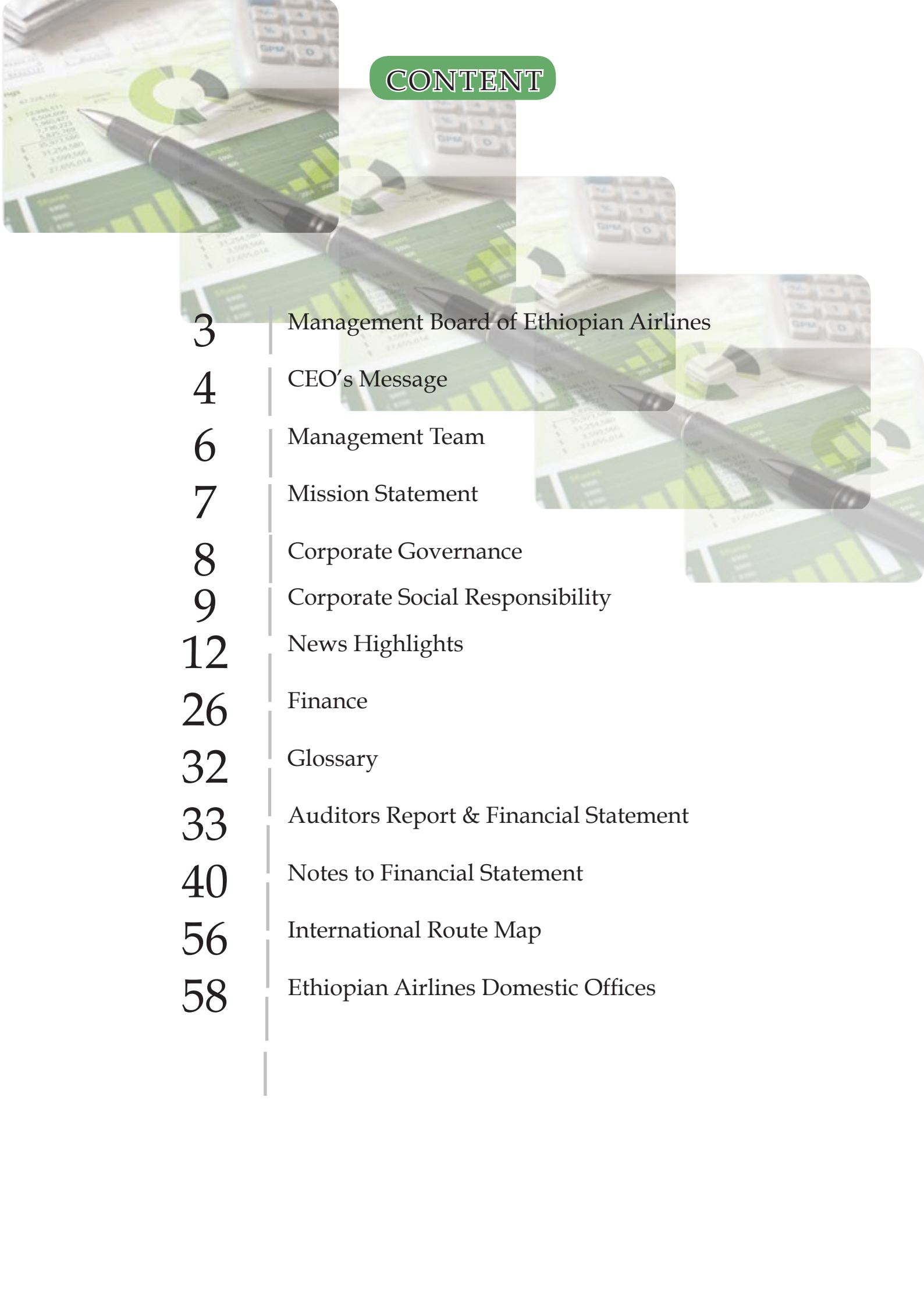


ANNUAL REPORT 2012-13





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BOARD OF MANAGEMENT

1	H.E. Ato Addisu Legesse	Board Chairman
2	H.E. Wzo. Sinkenesh Ejigu	Board Member
3	Ato Mesfin Lemma	Board Member
4	Ato Sisiay Gemechu	Board Member
5	Maj. Gen. Molla H.Mariam	Board Member
6	Ato Mussa Mohammed	Board Member
7	Ato Alemayehu Assefa	Board Member
8	Ato Retta Melaku	Board Member
9	Ato Tewodros Balcha	Board Member
10	Wz. Rahel Zerihun	Board Secretary

CEO's MESSAGE

2012/13 marked yet another milestone year for Ethiopian. Thanks to the patronage of our customers, who flew with us in historical record number, and the dedication and hard work of our 7,000 plus

workforce, the airline successfully completed the **3rd year of its Vision 2025** journey by registering fast, profitable and sustainable growth.

Capacity in terms of available seat kilometer grew by **15%**, traffic when measured in revenue passenger kilometer by **14%** and passenger number by **13%**. This exceptional growth represents three times that of the global industry average. It is all the more remarkable that this growth was achieved while also registering record operating profit of **2.8 billion birr** and net profit of **2 billion birr**.

This result, a testimony of the unparalleled commitment and dedication of the entire Ethiopian team and of the soundness of our Vision 2025 strategic roadmap, was achieved in yet another challenging operating environment, especially here in Africa.

On the demand side, global economic growth, the main driver of travel demand, remained weak with anemic growth in the U.S., recession in Europe, and slowdown in emerging economies. Our home market, Africa, registered strong economic growth but some parts continued to be plagued by armed conflicts. Our country, Ethiopia, was the bright spot, with impressive double-digit GDP growth. On the cost side, fuel, our main cost driver, remained at very high levels, more so in Africa where jet fuel is more expensive by 21% than in the rest of the world.

The year had many firsts for Ethiopian. We opened **8 new destinations** across 4 continents stretching from Africa with Cotonou (Benin), Berbera (Somaliland), Blantyre (Malawi); Ndola (Zambia); to the Middle with Muscat (Oman); Asia with Seoul (Korea) and Kuala Lumpur (Malaysia); and North America with Toronto (Canada). More than ever before, we are fulfilling our commitment to bring Africa together and closer to the world in the year when the African Union celebrated its Golden Jubilee.

During this 50th anniversary of the African Union, Ethiopian was recognized as the *Official Carrier* for its role in advancing the Union's core objectives by enabling mobility and connectivity, critically essential for economic integration and development.

In August 2012 we continued with our historical record of aviation technological leadership in Africa when we became the first in the world, outside Japan, to phase-in the ultramodern **B787 Dreamliner**. This technologically game-changing aircraft offers our customers unparalleled on-



board comfort, and unmatched operational efficiency for the airline with fuel savings of up to 20% when compared to similar commercial aircraft in activity.

We introduced Africa's first **B777-200 LR freighter**, perfectly suited to handle the booming perishable commodities exports from Ethiopia such as flowers, fruits, vegetables and meat, and inaugurated our brand new cargo cold storage facility, thus continuing to fulfill our national duty of supporting our country's exports.

We did all this, while at the same time maintaining very high standard of service, delivered with our differentiated African flavored Ethiopian hospitality. SKYTRAX, the leading customer service tracking organization, recognized our service by awarding us the *Best Staff Service in Africa* for 2013.

This year's performance is a re-confirmation of the soundness of our strategic direction in line with our Vision 2025 fast, profitable and sustainable growth strategy. Our conviction is based on the opportunities of the African economy, whose fundamentals remain strong, and the strategic location of our main hub, Addis Ababa, situated right at the heart of the fastest growing trade lane in the world, China-India-Africa-Brazil.

We will continue to build on the 4 pillars of our Vision 2025 strategy, namely fleet renewal and expansion; human resource development; infrastructure expansion and the implementation of the best systems, policies and procedures.

Lastly, I wish to once again thank our esteemed customers for their vote of confidence with a firm pledge to continue to work hard to earn their business, and to all my fellow colleagues for their exceptional dedication, which has enabled Ethiopian to continue to shine more than ever before.

Tewolde Gebremariam
Chief Executive Officer

MANAGEMENT TEAM



Ato Tewolde Gebremaria
Chief Executive Officer



Ato Esayas WoldeMariam
A/CCO & SVP Global Sales



Ato Kassim Geresu
Corporate Finance Officer



Ato Mesfin Tassew
Chief Operating Officer



Ato Zemene Nega
SVP Ethiopian MRO



Ato Mesay Shiferaw
A/SVP Corporate HRM



Ato Yissehak Zewoldi
VP Alliances &
Corp. Strategic Planning



Ato Kemeredin Bedru
Chief Information Officer



Ato Wassu Zelelew
VP Internal Audit & Com.



Wz. Rahel Zerihun
VP Legal Counsel &
Corporate Secretariat



Ato Samuel Assefa
VP Ethiopian Aviation Academy



Ato Asrat Begashaw
A/VP Ethiopian Cargo



Capt. Desta Zeru
VP Flight Operations



Ato Nega Mekonnen
VP Corporate Finance



Ato Solomon Debebe
VP Customer Services



Ato Hailemeleket Mamo

MISSION STATEMENT

Our Vision

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 services by 2025.

Our 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 whose quality and price “value proposition” is always better than its competitors.
- 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 the socio-economic development of Ethiopia in particular and the countries to which it operates in general by undertaking its corporate social responsibilities and providing vital global air connectivity.

Our 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 and ethical ideas regardless of their source.
- We recognize and reward employees for their performance and demonstrate integrity, respect to others, candour and team work.
- Act in an open fashion and be result-oriented, creative and innovative.
- Adopt Zero tolerance to indifference, inefficiency and bureaucracy.
- Encourage 360° free flow and sharing of information.
- Treat our customers the same way we would like to be treated and always look for ways to make it easier for customers to do business with us.
- We are an equal opportunity employer.

CORPORATE GOVERNANCE

Corporate governance is the process by which companies are directed, controlled and held to account.

Ethiopian Airlines Board of Management is responsible for the overall management of the governance of the airline and is accountable to the shareholders for ensuring that the company complies with the law and the highest standards of best practices in corporate governance and business ethics. The Board is committed to the need to conduct the business and operations of the airline and the group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of Management

The full Board meets every quarter and as need be on ad-hoc basis. The Board receive all information relevant to the discharge of their obligations in accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the airline's overall internal control of financial, operational and compliance issues as well as implementing strategies for the long term success of the airline.

The Board has a wide range of skills and experience and each contributes independent judgment and knowledge to the Board's discussions.

Audit Committee

The Board has an Audit committee which meets during the year as necessary. Its responsibilities include review of the integrity of the financial statements and formal announcements relating to the airlines financial performance, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems.

Internal Controls

The Airline has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review the activities of the airline. A comprehensive management accounting system is in place providing financial and operational performance measurement indica-

tors. Weekly meetings are held by executive management to monitor performance and to agree on measures for improvement.

Code of Ethics

The airline is committed to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. A formal code of ethics has been approved by the Board and is fully implemented to guide management, employees and stakeholders on acceptable behavior in conducting business. All employees of the airline are expected to avoid activities and financial interests that could undermine their responsibilities to the airline.

CORPORATE SOCIAL RESPONSIBILITY

Ethiopian Airlines, Boeing and Seattle Anesthesia Outreach Partner to Assist Black Lion Hospital

Ethiopian Airlines in partnership with Boeing and Seattle Anesthesia Outreach (SAO) delivered approximately 20,000 pounds (9,000 kilograms) of medical supplies to Black Lion Teaching and Referral Hospital – Ethiopia's largest hospital. The delivery was made using Ethiopian third 787 Dreamliner, marking the first time a Dreamliner has been used as part of Ethiopian and Boeing's Humanitarian Delivery Flights program.

The shipment includes several anesthesia machines to be used in the hospital's operating rooms, equipment for monitoring patients in intensive care, operating rooms and the post-surgery recovery unit; as well as intensive care beds and other surgical equipment. In addition to the equipment, SAO has more than 20 physicians, nurses and technicians to help set up the equipment and spend several weeks there teaching in the hospital.

Ethiopian Airlines is committed to support worthy social activities which are designed to help build sustainable livelihoods for individuals, the community and the society in general. In doing so it has left its mark on major social initiatives in Africa.

Ethiopian Reaches the Hands of the Needy

"Ethiopian believes in the virtue of giving back to the community"

Ethiopian has been touching the lives of many individuals by filling the gaps of their financial constraint through the full coverage of their medical travel cost. This has been a great help to the needy patients to access foreign treatment improving their endangered medical condition.

In the year 2012/2013, Ethiopian has offered free air tickets for 55 medical travelers. Ethiopian as a responsible corporate citizen will always strive to do its level best to support the less fortunate in the society.

Ethiopian and Airlink



Ethiopian in partnership with Airlink, USA based non-profit organization communicates and coordinates with humanitarian aid organizations in need of air transportation, helped the marginalized rural communities in Kenya who do not have access to basic medical procedures.

Ethiopian CEO has become the member of Airlink's Advisory Council that enhances ET's Corporate Social Responsibility program by reaching the hands of the needy within the African continent and beyond.

Ethiopian and Airbus Bring "The Little Engineer" Workshops to Ethiopian Students

Ethiopian Airlines and Airbus have partnered to host workshops for close to 100 students from schools in Addis Ababa. The workshops were conducted by The Little Engineer (TLE), an organization dedicated to instilling an appreciation of science and technology among today's youth.



These workshops took place at Ethiopian Airlines' Aviation Academy in the framework of celebration of the 50th anniversary of the Elysée Treaty by the Embassies of French Republic and Federal Republic of Germany in Addis Ababa.

Airbus has announced earlier this month a regional partnership with TLE as a result of on-going efforts to inspire and instill a passion for science and technology at an early age. It aims through this partnership to engage with more than 500 students in Africa and the Middle East in 2013.

Ethiopian Cherished Orphans



Every Year, Ethiopian celebrated Christmas with orphans from different local non-governmental organizations (NGOs) namely; Abebech Gobena, Mary Joy, Alepha School and Mother Teresa at its Headquarters.

In the year 2012/13, Ethiopian has shown kind gesture to more than 600 orphans by cherishing them with gifts, musical entertainments and different

games. Ethiopian generously presented gifts to the little ones so that they enjoy the joy of giving and receiving something special. Ethiopian Higher Man

agement graced the event and affirmed Ethiopian Airlines' continued support and care to the vulnerable children as they are the future generation.

Ethiopian Supports Endeavors of Higher Institutions

Ethiopian Airlines believes in the critical role education plays in the overall development of a society. With such strong belief in the importance of education, Ethiopian Airlines has made it a perennial plan to support education of children, the youth and woman as a basis for a sustainable society.

Accordingly, Ethiopian in collaboration with Addis Ababa and Haramaya University has supported Law Students every year to attend Moot Court Competitions in different parts of world that in return merited the students to improve their legal skills and import experience from other parts of the world. Such kind of assistance by Ethiopian stretched support to prospective medical students who were nominated by Ethiopian Medical Student Association to represent Ethiopia in a conference held in Mumbai, India.

Ethiopian and Its Engagment in Sport Activities



Ethiopian has a long tradition of supporting sports in the country including long distance running, cycling competitions etc. As part of this continued tradition, Ethiopian has been working with Great Ethiopian Run

where more than 36,000 people participated. Every year, Ethiopian also supported Women's 5km Run and Ring Road Relay. In parallel, Ethiopian backed Ethiopian Cycling Federation by covering the travel cost of nine cyclists attending Tour of Rwanda Tournament.

The cyclists ranked second and acknowledged what Ethiopian did for them amongst sport fans.

International Leadership Academy of Ethiopia Students Visit Ethiopian Facilities



Ethiopian gave a chance to young students from International Leadership Academy of Ethiopian (ILAE) to visit the state-of-the-art facilities of Ethiopian. They were impressed in visiting Ethiopian Simulator, Pilot Training, Hangar Maintenance, Engine Maintenance and Wire Kit Harness Manufacturing Plant. Ms. Ellen Taussig, Executive Director International Leadership Academy of Ethiopian thanked Ethiopian, "The tour was fantastic! I could not have imagine a more complete and appropriate tour for the students.

They continue to be so excited. Thank you, again, for a wonderfully organized and engaging tour for the students of International Leadership Academy of Ethiopia".

NEWS HIGHLIGHTS

Dream Comes True: Ethiopian 1st Dreamliner Lands in Addis Ababa



Ethiopian while receiving Africa First at the Everett, Washington

Ethiopian took delivery of its 1st Boeing 787-800 Dreamliner dubbed “Africa First” on August 14, 2012. It touched down Addis Ababa Bole International Airport’s soil on 17 August 2012 at 9:30am. The Dreamliner had flown from Washington DC, Dulles international Airport, after a static display for VIPs including members of US Congress, World Bank and IMF Executives, Ambassadors, as well as members of the Ethiopian Diaspora and media. The 1st Ethiopian Dreamliner was welcomed at

Addis Ababa Airport by H.E. Mr. Hailemariam Desalegn, Deputy Prime Minister and Minister of Foreign Affairs, other Ministers and State Ministers of Ethiopia, Ambassadors based in Addis Ababa, representatives of aviation stakeholders, other invited guests, the media and Ethiopian Airlines management. The aircraft received a rapturous welcome by all those present with cheers and applause by Ethiopian staff and airport employees carrying banners and flags and Ethiopian transit passengers, who happened to be at the airport on this historic occasion.



H.E. Hailemariam Desalegn, FDRE Prime Minister welcoming the Dreamliner

Ethiopian Airlines was the 1st in the world outside Japan and ahead of any airline in the Americas, Europe and the Middle East to operate the Dreamliner, the most technologically advanced commercial aircraft in the world.

Ethiopian has once again demonstrated that it continues to be the pioneer in African aviation by being the first airline in the world, outside Japan, to take delivery of the most technologically advanced commercial aircraft. This will remain to be one of the great successes not only for Ethiopian but for the African Aviation in general.

Ethiopian continues its leadership in Africa being the 1st in the continent to take Delivery of 777F

True to its motto “leading the way past, present and the future”, and in another milestone for the African aviation industry, Ethiopian Airlines received its first B777 Freighter aircraft on September 19, 2012 from Boeing at Everett, Washington. This made Ethiopian the first to operate this ultra-modern freighter in Africa.

Ethiopian is already the largest cargo carrier in Africa operating six dedicated freighter aircraft to 24 destinations in Africa, the Middle East, Asia, and Europe. In addition, it has substantial belly-hold capacity on its passenger network.

The B777F is the first of the six firm orders Ethiopian placed in October 2011. Ethiopian has also received its 2nd B777F in October 2012. This is in line with the cargo expansion plan to cater adequate capacity to the fast growing Ethiopian horticultural products export.

Ethiopian Inaugurates New Perishable Cargo Cold Storage Facility

Ethiopian Airlines Inaugurates the New State-of-the art Perishable Cargo Cold Storage Facility



The new warehouse, built in line with the highest international standards, covers a total area of 3700 sq. meters. It has a capacity to accommodate four aircraft cargo load at one-time. The warehouse has a receiving, skid storage, palletization, and ULD storage area of 3,500 sq. meters. It has a controlled temperature facility ranging from 2 to 4 degrees centigrade.

Ethiopian, the largest cargo operator in Africa, currently operates six dedicated freighter aircraft to 24 cargo destinations in

Africa, the Middle East, Europe and Asia thru its two hubs - in Addis Ababa and Liège, Belgium. It is the first airline in Africa to operate the B777 freighter with its extended range, efficiency and cooling capability.

Ethiopian Cargo has transformed into a profit center of the Ethiopian Aviation Group per Vision 2025. By 2025, Ethiopian Cargo plans to uplift 820,000 tons of cargo using 15 dedicated freighters by 2025.

Ethiopian CEO Wins African CEO of the Year Award



Ethiopian Airlines CEO, Tewolde Gebremariam was awarded African CEO of the year from the African CEO Forum 2012 on November 20, 2012.

Ethiopian CEO was given the African CEO of the Year Award whose specific category are: vision and leadership; pan-African scope of the strategy employed; type of modern governance and financial transparency; and quality of social, human and environmental policy.

The list of nominees for the inaugural African CEO Awards was quite long and impressive too, 37 in total, vying for four awards: Private Equity Investor of the Year, International Corporation of the Year, African Company of the Year and African CEO of the Year. The winners were chosen by a panel of 12 jurors composed of well-known figures from African businesses as well as consulting and media companies.

Organized under the auspices of the African Development Bank and Jeune Afrique Group. The African CEO Awards is a thumbs-up for companies and investors who have demonstrated continued determination to advance the continent's development by virtue of their promotion and development of the African private sector, intra-African trade, regional integration as well as social and environmental responsibility.

Ethiopian Wins International Diamond Prize for Excellence



Ethiopian Airlines was awarded the International Diamond Prize for Excellence in Quality by the European Society for Quality Research (ESQR) on December 2, 2012 in Brussels.

Ethiopian won the award for its commitment to quality, excellence and continuous improvement.

This award is a continuation of recognition of Ethiopian operational excellence and performance. The International Diamond Prize for Excellence is one of the sixth international award Ethiopian has received in 2012.

Ethiopian CEO Wins African Business Leader of the Year Award



Ethiopian Airlines CEO, Tewolde Gebremariam, won the “African Business Leader of the Year” award from the Corporate Council on Africa (CCA) on December 12, 2012.

CEO Tewolde was given the award for making Ethiopian the best run airline in Africa, while at the same time turning it into a true international carrier. He was also recognized for his support of US-Africa trade as evidenced not only by the nature of Ethiopian Airlines’ business, but by being

the first carrier on the continent to buy the most advanced airliner, the B787-Dreamliner.

The fiscal year 2012/13 is the third year of implementation of its 15-year strategic roadmap, Vision 2025, which will see it become the leading aviation group in Africa with seven profit centers grossing total revenue of 10 billion dollars by 2025.

Ethiopian Wins Bombardiers Airline Reliability Performance Award for Third Year in a Row



Ethiopian Airlines, the fastest growing airline in Africa, won the 2013 Airline Reliability Performance Award from Bombardier Aerospace. This is the third time Ethiopian has won the award in a row.

The award was given to Ethiopian for achieving an average dispatch reliability rate of 99 per cent or better on revenue passenger flights in 2012 and stood first in the overall Q-400 product category for the Middle East and Africa region.

Ethiopian currently operates 13 Q-400 Next Gen aircraft, which has the quietest engine in its category. The Q-400 is an ideal aircraft for domestic and regional flights with a speed closer to narrow body jet airplanes and with reduced fuel consumption and emission. Ethiopian Q-400s are used for its extensive regional and domestic network serving the ever increasing tourism and business travel needs of its customers.

Ethiopian MRO Gets Approval for Full Airframe Maintenance Capability for Bombardier Dash8/ Q-Series T - 26 February, 2013

Ethiopian Airlines has developed full airframe maintenance capability for Bombardier’s Q100,

Q200 and Q300 turboprop airplanes in addition to its existing Q400 aircraft capability. Ethiopian MRO facility was granted the approval from the Ethiopian Civil Aviation Authority (ECAA) and the American Federal Aviation Administration (FAA) in January 2013.

Ethiopian huge investment in facility expansion, equipment, training of personnel, and approved maintenance data has enabled the airline to acquire such capability. Ethiopian is also working with Bombardier to continue expanding on this MRO cooperation.

The Q100, Q200 and Q300 turboprops are popular in Africa and are widely used by regional operators in the continent. With this capability, Ethiopian MRO provides efficient and affordable maintenance services to operators of the Dash8/Q-Series family of aircraft in Africa and the Middle East.

Ethiopian Wins SKYTRAX World Airline Award for Best Airline Staff Service in Africa



Ethiopian Airlines won SKYTRAX World Airline Award for Best Airline Staff Service in Africa for its outstanding customer service, on 18 June 2013 in Paris.

With its uniquely Ethiopian flavored African hospitality, Ethiopian Airlines is availing high standard products and services to meet the expectations of its customers with five star service delivery.

Ethiopian, when receiving the award on 18 June 2013 in Paris at Le Salon du Bourget Air Show.

Ethiopian is selected as an Official Carrier of the 50th Anniversary Celebrations of the OAU-AU

Ethiopian Airlines was selected as an “Official Carrier of the 50s anniversary celebration of the Organization of the African Unity - African Union.

The Memorandum of Understanding designating Ethiopian as Official Carrier of the Golden Jubilee Celebrations was signed between H.E. Mr. Erastus Mwencha, Deputy Chairperson of the African Union Commission and Mr. Esayas Woldemariam, Acting Chief Commercial Officer and Senior Vice-President of Global Sales of Ethiopian at the African Union headquarters in Addis Ababa on Tuesday, 7 May 2013.

Ethiopian and the African Union have been working together, for five decades, towards the shared objective of an integrated, peaceful and prosperous Africa that takes its rightful place on the global stage.

As an official carrier, Ethiopian will support and promote the many activities planned throughout the continent



in connection with the milestone anniversary of the establishment of the Organization of African Unity – African Union, under the theme of “Pan-Africanism and African Renaissance”.

Ethiopian Receives an Award for Pioneering the African Renaissance from the President



Ethiopian Airlines received an award from H.E Girma Wolde Giorgis, President of the Federal Democratic Republic of Ethiopia, for being a pioneer of the bright future of the Africa Renaissance.

Ethiopian CEO Tewolde Gebremariam received the award during a ceremony celebrating the 89th birthday and 60 years of Diamond Jubilee of the president held at the Sheraton Addis on January 8, 2013.

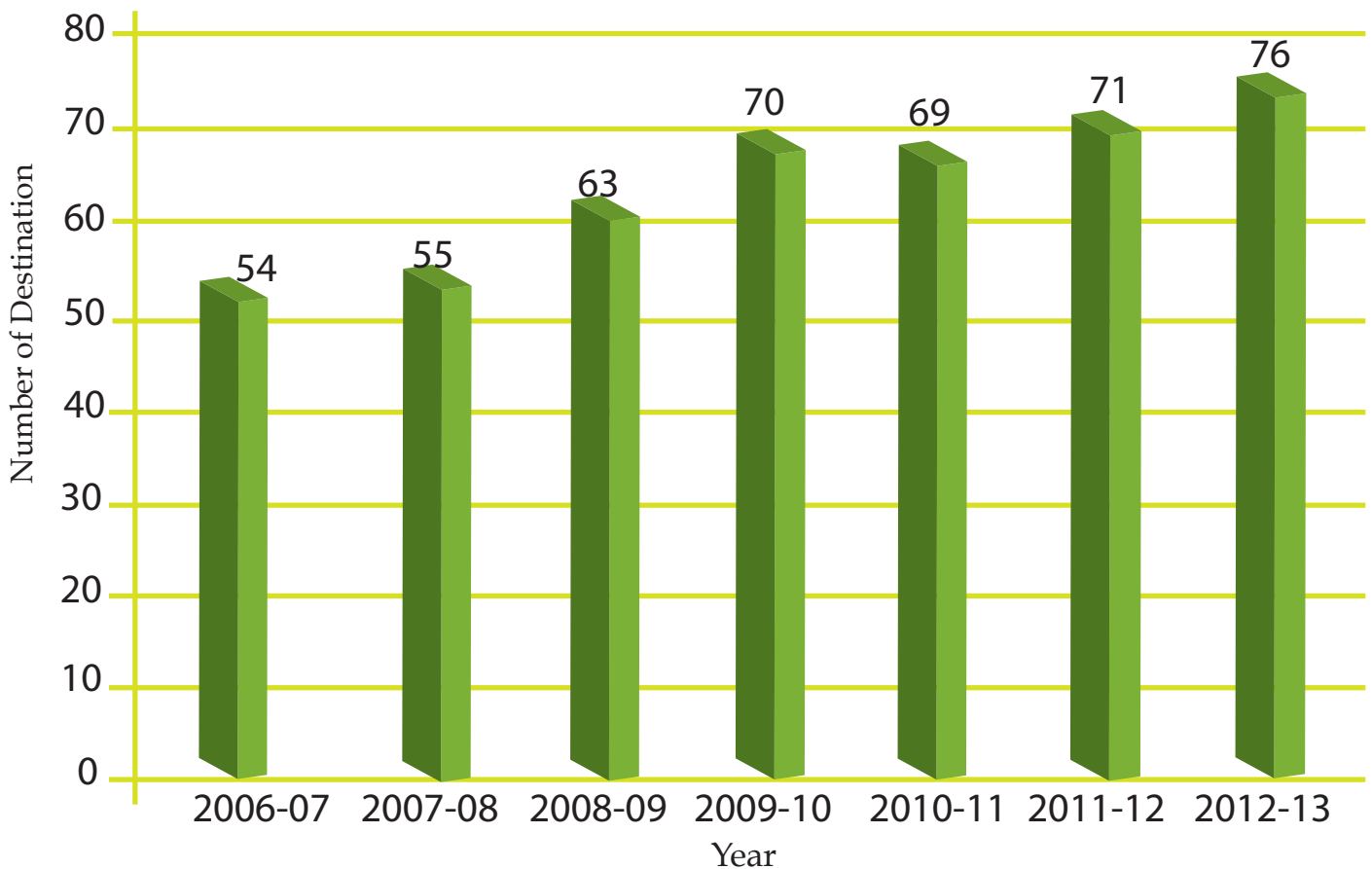
Ethiopian was given the award for continued growth and performance and for putting Ethiopia and the continent on the map by being the first airline outside of Japan to own and operate the Dreamliner.

New Destination

Ethiopian further expanded its network to:



Number of International Destination



Aircraft Age



Aircraft Type

Aircraft Age

	2010/11	2011/12	2012/13
738	2.53	2.63	2.52
73W	6.17	7.17	8.17
757	11.98	12.98	13.98
763	11.18	12.18	13.18
77F	-	-	0.71
77L	0.41	1.42	2.32
77W	-	-	-
787	-	-	0.57
DH8	1.01	2.00	2.09
Aircraft Average Age	6.32	6.87	5.80

Maintenance Capability Development

Major Projects Completed

The high flow fuel components test facility installation and commissioning is finalized.

MRO Capabilities

- **New Aircraft Introduction:** 14 aircraft phased-in during the period: Two B777Fs, four B787s, three B737-800s and five Q400s and successfully introduced into Ethiopian System and the necessary maintenance capability developments were done.
- **DHC-8-100/200/300 Airframe capability:** In addition to already existing maintenance capability of DHC-8-400 Aircraft, MRO developed maintenance capability of up to C-Checks to maintain DHC-8 Q-100/200/300 Airplanes and secured both CAA and FAA certificates. This capability will enable ET to overhaul its own and third party DHC-8 Q-100/200/300/400 Airplanes.
- **CFM56-3/-7B Engine Overhaul Capability:** Overhaul capability for the two CFM Engine types (CFM56-3 and CFM56-7B) is developed and regulatory approval is secured. These engine capability will enable ET to overhaul its own and third party engines.
- **Engine shop expansion:** The shop is re-innovated with state-of-the-art equipment and facilities to accommodate CFM56-3/-7B engine overhaul capability, PW4000 and PW2000 Module capability, and future GENx Engine overhaul capability. The project includes upgrading of existing bays and new bay constructions, major equipment & cranes procurement and installation, New CMM (Coordinate Measuring Machine), New Bearing Room, New offices and Marshaling Rooms construction.
- **Composite Shop Expansion:** Composite shop facility is re-innovated to accommodate the modern B787 Composite repair in addition to legacy aircraft composite repair. The shop is equipped with state-of-the-art equipment, namely, computer controlled walk-in-through freezer, walk-in-through closed paint booth, high capacity dust extraction system, and pressurized room with manual control system.
- **Fuel Shop Capability:** The shop equipped with new test equipment which are able to test many modern electromechanical components. Accordingly 5 Fuel component capability is already developed.
- **Completed B737-Classic airframe capability**
- **PW150A Engine Overhaul:-** Feasibility study completed. Actual capability development work will start shortly.

Aviation Academy Performance

- Executive Development Course has been given to 10 staff
- Management Development Course has been given to 21 staff.
- Supervisor Development Course has been given to 50 staff.
- Technical Recurrent Trainings have been given to 11,122 staff.
- Career development courses have been given to 171 employees.
- On-line Computer Based Testing (CBT) has been introduced for various promotional exams.
 - E-learning course were given for various operational areas.
- Third party training conducted through negotiation with Customers & ET partners and trained 195 trainees.
- Study for integration of the Ethiopian Civil Aviation Authority and Ethiopian Airport Enterprise trainings into the Aviation Academy finalized and first phase implementation started in 2012/13. Training needs of the Airport Enterprise have been identified. Accordingly, training on “Transformational Leadership” has been given to the senior management of Airport Enterprise and Ethiopian Civil Aviation. In addition, development of curriculum for various technical trainings is in progress.
- A license renewal audit has been made by European Aviation Safety Agency (EASA 147) on the technical recurrent training of Aviation Academy which is type certified to conduct trainings on system courses for B757/767 and B737.
- 66 trainees of MPL (Multi-Crew Pilot Licensing Training) are pursuing their training in ground school, simulator and flight training phases. The first MPL cadets (26 cadets) finalized their training and graduated on June 06, 2013. The second MPL batch (22 on B737) has progressed to the last stages of training. The third MPL batch of 24 pilot cadets has also successfully completed their phase one training. The fourth Batch of 24 pilot cadets has started their initial training. Ethiopian Aviation Academy is the first in Africa and amongst the few in the world to implement the ICAO-approved competency -based MPL training that prepares pilot trainees to be first officer on a modern commercial jet within 18 months.
- In relation to the co-operative training with TVET schools:
 - Critical aviation occupations in ET were identified and occupational standards were developed.
 - Curriculum and training material developed for Category-A Line and Hangar technicians.

- 100 trainees graduated with a joint program conducted in cooperation with Defense Engineering College (trainees now under coaching/OJT stage)
- Curriculum of basic customer skills developed.
- The academy has admitted 18 students at Tegbare-ed TVET College for cooperative training of category A1 technicians. Additional 22 trainees are being trained at Higher 7 TVET College for customer service training. At the moment the 22 trainees for customer service training are on OJT at the airport.
- Operational committee established for the aviation sector (including Ethiopian Civil Aviation Authority and Airport Enterprise) to implement TVET strategy in a more comprehensive manner.
- The academy has revised and obtained approval for various training programs including Commercial Pilot (CPL), integrated Air Transport Pilot (ATPL) and modular ATPL training programs in addition to various other training programs in the maintenance training section.
- Regarding the cooperative training, joint training with Ethiopian Air force Technical College for 87 technicians completed. Ethiopian Air Force Flying School has also trained 24 pilots and training is progressing for 20 pilot instructors in the facility.
- Recruitment of trainees for the various school of the academy is being carried out aggressively to meet human resource requirements. Our recruitment process covered various regions in Ethiopia (through the use of ET domestic offices) to enhance the diversity of workforce. This effort will be further reinforced in the coming year to reach more remote areas.

➤ Performance Management BSC/ISC Implementation

- ✓ 2012/2013 fiscal year semi-annual rating has been conducted and the result has been analyzed for quality check. Some improvement has been noted.
- ✓ Year-end BSC/ISC rating is being conducted and the result will be analyzed for quality checks.

➤ Succession Planning

- ✓ 81 successors identified for 49 Director Positions and Individual Development Plan (IDP) submitted for 71 successors.
- ✓ 258 successors identified for 141 Manager Positions and Individual Development Plan (IDP) submitted for 157 successors.

➤ Coaching & Mentoring

- ✓ Coaching program is under way in MRO, Ethiopian Aviation Academy, Customer service and Ethiopian Cargo.
- ✓ The detail progress/developmental work/ of Purchasing and supply Chain Management, Base Services and Commercial is reported to Corporate HRM from project managers once in a month.

➤ Industrial Relations

- ✓ Finalized the 10th Collective agreement and translated into English, as a result, 8000 copies have distributed to employees and uploaded the soft copy (both Amharic and English) on portal for ease of reference.
- ✓ Participated in the organization of 60th Anniversary of Ethiopian Employers' Federation to build good working relationship with the Federation.

➤ Reward & retention

- ✓ The annual salary increase that ranges from 6% to 8% has been granted for all home base staff effective July 01, 2012.
- ✓ Per the Addis Ababa City Government Instruction 398 employees has been registered for 20/80 condominium house.

➤ Housing Project

- Out of the 67 blocks to be constructed in phase one, the construction of 53 blocks are in progress. Out of the 53 blocks 43 blocks reached up to the roof level.
- 28% of the work is completed.
- ✓ Total project cost for phase-one is birr 710,437,517 (including vat) where 30% of it is to be collected from the housing members and the remaining through loan.

- ✓ Loan from PTA bank secured and it is on final stage of signature.

➤ **Best Performing Employees Awards**

- ✓ A total of 406 best performed employees were recognized with employee-of-the quarter award.

➤ **Employees Engagement**

- ✓ Conducted workshop on Living ET's Values and made a Video production for 762 employees.
- ✓ Prepared crew meeting guide line for proper implementation and follow up of crew meetings.
- ✓ Prepared minute template for crew meeting uniformity.
- ✓ Communicated & updated employees about any news using Ethiopian Weekly and hard copy.
- ✓ Senior Corporate Culture Officer position has been created to educate employees on corporate culture.

➤ **Educational Assistance**

- ✓ A total of 335 employees were enrolled for educational assistance in 2012/13.
- ✓ A total of birr 435,147.18 reimbursed for 209 employees in 2012/13

➤ **Gender & HIV Related Issues**

- ✓ A new structure that deals with gender issues is established under the new Employee Engagement Office.
- ✓ The International Women's day was colorfully celebrated at Ethiopian Airlines in the presence of a large number of female staff. A discussion forum was held during the time.
- ✓ Needs assessment was done on gender issues of the organization.
- ✓ Several newsletters were released before the World Aids day on HIV/ AIDS.
- ✓ Continued awareness on HIV/ AIDS. The number of VCT sites have increased from 2 to 3 during WORLD AIDS DAY.
- ✓ Two billboards have been posted in the EAL premises, which reflect the current HIV/ AIDS theme.

INFORMATION TECHNOLOGY

○ IT Systems Development

- The Master Systems Integration (MSI) project was completed and started operation since January 2013. The remaining phase II implementation is in its final stage.
- Introduced a new SAP Business Transformation Continuity Department within IT to ensure proper usage of the SAP and all other acquired systems.
- B787 e-enabling systems and aircraft side configuration software that were required in order to configure and operate the aircraft are implemented as part of the entry into service readiness of the B787 aircraft.
- Migrated from current host inventory (that limits the differentiation of seat availability per point of sale) to the Sabre Sonic inventory (which allows flexibility of displaying seats per preferred sales channel).
- Preparation to replace LEG/SEG Revenue Optimizer/Manager to an Origin/Destination based Revenue optimizer/Manger is completed and will go-live on the July 8, 2013.
- E-freight and e-AWB implemented 100% on ADDIAD, ADDLGG, ADDLHR, ADDFCO, ADDMXP, ADDTLV, ADDYYZ and ADDDXB and remaining locations out of ADD are under test and will complete by December 2013.
- As per our strategy to develop a call center in Ethiopia, the ET call center moved from Delhi to ADD starting June 22, 2013. This opens Business Process Outsourcing (BPO) business opportunity for Ethiopia.
- The ethiotelecom New Generation Call Center (NGCC) implemented to replace the existing obsolete reservation telephone system that provides several call center features such as interactive voice response, computer telephone integration, automatic call distribution, call recording, workforce management, various management reports including dashboard.
- Head office connectivity to Sabre and field offices through VSAT and terrestrial fiber to improve performance and reliability.
- Outstation bandwidth upgrade and connectivity project that improve system response time and connection reliability is completed 80%.

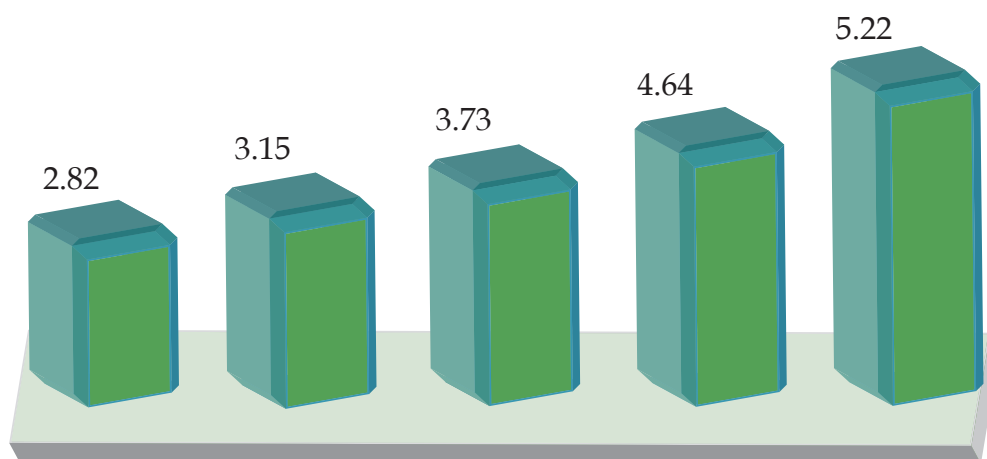


Overview of Operating and Financial Results

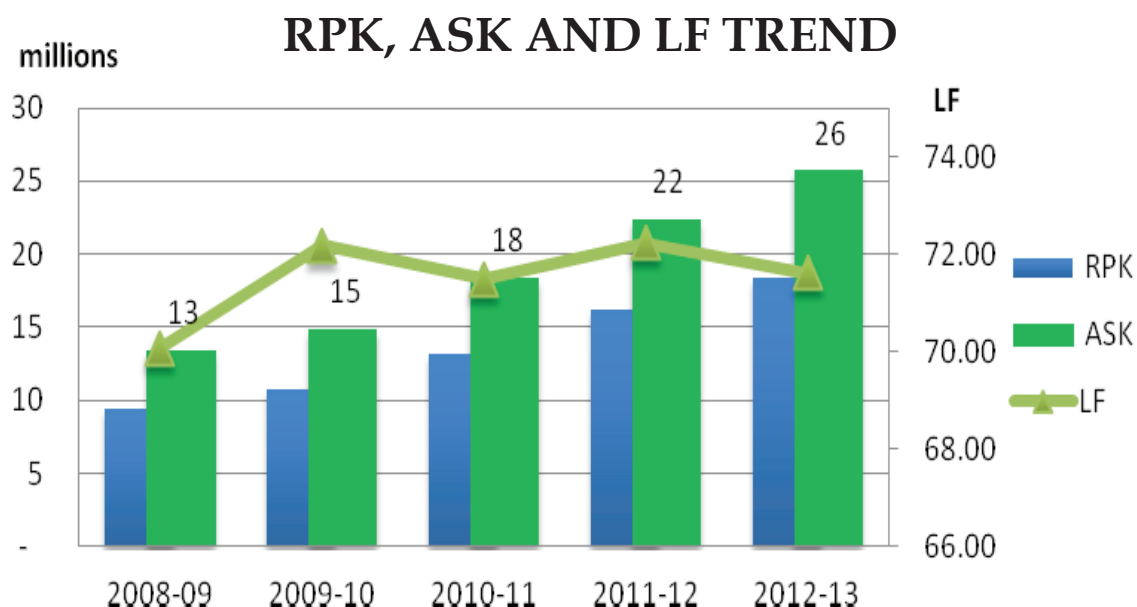
Ethiopian continued with its vision 2025 fast, profitable and sustainable growth plan despite the challenging operating environment. Compared to previous periods, the airline registered significant growth in most of its operating results.

Performance Category	2012/13	2011/12	% Change
PAX No.-(thousands)	5,225	4,644	12.5
RPK-(million)	18,424	16,175	13.9
ASK-(million)	25,728	22,394	14.9
RTK-(million)	3,232	2,922	10.6
ATK-(million)	5,223	4,631	12.8
Block Hour-(thousands)	218	193	12.9

Passenger numbers in millions

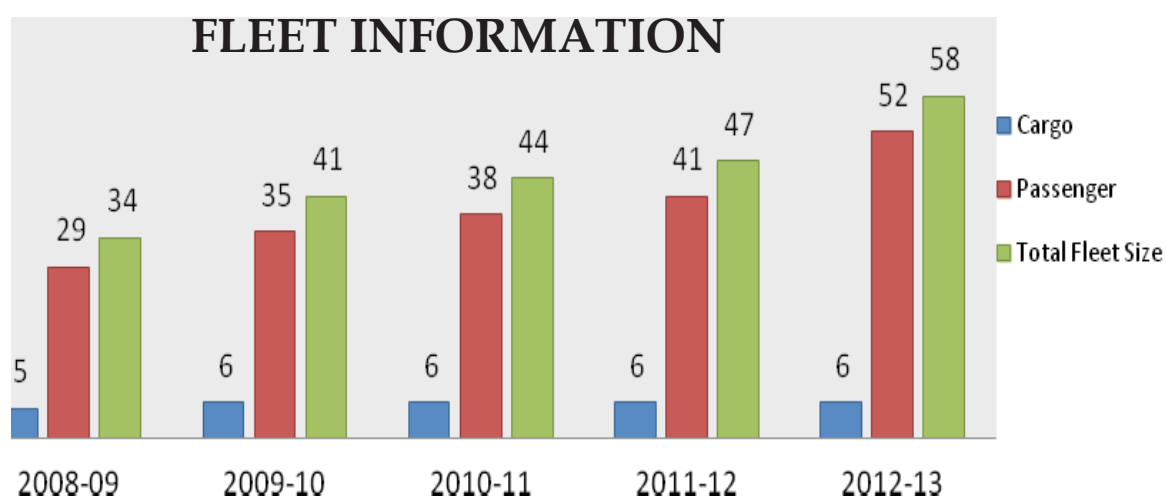


Ethiopian has carried more than 5 million passengers for the first time in this fiscal year in the Airline's history with 17% average growth for the last 5 consecutive years.



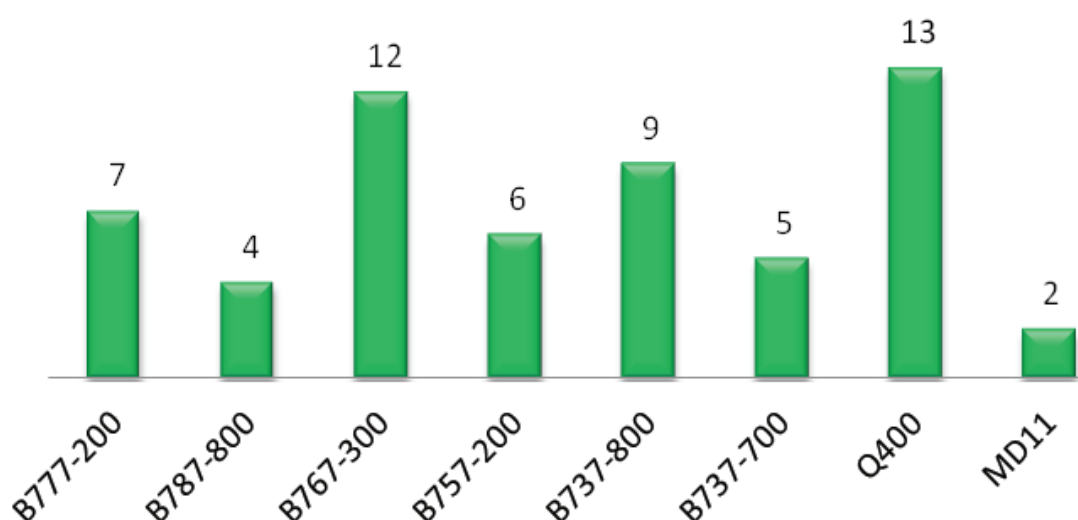
The Airline's both revenue passenger kilometer (RPK) and capacity availed (ASK) grew almost by 100% for the last five years. 15% capacity and 14% passenger kilometer (RPK) increase from last year is due to the introduction of huge and modern aircraft in its fleet and commencement of services to eightw new destinations.

Passenger load factor (LF) has shown a slight decline from the previous year mainly due to the phasing in of huge aircraft in to the system.



In the year 2012-13, Ethiopian became the first African airline to receive and operate B787-800 Dreamliner. Ethiopian also introduced two B777-200 freighters and five enhanced Bombardier Q-400 aircraft into its fleet which raised the number of aircraft by 23% compared to the previous year.

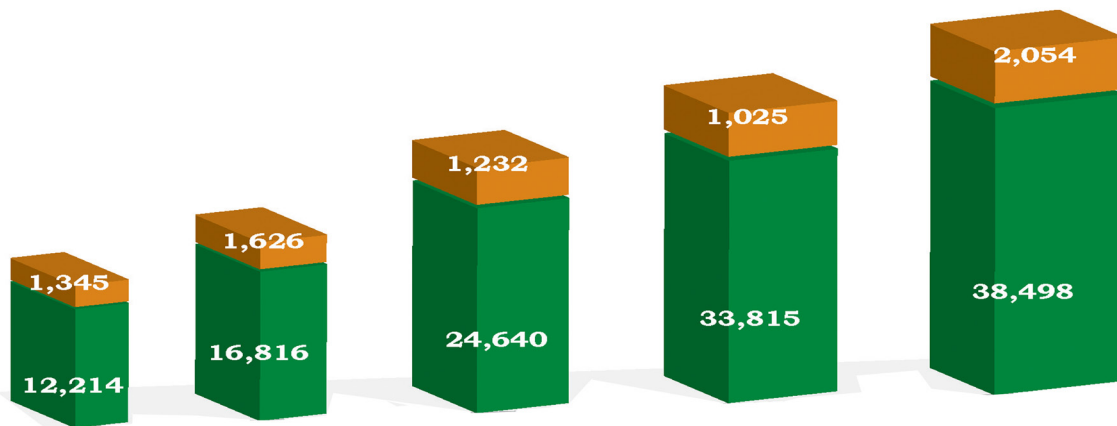
FLEET COMPOSITION



In the previous year, leased aircraft consists 52% of the total fleet. In this fiscal year, due to the introduction of four B787-800 Dreamliner, one B737-800 and five enhanced Bombardier Q-400 into the fleet dramatically decreased the share of leased aircraft into 39.6%.

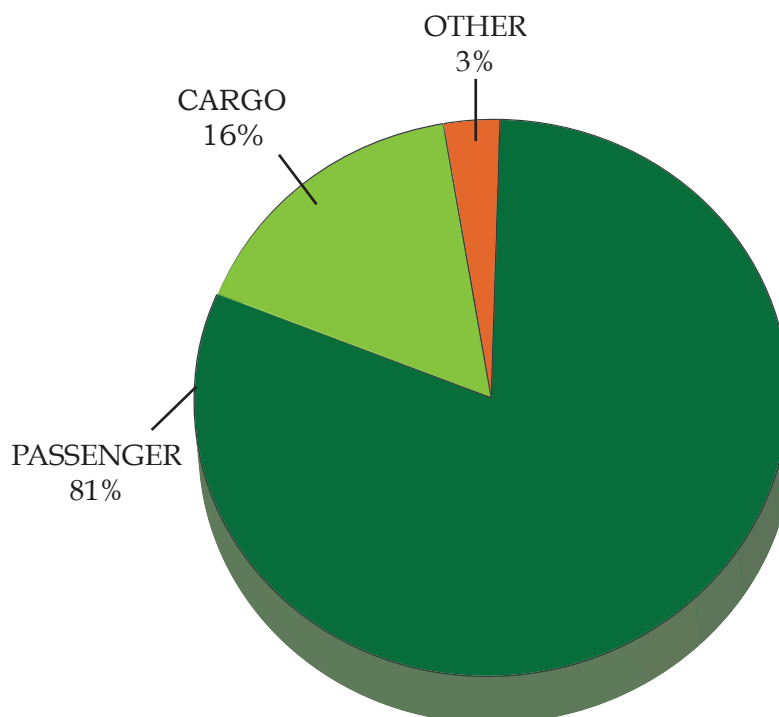
	2012/13	2011/12	% change
Operating Revenue	ETB million	ETB million	
Passenger	31,299	26,573	18
Cargo	6,025	5,952	1
Others	1,174	1,291	-9
Total Revenue	38,498	33,815	14
Operating Costs			
Fuel	16,648	15,818	5
Flying & Airport	5,711	4,998	14
Ownership	4,641	4,445	4
Maintenance	3,090	2,331	33
Sales & Marketing	2,386	2,232	7
Passenger	1,789	1,499	19
Others	1,459	1,152	27
Total Cost	35,724	32,475	10
Operating Profit	2,774	1,340	107
Operating Margin	7%	4%	
Interest	-744	-558	33
Other non operating	23	243	-90
Net profit	2,054	1,025	100
Profit Margin	5%	3%	

OPERATING REVENUE & NET PROFIT (ETB MILLION)



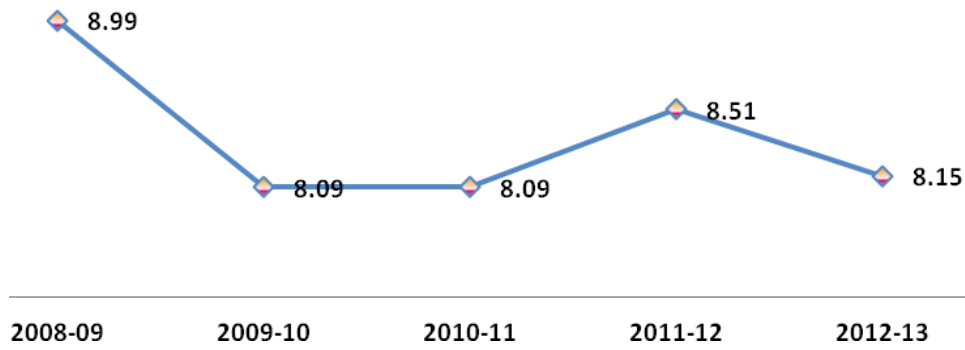
Operating revenue generated in this fiscal year has shown a **14%** increase compared to previous year. Passenger revenue has increased by **18%** and Cargo revenue increased only by **1%**. With the increase of revenue, the Airline's profitability increased by **100%** from the previous year.

REVENUE BY BUSINESS SEGMENT



Passenger revenue, which comprises **81%** of the operating revenue, increased by **14%** from the previous year mainly due to the commencement of new routes and frequency increases from the previous period. Unlike passenger revenue, passenger yield per RPK showed a decline trend from the previous period by **4.8%**.

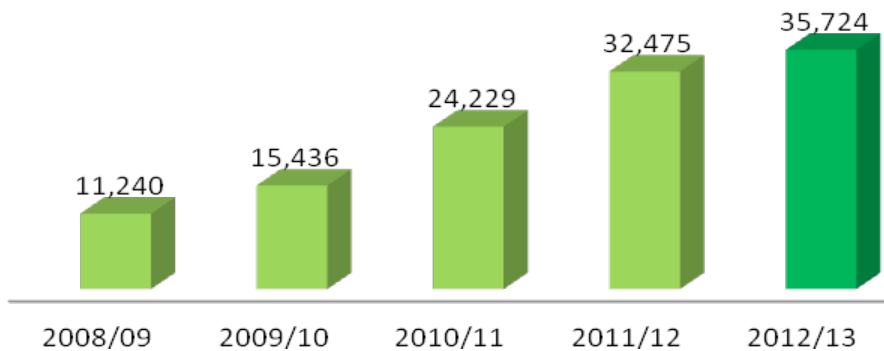
PASSENGER YIELD (US CENTS)



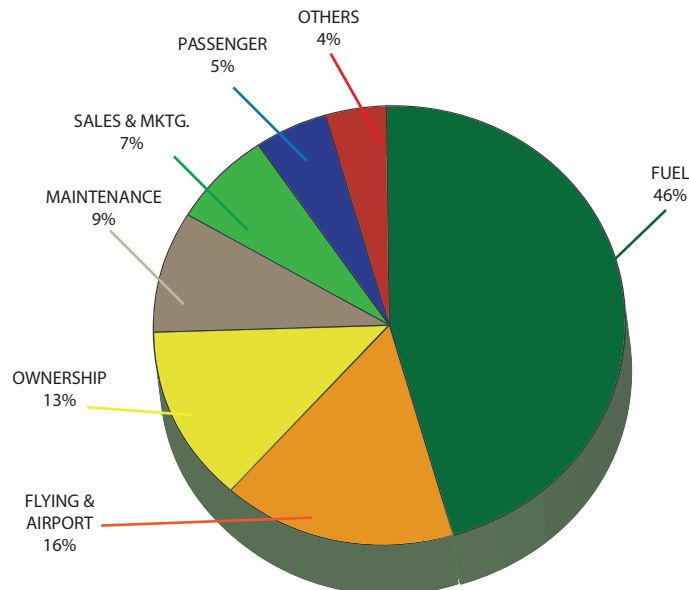
OPERATING EXPENDITURE

Operating expenses increased by **10%**, which is much less than the rate of revenue growth of **14%**, due to drastic cost saving measures taken to keep costs at minimum level without compromising quality.

OPERATING EXPENDITURE (ETB MILLION)



OPERATING EXPENDITURE COMPOSITION



Aircraft Fuel cost took the lion share of the operating cost (46%) and the Airline spent ETB 16.6 billion for fuel cost in this fiscal year, which is higher by 5% from the previous period. Other direct flight related and maintenance costs significantly increased from the previous period by 14% and 33% respectively.

RISK MANAGEMENT

Ethiopian Airlines adopts a five-step risk management cycle adapted from the best international practices and currently concentrates on a variety of financial risks, specifically risks associated with foreign currency, fuel price, and interest rates. The Financial risk and investment management section of Ethiopian Airline's treasury department is primarily responsible to identify, evaluate and hedge these financial risks.

1) Foreign Currency Risk

As an enterprise operating in many countries with major operations in Africa, the company faces currency risk resulting from changes in foreign exchange rates, partially attributable to the inability to repatriate its funds as a result of regulatory restrictions, adverse economic conditions or actions taken by the government in the respective countries.

and payments in each individual currency. The airline also spreads the holding of hard currencies in USD, EUR and GBP. As of June 2010, the cash position balance showed 53.48% in hard currencies of USD, EUR, GBP, CAD and other European Currencies, 27.65% in African currencies, 4.80% in Ethiopian Birr and 14.07% in all other currencies.

2) Fuel Price Risk

Jet fuel price being the major expenditure of the airline, the company has a clear policy and manages this risk using the various hedging strategies (swap, cap and collar options) for a maximum period of two years on a rolling basis; and the maximum to be hedged is 75% of the total annual uplift.

Because of the world economic downturn; banks, financing institutions and hedging companies have required a huge amount of cash collateral which is not advantageous to the airline industry. As the result, the airline has adopted a natural hedging strategy.

3) Interest Rate Risk

The airline is exposed to changes in interest rates of floating debt. Since the end of 2003, Ethiopian has acquired a total of six aircraft and four spare engines. Due to the prevailing low rates at the time, the company opted to use the floating interest rate. But since then interest rates have risen, the options of swap, collar and subsidized swap were evaluated so that a hedging exercise could be adopted.

Using a swap hedging strategy, the airline was able to hedge 56% of its outstanding loan against interest at volatility risk at a rate of 4.84% starting April 2006 until the termination of the loan. The resultant exposure is journalized immediately upon the periodic repayment of the loan. Currently the company is reviewing its hedging policies for jet fuel price and interest rate risks, in consideration of the various strategies.

GLOSSARY

No.	Parameters	Definitions
1	Passenger Seat Factor	RPK divided by ASK
2	Overall load factor	RTK divided by ATK
3	Yield (Cents per RTK	Transport Revenue earned per RTK
4	Unit Cost (Cents per ATK)	Transport operating Costs incurred per ATK
5	Breakeven Load Factor	The load factor at which revenue will be equal to operating costs.
6	Operating Margin	Operating profit expressed as a percentage of operating revenue
7	Net profit Margin	Net profit divided by operating revenue
8	Return on Capital Employed (ROCE)	Earnings Before Interest and taxes divided by Equity plus Long term loan
9	Current ratio	Total current assets divided by total current liabilities
10	Quick ratio	Total current assets minus inventory divided by total current liabilities
11	Net Working Capital	Total current assets minus total current liabilities
12	Total debt to total asset ratio	Total debt divided by total assets
13	Debt / Equity ratio	Long term debt plus current maturity of long term debt divided by equity
14	Times interest cover ratio	Net income before interest and tax divided by interest expense
15	ATK (Available Ton Kilometers)	Overall capacity measured in tones available for carriage of passengers and cargo load multiplied by the distance flown.
16	RTK (Revenue Ton Kilometers)	Actual traffic load (passenger and cargo) carried in terms of tones multiplied by the distance flown.
17	ASK (Available Seat Kilometers)	Passenger seat capacity measured in seats available multiplied by distance flown.
18	RPK (Revenue passenger kilometers)	Number of revenue passengers carried multiplied by the distance flown.



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**INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS OF
ETHIOPIAN AIRLINES ENTERPRISE**

We have audited the accompanying financial statements of Ethiopian Airlines Enterprise, which comprise the balance sheet as at 30 June 2013, and the profit and loss account, statement of changes in equity and statement of cash flows for the year then ended, and the balance sheet as at 30 June 2011 – as restated, and a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

The Enterprise's Chief Executive Officer is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 1960, and for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion the financial statements present fairly in all material respects, the financial position of Ethiopian Airlines Enterprise as at 30 June 2013 and its financial performance and its cash flows for the year then ended, and the restated financial position as at 30 June 2011, in accordance with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 1960.

10 March 2014

BALANCE SHEET

ETHIOPIAN AIRLINES ENTERPRISE BALANCE SHEET AS AT 30 JUNE 2013

	Notes	2013 Ethiopian Birr	2012 Restated Ethiopian Birr
NON- CURRENT ASSETS			
Property, plant and equipment	8	36,933,266,748	23,787,615,170
Investments	9	325,980.38	326,361 ,206
Standing deposits	10	1,655,201,112	1,159,541 ,815
Deterred charges	11	353,104,031	882,751,510
		39,267,552,271	26,156,269,701
CURRENT ASSETS			
Stock	12	1,242,159,210	703,945,548
Debtors and prepayments	13	9,439,810,893	7,241,635,991
short term investment	14	30,575,500	
Cash and bank balances	15	3,302,223,479	2,612,116,587
		14,014,769,082	10,557,698,126
TOTAL ASSETS		53,282,321,353	36,713,967,827
EQUITY AND LIABILITIES			
CA PITAL			
Authorized - Birr 9,000,000,000			
Paid up	16	9,000,000,000	9,000,000,000
Excess capital	17	2,555,063,376	501,063,725
		11,555,063,376	9,501,063,725
CONTRIBUTIONS	18	697,447,843	626,140,297
TOTAL EQUITY		12,252,511,219	10,127,204,022
NON-CURRENT LIABILITIES			
Long term loans	19	26,123,935,578	16,475,494,633
provision for maintenance	20	422,610,213	46,569,445
Deferred and non-current liabilities	21w	206,383,572	114,735,798
		26,752,929,363	16,636,799,876
CURRENT LIABILITIES			
Creditors and accruals	22	5,421,240,687	3,882,108,338
Unearned transportation		5,713,202,406	3,934,827,040
Current maturity of long term loans	19	3,142,437,278	2,133,028,551
		14,276,880,771	9,949,963,929
TOTAL EQUITY AND LIABILITIES		53,282,321,353	36,713,967,827

PROFIT & LOSS ACCOUNT

ETHIOPIAN AIRLINES ENTERPRISE PROFIT AND LOSS ACCOUNT AS AT 30 JUNE 2013



	Notes	2013 Ethiopia Birr	2012 Restated Ethiopia Birr
OPERATING REVENUE	4	38,498,291,996	33,814,981,656
OPERATING EXPENSES	5	<u>35,723,824,951</u>	32,475,480,241
GROSS OPERATING PROFIT		<u>2,774,467,045</u>	1,339,501,415
NON-OPERATING EXPENSE (INCOME)		-	23,206,486
Provision for stock obsolescence		70,990,503	36,025,246
Provision for doubtful debts		(94,453,192)	(304,142,445)
Miscellaneous	6	<u>743,930,083</u>	559,889,388
Borrowing costs		<u>720,467,394</u>	314,978,675
PROFIT FOR THE YEAR		<u>2,053,999,651</u>	<u>1,024,522,740</u>

STATEMENT OF CHANGE IN EQUITY

ETHIOPIAN AIRLINES ENTERPRISE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Paid up capital Ethiopian Birr	Excess capital Ethiopian Birr	Contributions Ethiopian Birr	Profit Ethiopian Birr	Total Ethiopian Birr
Balance at 30 June 2011					
as originally reported	7,155,775,385	-	694,830,658		7,850,606,043
Adjustment- note 3	1,320,102,850				1,320,102,850
as restated	8,475,878,235	-	694,830,658		9,170,708,893
Profit for the year - as restated				1,024,522.74	1,024,522,740
Transfer to capital	523,459,015	501,063,725		(1,024,522.74)	-
Income tax of expatriate staff	662,750			-	662,750
Additions to contributions			15,203,414		15,203,414
Amortization of contributions			(83,893,775)		(83,893,775)
Balance at 30 June 2012	9,000,000,000	501,063,725	626,140,297		10,127,204,022
Profit for the year				2,053,999.651	2,053,999,651
Transfer to capital		2,053,999,651		(2,053,999,651)	-
Additions to contributions			71,307,546		71,307,546
Balance at 30 June 2013	<u>9,000,000,000</u>	<u>2,555,063,376</u>	<u>697,447,843</u>	-	<u>12,252,511,219</u>

CASH FLOW STATEMENT

	2013 Ethiopian Birr	2012 Restated, Ethiopian Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,053,999,651	1,024,522,740
Adjustments for		
Finance costs recognized in profit or loss	743,930,083	559,889,388
Interest income recognized in profit or loss	(14,060,720)	(19,682,648)
Loss (gain) on currency fluctuation recognized in profit and loss	161,130,075	(39,925,052)
Depreciation and amortization of non-current assets	2,109,890,100	1,757,965,107
Gain on disposal of property, plant and equipment	(191,175,087)	(103,673,018)
Provision for doubtful debts	70,990,504	39,304,149
Provision for stock obsolescence		23,206,486
Provision for maintenance	376,040,768	(471,924,486)
Creditors' accounts written off in profit or loss	217,201,832	251,707,507
	5,527,947,206	3,021,390,173
Movements in working capital		
Increase in stock	(682,545,162)	(36,627,733)
Increase in debtors and prepayment	(2,437,863,323)	(2,686,495,616)
Decrease in standing deposits	(495,659,297)	1,519,550,010
Increase (decrease) in creditors	1,374,228,158	(121,679,490)
Increase in unearned transportation	1,778,375,366	796,910,763
Cash generated from operations	5,064,482,948	2,493,048,107
Interest paid	(704,579,950)	(536,738,518)
Payments made in connection with currency fluctuation	(133,478,962)	-
Net cash generated by operating activities	4,226,424,036	1,956,309,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,060,720	19,682,648
Payments for property, plant and equipment	(13,265,053,445)	(6,273,634,681)
Proceeds from disposal of property, plant and equipment	330,717,813	656,368,996
Payment for short term investment	(31,118,500)	-
Net cash used in investing activities	(12,951,393,412)	(5,597,583,037)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in contributions	71,307,546	(68,690,361)
Proceeds from borrowing	12,099,484,971	5,413,002,679
Repayment of borrowings	(2,755,716,249)	(2,109,959,931)
Net cash generated from financing activities	9,415,076,268	3,234,352,387
Increase (decrease) in cash and cash equivalents	690,106,892	(406,921,061)
Cash and cash equivalents at the beginning of the year	2,612,116,587	3,019,037,648
Cash and cash equivalents the end of the year	3,302,223,479	2,612,116,587

BALANCE SHEET

ETHIOPIAN AIRLINES ENTERPRISE BALANCE SHEET AS AT 30 JUNE 2011 - AS RESTATED

Assets	Ethiopian Birr
NON-CURRENT ASSETS	
Property, plant and equipment	18,735,967,394
Investments	326,268,346
Standing deposits	3,477,296,167
Deferred charges	630,450,352
	23,169,982,259
CURRENT ASSETS	
Stock	690,524,301
Debtors and prepayments	4,711,974,683
Cash and bank balances	3,082,835,108
	8,485,334,092
TOTAL ASSETS	31,655,316,351
EQUITY AND LIABILITIES CAPITAL	
Authorized - Birr 9,000.000 000	
Paid up	8,475,878,235
CONTRIBUTIONS	694,830,658
TOTAL EQUITY	9,170,708,893
NON-CURRENT LIABILITIES	
Long term loans	13,689,640,396
Provision for maintenance	133,085,285
Deferred and non-current liabilities	146,617,360
	13,969,343,041
CURRENT LIABILITIES	
Creditors and accruals	3,697,710,639
Unearned transportation	3,137,916,278
Bank overdraft	63,797,460
Current maturity of long term loans	1,615,840,040
	8,515,264,417

ETHIOPIAN AIRLINES ENTERPRISE NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2013



1. ENTERPRISE INFORMATION

Ethiopian Airlines was originally established in June 1945 and had its first scheduled flight in April 1946. It is the flag carrier of the country and serves 78 international destinations and 17 domestic.

The Enterprise was established as a public enterprise in Ethiopia in 1995 by Council of Ministers Regulation No. 216/1995, and is governed further by Council of Ministers Regulations No. 81/2003 and 147/2008. Its principal place of business is in Addis Ababa, Ethiopia and it has area and station offices all over the world.

The enterprise is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial Statements have been prepared in accordance with International Financial Reporting standards issued by the International Accounting Standards Board and in the manner required by the Commercial Code of Ethiopia of 1960.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the measurement of impaired assets at their recoverable amounts. The principal accounting policies are set out below.

c) Revenue

Revenue from services is recognized when the service is provided. Revenue is measured at the fair value of the consideration received or receivable.

d) Other income

I Finance Revenue

Finance revenue comprises interest receivable from bank deposits. Finance revenue is recognized as it accrues in profit or loss, using the effective yield method.

II Unclaimed Sundry Liabilities

Unclaimed sundry liabilities over one year old are absorbed to nonoperating income.

III Other Operating Income

Other income is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.

e) Taxation

The Enterprise is exempt from income tax, in accordance with a decision of the Council of Ministers.

f) Tangible assets**i) Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated Depreciation. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful residual values and depreciation method are reviewed at the end of each reporting period.

The useful lives of night equipment are estimated at between 7 and 18 years dependent on type of aircraft.

Other property is depreciated over between 4 and 20 years.

Assets costing less than between Birr 5,000 and Birr 30,000 each, depending on purpose, are expensed at the time of acquisition.

ii) Major overhauls**1. Own aircraft, including engines**

Major overhaul expenditure is capitalized and amortized over the average expected life between major overhauls. This is a new accounting policy as discussed further in note 3 below.

2. Leased aircraft. Including engines

A provision for maintenance is made to match aircraft maintenance cost with the generated revenues.

iii) Capital work orders in progress

Capital work orders in progress are included under property, plant and equipment and comprise costs incurred on ongoing capital works. These costs include material, transport, interest and labour.

g) Investments

Investments are stated at cost. Income is recognized only to the extent that distributions are received from net profits that have arisen subsequent to the date of acquisition.

h) Deterred charges

Predelivery expenses in connection with the acquisition of new aircraft are held in this account until the associated aircraft are received and are then capitalized. Miscellaneous deferred charges are amortized over periods of between four and eight years.

i) Stock

Stock is stated at weighted average cost, less provision for impairment through obsolescence or other reasons.

j) Financial instruments

Financial assets and financial liabilities are recognized when the Enterprise becomes a party of the contractual provisions of the instrument. They are initially measured at fair value.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

k) Unearned transportation

Passenger ticket and cargo airway bill sales are recorded as current liabilities in the unearned transportation account until recognized as revenue when the transportation services are provided.

Because experience has shown that there are few and only minor claims after the expiry date of tickets, the value of unused tickets and miscellaneous charge orders over one year old are credited to revenue. When they are no longer valid.

l) Contributions

Contributions are purchase incentives given by suppliers. A contribution is amortized through profit or loss over the life of the aircraft for which it was received.

m) Borrowing costs

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

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current and deposit accounts and short term, highly liquid investments with maturity periods of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net of short term finances

o) Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Ethiopian Birr at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling one month prior to the balance sheet date. Resultant exchange differences are recognized in profit or loss, except as discussed below.

Loans in foreign currencies are fully used to finance the acquisition of property, plant and equipment, mostly aircraft and accessories. The acquisition of these aircraft and other flight equipment are primarily made in United States dollars, which is the functional currency of the Enterprise. Their values are translated into Ethiopian Birr at the exchange

rates prevailing at the time the loan is incurred and the assets are acquired. As at the balance sheet date such loan balances are translated at the exchange rates ruling one month prior to that date. Resultant exchange differences are recognized as additional acquisition costs of the pertinent assets and not in profit or loss.

p) Special purpose entities

The Enterprise has established two special purpose entities for the purpose of selling and leasing back aircraft and accessories. Those latter are registered in the name 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.

3. MAJOR MAINTENANCE EXPENDITURE OF OWN ENGINES

In the past, most engines were leased, together with the airframes, and the accrual method of accounting for major engine maintenance expenditure was used. In line with its "Vision 2025" strategy, The Enterprise has increased the proportion of its owned fleet by acquiring new generation, state-of-the-art aircraft and has scaled up its maintenance capability. With the change in circumstances, management considers it more relevant to account for major maintenance expenditure of its own engines, including replacement spares and labour costs, by capitalizing the costs and amortizing them over the average expected life between major overhauls.

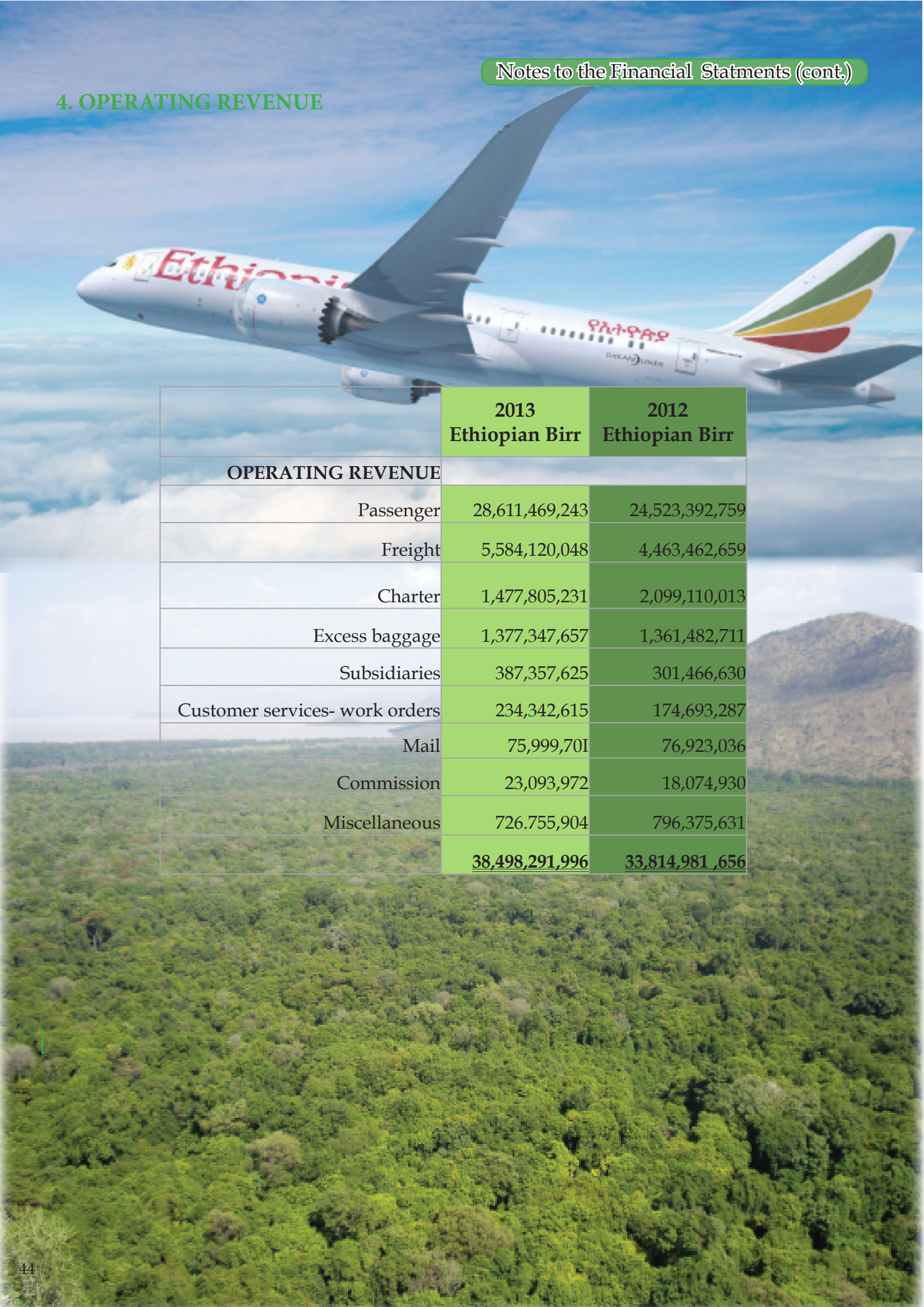
The financial statements of 2012 and the balance sheet as at 30 June 2011 have been restated to reflect the new policy. The effect of the restatement on those financial statements and balance sheet is summarized below.

	2012 Ethiopian Birr	2011 Ethiopian Birr
Increase in debtors and prepayments	396,134,737	301,288,791
Decrease in provision for maintenance	<u>1,214,332,220</u>	<u>1,018,814,059</u>
Increase in paid up capital	<u>1,610,466,957</u>	<u>1,320,102,850</u>

the effects on the operating results for 2013 and 2012 are:

	2013 Ethiopian Birr	2012 Ethiopian Birr
Increase in amortization	276,072,620	290,562,699
Decrease in provision for maintenance	<u>(633,923,518)</u>	<u>(580,926,807)</u>
Increase in profit for the year	<u>357,850,898</u>	<u>290,364,108</u>

4. OPERATING REVENUE



	2013 Ethiopian Birr	2012 Ethiopian Birr
OPERATING REVENUE		
Passenger	28,611,469,243	24,523,392,759
Freight	5,584,120,048	4,463,462,659
Charter	1,477,805,231	2,099,110,013
Excess baggage	1,377,347,657	1,361,482,711
Subsidiaries	387,357,625	301,466,630
Customer services- work orders	234,342,615	174,693,287
Mail	75,999,701	76,923,036
Commission	23,093,972	18,074,930
Miscellaneous	726,755,904	796,375,631
	38,498,291,996	33,814,981,656

5. OPERATING EXPENSE

	2013 Ethiopian Birr	2012 Ethiopian Birr
Salaries and wages	1,949,779,305	1,563,745,390
Aircraft fuel and oil	16,648,123,492	15,818,159,547
Rentals	2,314,364,370	2,461,400,789
Overflying and navigation	2,033,542,579	1,781,111,903
Depreciation of flying equipment	1,863,350,648	1,293,435,327
Foreign overhauls	1,476,400,474	1,117,722,094
Handling	1,467,509,052	1,395,909,005
Passengers' expense	1,453,049,129	1,143,068,127
Commission and incentives	1,410,751,625	1,353,056,309
Landing and parking	923,917,785	744,596,609
Maintenance of leased aircraft	911,026,024	693,559,953
Central reservation system charge	730,816,009	666,821,788
Travel	674,999,279	603,379,318
Service	442,746,244	376,785,156
Insurance	278,552,974	262,874,285
Aircraft materials	278,050,119	420,541,544
Depreciation non - flying equipment	246,539,453	173,967,081
Utilities	218,279,851	193,310,237
Supplies	210,272,829	247,085,382
Training	65,307,714	61,205,262
Taxes	47,271,693	32,707,961
Advertising and publishing	38,568,611	24,421,301
Amortization	24,125,953	44,408,486
Entertainment	2,549,971	2,207,384
Other	13,929,769	-
	<u>35,723,824,951</u>	<u>32,475,480,241</u>

6. MISCELLANEOUS NON-OPERATING EXPENSE (INCOME)

	2013 Ethiopian Birr	2012 Ethiopian Birr
MISCELLANEOUS NON - OPERATING EXPENSE (INCOME)		
Credit card service charge	133,334,976	100,067,455
Bank charges	52,826,167	45,571,655
Write back of creditors accounts	(217,201,832)	(251,707,507)
Gain on disposal of property, plant and equipment	(191,175,087)	(103,673,018)
Loss (gain) on currency fluctuation	(14,060,720)	(19,682,648)
Interest in come	(19,306 ,771)	(34,793,330)
Miscellaneous	<u>(94,453,192)</u>	<u>(304,142,445)</u>

7. STAFF COSTS

	2013 Ethiopian Birr	2012 Ethiopian Birr
STAFF COSTS		
Salaries, wage s and employee benefits	2,642,999,996	2,222,886,542
Pension costs - Company contribution	<u>71,955,078</u>	<u>48,066,477</u>
	<u>2,714,955,074</u>	<u>2,270,953,019</u>

8. PROPERTY, PLANT AND EQUIPMENT

	Balance at 30 June 2012	Additions	Currency fluctuation adjustment	Disposals	Balance at 30 June 2013
COST OR VALUATION					
Flight equipment	26,758,461,186	12,235,528,754	1,286,973,237	(1,269,714,006)	39,011,249,171
Other property	2,257,187,849	320,418,691	-	(13,692,388)	(2,563,914,152)
	<u>29,015,649,035</u>	<u>12,555,947,445</u>	<u>1,286,973,234</u>	<u>(1,283,406,394)</u>	<u>41,575,163,323</u>
DEPRECIATION					
Flight equipment	5,402,413,854	1,863,350,648	-	(1,135,742,387)	6,130,022,115
Other property	1,102,532,881	246,539,453	-	(8,121,282)	1,340,951,052
	<u>6,504,946,735</u>	<u>2,109,890,101</u>		<u>(1,143,863,669)</u>	<u>7,470,973,167</u>
NET BOOK VALUE					
Flight equipment	21,356,047,332				32,881,227,056
Other property	1,154,654,968				1,222,963,100
	<u>22,510,702,300</u>				<u>34,104,190,156</u>
Work orders in progress	456,536,997				732,454,503
Capital goods in transit	22,171,532				1,781,534
Advances and predelivery					
deposits for flight equipment	798,204,341				2,094,840,555
	<u>23,787,615,170</u>				<u>36,933,266,748</u>

ASSETS PLEDGED AS SECURITY

Some of the Company's flight equipment and all other property are held as collateral by various lending institutes.

9. INVESTMENTS

	2013 Ethiopian Birr	2012 Ethiopian Birr
ASKY Airlines (18,000 shares of US dollars 1,000 each par value representing 15% of authorized capital)	309,231,000	309,231,000
Other foreign investment	<u>16,749,380</u>	17,130,206
	<u>325,980,380</u>	326,361,206

10. STANDING DEPOSITS

These are deposits for security, aircraft lease, hotel, hospital and similar purposes.

11. DEFERRED CHARGES

	2013 Ethiopian Birr	2012 Ethiopian Birr
Star Alliance membership fee		
Cost	116,288,498	108,987,903
Less: Amortization	<u>24,917,962</u>	-
	91,370,536	108,987,903
Administrative and transaction costs for purchase of new aircraft	144,547,459	687,021,662
Miscellaneous	117,186,036	86,741,945
	<u>353,104,031</u>	<u>882,751,510</u>

12. STOCK

	2013 Ethiopian Birr	2012 Ethiopian Birr
Stock in store	823,026,478	642,327,435
Supplies stock -customer work orders	17,790,342	16,539,186
Stock of stationery and other materials	<u>501,390,274</u>	<u>145,073,345</u>
	1,342,207,094	803,939,966
	<u>100,047,884</u>	<u>100,047,884</u>
Less: provision for stock obsolescence	1,242,159,210	703,892,082
Goods in transit	-	<u>53,466</u>
	<u>1,242,159,210</u>	<u>703,945,548</u>

13. DEBTORS AND PREPAYMENTS

	2013 Ethiopian Birr	2012 Ethiopian Birr
Transportation- Others	2,827,625,287	1,736,229,191
Unverified deposits	1,702,432,724	1,198,020,569
Deposits and prepayments	2,028,195,494	1,105,100,643
Redelivery payment	450,551,870	814,201,432
Prepaid maintenance costs	236,514,091	396,134,737
Transportation - Airlines	390,910,391	152,470,169
Airmail	30,500,382	43,773,606
Claims from aircraft lesser	12,910,540	36,886,340
Ethiopian Government	221,967,143	913,506
Miscellaneous	1,834,473,502	1,184,981,483
	9,736,081,424	6,668,711,676
Less: Provision for doubtful debts	296,270,531	225,280,027
	<u>9,439,810,893</u>	<u>6,443,431,649</u>

14. SHORT TERM INVESTMENT

	2013 Ethiopian Birr	2012 Ethiopian Birr
Short term bank deposit, over		
3 months of 50,000,000 Mitco	30,575,500	-

15. CASH AND BANK BALANCES

	2013 Ethiopian Birr	2012 Ethiopian Birr
Cash with foreign banks	949,709,257	1,189,228,505
Less: Provision for accounts, difficult to transfer	67,949,248	67,949,248
Cash with local banks- (net overdrawn)	881,760,009	1,121,279,257
Foreign short term deposits	(94,739,108)	46,378,595
Unverified deposits	2,431,150,688	1,416,203,520
		<u>4,323,486</u>
Cash on hand	84,051,890	23,931,729
	<u>3,302,223,479</u>	<u>2,612,116,587</u>

The enterprise has an overdraft facility of Birr 350,000,000.00 with Commercial Bank of Ethiopia bearing interest at the rate of 9.5% per annum, and secured on all of the moveable and immoveable property of the Enterprise except for aircraft.

16. CAPITAL

The enterprise is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. There are no shares and no par value. The Enterprise by the Council of Ministers to transfer the net profits to paid up capital.

17. EXCESS CAPITAL

This amount will be transferred to capital in July 2013 when the authorized capital is increased.

18. CONTRIBUTIONS

These represent the value of incentives given by suppliers, less amortization.

19. LONG TERM LOANS

	2013 Ethiopian Birr	2012 Ethiopian Birr
Balance at 30 June 2012	18,608,523,184	15,305,480,436
Additional loan	12,099,484,971	5,413,002,679
Foreign exchange fluctuation	1,314,081,350	
	32,022,089,505	20,718,483,115
Less: Repayments	2,755,716,249	2,109,959,931
	29,266,373,256	18,608,523,184
Less: Amounts repayable within 12 months	3,142,437,678	2,133,028,551
	26,123,935,578	16,475,494,633
Loans from foreign lending institutions, secured on aircraft, bearing interest at average rates of 2.93% per annum, and repayable in quarterly installments		27,575,516,322
Secured and unsecured loans from local and foreign lending institutions and development agencies, bearing interest at rates of between 4% and 9% per annum, and repayable in, mainly, quarterly instalments.		1,690,856,934
		29,266,373,256

20. PROVISION FOR MAINTENANCE

	2013 Ethiopian Birr	2012 Ethiopian Birr
PROVISION FOR MAINTENANCE		
Balance at 30 June 2012- as restated	46,569,445	133,085,285
Additional provision	569,109,602	367,720,954
Reduction arising from actual costs	(193,068,834)	(454,236,794)
	<u>422,610,213</u>	<u>46,569,445</u>

21. DEFERRED AND NON-CURRENT LIABILITIES

	2013 Ethiopian Birr	2012 Ethiopian Birr
Training of personnel of other airlines	24,921,350	6,097,058
Accumulated employees' fines	6,147,520	4,843,246
Management fee	1,343,323	1,205,025
	<u>32,412,193</u>	<u>12,145,329</u>
Non - current liabilities		
Security deposits	93,194,678	62,240,846
Foreign termination indemnity	19,327,822	17,733,182
Retentions payable	33,234,430	15,856,820
Purchase incentive	20,749,036	
Miscellaneous	7,465,413	6,759,621
	<u>173,971,379</u>	<u>102,590,469</u>
	<u>206,383,572</u>	<u>114,735,798</u>

22. CREDITORS AND ACCRUALS

	2013 Ethiopian Birr	2012 Ethiopian Birr
Payable to oil companies	1,997,147,603	1,571,299,950
Transportation tax and embarkation tees	776,552,374	61 7,496,931
Goods received but not billed	-	
Accruals for leasing and maintenance of aircraft	4 1,879,172	104,882,631
Accrued interest	127,89 1,5 13	88,541,380
Customers' advances for work orders	67,041,493	53,965,817
Pool apportionment with other airlines	54,969,497	44,310,940
Cost of moving materials	2,715,071	38,944,536
Miscellaneous	1,499,829,748	1,180,1 57,8 19
Others	853,214,216	182,508,334
	5,421,240,687	3,882,108,338

23. RETIREMENT BENEFIT OBLIGATIONS

The Enterprise makes contributions to a statutory defined pension scheme. The Employer and the employee make contributions of 8% and 6% of the employee's basic Salary as determined by statute.

24. CASH FLOWS

Increases and decreases in the balance sheet items without actual movement of cash are not considered in the cash flow statement. These are as follow

An increase in property, plant and equipment by way of currency fluctuation adjustment to long term loans = 1,286,973,237

25. COMPARATIVE FIGURES

Some comparative figures have been restated as discussed in note 3 above; others have been rearranged in order to facilitate comparison.

26. RISKS

(a) Credit Risk

The Enterprise's maximum exposure to credit risk in relation to each class of recognized financial assets is the carrying amount of those assets as shown on the balance sheet.

The risk that counter-parties to trading instruments might default on their obligations is monitored on an on-going basis by the appropriate management organ.

(b) Liquidity Risk

Liquidity risk arises in the general funding of the Enterprise's activities. It include both the risk of being unable to fund liabilities at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

The Enterprise has access to a diverse funding base. This enhances funding flexibility and limits dependence on any one source of funds.

(c) Interest Rate Risk

Current borrowings are at fixed and floating rates averaging 2.93% p.a. investments made by the Enterprise in various international banks generated interest income that covered the cost of borrowing by 1.89% in the year 2013 compared to 3.52% in the previous financial year.

(d) Foreign Currency Risk

Over 90% of the monies earned by the Enterprise are in hard and convertible currencies.

27. COMMITMENTS

The Enterprise has commitments , not provided for in these financial statements. of Birr 78,195,128,339 for the purchase 27 aircraft. The commitment for the purchase of 17 aircraft amounting to Birr 54,096,815,623 is with a possibility of sale and lease back arrangement to be decided in future.

28. INCORPORATION

The Enterprise is incorporated in Ethiopia under Public Enterprises Proclamation No. 25/1992 and is domiciled in Ethiopia.

29. FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Enterprise is the United States Dollar. These financial statements are presented in Ethiopian Birr.

30. EVENTS AFTER THE REPORTING PERIOD

The authorized capital of the Enterprise was increased to Birr 20,000,000,000 on 17 July 2013.

31. DATE OF AUTHORIZATION

The Chief Executive Officer of the Enterprise authorized the issue of these financial statements on 10 March 2014.

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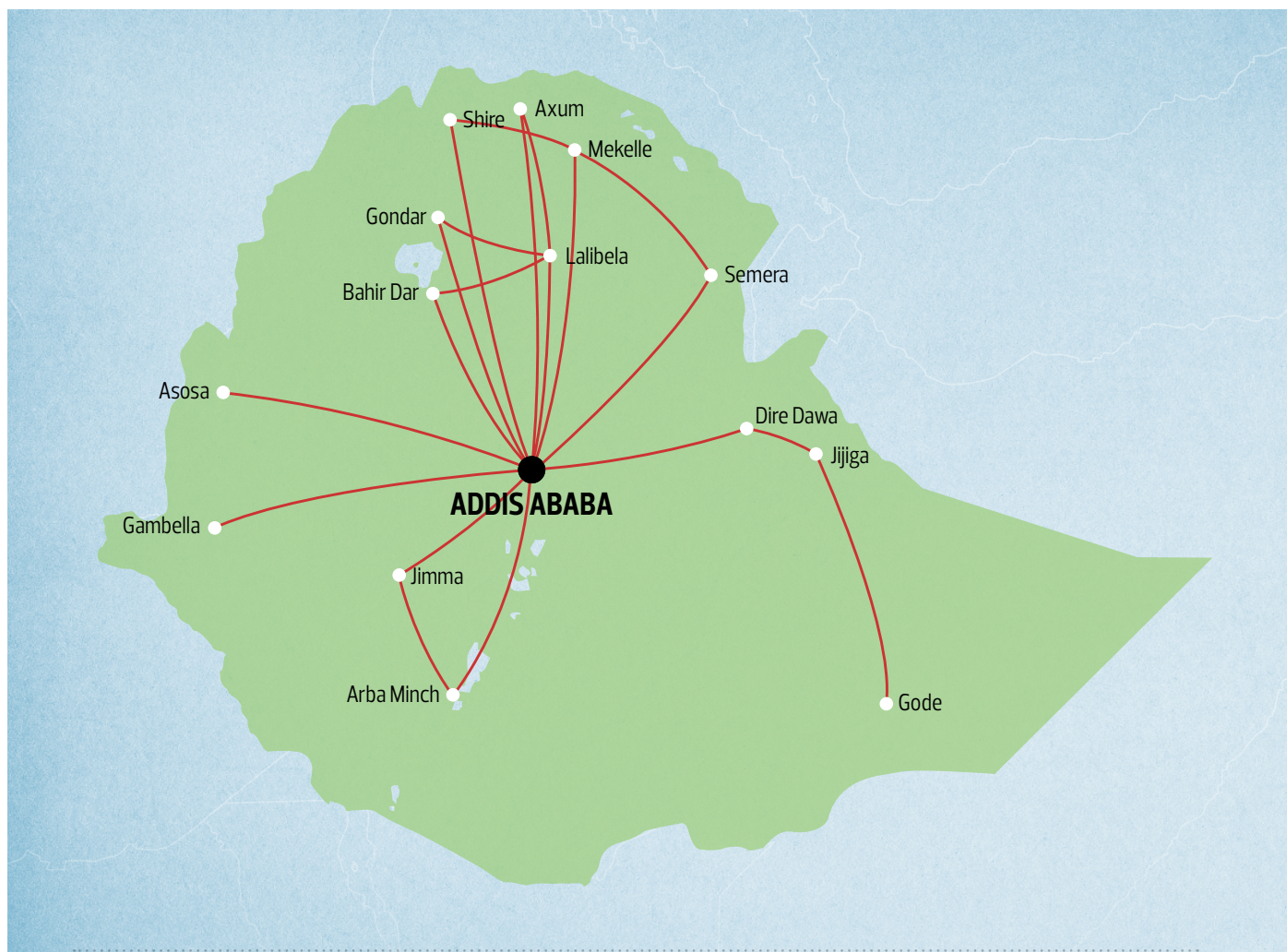
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INTERNATIONAL ROUTE MAP



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