

Annual Report 2016/17



Best Airline in Africa

Ethiopian
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01

BOARD
MEMBERS

BOARD MEMBERS



H.E. Ato Abadulla Gameda
Board Chairman



H.E. Dr. Arkebe Ogubay
Board V/Chairman



H.E. Ato Mages Balcha
Board Member



H.E. Ato Admasu Nebete
Board Member



Lieutenant Gen. Adem Mohammed
Board Member



Dr. Hashim Tewfik
Board Member



Ato Alemayehu Assefa
Board Member



Ato Retta Melaku
Board Member



Ato Tewodros Balcha
Board Member

The Winning Soccer Team (WST)



Mr. Tewolde GebreMariam
Group Chief Executive Officer

Mr. Tewolde GebreMariam is a titan of the aviation industry. As Group CEO of Ethiopian Airlines he presides over the fastest growing and most profitable airline in Africa. He began his career in the Cargo Traffic Handling Department at the company when he joined thirty years ago and rose up the ranks through overseas management, Marketing and Sales to Chief Operating Officer before his appointment as CEO.

Mr. Tewolde is on the board of many of the major Ethiopian state-owned enterprises, he leads Pan-African aviation initiatives and sits, with UN Secretary-General on the High-Level Advisory Group on Sustainable Transport. His airline won 20 awards in 2015 and is recognized as one of the most dependable airlines in the world. His sense of corporate responsibility to society and the environment is impeccable. As part of ET's CSR Programme, the airline is working with Greener Ethiopia to repopulate the country with trees.

Along with the plethora of awards Ethiopian has won, Mr. Tewolde himself has won African CEO of the Year, Best African Business Leader, The Airline Strategy Award for Regional Leadership the 2015 International Grand Prix Special Award in Milan and the Most Gender Focused CEO Award 2015 by the Leading Women of Africa Group.

He earned his B.A. Degree in Economics from the Addis Ababa University in Ethiopia and his Master's Degree in Business Administration from the Open University in the United Kingdom.

The WST



Mr. Mesfin Tasew
Chief Operating Officer

Mr. Mesfin joined Ethiopian in 1984 as Associate Engineer and progressed through the ladder and served in supervisory and managerial positions in the technical areas. In 1997 and 1999, he was appointed as Director Operations & Technical Systems Support and Chief Information Officers respectively. In 2006, he was assigned as Vice President Maintenance and Engineering.

Currently, he is serving Ethiopian as Chief Operating Officer since November 01, 2010.

He holds BSC and MSC Degree in Electrical Engineering from Addis Ababa University. He also holds MSc. Degree of Master of Business Administration from the Open University of UK.



Mr. Genanaw Assefa
VP Legal Counsel & Corporate Secretariat

Mr. Genanaw began his career with Ethiopian in 2008 as Assistant General Counsel position and progressed through the ladder to become VP Legal Counsel & Corporate Secretariat in September 2014.

He graduated from Addis Ababa University with a Bachelor of Laws. He earned his Master of Laws from Peking University.



Mr. Busera Awel
Chief Commercial Officer

Mr. Busera joined Ethiopian in 1985 as a Space Control Agent and progressed through the ladder and has held a number of senior leadership positions including Director of Marketing and Sales Operations, Area Offices and Vice President of Commercial.

In September 2009, Mr. Busera was appointed as Chief Executive Officer of ASKY Airlines, Ethiopian second hub in Lome' (Togo). In September 2013, he was assigned Chief Commercial Officer, the position he currently holds.

He graduated from Addis Ababa University with a B.A. Degree in Economics.



MR. Wassu Zelelew
VP Internal Audit & Compliance

Mr. Wassu joined Ethiopian in 1978 as an accounting clerk in Finance and then was promoted as Junior Accountant. In 1982, he was promoted as an Internal Auditor in the Internal Audit Department and progressed through the ladder and has held a number of different managerial positions including; Senior Internal Auditor, Senior Analyst Management Audit, Mgr. Performance Audit, Mgr. Internal audit, Dir. Corp. & Operation Audit until he was appointed to work as Dir. Cost Saving in 2009. Currently he is serving Ethiopian as Vice President Internal Audit and Compliance since Nov. 1, 2011.

He holds a BA Degree in Management from Washington International University. He is also a Certified Fraud Examiner & member of Association of Certified Fraud Examiners & member of Association of Certified Fraud Examiners & Institute of Internal Auditors Association

The WST



Mr. Girma joined Ethiopian as Jr. Aircraft Technician after he graduated from Ethiopian Aviation Academy in 1981. He has been serving in various Positions including Aircraft Maintenance, Marketing, Network Planning and Corporate Strategy Planning, Department Head Commercial Planning and Country Manager in Senegal and in Nigeria for six years and as Director Alliances & Network Planning. Currently, he is serving Ethiopian Airlines as A/VP Corporate Strategy and Alliances.

He is a holder of a BA degree in Business Management from Addis Ababa University and MSc in AirTransport Management from Cranfield University in the UK.

Mr. Girma Shiferaw
VP Strategic Planning and Alliances



Mr. Yinesu joined Ethiopian in 1995 as Marketing Clerk and held different positions in various divisions of the Airline; such as Sales & Services, and Marketing & Operations.

Currently he is serving Ethiopian as VP Customer Services.

He has M.Sc. Degree in Air Transport Management from London City University of United Kingdom.

Mr. Yinesu Fekadeneh
VP Customer Services



Mr. Solomon joined Ethiopian in 1979 as a Junior Aircraft Mechanic after graduating from Ethiopian Aviation Academy. He has been serving in various managerial positions including Manager Market Research & Analysis, Area Manager – Uganda, Scandinavia, Kenya & Seychelles, and South Korea – Director Service Quality Management, and VP Customer Services.

Currently he is serving Ethiopian as Managing Director Ethiopian Aviation Academy since July 26, 2016.

He holds BA degree in Management and Public Administration from Addis Ababa University.

Mr. Solomon Debebe
MD Ethiopian Aviation Academy



Mr. Fitsum Abadi began his career with Ethiopian in 1995 as Transportation Agent and has held a number of leadership positions in a number of divisions in the Airline including; Ethiopian Cargo, Area Offices and Sales and Marketing.

Currently, he is serving Ethiopian as Managing Director Ethiopian Cargo and Logistics Services since January 01, 2014.

He graduated from Addis Ababa University with a BSC Degree in Biology. He earned his Master's Degree in Business Administration from the Indian ITM University.

Mr. Fitsum Abady
MD Ethiopian Cargo Services

The WST



Mr. Meseret Bitew
Chief Financial Officer

Mr. Meseret joined Ethiopian as Senior Accountant in the Finance Division in 1986. He has been serving the airline in various managerial streams including Supervisor at Disbursement, Supervisor at General Accounting, Manager General Accounting, Director Financial Accounting, Director Management Accounting, Vice President Finance and as Acting Chief Financial Officer. Currently, he is serving as Chief Financial Officer as of October 2017.

He has also served as Director Finance and Strategic Planning for ASKY Airlines.

He holds a BA Degree in Accounting from Asmara University and Master of Business Administration from London Open University.



Mr. Laeke Tadesse
Chief Information Officer

Mr. Laeke Tadesse has begun his career with Ethiopian in 1999 as Jr. Application Analyst and has served a number of positions as Senior Application Analyst, Mgr. Galileo System Support, Head Galileo Ethiopia and Dir. Commercial Systems & Galileo. He became Chief Information Officer in September 2015.

He graduated from Addis Ababa University with a B.Sc. Degree in Mathematics.



Mr. Mesay Shiferaw
VP Corporate HRM

Mr. Mesay Shiferaw joined Ethiopian on April 10, 1995 as Transportation Agent and served the Airline in various positions including Customer Relations Officer, Supervisor Departure Control, Manager Airport Services Nairobi, Manager Airport Services Washington, Manager Ground Handling & Procedures, Director Recruitment & Placement, Director HR Development, Area Manager Japan, Head Group CEO Office & Corporate Communications, and A/VP HRM.

He is currently serving as VP Corporate HRM as of October 2017.

He holds BSc in Physics and BA Degree in Economics from A.A.U.



Mr. Esayas WoldeMariam
MD Ethiopian International Services

Mr. Esayas joined Ethiopian in July 1991 as Transit Agent in Marketing Division. He has been serving in various managerial positions including Manager Space Control & Yield Country Manager Greece, Nigeria and Germany.

In November 2010, Mr. Esayas was also appointed as Vice President of Ethiopian Cargo and Logistics to head all the cargo operation. In January 2012, he was appointed as SVP Global Sales. Currently, he is serving Ethiopian as Managing Director Ethiopian International Services since October 01, 2013. He holds BSc. Degree in Mathematics from Addis Ababa University.

He also earned Degree of Master of Business Administration from UK Open University.

The WST



Mr. Zemene Nega
MD Ethiopian MRO Services

Mr. Zemene joined Ethiopian as an associate engineer in 1982 in Technical Services and has served the airline. He has been serving in various managerial positions including Supervisor Power Plant Engineering, Manager Power plant O'haul, Division Manager Engine Maintenance and Director Technical sales & Market Development. Currently he is serving as Managing Director Ethiopian MRO (Maintenance, Repair and Overhaul) Services of Ethiopian since Oct. 2010.

He is a holder of BSc Degree in Mechanical Engineering from Addis Ababa University.



MR. Tadele Barega
MD Ethiopian Ground Services

Mr. Tadele Barega

Mr. Tadele joined Ethiopian in July 1995 as Transportation Agent in Marketing Division. He has been serving in various managerial positions including Supervisor Passenger Services, Supervisor Arrival and Transfer, Supervisor Baggage Services, Manager Airport Services Guangzhou, China and Manager Operations Support. In January 2016, Mr. Tadele was appointed as A/ Managing Director Ethiopian Ground Services.

He holds a Diploma in Marketing Management from Addis Ababa University College of Commerce.



Mrs. Rahel Assefa
VP Marketing

Mrs. Rahel Assefa joined Ethiopian Airlines in 1988 as a college trainee in the Sales Department after graduating from the Addis Ababa University in Management & Public Administration.

She worked in various Managerial positions within the Airline such as Sales, Commercial Planning, Revenue Management, as Regional Representative (U.K) and she is currently serving Ethiopian as Vice President Marketing the position she is holding since October 2013.

In February 2015, she was named among the Worlds' 30 Most Compelling Women in Travel by the U.S based Premier Travel Magazine.



Capt. Yohannes HaileMariam
VP Flight Operations

Capt. Yohannes joined Ethiopian as a pilot after he has graduated from Ethiopian Aviation Academy in 1984. He has been serving in various positions including Chief Pilot on 767/757 in 2004, Manager Training and Standard in 2005, Director Flying and Training in 2007 and Air Crew Program Manager in 2010. Currently he is serving as VP Flight Operations since May 2015.

He is holder of a Diploma from Pilot Training School, Diploma from Addis Ababa University and 2nd year complete in Electrical Engineering from Addis Ababa University.

03

Group CEO
MESSAGE



Group CEO's Message



2016/17 was a very successful fiscal year for Ethiopian. We have become the largest African airline in all major parameters, fleet, revenue or passenger number. Despite the very challenging operating environment, we have continued to register fast, profitable and sustainable growth in line with Vision 2025, our 15-year strategic roadmap. This success is a testimony to the soundness of our Vision 2025 strategic roadmap, and the hard work and dedication of all my 12,000 colleagues. We did it by staying true to the formula that got us here: A customer focused and market driven airline!

Ethiopian Airlines Group reported a profit of \$ 232.8 Million and total revenue of \$ 2.71 billion in 2016/17 fiscal year.

Ethiopian currently serves more than 100 passengers and 40 purely freighter dedicated destinations across 5 continents.

We thank our esteemed customers for their patronage and for flying with us in greater number than ever before. We carried close to 9 million passengers and 350,000 tons of cargo during the 2016/17 fiscal year.

We recognize that our customers have many choices about where to spend their hard-earned money and we will continue to work hard to earn their business by continuously enhancing their on-board and on-ground experience.

During 2016-2017 fiscal year, we continued to expand our global network, adding new destinations to our ever-expanding route network: New York-Newark (via Lomé, Togo), Windhoek, Namibia, Moroni, Comoros, Victoria Falls, Zimbabwe; Antananarivo, Madagascar; Conakry, Guinea; Oslo, Norway; Chengdu, China and Singapore.

Group CEO's Message (continued)

Our extensive network is further strengthened through our codeshare partnerships and our membership in Star Alliance, the oldest and largest airline alliance in the world, enabling us to offer unmatched global network access to our customers.

In our continuous effort to provide enhanced end-to-end customer service, we have invested USD 6 million to retrofit all our B-767-300 ER fleet, fitting them with flat-bed seats in Cloud Nine and with a range of video programming available for wireless streaming in all cabins.

We have launched another Platinum Tier to deliver a significantly enhanced service to our high valued and loyal ShebaMiles members with a view to offer them the best possible travel experience. Launching three new additional cargo destinations namely Ahmedabad, India; Milan, Italy and Zaragoza, Spain, we have strengthened our leadership position in Africa as the largest cargo airline in the continent.

The new Cargo Terminal-II we inaugurated in the fiscal year, combined with the existing terminal-1 will give us a total tonnage capacity of around 1 million per annum, making it the largest in Africa and one of the world's largest cargo terminals comparable with cargo terminals in Amsterdam Schiphol, Singapore Changi, or Hong Kong.

We drew the 2016/17 fiscal year to a close with the Ethiopian Government's decision to form a holding company by merging Ethiopian Airlines and Ethiopian Airports Enterprise, thereby establishing an aviation group. We believe that the merger will strengthen Addis as a global aviation hub and will enable us to offer efficient and streamlined global standard airports services to customers at Addis Ababa Bole International Airport and enhanced services at domestic airports in the country.

Group CEO's Message (continued)

Thanks to our continuously enhanced products and service delivery, we have been named “Best Airline in Africa” by SKYTRAX, the leading customer service rating organization in the world. We have also received a plethora of industry accolades including African Airline of the Year 2017 Award by the African Airlines Association, African Cargo Air-line of the Year Award for network Development, Bombardier’s Airline Reliability Performance Award and Outstanding food service by a carrier in Africa, just to name a few of the awards.

Heading into fiscal 2017/18, we see incredible opportunities for growth with the continued economic development of Africa and the need for increased air connectivity. We will continue to strengthen the pillars of our Vision 2025 strategic roadmap by phasing-in new and modern fleet, expanding our extensive global network, investing in our human capital and developing critical infrastructure, with a view to support Africa’s economic development by availing critically essential air connectivity for economic integration and the flow of trade, tourism and investment.

04

**MISSION
STATEMENT**



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 services by 2025.

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 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

05

News Highlights

MILESTONES AT ETHIOPIAN



MEGA INFRASTRUCTURE DEVELOPMENTS



INFRASTRUCTURE DEVELOPMENTS

News Highlights

MEGA INFRASTRUCTURE DEVELOPMENTS



Africa's fastest growing airline, Ethiopian Airlines has inaugurated the state of the art Cargo Terminal-II in an event graced by H.E. Mr. Hailemariam Desalegn, Prime Minister of the FDRE, H.E. Mr. Ahmed Shide, Minister of Transport and Mr. Tewolde GebreMariam GCEO Ethiopian Airlines, other high level government officials and participants of the ICAO Cargo Forum.



Ethiopian has also inaugurated three Wide Body Paint and Maintenance Hangars during the ICAO Symposium which Ethiopian hosted from April 11-13, 2017.



In related news, Ethiopian inaugurated the newly built, state of the art In-flight Catering Facility in October, 2016.

**AIRCRAFT DELIVERY
& ORDER**



DELIVERY & ORDER

News Highlights

AIRCRAFT DELIVERY & ORDER



Second Airbus A350 XWB



Third A350 XWB



Ethiopian Takes Delivery of:

Second Airbus A350 XWB- on Tuesday, August 16, 2016

Third A350 XWB - on February 1st, 2017.

Boeing [NYSE: BA] and Ethiopian Airlines announced a commitment to purchase two 777 Freighters at the 2017 Paris Air Show, valued at \$651.4 million at list prices. The order will be reflected on Boeing's Orders & Deliveries website once it has been finalized.

The airline also announced an order for 10 additional 737 MAX 8 airplanes. The 10 737 MAX options being exercised were part of a deal signed in September 2014, completing the largest ever order for the 737 MAX in Africa. Ethiopian now has firm orders for 30 737 MAX 8s.

Ordered Q400 Aircraft- Order of five additional Q400 turbo-prop aircraft; based on the list price of the Q400 aircraft, the contract is valued at approximately \$162 million US.

- Ethiopian's Fourth Order for Bombardier Q400 Turboprop Airliners
- Q400 has been integral in the airline's expansion plans for regional connectivity in Africa

Placing Repeat Order for 10 A350-900 Aircraft- The order tops-up the Addis Ababa-based carrier's fleet, enabling it to pursue its growth strategy and objectives over the coming years; Ethiopian Airlines' A350-900s are configured in a two class layout seating 30 passengers in Business Class and 313 in Economy Class.

**NETWORK EXPANSION:
9 PASSENGER, 4 CARGO
DESTINATIONS**



NETWORK EXPANSION

News Highlights

NETWORK EXPANSION:



Ethiopian Succeeds Record Expansion in its Network with Seven New Destinations in the First Half of 2017!

'Victoria Falls, Oslo and Antananarivo'

Ethiopian has launched three new flights to three new destinations in just three days. Victoria Falls, Oslo and Antananarivo were added to the fast expanding Ethiopian global network—within three days, 26-28 March 2017.



Chengdu, China

New York-Newark

03 July 2016- thrice weekly flights to New York-Newark from Addis Ababa via Lomé, Togo; with modern Boeing 787 Dreamliner on the route and added a fourth weekly flight as of August 5, 2016.

Chengdu

Three times weekly flight to Chengdu, China as of May 22, 2017.

Singapore

Five weekly direct and non-stop services to Singapore as of May 31st, 2017.



Guinea, Conakry

Guinea, Conakry

Windhoek, Namibia

Services to Windhoek, Namibia, via Gaborone, as of October 6, 2016.

Moroni, Comoros

Thrice weekly services to Moroni, Comoros with the latest B737-800 New Generation with Sky Interior, as of November 2, 2016.

News Highlights

Freighter Destinations

Two New Cargo Routes to Europe: - Milan, Italy and Zaragoza, Spain as of April, 2 and March 28, 2017 respectively.

Domestic Services

Dembi-Dolo and Kebri-Dahar: - Thrice weekly services, operated on Tuesdays, Fridays and Sundays, to Dembi-Dolo and Kebri-Dahar as of October, 2016

Frequency Additions

Guangzhou

Thrice weekly service, on top of its daily flights, to Guangzhou as of October 8, 2016. Hence forth, Ethiopian will operate eleven weekly flights to/from Guangzhou.

Seychelles

Added a 6th weekly flight to Seychelles as of 16th December 2016.

Cape Town

Increased services to Cape Town to 10 times weekly beginning from December 1st 2016.

MAJOR ACCOLADES



MAJOR ACCOLADES

News Highlights

MAJOR ACCOLADES



SkyTrax World Airline Award for "Best Airline Staff in Africa"

For the second time, on July 12, 2016 at Farnborough Airshow event held in Hampshire, England.



SKYTRAX World Airline Award for Best Airline in Africa

The Best Airline in Africa on June 20, 2017 at the Paris Air Show.



Bombardier's Airline Reliability Performance Award

For the 6th year in a row from Bombardier Aerospace.

News Highlights



African Airline of the Year 2017

African Airline of the Year' Award for 2017, for the second year in a row, during the 26th Annual Air Finance Africa Conference & Exhibition held in Johannesburg, South Africa.



'Cargo Airline Award for Network Development' at Brussels

At the 10th anniversary of the Brussels Airport Aviation Awards held on March 9, 2017.



African Cargo Airline of the Year

During the 2017 Air Cargo Africa Conference held in Johannesburg from 21st to 23rd February 2017.

News Highlights



Best Employer Brand and Business Leadership Excellence Awards

At the 3rd Edition of AFRICA BEST EMPLOYER BRAND AWARDS ceremony held in Mauritius on December 06, 2016.



Airline of the Year Award for the Fifth Year in a Row from AFRAA

During AFRAA's 48th Annual General Assembly held on November 21, 2016, in Victoria Falls, Zimbabwe.



"The Rising Star Carrier of the Year Award"

For the second year in a row, at the 5th Payload Asia Awards 2016 held in Hong Kong on 29 September 2016.

News Highlights



Reward Employer of Choice & Local Attractiveness Employer of Choice Awards

Won two coveted awards in the first East Africa Careers in Africa Choice Awards, at a top tier event hosted by the Global Career Company, held on September 8, 2016 in Nairobi.



Ethiopian Los Angeles Area Office Receives Star Alliance CEO Awards

Ethiopian Airlines Los Angeles Area Office received the Star Alliance CEO Awards for 2016, as a member of Star Alliance project team at Tom Bradley International Terminal, during the annual Chief Executive Board Meeting held in Los Angeles.

News Highlights

GRADUATION



Ethiopian Aviation Academy, the largest aviation academy in Africa, a full ICAO TRAINAIR PLUS Member designated as a Regional Center of Excellence and an IATA Authorized Global Training Center, has graduated a total of 1436 aviation professionals from its five schools: 583 Cabin Crew & Catering Training, 82 Pilot, 283 Aviation Maintenance Training, 488 Commercial & Ground Services respectively.



News Highlights

CSR- Corporate Social Responsibility



Ethiopian Airlines' Corporate Social Responsibility (CSR) activities emanate not only from its core mission to positively contribute to the socio-economic development of Ethiopia in particular and the countries it operates in general but also from its belief in the noble virtue of giving back to the community.

Ethiopian has been actively playing its role to help spur economic growth, strengthen its communities and to address critical social issues that mainly focus on health, education, community development, art, environmental sustainability and sport initiatives. Ethiopian as a responsible corporate citizen recognizes these as integral to its business and will continue doing so to make the world a better place to live in.

Below are some of the CSR activities in the fiscal period:



News Highlights



Ethiopian, Boeing and Non-Profit Organizations Join Together for Humanitarian Flight

Deliver 6.5 tons of humanitarian aids for St. Paul's Hospital and Bihar Dar University College of Medicine & Health Sciences while taking delivery of B787 aircraft from Boeing.



Ethiopian Airlines, the German NGO humedica e.V, Aviation without Borders and the Airbus Foundation have joined forces to facilitate the transport of nine tonnes of humanitarian goods from Toulouse, to Addis Ababa, on the delivery flight of Ethiopian Airlines' newest A350 XWB.



Ethiopian has joined with Boeing to deliver medical supplies donated from HANDS (Horn of Africa Neonatal Development Services) to Jimma University, Bahir Dar University, and Colleges of Public Health to support much needed medical supplies to neonatal units. Moreover, additional of 2500 higher-education book from the Ethiopian Historical Conservation Council has also been delivered to Axum University.



Ethiopian Marks Annual Christmas Party Day with Orphans

Ethiopian Airlines colorfully marked orphan children's Christmas party on December 31, 2016 at its headquarters, providing the children drawn from fourteen humanitarian organizations with giveaway items and entertaining them with lively artistic performances.



Present at the celebration were ET management staff, orphan children and parents from fourteen NGO's, Ethiopian Brand Ambassador, Hanna Godefa and employees from different working units. The occasion was celebrated with a variety of proceedings including musical performances, question and answer competitions and experience sharing programs by the aviation academy trainees, nurses and technicians.

CUSTOMER SERVICES



CUSTOMER SERVICE

News Highlights

CUSTOMER SERVICES

ShebaMiles Frequent Flyer Program Web Page

Placing customers' comfort and delight on the crest of its priorities, Ethiopian has launched the newly redesigned and renovated ShebaMiles Frequent Flyer Program Web Page to improve customers' online experience in terms of ease of use, data quality and better control on account management through enhanced self-service options.

Platinum Tier level

The Platinum tier level, in its frequent flyer loyalty program, ShebaMiles, offers extra benefits to frequent flyers that accrue 75,000 status miles or 60 qualifying segments within one calendar year, Jan 1st –Dec 31st with in the validity period of two years, in addition to the remaining months in the qualification year.

Google "Seat View"

Ethiopian customers can now take a look inside the Cloud 9 Business Class and Economy cabins of their A350-900 XWB through a Google "Seat View" tour of their newest aircraft. Ethiopian Airline's Google Street View tour of the A350-900 XWB will allow passengers travelling between London Heathrow and Addis Ababa to take a closer look at the seat of their choice before their trip. This feature will be especially helpful to passengers thinking about bidding for an upgrade to Cloud 9 Business Class through Ethiopian's PlusGrade program.



E-Visa

Ethiopian Airlines in collaboration with Ethiopian Immigration and Nationality Affairs main Department has finalized preparations of the initial phase to commence an e-visa service for international visitors to Ethiopia effective June 12, 2017.

**INTERNATIONAL
FORA ET HOSTED**



INT'L FORA ET HOSTED

International Fora ET Hosted



Ethiopian Hosted the Second ICAO Global Air Cargo Development Forum

Theme: "Action for the Sustainable Development of Air Cargo in Africa"

Held: at the United Nations Economic Commission for Africa (UNECA) conference hall from 27th to 29th June 2017.



06

AIRCRAFT
AGE

Aircraft Age

Average Aircraft Age (2016/17)

Aircraft Type	Aircraft Age
A350-900	0.23
B-787-800	2.51
B-737-800	3.60
B-737-700	11.43
B-737-300	2.05
B-737-200	5.17
B-777-F	2.33
B-767-300	14.62
B-757-200	17.10
B-737-200F	25.82
Q-400	4.93
Fleet Average	5.80



07

NEW

DESTINATIONS



New york

The city that never sleeps
July 2016.



Windhoek

Namibia, land of endless horizons.
October 2016.



Moroni

The paradise archipelago.
November 2016.



Antananarivo

The city of Thousands.
March 2017.



Oslo

One of the fastest growing
capital cities in Europe
March 2017.



Victoria Falls

The worlds largest waterfall.
March 2017.



Conakry

Guinea's capital reaching into the atlantic like no other.
June 2017.



Singapore

Marvel at Asia's most successful business hub.
June 2017.



Chengdu

Fall in love with the Giant Panda in Chengdu.
June 2017.

08

FINANCIAL REPORT



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ethiopian Airlines Enterprise (the Enterprise), which comprise the statement of financial position as at 30 June 2017, and the statement of profit and loss account, 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 the Enterprise as at 30 June 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Enterprise in accordance with the International Ethics Standards Board for Accountant's 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.

Emphasis of Matter

We draw attention to note 2 to the financial statements which describes management's decision to prepare financial statements on a going-concern basis although the Enterprise ceased to exist on 8 July 2017. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ETHIOPIAN AIRLINES ENTERPRISE (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.

A. Operating revenue and expenses

There are risks that operating revenue and expenses may not be properly and fully recognized. In our response to these risks, we assessed the reasonableness of the design of the system of internal control by enquiring and reviewing the system developed by the Enterprise. We tested the system in order to confirm our understanding of it. We selected a sample of recorded revenues and expenses and examined supporting documentation to verify that they were properly recorded. We also test checked cut-off procedures. Our testing did not identify major weaknesses in the recording and cut-off procedures.

B. Debtors and prepayments

There are risks that debtors and prepayments may not be completely and accurately recorded; may not exist; may not be recorded at appropriate values and all bad and doubtful balances may not have been provided for. We have test checked sample transactions and verified that transactions had been properly recorded. We have also checked the reasonableness of the provision for doubtful debts based on the age analysis report prepared by the Enterprise. Based on our assessment the provision is adequate.

C. Long term loans

There are risks that long term loans may not be valid claims by banks; loans may not be recorded at the correct amount or may not be recorded at all; may not be properly classified and disclosed in the financial statements. There are risks that accrued interest on loans may not be fully and properly recorded. We have checked selected loan agreements and confirmed that loan balances are recorded in appropriate amount and timing. We have also checked loan repayments.

We sent confirmation requests for selected loan balances and compared replies with the record balances and obtained explanation for variations. We have checked that current maturity of long term loans was properly classified. We have checked that loans denominated in foreign currencies were translated at the closing rates. Our testing did not identify major weaknesses in reporting loan balances.

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

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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ETHIOPIAN AIRLINES ENTERPRISE (continued)

In preparing the financial statements, management is responsible for assessing the Enterprise's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Enterprise or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 the Enterprise'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 condition that may cast significant doubt on the Enterprise'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 the Enterprises to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ETHIOPIAN AIRLINES ENTERPRISE (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is W/o Azeb Tekleselassie.

Report on Other Requirements

Report on Other Requirements


Insofar as appears from our examination and to the best of our knowledge and belief, in our opinion,

Goods and services have been procured in accordance with the procurement policies and procedures of the Enterprise;

Recruitment of new employees has been made in accordance with the policies and procedures of the Enterprise.

ETHIOPIAN AIRLINES ENTERPRISE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 JUNE 2017

Ethiopian 

A STAR ALLIANCE MEMBER 

	Notes	Birr	2016 Birr
OPERATING REVENUE	3(c),4	60,919,783,070	54,441,953,612
OPERATING EXPENSES	5	56,896,302,442	47,103,008,861
GROSS OPERATING PROFIT		4,023,480,628	7,338,944,751
NON - OPERATING EXPENSE (INCOME)		106,825,238	42,441,980
Provision for stock obsolescence		190,718,846	163,726,832
Provision for doubtful debts		(2,968,098,593)	(303,427,328)
Miscellaneous	6	1,312,116,828	1,307,330,406
Borrowing costs		(1,358,437,681)	1,210,071,889
PROFIT FOR THE YEAR		<u>5,381,918,309</u>	<u>6,128,872,862</u>

The notes on pages 45 to 69 form an integral part of these financial statements.


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS	Notes	Birr	2016 Birr
NON-CURRENT ASSETS			
Property, plant and equipment	3(g), 8	69,169,312,832	63,718,823,082
Investments	3(h), 9	515,984,086	519,864,182
Standing deposits	10	9,102,528,547	7,118,736,284
Deferred charges	3(i), 11	237,502,409	65,472,699
Treasury Bond	12	1,001,225,116	823,614,295
		80,026,552,990	72,246,510,542
CURRENT ASSETS			
Stock		2,566,733,319	2,648,775,689
Debtors and prepayments	3(j), 13	9,391,304,309	8,596,852,920
Short term investments	14	51,690,540	1,471,206,667
Cash and bank balances	15	8,508,867,578	3,850,244,825
	16	20,518,595,746	16,567,080,101
TOTAL ASSETS		100,545,148,736	88,813,590,643
EQUITY AND LIABILITIES			
CAPITAL			
Authorized - Birr 60,000,000,000			
Paid up		29,744,646,493	24,362,728,184
Contributions	17	1,936,378,195	1,081,022,733
TOTAL EQUITY	3(l), 18	31,681,024,688	25,443,750,917
NON-CURRENT LIABILITIES			
Long term loans		43,809,274,546	41,219,465,177
Provision for maintenance	19	72,172,216	854,429,408
Deferred and non-current liabilities	20	502,869,331	340,328,981
	21	44,384,316,093	42,414,223,566
CURRENT LIABILITIES			
Creditors and accruals		8,343,155,695	7,478,580,093
Unearned transportation		9,835,590,053	7,900,893,615
Current maturity of long term loans	22	6,301,062,207	5,576,142,452
	3(c)	24,479,807,955	20,955,616,160
	19		
TOTAL EQUITY AND LIABILITIES		100,545,148,736	88,813,590,643

The notes on pages 45 to 69 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

Ethiopian 

A STAR ALLIANCE MEMBER 

	Paid up capital Birr	Contributions Birr	Profit Birr	Total Birr
Balance at 30 June 2015	18,233,855,322	588,750,981	6,128,872,862	18,233,855,322
Profit for the year	6,128,872,862	<u>492,271,752</u>	(6,128,872,862)	6,128,872,862
Transfer to capital	24,362,728,184	1,081,022,733	5,381,918,309	24,362,728,184
Amortization of contributions	5,381,918,309	<u>855,355,462</u>	(5,381,918,309)	5,381,918,309
Balance at 30 June 2016	<u>29,744,646,493</u>	<u>1,936,378,195</u>		<u>855,355,462</u>
Profit for the year				<u>31,681,024,688</u>
Transfer to capital				
Amortization of contribution and addition (net)				
Balance at 30 June 2017				

The notes on pages 45 to 69 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS	Notes	2016 Birr
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	5,381,918,309	6,128,872,862
Adjustments for		
Finance costs recognized in profit or loss	1,312,116,828	1,307,330,406
Interest income recognized in profit or loss	(185,128,501)	(22,532,895)
Depreciation and amortization	5,687,109,027	4,965,472,747
Gain on disposal of property, plant and equipment	(157,991,075)	(45,435)
Provision for doubtful debts	190,718,846	163,726,831
Provision for stock obsolescence	106,825,238	42,441,980
Stock written-off		(4,409,039)
Loss on currency fluctuation on loans	34,363,432	
Deferred charges		v34,027,056
Provision for maintenance	(782,257,192)	(99,044,007)
Creditors' accounts written back to profit or loss	(624,305,804)	(275,861,379)
	10,963,369,108	12,239,979,126
Movements in working capital		
Increase in stock	(24,782,868)	(798,698,569)
Decrease/(Increase) in debtors and prepayments	(948,168,084)	533,824,416
Increase in standing deposits	(724,475,821)	(194,870,043)
Increase in creditors	1,435,869,020	568,333,382
Increase (Decrease) in unearned transportation	1,934,696,438	1,186,741,656
(Decrease)/Increase in deferred and non-current liabilities	162,540,350	(213,600,611)
Cash generated from operations	12,799,048,143	13,321,709,358
Interest paid	(1,259,104,442)	(1,315,479,700)
Net cash generated by operating activities	11,539,943,701	12,006,229,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	148,126,350	22,532,895
Treasury Bond	(177,610,821)	(823,614,295)
Payments for property, plant and equipment	(3,844,886,064)	(5,312,788,997)
Proceeds from disposal of property, plant and equipment	408,501,790	45,435
Proceeds from matured investments	13,573,252	1,060,746
Payment for investment	(9,693,155)	(933,415)
Payment for deferred charges	(461,802,280)	(34,396,578)
Net cash used in investing activities	(3,923,790,929)	(6,148,094,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (decrease) in contributions	855,355,462	492,271,752
Proceeds from borrowings	2,026,212,899	1,036,629,247
Repayment of borrowings	(7,258,614,506)	(7,262,406,774)
Net cash generated from financing activities	(4,377,046,145)	(5,733,505,776)
(Decrease)/Increase in cash and cash equivalents	3,239,106,627	124,629,674
Cash and cash equivalents at the beginning of the year	5,321,451,492	5,196,821,818
Cash and cash equivalents at the end of the year	8,560,558,119	5,321,451,492
Cash and cash equivalents comprise:-		
Cash and bank balances	8,508,867,578	3,850,244,825
Short term investments which mature within three months	51,690,540	1,471,206,667
	8,560,558,118	5,321,451,492

ETHIOPIAN AIRLINES ENTERPRISE NOTES TO THE FINANCIAL STATEMENTS 30 June 2017

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 91 international and 20 domestic destinations.

The Enterprise 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.

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

2. GOING CONCERN

The Enterprise ceased to exist on 8 July 2017 by virtue of Council of Ministers Regulation No 406/2017. Its rights and obligations were transferred to Ethiopian Airlines Group on the same date. Nevertheless, because the rights and obligations are transferred to another public enterprise, management considers that no purpose is served in preparing financial statements in a form other than those of a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards.

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

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

ETHIOPIAN AIRLINES ENTERPRISE NOTES TO THE FINANCIAL STATEMENTS (continued) 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Customer loyalty program

The Enterprise operates a customer loyalty program called Sheba miles, the Frequent Flyer Program (FFP). The FFP 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.

e) 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 non-operating 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.

f) Taxation

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

g) Property, plant and equipment

(i) Recognition and measurement

- Property, plant and equipment are measured at cost less accumulated depreciation.

- Significant parts of an aircraft having different useful lives are accounted for as separate items (major components) of property and equipment and depreciated separately.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Enterprise (see major overhauls). Ongoing repairs and maintenance costs are expensed as incurred.

Major overhauls

1. Own aircraft, including engines

Major overhaul expenditure is capitalized and amortized over the average expected life between major overhauls.

2. Leased aircraft, including engines

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

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their residual values over their useful lives, using the straight-line method and is generally recognized in profit or loss. The estimated useful residual values and depreciation method are reviewed at the end of each reporting period.

The useful lives of flight 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 7,100 and Birr 29,600 each, depending on purpose, are expensed at the time of acquisition.

ETHIOPIAN AIRLINES ENTERPRISE NOTES TO THE FINANCIAL STATEMENTS (continued) 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) 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.

h) 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.

i) Deferred 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.

j) Stock

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

k) Financial instruments

Financial assets and financial liabilities are recognized when the Enterprise becomes a party to the contractual provisions of the instrument. They are initially measured at fair value. A financial asset is derecognized when, and only when, the control over the contractual rights is lost. A financial liability is derecognized when, it is extinguished or cancelled or expired.

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.

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.

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.

o) Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Ethiopian Birr at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Resultant exchange rate 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 at the closing date. Resultant exchange rate differences are recognized as additional acquisition costs of the pertinent assets and not in profit or loss.

ETHIOPIAN AIRLINES ENTERPRISE
NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES
(continued)

	2017	2016
p) Special purpose entities	Short-term benefits 16,652,166	16,448,955

The Enterprise 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.

q) Related parties

Remuneration of key management personnel

Key management members received the following remuneration during the years ended 30 June 2017 and 2016.

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


NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

	Notes	2016 Birr
4 OPERATING REVENUE		
Passenger	44,937,393,719	40,561,376,200
Freight	9,532,698,040	8,106,714,233
Charter	1,641,819,407	1,606,847,389
Excess baggage	1,391,565,730	1,540,059,649
Customer services - work orders	1,364,112,331	845,338,935
Subsidiaries	643,298,575	594,394,068
Mail	154,698,457	182,568,640
Commission	261,268,097	24,782,048
Aircraft lease	417,662,068	431,891,409
Miscellaneous	575,266,646	547,981,041
	<u>60,919,783,070</u>	<u>54,441,953,612</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2017

Ethiopian 

A STAR ALLIANCE MEMBER 

	Birr	2016 Birr
5 OPERATING EXPENSES		
Salaries and related benefits	4,144,118,798	3,696,314,301
Aircraft fuel and oil	18,175,832,546	14,929,714,991
Rentals	6,927,776,723	5,052,813,963
Overflying and navigation	3,602,741,797	3,502,367,930
Depreciation of flying equipment	4,155,141,540	3,790,898,920
Passengers' expense	2,351,786,376	2,002,322,143
Handling	2,542,623,731	2,209,353,802
Commission and incentives	1,851,180,026	1,682,981,265
Foreign overhauls	720,663,785	861,120,765
Maintenance of leased aircraft	2,236,234,032	1,622,449,522
Landing and parking	1,794,557,588	1,463,801,208
Central reservation system charge	1,557,898,084	1,275,097,530
Aircraft materials	1,995,050,016	1,146,963,743
Travel	955,081,986	801,883,390
Service	981,455,476	771,652,473
Depreciation non - flying equipment	394,702,195	348,677,571
Insurance	449,160,977	329,237,075
Communications	460,841,528	339,148,602
Utilities	23,619,726	17,152,443
Taxes	57,497,792	59,964,682
Advertising and publishing	55,940,647	63,334,093
Training	11,857,464	23,954,601
Amortization	1,151,670,512	825,896,256
Entertainment	6,640,649	8,980,050
Supplies	204,555,565	205,488,719
Other	87,672,883	71,438,823
	<u>56,896,302,442</u>	<u>47,103,008,861</u>

NOTES TO THE FINANCIAL
STATEMENTS (continued)

30 June 2017

	Birr	2016 Birr
6 MISCELLANEOUS NON - OPERATING EXPENSE (INCOME)		
Credit card service charge	262,823,359	237,054,394
Bank charges	83,767,461	72,276,541
Loss (gain) on currency fluctuation	(359,063,081)	530,154,352
Write back of creditors accounts	(624,305,804)	(275,861,379)
Interest income	(185,128,501)	(22,532,895)
Gain on disposal of property, plant and equipment	(157,991,075)	(45,435)
Aircraft lease and trading	(1,240,262,091)	(333,650,532)
Miscellaneous	(747,938,861)	(510,822,375)
	<u>(2,968,098,593)</u>	<u>(303,427,328)</u>
7 STAFF COSTS		
Salaries and related benefits	4,728,517,306	4,075,900,295
Pension costs - Company contribution	185,070,665	160,696,724
	<u>4,913,587,971</u>	<u>4,236,597,019</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2017

	Balance at 30 June 2016	Additions Birr	Currency fluctuation ad- justment Birr	Disposals/ Retirements Birr	Balance at 30 June 2017 Birr
8 PROPERTY, PLANT AND EQUIPMENT					
COST OR VALUATION					
Flight equipment	71,990,494,182	4,332,380,628	2,449,553,916	(418,784,107)	78,353,644,619
Other property	3,655,093,217	3,548,895,934	90,026,463	(64,695,944)	7,229,319,670
Engine maintenance cost	2,148,850,493	2,017,524,963	<u>2,539,580,379</u>	<u>(483,480,051)</u>	4,166,375,456
	<u>77,794,437,892</u>	<u>9,898,801,525</u>			<u>89,749,339,745</u>
DEPRECIATION					
Flight equipment	15,670,246,109	4,084,042,689		(186,134,922)	19,568,153,876
Other property	2,222,867,305	451,395,825		(46,834,414)	2,627,428,716
Engine maintenance cost (amortization)	1,289,848,401	1,129,849,826		<u>(232,969,336)</u>	2,419,698,227
	<u>19,182,961,815</u>	<u>5,665,288,340</u>			<u>24,615,280,819</u>
NET BOOK VALUE					
Flight equipment	56,320,248,073				58,785,490,743
Other property	1,432,225,912				4,601,890,954
Endine maintenance cost	859,002,092				1,746,677,229
	<u>58,611,476,077</u>				65,134,058,926
Work orders in progress	5,098,982,370				4,027,174,947
Capital goods in transit	<u>8,364,635</u>				<u>8,078,959</u>
	<u>63,718,823,082</u>				<u>69,169,312,832</u>

ASSETS PLEDGED AS SECURITY

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

NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

	Birr	2016 Birr
9 INVESTMENTS		
ASKY Airlines (900,000 shares of US dollars 20 each par value)	309,231,000	309,231,000
Malawian Airlines	194,057,257	194,057,257
Other foreign investments	<u>12,695,829</u>	<u>16,575,925</u>
	<u>515,984,086</u>	<u>519,864,182</u>
10 STANDING DEPOSITS		
These are deposits for security, aircraft lease, hotel, hos- pital and similar purposes. It also includes predelivery advances for aircraft purchase.		
	Birr	2016 Birr
11 DEFERRED CHARGES		
Star Alliance membership fee Cost, net of amortization	79,281,464	12,707,398
Administrative and transaction costs for purchase of new aircraft	<u>158,220,945</u>	<u>32,774,437</u>
Miscellaneous	<u>237,502,409</u>	<u>19,990,865</u>
		<u>65,472,699</u>

NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

12 TREASURY BONDS

These are treasury bonds purchased from Industry Trade Bank bearing interest at market rate semi-annually. They mature between 1 March 2018 to 22 November 2018.

	Birr	2016 Birr
13 STOCK		
Aircraft parts	2,368,483,404	2,320,991,101
Supplies stock - customer work orders	5,316,325	20,742,675
Stock of stationery and other materials	<u>468,511,110</u>	<u>475,794,196</u>
	<u>2,842,310,839</u>	<u>2,817,527,972</u>
Less: Provision for stock obsolescence	<u>275,577,520</u>	<u>168,752,283</u>
	<u>2,566,733,319</u>	<u>2,648,775,689</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2017

14 DEBTORS AND PREPAYMENTS

Transportation - Others	2,551,941,087	2,130,968,241
Deposits and prepayments	2,600,357,547	2,550,845,270
Unverified deposits	1,463,332,231	2,260,130,766
Transportation - Airlines	600,153,162	257,881,415
Claims from aircraft lessor	149,535,897	142,220,956
Ethiopian Government	276,320,503	179,500,005
Value added tax and duties recoverable	441,837,749	435,310,692
Customer work	327,287,820	368,890,175
Purchase Incentives	308,337,882	183,925,844
Airmail	28,737,862	35,467,679
Miscellaneous	2,088,427,347	1,305,957,810
	10,836,269,087	9,851,098,853
Less: Provision for doubtful debts	(1,444,964,778)	(1,254,245,933)
	<u>9,391,304,309</u>	<u>8,596,852,920</u>

All provisions for impairment are specific.

15 SHORT TERM INVESTMENTS

Short term deposits	51,690,540	65,069,900
24 hours call account	<u>51,690,540</u>	<u>1,406,136,767</u>
		<u>1,471,206,667</u>

Birr

2016
Birr

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2017

17 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 is authorized by the Council of Ministers to transfer the net profits to paid-up capital.

18 CONTRIBUTIONS

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

19 LONG TERM LOANS

Balance at 30 June 2016
Additional loans
Foreign exchange fluctuation

Less: Repayments

Less: Amounts repayable within
12 months

Birr

2016
Birr

46,795,607,628
7,694,179,530
2,879,164,101
57,368,951,259
7,258,614,506
50,110,336,753
6,301,062,207
43,809,274,546

47,284,290,223
4,011,371,145
2,762,353,035
54,058,014,403
7,262,406,774
46,795,607,629
5,576,142,452
41,219,465,177

NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

		2016 Birr
19 LONG TERM LOANS (continued)		
<p>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.</p> <p>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.</p>		
		44,051,845,262
		6,058,491,492
		<u>50,110,336,754</u>
		2016 Birr
20 PROVISION FOR MAINTENANCE		
Balance at 30 June 2016	854,429,408	953,473,416
Additional provision	14,317,207	182,951,999
Reduction arising from actual costs	<u>(796,574,399)</u>	<u>(281,996,007)</u>
	<u>72,172,216</u>	<u>854,429,408</u>

NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

	Birr	2016 Birr
21 DEFERRED AND NON-CURRENT LIABILITIES		
Deferred liabilities		
Training of personnel of other airlines	1,941,991	10,120,073
Management fee	<u>5,373,857</u>	<u>4,692,467</u>
	<u>7,315,848</u>	<u>14,812,540</u>
Non - current liabilities		
Security deposits	255,049,485	177,676,883
Foreign termination indemnity	109,642,710	85,052
Retentions payable	15,650,104	84,229,244
Boeing Training credit	109,637,188	10,306,032
Leased Aircraft maintenance reserve	<u>5,573,996</u>	<u>45,931,962</u>
Miscellaneous	<u>495,553,483</u>	<u>7,287,268</u>
	<u>502,869,331</u>	<u>325,516,441</u>
		<u>340,328,981</u>

NOTES TO THE FINANCIAL
STATEMENTS (continued)
30 June 2017

	Birr	2016 Birr
22 CREDITORS AND ACCRUALS		
Transportation tax and embarkation fees	1,045,310,647	977,969,838
Payable to oil companies	54,550,541	177,571,192
Goods received but not billed	436,942,929	312,534,560
Customers' advances for work orders	138,153,089	76,750,405
Accrued interest	238,052,602	185,040,216
Accruals for leasing and maintenance of aircraft	42,891,200	(436,753)
Pool apportionment with other airlines	63,109,542	27,087,749
Services received but not billed	3,664,727,285	3,344,695,152
Other service providers	1,337,915,953	596,748,962
Others	1,321,501,907	1,780,618,772
	<u>8,343,155,695</u>	<u>7,478,580,093</u>
23 RETIREMENT BENEFIT OBLIGATIONS		

The Enterprise makes contributions to a statutory defined pension scheme. The employer and the employee make contributions of 11% and 7% of the employee's basic salary respectively, as determined by statute. For the year ended 30 June 2017 the Enterprise contributed Birr 185,070,665. (2016-Birr 160,696,724.) Which has been charged to the profit and loss account?

NOTES TO THE FINANCIAL STATEMENTS (continued)
30 June 2017

	Birr	2016 Birr
23 RETIREMENT BENEFIT OBLIGATIONS		
	1,045,310,647	977,969,838
	54,550,541	177,571,192
	436,942,929	312,534,560
	138,153,089	76,750,405
	238,052,602	185,040,216
	42,891,200	(436,753)
	63,109,542	27,087,749
	3,664,727,285	3,344,695,152
	1,337,915,953	596,748,962
	1,321,501,907	1,780,618,772
	8,343,155,695	7,478,580,093

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 follows:-

An increase in property, plant and equipment by way of currency fluctuation adjustment to long term loans

An increase in property, plant and equipment financed by loan

An increase in property, plant and equipment by way of transfer from deferred charges

An increase in standing deposit financed by loan

Write back of creditors

Birr
2,844,800,669
4,408,650,189
267,951,884
7,521,402,742
1,259,316,442
624,305,804

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 June 2017

25 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 statement of financial position.

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 includes 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 2.59%p.a. Investments made by the Enterprise in various international banks generated interest income that covered the cost of borrowing by 14.1% in the year 2017 compared to 1.72% in the previous financial year.

(d) FOREIGN CURRENCY RISK

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

26 COMMITMENTS

The Enterprise has commitments, not provided for in these financial statements, of

- Birr 23,087,108,850 for the purchase of 11 aircrafts. The commitment for the purchase of 3 of these, amounting to Birr 6,234,344,350 is with the possibility of a sale and lease-back arrangement, which is to be decided in future.

- Birr 867,036,514 for the construction of a five star hotel.

27 CONTINGENT LIABILITIES

The Enterprise has contingent liabilities, not provided for in these financial statements, of Birr 83,003,763 in respect of legal actions brought by different organisations and individuals, which are being contested by the Enterprise. It is not possible to determine the outcome of these cases.

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 EMPLOYEES

The Enterprise employed 11,284 staff at 30 June 2017 (2016 - 10,176).

31 EVENTS AFTER THE REPORTING PERIOD

As explained in note 2 to the financial statements, the Enterprise ceased to exist with effect from 8 July 2017. The rights and obligations of the Enterprise were transferred to Ethiopian Airlines Group on the same date.

32 COMPARATIVE FIGURES

In order to facilitate comparison certain of the 2016 figures have been rearranged in these financial statements.

33 DATE OF AUTHORIZATION

The Chief Executive Officer of Ethiopian Airlines Group authorized the issue of these financial statements on 8 March 2018.

ETHIOPIAN AIRLINES ENTERPRISE SUMMARY OF FINANCIAL RATIOS FOR TWELVE MONTHS ENDED 30 JUNE 2017



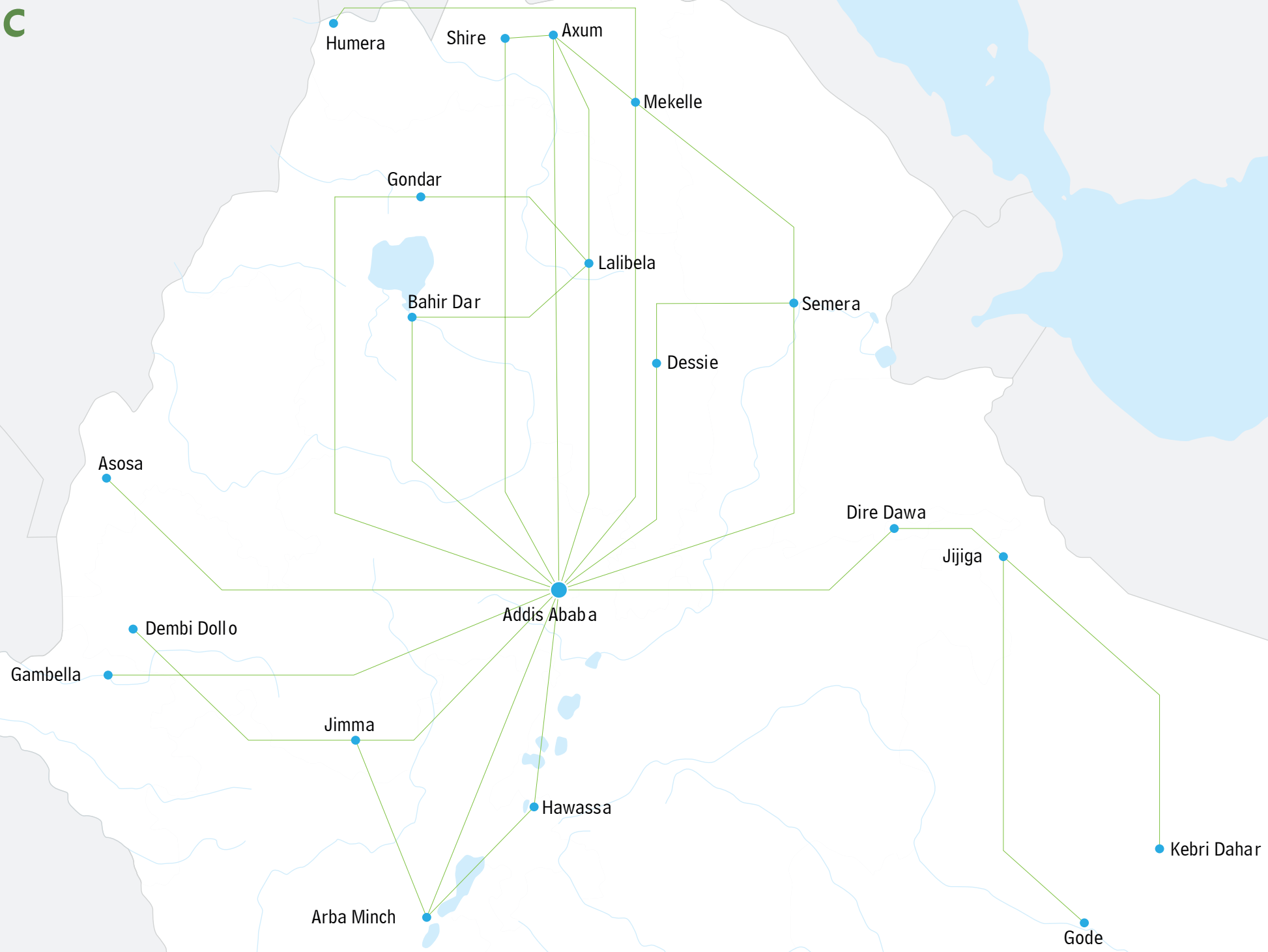
DESCRIPTION	2016/17	2015/16
1. Profitability Ratio		
1.1 Operating Profit Margin	6.60	13.48
1.2 Net Profit Margin	8.83	11.26
1.3 Return on Capital Employed	5.40	11.29
1.4 Return on Total Asset	5.68	7.12
1.5 Return on Equity	22.09	33.61
1.6 Cost of Debt	2.71	2.78
2. Liquidity Ratio		
2.1 Current Ratio	1.22:1	1.07:1
2.2 Quick Ratio	1.048:1	0.87:1
3. Leverage Ratio		
3.1 Debt/Equity Ratio	1.68:1	1.92:1
3.2 Total Debt to Total Asset Ratio	0.679:1	0.70:1
3.3 Times Interest Coverage Ratio	3.066 times	5.61 times

A network diagram is overlaid on a map. The nodes of the network are represented by pushpins of various colors: orange, green, yellow, and blue. Red lines connect these pushpins, forming a complex web of connections. The background is a light-colored map with some faint lines and text, but it is mostly out of focus.

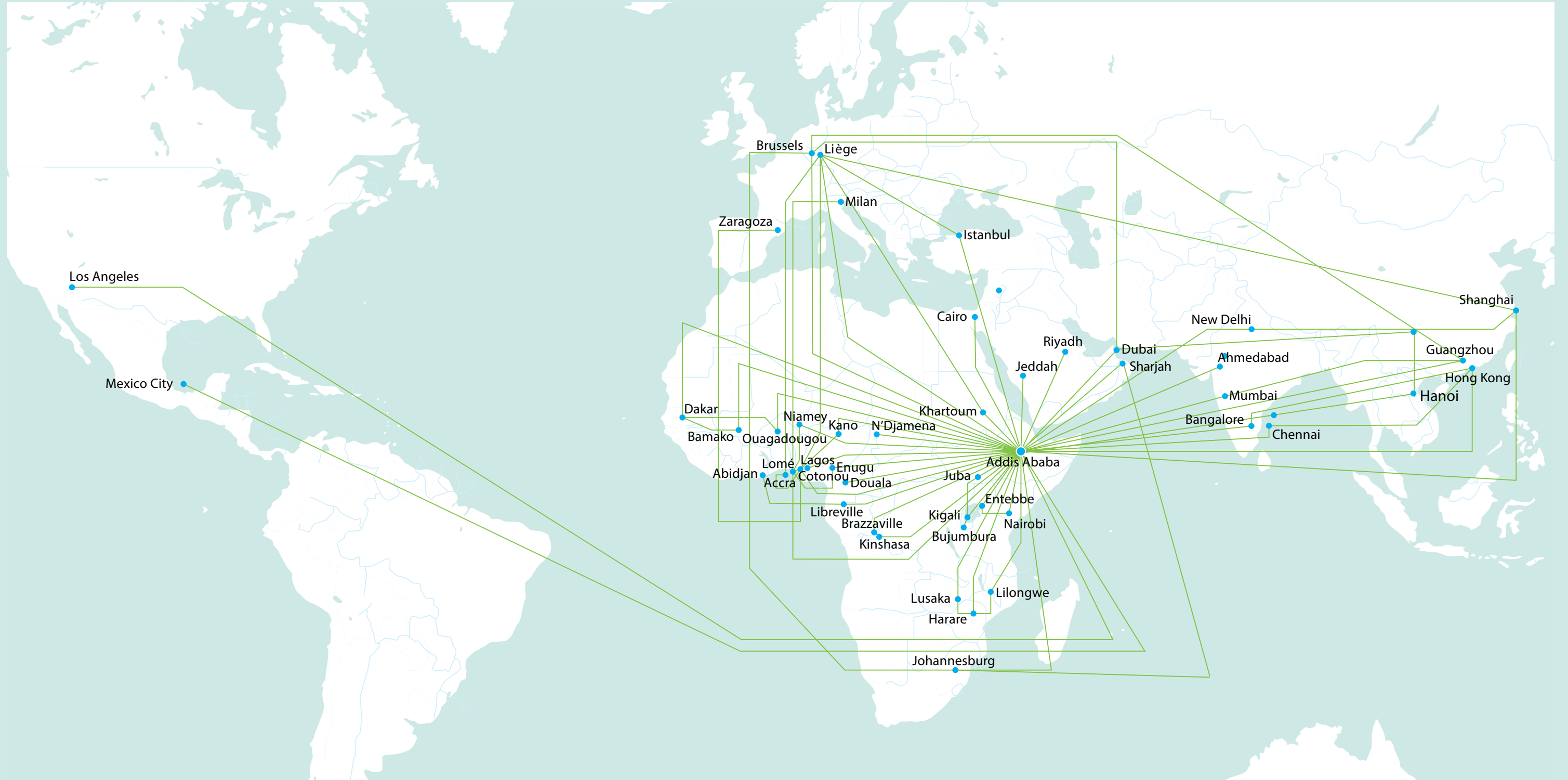
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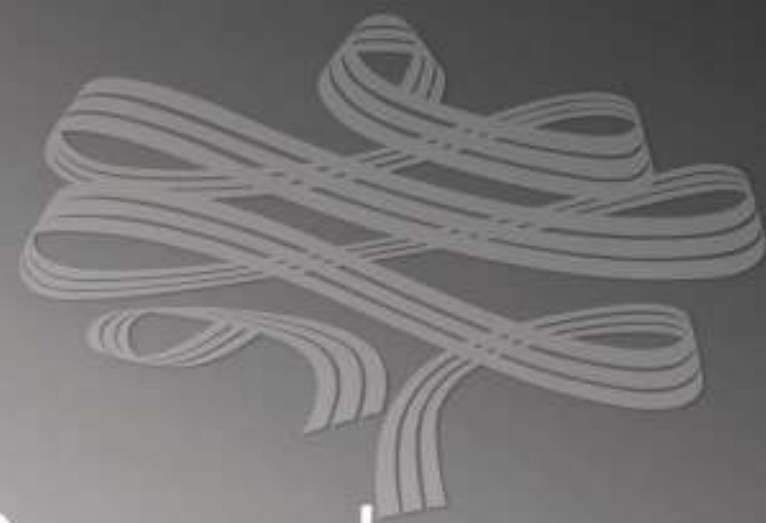
**ROUTE
MAPS**

Domestic Routes



Cargo Routes





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Ethiopian



Ethiopian
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