

## 6.3 Air Seychelles Limited (AS)

### 6.3.1 Strategic Overview

#### 6.3.1.1 *Mandate*

To provide and sell scheduled and non-scheduled transportation by air of passengers, mail and goods anywhere in the world. To provide ground handling, technical handling and cargo handling to all airlines landing in Seychelles (including Air Seychelles). Provide airport lounge services and courier services.

#### 6.3.1.2 *Vision*

Keeping Seychelles connected.

#### 6.3.1.3 *Mission*

Welcoming the world and growing the business sustainably and profitably.

#### 6.3.1.4 *Strategic Priorities for 2024-2026*

The most important strategic priority is to ensure that Air Seychelles sustains itself without the requirement of funding from the Government of Seychelles. While doing so, the company aims to steadily repay its remaining debt and is scheduled to fully repay the 2020 aircraft lease deferrals by May 2024 and the USD 16.5m Novobanq loan by 2028. Ultimately it's gearing must reduce such that the company approaches a state of being debt free and the liquidity ratio must be high enough to ensure that the company is able to sustain a shock.

Air Seychelles also continues to review its domestic and international fleet. A spare A320/A319 aircraft is being considered to protect the operations in an economical way. In the long run the A321 XLR is also being analysed for better range thereby accessing the country's source tourism markets in Europe. On the domestic fleet the ATR42-600 is also being analysed to improve passenger experience and reduce the cost per seat, however, this is more likely to be feasible in a joint venture form with IDC.

Sustainability of the flying units is also key. To ensure this, the yield, load factor and CASK needs to be optimized for the scheduled flying and profitability of the ACMI/Charter operations needs to be maximized.

Staff retention is key and the company aims to ensure that salaries are in line with market, training & development opportunities are provided and a good performance based remuneration method is applied.

Ground handling standards need to be maintained so the company is setting aside funds for renewal of ground service equipment and refurbishment of the lounges. Opportunities to expand on the revenues of the ground handling service is to be explored with the parent Ministry.

#### 6.3.1.5 *Key Challenges*

The following are the key challenges faced by Air Seychelles.

- Availability of spare engines and Maintenance Repair Organisations (MROs) to perform engine overhauls for the A320 NEO CFM engines: Currently, due to issues with the new engine types on the NEOs, there is a lack of availability of spare engines and slots available at MROs. This means that if we have an unplanned engine removal, the aircraft may be grounded for a significant period of time.

- Escalations in pricing and issues faced by the new A320 NEOs means that planned engine overhauls are more expensive than expected by the market. HM pays the lessors a reserve, for every hour the engine is flown, for use when the overhaul occurs. However, we may need to do an internal provision as well because pricing quotes we have received from Lufthansa indicates that the lessor may be under-provisioning significantly.
- Shortage of pilots on the international market has led to poaching and increase in salary levels. This is a threat on HM's pool of pilots as well as a financial risk.
- Potential competitors on our routes: Profitability of the international business unit can be severely affected by entrants as the routes are very thin. This includes Air Link and Saffair from South Africa, Arkia and El Al from Israel, Air Mauritius from Mauritius, Air India/Spice Jet/Indigo from India, Sir Lankan Airline from Sri Lanka.
- Risk of other airlines using 5th Freedoms to compete on our routes. The biggest risk is Edelweiss as they requested to use this in the recent past. Edelweiss could sell tickets between Seychelles and Mauritius at very low rates (because they can fill most of their aircraft with Swiss passenger going to Mauritius). Certain gulf carriers also have this right.
- Escalation of SCAA fees can have a very large impact on HM's profitability and sustainability. In particular, overfly fees, landing charges, rents and concession fees.
- Flight rights in India continues to be a challenge. Indian carriers can fly from all points in India to Seychelles but Air Seychelles only has the right to fly to Bombay. We are missing out on potential flights to Ahmedabad in particular, which prevents us increasing the airline's profitability.
- Air Seychelles is very isolated and hence needs to carry a lot of reserve fuel into Seychelles as the nearest diversion airport is Nosy Be. This limits our range of flying (potential markets), reduces the payload we can carry and increases our fuel burn (as the aircraft is heavier). Agalega is a nearer potential diversion airport if we can get rights to land but requires diplomatic efforts at a country to country level with Mauritius.
- Very limited number of markets regionally, with thin traffic flows. Our aircraft cannot reach main source markets in Europe.
- HM's profitability and revenues from Ground handling is largely out of our control, as it depends on external factors and the frequency with which other carriers decide to land in Seychelles.
- The main domestic market for Air Seychelles is Praslin which is very close to Mahe. This gives the ferry a strong advantage as the time gain for the airline is limited and the ferry cost structure is much lower. The short flights make the cycle costs of the aircraft very high, in particular for the engine.
- Without access to the outer islands, economies of scale on the domestic operations is very limited and this negatively impacts the profitability of the operations. It limits potential for larger aircraft with more economies of scale and limits our ability to have longer flights (reducing engine stress and costs).
- Air Seychelles has a lot of specialized airline roles making it very difficult to find local replacements and presents a high business continuity risk.

## 6.3.2 Outlook of Financial Strategy

### 6.3.2.1 Projected Financial Position of Air Seychelles Limited

Description	Actual Figures			Provisional	Forecast		
	2020	2021	2022		2024	2025	2026
Property and equipment	37,950	35,354	33,781	32,961	32,142	31,320	30,501
Right-of-use assets	54,859	48,184	41,802	35,732	29,662	23,592	18,028
Intangibles assets	120	397	337	251	164	78	-
Investments in subsidiaries	-	-	-	-	-	-	-
Deposits	2,050	2,050	2,050	2,050	2,050	2,050	2,050
Receivables from related parties	2,470	1,265	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>103,323</b>	<b>87,250</b>	<b>77,970</b>	<b>70,994</b>	<b>64,018</b>	<b>57,040</b>	<b>50,579</b>
Inventories	11,900	13,031	12,561	12,561	12,561	12,561	12,561
Trade and other receivables	10,743	12,115	13,644	14,007	14,007	14,007	14,007
Receivables from related parties	3,139	2,675	1,688	1,688	383	383	383
Cash and cash equivalents	11,343	12,051	12,464	17,190	21,519	26,999	31,775
Assets classified as held for sale	960	926	2,145	771	671	571	471
<b>Total Current Assets</b>	<b>38,085</b>	<b>40,798</b>	<b>42,502</b>	<b>46,217</b>	<b>49,141</b>	<b>54,521</b>	<b>59,197</b>
<b>Total Assets</b>	<b>141,408</b>	<b>128,048</b>	<b>120,472</b>	<b>117,211</b>	<b>113,159</b>	<b>111,561</b>	<b>109,776</b>
Share capital	72,617	72,617	72,617	72,617	72,617	72,617	72,617
Accumulated losses	(150,503)	(173,209)	(53,654)	(45,466)	(37,723)	(29,419)	(20,715)
<b>Total Equity/(Deficit)</b>	<b>(77,886)</b>	<b>(100,592)</b>	<b>18,963</b>	<b>27,151</b>	<b>34,894</b>	<b>43,198</b>	<b>51,902</b>
Lease liabilities	46,144	47,031	40,113	32,456	25,850	19,389	12,511
Long-term employee benefits	2,110	2,888	2,823	3,416	3,400	3,394	3,399
Borrowings	6,729	7,808	13,390	10,980	8,412	5,676	2,761
Amount due to related parties	-	62,217	13,000	13,000	13,000	13,000	13,000
<b>Total Non-Current Liabilities</b>	<b>54,983</b>	<b>119,944</b>	<b>69,326</b>	<b>59,851</b>	<b>50,662</b>	<b>41,459</b>	<b>31,671</b>
Lease liabilities	7,486	5,162	7,695	7,695	7,695	7,695	7,695
Borrowings	72,618	71,539	2,340	2,340	2,340	2,340	2,340
Amounts due to related parties	63,836	1,333	4,303	3,029	1,124	1,124	1,124
Trade and other payables	14,278	23,601	11,260	10,260	9,260	8,260	7,260
Contract liabilities	6,093	7,061	6,585	6,885	7,185	7,485	7,785
<b>Total Current Liabilities</b>	<b>164,311</b>	<b>108,696</b>	<b>32,183</b>	<b>30,209</b>	<b>27,604</b>	<b>26,904</b>	<b>26,204</b>
<b>Total Liabilities</b>	<b>219,294</b>	<b>228,640</b>	<b>101,509</b>	<b>90,060</b>	<b>78,265</b>	<b>68,363</b>	<b>57,874</b>
<b>Total Equity and Liabilities</b>	<b>141,408</b>	<b>128,048</b>	<b>120,472</b>	<b>117,211</b>	<b>113,159</b>	<b>111,561</b>	<b>109,776</b>

### 6.3.2.2 Projected Statement of Comprehensive Income of Air Seychelles Limited

Description	Actual Figures			Provisional	Forecast		
	2020	2021	2022		2024	2025	2026
Revenue from contracts with customers	34,807	37,413	76,166	77,983	82,064	83,998	85,277
Other Income	13,468	7,454	1,657	1,946	1,791	1,827	1,863
Direct operating costs	(36,981)	(38,682)	(53,319)	(50,069)	(52,145)	(53,399)	(54,477)
Administrative and marketing expenses	(19,974)	(19,531)	(7,341)	(18,000)	(20,764)	(21,479)	(21,913)
Reversal of allowance for credit losses	3,038	1,787	(1,211)	363	-	-	-
<b>Operating profit/(loss)</b>	<b>(5,642)</b>	<b>(11,559)</b>	<b>15,952</b>	<b>12,222</b>	<b>10,946</b>	<b>10,947</b>	<b>10,750</b>
Finance income	236	167	109	100	17	17	17
Finance costs	(9,168)	(11,314)	(7,615)	(4,134)	(3,219)	(2,659)	(2,063)
<b>Net Finance Cost</b>	<b>(14,574)</b>	<b>(22,706)</b>	<b>8,446</b>	<b>(4,034)</b>	<b>(3,203)</b>	<b>(2,642)</b>	<b>(2,046)</b>
<b>Profit before Gain on Extinguishment of Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gain on extinguishment of debt	-	-	111,109	-	-	-	-
<b>Loss/Profit for the year</b>	<b>(14,574)</b>	<b>(22,706)</b>	<b>119,555</b>	<b>8,188</b>	<b>7,743</b>	<b>8,304</b>	<b>8,704</b>

### 6.3.2.3 Projected Cash flow Statement of Air Seychelles Limited

USD ('000)

Description	Actual Figures			Provisional	Forecast		
	2020	2021	2022	2023	2024	2025	2026
<b>Net profit/(loss) for the year</b>	<b>(14,574)</b>	<b>(22,706)</b>	<b>119,555</b>	<b>8,188</b>	<b>7,743</b>	<b>8,304</b>	<b>8,704</b>
Depreciation – Property and equipment	2,692	2,725	2,594	2,720	3,196	3,199	3,265
Amortisation-Right of use of assets	7,116	6,675	6,382	6,070	6,070	6,070	5,564
Amortisation-Intangibles assets	1,637	71	86	86	86	86	78
Gain on disposal of property and equipment	(178)	(94)	(254)				
Impairment-property and equipment	445	-	(1,503)				
Impairment-Intangibles assets	8,922	-					
Impairment of non-current assets held for sale	-	34					
Staff terminal benefits during the year	718	1,120	483	935	327	336	346
Finance costs	9,260	11,205	7,459	4,134	3,219	2,659	2,063
Finance income	(236)	(167)	(109)	(100)	(17)	(17)	(17)
(Decrease)/Increase in inventory provision	316	(764)	323				
Reversal of allowance for credit losses	(3,038)	(1,787)	1,211	(363)	-	-	
Extinguishment of debt	-	5,874	(111,109)				
Currency translation differences	644	(196)	(153)				
Changes in:							
Amounts due from related parties	5,747	1,669	2,252				
Inventories	(925)	(367)	147	100	100	100	100
Trade and other receivables	4,844	415	(2,740)				
Trade and other payables	(7,499)	9,323	(12,341)	(1,000)	(1,000)	(1,000)	(1,000)
Contract liability	(4,229)	968	(476)	300	300	300	300
<b>Cash generated from operating activities</b>	<b>11,662</b>	<b>13,998</b>	<b>11,807</b>	<b>21,070</b>	<b>20,025</b>	<b>20,038</b>	<b>19,403</b>
Staff terminal benefits paid	(2,090)	(342)	(548)	(342)	(342)	(342)	(342)
<b>Net cash generated from operating activities</b>	<b>9,572</b>	<b>13,656</b>	<b>11,259</b>	<b>20,728</b>	<b>19,683</b>	<b>19,696</b>	<b>19,061</b>
<b>Cash flows from investing activities</b>							
Acquisition of property and equipment	(963)	(364)	(1,063)	(1,900)	(2,377)	(2,377)	(2,446)
Acquisition of software (net of transfers)	(122)	(151)	(11)				
Reclassifications to Right-of-use asset (pre-delivery costs)	(483)	-	38				
Proceeds from disposal of property and equipment	193	132	527	1,274			
Non-current assets reclassified to assets held for sale	(86)	-	-				
Deposits	(120)	-	-				
Interest received	236	167	109	100	17	17	17
<b>Net cash used in investing activities</b>	<b>(1,345)</b>	<b>(216)</b>	<b>(400)</b>	<b>(526)</b>	<b>(2,361)</b>	<b>(2,361)</b>	<b>(2,430)</b>
<b>Net increase in cash and cash equivalents</b>							
Proceeds from loans and borrowings	(629)	-	16,500	(2,410)	(2,568)	(2,736)	(2,915)
Payment of borrowings			(24,406)				
Amounts due to related parties	11,391	(286)	9,151	(1,274)	(600)		
Finance costs paid (excluding modification)	(7,262)	(11,314)	(7,451)	(4,039)	(3,219)	(2,659)	(2,063)
Repayment of principal portion of lease liabilities	(9,158)	(1,328)	(4,393)	(7,657)	(6,606)	(6,461)	(6,878)
<b>Net cash used in financing activities</b>	<b>(5,658)</b>	<b>(12,928)</b>	<b>(10,599)</b>	<b>(15,380)</b>	<b>(12,993)</b>	<b>(11,856)</b>	<b>(11,856)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,569</b>	<b>512</b>	<b>260</b>	<b>4,822</b>	<b>4,329</b>	<b>5,480</b>	<b>4,776</b>
<b>Movement in cash and cash equivalents</b>							
<b>At 1 January</b>	<b>9,418</b>	<b>11,343</b>	<b>12,051</b>	<b>12,464</b>	<b>17,190</b>	<b>21,519</b>	<b>26,999</b>
Net increase	2,569	512	260	4,822	4,329	5,480	4,776
Currency translation differences	(644)	196	153	(95)	-	-	
<b>At 31 December</b>	<b>11,343</b>	<b>12,051</b>	<b>12,464</b>	<b>17,190</b>	<b>21,519</b>	<b>26,999</b>	<b>31,775</b>

### 6.3.2.4 Projected Capital Investment Plan of Air Seychelles Limited

USD ('000)

USD ( '000)													
Project Name	Project Purpose and Description	Expected Outcome of the Project	Total Estimated Project Cost	Source of Finds	Year of Project Commenced	Expected Completion Date	Actual Figures			Provisio nal	Forecast		
							2020	2021	2022	2023	2024	2025	2026
Major Capital Investments													
Ground Service Equipment Building	Refurbishment of GSE building	Refurbished building	100,000	Cash in Bank	2025	Dec 2025	-	-	-	-	-	1,000	-
PV system	Roof Photovoltaic installation	PVs	231	Cash in Bank	2023	Dec 2024	-	-	-	-	231	-	-
Lounge	Refurbishment	Refurbished lounge		Cash in Bank	2023		-	-	-	500	-	-	-
ERP	Implementation of SAPB1	New accounting software	310		2020		170	140	-	-	-	-	-
Replacements and upkeep of Assets (PPE)													
Engine Overhaul	Twin Otter Engine Overhaul	Engine refurbishment	Continuous	Cash in Bank	Continuous	Continuous	-	-	-	1,350	1,000	1,500	1,200
Spares purchase	Aircraft spares upkeep		Continuous	Cash in Bank	Continuous	Continuous	-	-	-	300	300	300	300
Ground handling Equipment	Upkeep of ground equipment	New ground equipment	Continuous paid through a lease	Cash in Bank	Continuous	Continuous	-	-	-	1,300	1,200	800	600
TOTAL	-	-	-	-	-	-	170	140	-	3,450	2,731	3,600	2,100

### 6.3.3 Projected TAX, Divided, Debt Payments, Subventions, Grants and Contingencies

#### 6.3.3.1 Tax Implications by the Operations of Air Seychelles Limited

USD ('000)

Type of Tax (SCR)	Actual Figures			Provisional	Forecast		
	2020	2021	2022	2023	2024	2025	2026
Business Tax	-	-	-	-	-	-	-
PIT	22,957	18,792,571	17,601,717	18,166	18,711	19,272	19,850
VAT	4,087	12,024	10,383	11,891	12,485	12,860	13,246

NB: Exempt from Business tax

#### 6.3.3.2 Anticipated Dividend Declarations By Air Seychelles Limited

Negative retained earnings prevent payment of dividends currently.

#### 6.3.3.3 Debt Payments Forecasts By Air Seychelles Limited

USD ('000)

Lending Organization	Description	Purpose of Borrowings	Total Debt Amount (Capital)	Total Borrowings and Debt Servicing						
				Actual Figures			Provisional	Forecast		
				2020	2021	2022	2023	2024	2025	2026
Loan 01 From Nouvobanq	Borrowings	To repay the Bondholders settlement of USD 28m	16,500	-	-	16,500	-	-	-	-
	Interest for the Year	-	-	-	-	343	929	772	604	425
	Repayment of Capital	-	-	-	-	770	2,410	2,568	2,736	2,915
	Balance carried forward	-	-	-	-	15,730	13,319	10,751	8,015	5,101
Loan 02 from EAP Partners Bonds	Borrowings	To repay debts to Etihad and purchase 2 Twin Otters	71,539	-	-	-	-	-	-	-
	Interest for the Year	-	-	5,050	5,050	-	-	-	-	-
	Repayment of Capital	-	-	-	-	28,200	-	-	-	-
	Balance carried forward	-	-	71,539	71,539	-	-	-	-	-
Loan 03 from Etihad Shareholder loan	Borrowings	To purchase 2 Twin Otters	25,000	-	-	-	-	-	-	-
	Interest for the Year	-	-	352	-	-	-	-	-	-
	Repayment of Capital	-	-	629	-	-	-	-	-	-
	Balance carried forward	-	-	7,808	-	-	-	-	-	-
Debt for Other PEs (Government of Seychelles)	Borrowings	-	-	-	70,233	13,000	-	-	-	-
	Interest for the Year	-	-	-	-	-	-	-	-	-
	Repayment of Capital	-	-	-	-	-	-	-	-	-
	Balance carried forward	-	-	-	70,233	13,000	13,000	13,000	13,000	13,000
<b>TOTAL</b>		-	<b>113,039</b>	<b>85,378</b>	<b>217,055</b>	<b>87,543</b>	<b>29,658</b>	<b>27,091</b>	<b>24,355</b>	<b>21,441</b>

### 6.3.3.4 Anticipated Subventions and Grants By Air Seychelles Limited

USD ('000)

USD ('000)

Nature of Funding	Funding Agency	Purpose	Total Agreed Amount	Total Receipts of Subventions and Grants						
				Actual Figures			Provisional	Forecast		
				2020	2021	2022	2023	2024	2025	2026
Subventions	Government									
	IMF									
	ADB									
	EU, etc									
Grants	Government	FA4JR to cover salaries	14,883	8,726	6,157	-	-	-	-	-
	IMF									
	ADB									
TOTAL			14.883	8.726	6.157	-	-	-	-	

### 6.3.3.5 Contingencies of Air Seychelles Limited

Air Seychelles has no anticipated contingent liabilities

### 6.3.3.6 Assumptions used for the Financial Projections of Air Seychelles Limited

Weekly Frequency (rotations, scheduled flights)				Exchange Rate	SCR/Currency
Route	2024	2025	2026		
Colombo	2	2	2	USD	14.00
Bombay	1.7	1.7	1.7	EUR	15.28
Mauritius	2.6	2.6	2.6		
Tel Aviv	1.8	1.8	1.8		
Johannesburg	2.9	2.9	2.9		
Praslin	17.4	17.4	17.4		

- No increase in SCAA overfly fees incorporated in the assumptions.
- ACMI operations with SAS (for the Afghanistan humanitarian operations) continue through to the end of 2026.
- No change in domestic and international fleet or routes.
- No competitor airlines entering our international routes including Edelweiss not applying 5<sup>th</sup> freedom rights between Seychelles and Mauritius.
- No port for ferries built at the Seychelles International Airport (otherwise profitability of domestic operations would reduce significantly)
- No pandemics or other international crisis
- Brent Crude oil at USD 90 per barrel and current Jet A1 crack spread applicable.
- No capping of domestic resident fares. Fares remain as is.
- No unplanned maintenance event/engine removal during period up to 2026.
- Structural salary cuts maintained



### 6.3.4 KPIs, Risk Management Strategy and Reporting Obligations

#### 6.3.4.1 Key Performance Indicators of the Air Seychelles Limited

Title of Key Performance Indicators	Description	Achievements of KPIs						
		Actual Figures			Provisional	Forecast		
		2020	2021	2022	2023	2024	2025	2026
Domestic								
Yield (USD'cents)	Revenue/revenue passenger kms	91.12	154.7	199.1	187.1	190	192	194
Load Factor	Revenue passenger kms /Available seat kms	81%	74%	65%	63%	68.5%	69%	70%
RASK (USD'cents)	Revenue/ Available seat kms	73.5	114.18	128.96	118.42	131	133	136
CASK (USD'cents)	Cost/ Available seat kms	195.9	157.59	87.89	110.04	113	115	119
Margin (RASK-CASK) (USD'cents)	RASK-CASK	(122.4)	(43.41)	41.07	8.38	18	18	17
Aircraft Utilisation (BH/day)	Aircraft Block Hours Flown/day	1.66	1.57	2.29	2.24	2.6	2.6	2.6
International								
Yield (USD'cents)	Revenue/(revenue passenger kms)	9.12	6.23	9.34	8.48	8.31	8.4	8.48
Load Factor	Revenue passenger kms /Available seat kms	58%	46%	56%	60%	59.3%	59.9%	60.5%
RASK (USD'cents)	Revenue/ Available seat kms	5.32	2.87	5.27	4.47	4.9	5.0	5.1
CASK (USD'cents)	Cost/ Available seat kms	6.95	6.51	5.93	5.34	5.2	5.2	5.3
Margin (USD'cents)	RASK-CASK	(1.63)	(3.64)	(0.66)	(0.87)	(0.3)	(0.2)	(0.2)
Aircraft Utilisation	Aircraft Block Hours Flown/day	2.76	3.42	4.76	13.0	14.2	14.2	14.2
Ground Handling								
Number of flights handled	-	899	1,335	2,163	2,133	2,489	5,569	5,569
Revenue per flight \$	-	11,923	11,378	10,040	7,086	8,079	8,119	8,252
Total cost per flight \$	-	9,673	8,026	5,988	6,054	TBC	TBC	TBC
Financial								
Gearing	Debt/Equity	(184%)	(142%)	168%	97%	74%	53%	39%
Profit Margin	Profit/revenue	(30%)	(50%)	10.8%	10%	9%	10%	10%
Quick ratio	(Current assets – Inventory)/ Current liabilities	0.16	0.16	0.86	1.09	1.3	1.54	1.76

#### 6.3.4.2 Risks and Resilience Plan of the Air Seychelles Limited

Risk Category	Potential Risks Identified	Risk Mitigation Strategies
<b>Strategic Risks</b>	Competitor airlines coming onto our routes. Impact can be as much as USD 5-10m pa. Edelweiss 5th freedom alone carries a USD 3m risk	Keeping cost structure as minimal as possible. Signing partnerships, codeshare and interline agreements with potential competitors.
	Risk of losing specialized staff	Ensuring competitive salary package, succession planning and potential insourcing of consultants/expats to develop capacity
<b>Financial Risks</b>	SCAA fee increases. Risk factor USD 1.2-1.5m	Lobbying and trying to explain the negative financial and economic impacts
	Costlier than expected engine overhaul costs. Potentially USD 4m per engine needs to be provision (in addition to reserves to lessors). Engine overhauls most likely due between 2026-2027 but cannot be precisely predicted. An unplanned removal can happen anytime.	Keeping an internal cash reserve. Seeking more quotes as MROs come online. Engine wash rig bought to clean and better maintain engine. Cycling which aircraft is operating in the desert for the Afghan operations (as this is a harsh environment).
<b>Operational Risks</b>	Shortage of pilots and poaching by international carriers	Adjustment of salary package and intense training programme to upgrade pilots to cope with attrition.



	MRO availability	Seeking multiple quotes. Seeking contracts for engine transport beforehand
	Spare engine availability	Try to get a spare engine guaranteed access contract at an affordable rate, when this is available on the market again (probably will be available next year). Engine wash rig bought to clean and better maintain engine. Cycling which aircraft is operating in the desert for the Afghan operations (as this is a harsh environment).
<b>Compliance and Regulatory Risks</b>	Compliance to new PEMC act, companies act, employment act etc.	Recruiting head of legal
	Regular IOSA audits are critical to pass	Trainings
<b>Environmental and Social Risks</b>	Pilot and engineer unions.	Always seeking legal advice ensuring we are also compliant with employment act
<b>PESTEL</b>	Political: Pressure to reduce local resident fares and localize key posts	Communication to shareholder on negative impact
	Economic: SCR strengthening leads to higher payroll cost in terms of USD (HM earns mostly in USD) Economic weaknesses in source country can reduce air travel	Out of HM control. Ultimately we have to try to be as efficient as possible
	Technology: new advancement in aircraft can make current aircraft uncompetitive.	Continues review of aircraft choice
	Environmental: New carbon emission rules can result in HM needing to pay for carbon or offsets	Continue to find ways to reduce fuel burn (lighten aircraft, change aircraft type, wash engines regularly)
	Legal: New laws on consumer protection can increase disruption costs for HM. New regulation from EASA/SCAA can increase operational costs	Largely out of HM control.

#### 6.3.4.3 *List of External Reporting's by the Air Seychelles Limited*

Name/Title of the Report	Recipients of the Report	Description of the purpose, content and inclusion of the report	Frequency and Timing of the Report
Audited Financial Statements	Suppliers (lessors, Airbus, IATA etc), SRC, Ministry of Transport, PEMC, Nouvobanq	Financial Statements	Annual
Annual Report	Suppliers, SRC, Ministry of Transport, PEMC, Nouvobanq	Financial Statements, mission, vision, values, Chairman/CEO report, business summaries and statistics	Annual
Draft Financial Statements	PEMC	Financial Statements	Quarterly
Management Reports	Nouvobanq	Detailed P&L	Quarterly
Annual Return	Registrar	Shareholding pattern, charges, directors etc.	Annual
Request for Information	Organized Crime Unit (Seychelles Police)	Evidence for prosecution and judicial proceedings	Occasional
Request for Information	ACCS	Evidence for prosecution and judicial proceedings	Occasional
Flight Handling Report	All scheduled airlines	Providing a full overview of the flight.	An hour after flight departure. Daily
Flight Handling Statistics for international and domestic	SCAA, Internally to HM	Details of passengers in and out for all flights, including cargo and mail details.	Monthly
Investigation of complaints by airlines related to their flight	Respective airline	Summary of the investigation from the nature of the complaint	When required
Specific airline reports pertaining to flight handling such as TRC checklists	Respective airline	Flight monitoring information	Daily
Perishable tonnage	SCAA	All carrier-import	Monthly
Statistics summary	SCAA	For all carrier	Monthly
Summary mail	SCAA	For all carrier	Monthly
Statistic for HM	SCAA	per sector	Monthly
Praslin statistics summary	SCAA	Praslin statistics summary	Monthly

### **6.3.5 Stakeholder Engagement**

#### **6.3.5.1 Statement by CEO**

As the CEO of Air Seychelles, I would like to reaffirm my unwavering dedication to establishing clear objectives and executing strategic directives and performance benchmarks as stipulated by our esteemed Board of Directors. My commitment to achieving excellence in all aspects of our organisation remains steadfast.

In order to drive Air Seychelles to new heights, all stakeholders must be aligned with the vision and mission of the company working in harmony. The pride associated with the success of national airline airlines is fueled by passion. Dedication, where a good working relationship with the board is essential to the effective running of the business. We must continuously innovate and collectively identify new opportunities with an adaptive and flexible mindset while being vigilant through a robust risk management approach, mitigating risks and prominent challenges. By doing so, we will position ourselves to ensure success in an ever-changing business landscape.

Air Seychelles is fully committed to optimising resource allocation for maximal gains and will continue to ensure effective resource management, which is crucial for maximizing our potential and achieving our key performance indicators (KPIs). By carefully evaluating and allocating our resources, we will ensure that we are utilizing them efficiently and effectively to support our strategic objectives. Having been previously subjected to complex financial challenges, Air Seychelles has adopted a robust Business Review programme and weekly reports to its directors, stakeholders and PEMC. We are committed to overcoming challenges through innovative solutions and a culture of continuous improvement. By fostering an environment where creativity and collaboration thrive, we will be better equipped to seize opportunities and overcome obstacles.

Our focus remains on delivering exceptional results and exceeding expectations, positioning ourselves as the employee of choice where people are motivated to contribute to the success of the company. With the support of our dedicated team, we will work diligently to establish and achieve our objectives while surpassing the performance benchmarks set by the Board of Directors.

I want to express my gratitude to all our shareholders for your continued trust and support. Together, we will navigate the complexities of the ever-changing business landscape, optimize our resource allocation, and drive our organization towards sustained success. It is, therefore our collective responsibility to ensure the success of our national airline, and we must ensure we keep the wind under its wing and continue to be one of the most valuable entities to the people of Seychelles.

### 6.3.5.2

#### *Foreword by Chairperson*

Historically Air Seychelles has been directed by the Government to fulfill the economic needs of the country which included opening direct routes to Europe and Asia with expensive wide body aircraft, capping domestic resident fares and avoiding non-tourism related charter/ACMI work. This, in combination with the certain financial and operational decisions by Etihad to that end, led Air Seychelles to an unsustainable debt of over USD 140m and a heavily loss making operation.

A strategic shift began in 2017, where sustainability of the company was placed in the forefront. The company exited the heavily loss making wide body aircraft, loss making European/Asian routes, switched to more economic A320 NEO narrowbody aircraft, exited overly expensive contracts, restructured salaries, increased resident domestic fares to sustainable levels and through the Company reorganization process reduced its debt by over 66%. This has allowed the company to generate a USD 8.4m profit in 2023.

It is important to continue focusing primarily on profitability and the economic benefits will then follow from that through sustainable routes and employment. Even if profitability is the primary objective, Air Seychelles will endeavor to provide economic benefits to Seychelles as a secondary objective. This includes connecting Seychelles to thinner tourism, labour and medical markets such as South Africa, Colombo, Bombay, Tel Aviv and Mauritius which are not connected by other airlines. If profitable and feasible Air Seychelles will endeavor to connect Seychelles with stronger source markets further afield such as Italy, Austria, Russia and Germany through the A321 XLR aircraft. Unlike the previous strategy of using a large expensive wide body aircraft to Europe, the A321 XLR is much smaller, lower risk and more economic with technology advancement allowing this to be the longest ranged narrowbody aircraft.

Air Seychelles aims to continue providing over 620 jobs to the local economy including many high value jobs to improve the standard of living for Seychellois with over 99% of the employees currently being Seychellois.

Air Seychelles will also continue to ensure ground, cargo, technical and lounge services to other airlines are provided at a high level while maintaining the profit levels. Simultaneously, Air Seychelles will continue to provide domestic services as an alternative to the ferry and continue to find ways to maintain affordability of the service and improve the quality. Air Seychelles is reexamining its domestic fleet to this end.

### 6.3.5.3

#### *Statement by the Responsible Minister*

Air Seychelles assumes a pivotal role in the advancement of our aviation sector. The Seychellois government places the utmost importance on fostering consistent consultation and collaboration among government agencies, airlines, local communities, and all relevant stakeholders. This collaborative endeavor aims to facilitate proactive decision-making concerning route development, market opportunities, and overarching societal objectives. By engaging multiple stakeholders, our overarching goal is to optimize connectivity and fortify the competitiveness of Seychelles' aviation sector.

Our unwavering commitment lies in nurturing the sustainability and resilience of Air Seychelles and all airlines operating within our nation. Our initiatives are multifaceted, addressing environmental impact, economic viability, and operational resilience. To this

end, we actively champion fuel efficiency, explore sustainable aviation technologies, and provide essential financial and regulatory support.

Central to our aviation industry's growth is the steadfast dedication to fostering fair competition and ensuring equitable market access. We are resolute in our mission to create a level playing field within the aviation industry, thereby acting as a catalyst for innovation and enhanced service delivery. Our approach is thoughtfully calibrated to distinguish between international scheduled airlines and local operators to accommodate their unique needs.

Air Seychelles stands as a linchpin, seamlessly providing both international and domestic air services. We wholeheartedly acknowledge the significant social responsibilities vested in Air Seychelles, particularly its mandate to offer affordable travel to our residents on domestic flights. Our government's unwavering commitment is to uphold the airline's competitiveness and sustainability while harmonizing these objectives with its essential role in international connectivity.

National airlines, epitomized by Air Seychelles, possess a unique set of advantages deeply rooted in their local expertise, regional knowledge, and tailored services. Our profound understanding of the intricacies of our local market, including the diverse demands of serving our archipelago, sets us apart. We remain cognizant of the dynamic nature of the aviation industry, as underscored by the recent global pandemic. Consequently, we have adeptly tailored our strategy, with a renewed focus on charter services to underserved markets. In this niche, we have discovered an arena where our expertise and agility can truly shine.

Sustaining a robust presence in the domestic aviation market, Air Seychelles ensures convenient travel for both tourists and our local residents. Our role in facilitating travel to various islands, including the second-largest, Praslin, remains of paramount importance.

In Seychelles, our aviation landscape thrives on diversity, boasting three domestic airlines, each offering specialized services tailored to distinct segments of our tourism and connectivity needs. Air Seychelles, Zil Air, and the Island Development Company (IDC) synergize with one another, collectively enriching Seychelles' aviation ecosystem.

We strongly advocate for a robust collaboration between Air Seychelles and the Island Development Company (IDC). By fostering such collaboration, we aim to enhance operational efficiencies, thereby propelling the comprehensive development of Seychelles' aviation sector. Collaborative endeavors, including the sharing of maintenance facilities, pooling engineering expertise, and optimizing fleet management, hold substantial potential for cost savings and environmental sustainability.

In conclusion, I reiterate our unwavering commitment to Air Seychelles and the broader aviation sector. Our dedication remains steadfast as we persistently endeavor to ensure that our policies and strategies promote sustainability, fairness, and excellence within our aviation industry. Together, we shall continue to elevate Seychelles as a beacon of excellence in the global aviation arena.