

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 Nouvobanq 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           | 2023           | 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           | 2023           | 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> | -               | -               | -              | -              | -              | -              | -              |
| 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)

| Project Name                                   | Project Purpose and Description | Expected Outcome of the Project | Total Estimated Project Cost    | Source of Funds | Year of Project Commenced | Expected Completion Date | Actual Figures |      |      | Provisional | Forecast |       |       |
|------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|-----------------|---------------------------|--------------------------|----------------|------|------|-------------|----------|-------|-------|
|                                                |                                 |                                 |                                 |                 |                           |                          | 2020           | 2021 | 2022 |             | 2024     | 2025  |       |
| <b>Major Capital Investments</b>               |                                 |                                 |                                 |                 |                           |                          |                |      |      |             |          |       |       |
| 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  | -    | -           | -        | -     | -     |
| <b>Replacements and upkeep of Assets (PPE)</b> |                                 |                                 |                                 |                 |                           |                          |                |      |      |             |          |       |       |
| 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   |
| <b>TOTAL</b>                                   | -                               | -                               | -                               | -               | -                         | -                        | 170            | 140  | -    | 3,450       | 2,731    | 3,600 | 2,100 |

### 6.3.3

#### 6.3.3.1

### Projected TAX, Divided, Debt Payments, Subventions, Grants and Contingencies Tax Implications by the Operations of Air Seychelles Limited

USD ('000)

| Type of Tax<br>(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          |               | 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        | 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)

| 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            |                         |                     |                                          |              |      |             |          |      |      |   |
| <b>TOTAL</b>      |                |                         | <b>14,883</b>       | <b>8,726</b>                             | <b>6,157</b> | -    | -           | -        | -    | -    | - |

### 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

| Route        | Weekly Frequency<br>(rotations, scheduled flights) |      |      | Exchange Rate | SCR/Currency |
|--------------|----------------------------------------------------|------|------|---------------|--------------|
|              | 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  |  |
| <b>Domestic</b>                     |                                                   |                      |         |        |             |       |          |       |  |
| 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   |  |
| <b>International</b>                |                                                   |                      |         |        |             |       |          |       |  |
| 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  |  |
| <b>Ground Handling</b>              |                                                   |                      |         |        |             |       |          |       |  |
| 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   |  |
| <b>Financial</b>                    |                                                   |                      |         |        |             |       |          |       |  |
| 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                                                                                                                                                                                                                           |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strategic Risks   | 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                                                                                                                          |
| Financial Risks   | 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). |
| Operational Risks | 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.<br>Regular IOSA audits are critical to pass                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Recruiting head of legal<br>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<br>Economic: SCR strengthening leads to higher payroll cost in terms of USD (HM earns mostly in USD)<br>Economic weaknesses in source country can reduce air travel<br>Technology: new advancement in aircraft can make current aircraft uncompetitive.<br>Environmental: New carbon emission rules can result in HM needing to pay for carbon or offsets<br>Legal: New laws on consumer protection can increase disruption costs for HM. New regulation from EASA/SCAA can increase operational costs | Communication to shareholder on negative impact<br>Out of HM control. Ultimately we have to try to be as efficient as possible<br>Continues review of aircraft choice<br>Continue to find ways to reduce fuel burn (lighten aircraft, change aircraft type, wash engines regularly)<br>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

### 6.3.5.1

## Stakeholder Engagement

### *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.