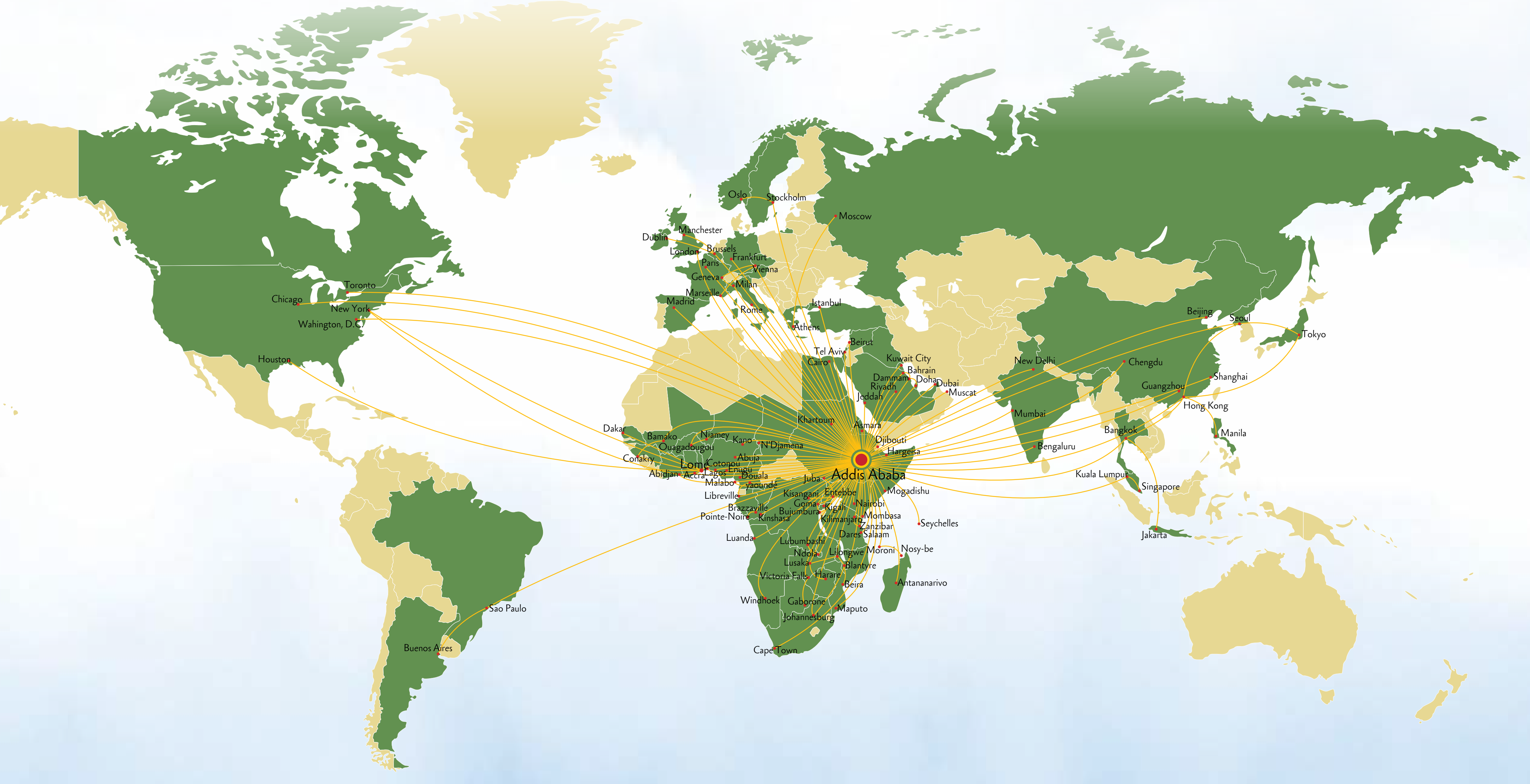



MORE THAN 127 INTERNATIONAL DESTINATIONS IN FIVE CONTINENTS



MORE THAN 62 DESTINATIONS IN AFRICA

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