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1. Air Seychelles Ltd (HM)



1.1. Strategic Overview

1.1.1. *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.

1.1.2. *Vision*

Keeping Seychelles connected.

1.1.3. *Mission*

Welcoming the world and growing the business sustainably and profitably.

1.1.4. *Strategic Priorities for 2025-2027*

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 USD 16.5m Novobank loan by 2028. Ultimately, its 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.

We have developed cash surpluses and our focus will be to carry on putting these in fixed deposits to increase them further and save up for the USD 22m of future maintenance work expected to be done on the A320s along the lease. Saving for this is crucial to ensure we have the cashflow to continue operations. We also need to save about USD 25m to refresh the domestic fleet without having to seek another long-term loan.

Air Seychelles also continues to review its domestic and international fleet. In the long run the A321 XLR is also being analyzed for better range thereby accessing the country's source tourism markets in Europe. Access to Agalega as an alternate airport to reduce fuel carried will be important for this, ensuring we can reach Europe with the aircraft. On the domestic fleet the ATR42-600 is also being analyzed 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.

For the regional flying we need to ascertain the impact on Indigo coming on the route and if we have to pull out our once weekly flight, where else can we deploy the aircraft. For the ACMI work, we are currently building a relationship with Etihad. We expect to continue the pure ACMI until May 2025. Thereafter, to hopefully operate the SEZ- AUH flights 4 times a week on behalf of Etihad (either as an ACMI or operate the flight ourselves with blocks sold to Etihad) and operate some flights for Etihad between Abu Dhabi and Dammam (Saudi Arabia) as they have exhausted their flying rights while we have the ability to operate 5th freedoms there. Effectively, this means the aircraft will be doing a mix of ACMI and scheduled flying. We would still have three days free per week on the aircraft and must find alternative use on the regional network.

In terms of ground handling, we're aiming for ISAGO enrollment to further enhance our credentials and safety standards. We aim to upgrade the quality of our FBO (Private jet) services with our new partnership with ExecuJet along with offering new services.

For cargo, we're also aiming to potentially grow our courier business with Celero which will add on to our FEDEX business.

1.1.5. 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.
- 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 make an internal provision as well because pricing quotes we have received from Lufthansa indicate that the lessor may be under-provisioning significantly. This is the main reason for the cash provisions we need to make (USD 16m of the USD 22m estimated to be required).
- Shortage of pilots on the international market has led to poaching and an 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. Indigo entry risk from India already seems to have materialized.
- 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. 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.
- A very Ltd 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 Ltd 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 are very Ltd and this negatively impacts the profitability of the operations. It limits the 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.

1.1.6. Outlook of Financial Strategy

1.1.6.1. Projected Financial Position of Air Seychelles Ltd

USD ('000)

Description	Actual Figures			Provisional	Forecast		
	2021	2022	2023	2024	2025	2026	2027
Property and equipment	35,354	33,781	34,830	34,846	34,980	33,357	30,864
Right-of-use assets	48,184	41,802	47,239	39,140	31,227	23,313	15,399
Intangibles assets	397	337	564	451	338	225	112
Deposits	2,050	2,050	2,050	2,050	2,050	2,050	2,050
Receivables from related parties	1,265	0	0				
Total non-current assets	87,250	77,970	84,683	76,488	68,595	58,945	48,425
Inventories	13,031	12,561	13,392	13,244	13,444	13,644	13,844
Trade and other receivables	12,115	13,644	10,093	9,707	9,707	9,707	9,707
Receivables from related parties	2,675	1,688	1,802	1,802	1,802	1,802	1,802
Cash and cash equivalents	12,051	12,464	19,223	26,559	34,122	43,103	43,751
Assets classified as held for sale	926	2,145	704	604	504	404	304
Total current assets	40,798	42,502	45,214	51,917	59,580	68,661	69,409
Total Assets	128,048	120,472	129,897	128,404	128,175	127,606	117,834
Share capital	72,617	72,617	72,617	72,617	72,617	72,617	72,617
Accumulated losses	(173,209)	(53,654)	(46,647)	(40,412)	(32,015)	(23,519)	(15,453)
Total equity/(deficit)	(100,592)	18,963	25,970	32,205	40,602	49,098	57,164
Lease liabilities	47,031	40,113	37,028	30,408	23,952	17,110	9,858
Provisions	2,888	2,823	14,645	15,806	17,071	18,462	11,982
Borrowings	7,808	13,390	10,699	8,131	5,395	2,480	-
Amount due to related parties	62,217	13,000	13,000	13,000	13,000	13,000	13,000
Total non-current liabilities	119,944	69,326	75,372	67,345	59,418	51,053	34,841
Lease liabilities	5,162	7,695	6,230	6,230	6,230	6,230	6,230
Borrowings	71,539	2,340	2,580	2,580	2,580	2,580	1,955
Amounts due to related parties	1,333	4,303	2,181	181	181	181	181
Trade and other payables	23,601	11,260	11,716	11,716	10,716	9,716	8,716
Contract liabilities	7,061	6,585	5,848	8,148	8,448	8,748	8,748
Total current liabilities	108,696	32,183	28,555	28,855	28,155	27,455	25,830
Total Liabilities	228,640	101,509	103,927	96,200	87,573	78,508	60,671
Total Equity and Liabilities	128,048	120,472	129,897	128,404	128,175	127,606	117,834

1.1.6.2. Projected Statement of Comprehensive Income of Air Seychelles Ltd

USD ('000)

Description	Actual Figures			Provisional	Forecast		
	2021	2022	2023	2024	2025	2026	2027
Revenue from contracts with customers	37,413	76,166	78,860	79,079	84,499	86,181	88,288
Other Income	7,454	1,657	1,728	2,879	2,251	2,288	2,334
Direct operating costs	(38,682)	(53,319)	(60,753)	(51,099)	(53,858)	(55,230)	(57,962)
Administrative and marketing expenses	(19,531)	(7,341)	(6,726)	(18,929)	(20,357)	(20,764)	(20,971)
Reversal of allowance for credit losses	1,787	(1,211)	(566)	(1,033)	(300)	(300)	(300)
Operating profit/(loss)	(11,559)	15,952	12,543	10,896	12,235	12,175	11,390
Finance income	167	109	126	85	417	137	29
Finance costs	(11,314)	(7,615)	(5,662)	(4,746)	(4,254)	(3,815)	(3,353)
Net Finance Cost	(22,706)	8,446	(5,536)	(4,661)	(3,838)	(3,679)	(3,325)
Gain on extinguishment of debt		111,109					
Loss/Profit for the year	(22,706)	119,555	7,007	6,235	8,397	8,497	8,065

1.1.6.3. Projected Cash flow Statement of Air Seychelles Ltd

USD ('000)

Description	Actual Figures			Provisional	Forecast		
	2021	2022	2023	2024	2025	2026	2027
Net profit/(loss) for the year	(22,706)	119,555	7,007	6,235	8,397	8,497	8,065
Depreciation – Property and equipment	2,725	2,594	3,760	3,561	4,309	4,569	4,652
Amortisation-Right of use of assets	6,675	6,382	7,765	8,099	7,914	7,914	7,914
Amortisation-Intangibles assets	71	86	113	113	113	113	113
Gain on disposal of property and equipment	(94)	(254)	28				
Impairment-property and equipment	0	(1,503)					
Impairment-Intangibles assets	0						
Impairment of non-current assets held for sale	34		3				
Staff terminal benefits during the year	1,120	483	719	327	336	346	357
Finance costs	11,205	7,459	5,293	4,746	4,254	3,815	3,353
Finance income	(167)	(109)	(126)	(85)	(417)	(137)	(29)
(Decrease)/Increase in inventory provision	(764)	323	511				
Reversal of allowance for credit losses	(1,787)	1,211	566	386	0	0	
Extinguishment of debt	5,874	(111,109)	0				
Currency translation differences	(196)	(153)	147				
Writeoff of inventory				648	300	300	300
Changes in:							
Amounts due from related parties	1,669	2,252	(114)				
Inventories	(367)	147	(1,342)	(500)	(500)	(500)	(500)
Trade and other receivables	415	(2,740)	2,985				
Trade and other payables	9,323	(12,341)	(1,771)		(1,000)	(1,000)	(1,000)
Contract liability	968	(476)	(737)	2,300	300	300	0
Cash generated from operating activities	13,998	11,807	24,807	25,828	24,007	24,217	23,226
Staff terminal benefits paid	(342)	(548)	(176)	(300)	(320)	(330)	(350)
Net cash generated from operating activities	13,656	11,259	24,631	25,528	23,687	23,887	22,876

Cash flows from investing activities							
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Acquisition of property and equipment	(364)	(1,063)	(4,793)	(3,577)	(4,443)	(2,946)	(2,159)
Acquisition of software (net of transfers)	(151)	(11)	(340)				
Additions in term deposits			(6,000)				
Reclassifications to Right-of-use asset (pre-delivery costs)	0	38					
Proceeds from disposal of property and equipment	132	527	1,379	100	100	100	100
Non-current assets reclassified to assets held for sale	0	0	15				
Deposits	0	0					
Interest received	167	109	126	85	417	137	29
Net cash used in investing activities	(216)	(400)	(9,613)	(3,392)	(3,926)	(2,709)	(2,031)
Proceeds from loans and borrowings	0	16,500	0				
Payment of borrowings		(24,406)	(2,451)	(2,568)	(2,736)	(2,915)	(3,105)
Amounts due to related parties	(286)	9,151	105	(2,000)			
Finance costs paid (excluding modification)	(11,314)	(7,451)	(4,259)	(4,404)	(4,014)	(3,575)	(3,113)
Repayment of principal portion of lease liabilities	(1,328)	(4,393)	(7,507)	(5,486)	(5,207)	(5,467)	(13,738)
Net cash used in financing activities	(12,928)	(10,599)	(14,112)	(14,457)	(11,957)	(11,957)	(19,957)
Net increase in cash and cash equivalents	512	260	906	7,678	7,804	9,221	888
Movement in cash and cash equivalents							
At 1 January	11,343	12,051	12,464	13,370	20,706	28,269	37,250
Net increase	512	260	906	7,678	7,804	9,221	888
Currency translation differences	196	153		(342)	(240)	(240)	(240)
At 31 December	12,051	12,464	13,370	20,706	28,269	37,250	37,898

NB: does not match balance sheet because of USD 6m fixed deposit investment placed in 2023.

1.1.6.4. Projected Capital Investment Plan of Air Seychelles Ltd

USD

Project Name	Project Purpose and Description	Expected Outcome of the Project	Total Estimated Project Cost	Source of Finds	Year of Project Commended	Expected Completion Date	Actual Figures			Provisional	Forecast			Anticipated Risks
							2021	2022	2023	2024	2025	2026	2027	
Major Capital Investments														
Ground Service Equipment Building	Refurbishment of GSE building	Refurbished building	USD 1m	Cash in Bank	Jan 2025	Dec 2025					USD 1m			
PV system	Roof Photovoltaic installation	PVs	USD 231k	Cash in Bank	Jan 2025	Dec 2025					USD 231k			
Lounge	Refurbishment	Refurbished lounge		Cash in Bank	Jan 2025	Dec 2025					USD500k			
ERP	Implementation of SAPB1	New accounting software	USD 0.31m				USD 0.14m							
RESA Implementation	Changing ground handling system	New system	USD 0.34m	Cash in Bank	Jan 2023	Oct 2023			USD 0.34m					
Buses	Staff buses	Insourcing staff transportation	USD 0.219m	Cash in Bank					USD 0.219m					
Head Office re-roofing	Head Office re- roofing	New roof, no leaks	USD 0.6m	Cash in Bank						USD 0.6m				
Replacements and upkeep of Assets (PPE)														
Spares purchase	Aircraft spares upkeep			Cash in Bank					USD 0.42	USD 0.42	USD 0.42	USD 0.42	USD 0.42	
Engine Overhaul	Twin Otter Engine Overhaul	Engine refurbishment	Continuous	Cash in Bank	Continuous	Continuous			USD 1.335m	USD 1.35m	USD1m	USD 1.5m	USD1.2m	Engine damage (FODs)
Ground handling Equipment	Upkeep of ground equipment	New ground equipment	Continuous paid through a lease	Cash in Bank	Continuous	Continuous			USD 0.04m	USD 1.3m	USD 1m	USD 1.3m	USD 0.24m	
Fuel Nozzles SB	Replace fuel nozzles with new version to prevent coking and regular costly replacement	New nozzles	USD 1.8m	Cash in Bank						USD 0.45m	USD 1.35m			
A320 NEO Engine overhaul	Paying for shortfall in reserves and leasing of spare engines	2 Refurbished engines	USD 8m	Cash in Bank									USD 10.7m	Overhaul happen earlier than expected, more engine damage than expected
C Checks on A320s	Heavy maintenance check for several weeks	Refurbished aircraft	Every three years for each aircraft	Cash in Bank							USD 0.7m	USD 0.7m		
	plus rent of spare aircraft													

Note that we also need to provision for domestic aircraft fleet replacement. Approximately USD 25m will be need. But the decision as to what fleet to select and when to replace the fleet has not yet been decided so it has not been placed above.

1.1.7. Projected TAX, Divided, Debt Payments, Subventions, Grants and Contingencies

1.1.7.1. Tax Implications by the Operations of Air Seychelles Ltd

Type of Tax	Actual Figures			Provisional		Forecast		SCR (‘000)
	2021	2022	2023	2024	2025	2026	2027	Anticipated Risks
Business Tax								Not provided
PIT	18,793	17,602	20,545,	21,161,	21,796	22,450,	23,124	
VAT	12,024	10,383	12,857	13,243,	13,640	14,050	14,471	
Etc..								

NB: Exempt from Business tax

1.1.7.2. Anticipated Dividend Declarations By Air Seychelles Ltd

Air Seychelles does not anticipate any dividend declarations in the medium term

1.1.7.3. Debt Payments Forecasts By Air Seychelles Ltd

USD (‘000)										
Lending Organization	Description	Purpose of Borrowings	Total Debt Amount (Capital)	Total Borrowings and Debt Servicing						
				Actual Figures			Provisional	Forecast		
				2021	2022	2023	2024	2025	2026	2027
Loan 01 From Nouvobanq	Borrowings	To repay the Bondholders settlement of USD 28m	16,500	0	16,500	0	0	0	0	0
	Interest for the Year				343	929	772	604	425	235
	Repayment of Capital				770	2,410	2,568	2,736	2,915	3,105
	Balance carried forward				15,730	13,319	10,751	8,015	5,101	1,996
Loan 02 EAP Partners Bonds	Borrowings	To repay debts to Etihad and purchase 2 Twin Otters	71,539							
	Interest for the Year			5,050		0				
	Repayment of Capital			0	28,200	0				
	Balance carried forward			71,539	0	0				
Debt for Other PEs (Government of Seychelles)	Borrowings			70,233	13,000	0	0	0	0	0
	Interest for the Year				0	0	0	0	0	0
	Repayment of Capital				0	0	0	0	0	0
	Balance carried forward			70,233	13,000	13,000	13,000	13,000	13,000	13,000
TOTAL										

1.1.7.4. Anticipated Subventions and Grants By Air Seychelles Ltd

USD ('000)

Nature of Funding	Funding Agency	Purpose	Total Agreed Amount (Forex)	Total Receipts of Subventions and Grants						
				Actual Figures			Provisional	Forecast		
				2021	2022	2023	2024	2025	2026	2027
Subventions	Government							Air Seychelles does not anticipate any subventions in the medium term		
	IMF									
	ADB									
	EU, etc.									
Grants	Government	FA4JR to cover salaries	14,883	6,157	0	0	0	Air Seychelles does not anticipate any grants in the medium term		
	IMF									
	ADB									
	EU, etc.									
TOTAL			14,883	6,157	0	0	0	0	0	0

1.1.7.5. Contingencies of Air Seychelles Ltd

Air Seychelles does not anticipate any contingent liabilities in the medium-term including government guarantees or legal proceedings.

1.1.7.6. Assumptions used for the Financial Projections of Air Seychelles Ltd

	2025	2026	2027
Inflation Rate	2%	3.5%	3.5%
Real GDP Growth	4.14%	3.35%	3.39%
Exchange Rate:			
SR/US\$	14.69	14.92	15.16
SR/EURO	16.51	16.82	17.13

	Weekly Frequency (rotations, scheduled flights)		
Route	2025	2026	2027
Colombo	2	2	2
Bombay	0	0	0
Mauritius	2.8	2.8	2.8
Tel Aviv	1.8	1.8	1.8
Johannesburg	2.8	2.8	2.8

	Daily Frequency (rotations, scheduled flights)		
Route	2025	2026	2027
Praslin	16.1	16.2	16.4

No increase in SCAA overfly fees or other fees incorporated in the assumptions.

ACMI operations with Etihad continuing for 2025-2027 as is currently

No change in domestic and international fleet or routes.

No competitor airlines entering our international routes (except Indigo) including Edelweiss not applying 5th 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.

No major aircraft AOG/disruption that lasts more than a few days.

1.1.8. KPIs, Risk Management Strategy and Reporting Obligations

1.1.8.1. Key Performance Indicators of the Air Seychelles Ltd

Name of Key Performance Indicators	Description	Achievements of KPIs						
		Actual Figures			Provisional	Forecast		
		2021	2022	2023	2024	2025	2026	2027
International								
Scheduled Departures		499	768	969	1,016	993	993	993
Block Hours		2,500	3,947	4,520	4,432	4,496	4,496	4,496
Aircraft Utilization (hrs/day)		6.8	10.8	12.4	12.1	12.3	12.3	12.3
ASK'000s		292,903	449,968	537,355	523,055	509,767	509,767	509,767
Load Factor (%)		46%	58%	62%	60%	61%	62%	62%
Yield (USC)		6.2	8.4	7.9	8.8	9.0	9.1	9.2
RPK'000s		134,892	260,597	334,118	313,513	312,133	314,749	318,402
RASK (USC)		2.9	4.9	4.9	4.7	6.0	6.1	6.2
CASK		6.9	6.1	5.8	7.1	6.3	6.4	6.6
Belly Cargo Revenue USD'000s		653	1,372	785	814	1,091	1,102	1,113
Cargo carried kg'000s		208	481	349	359	482	486	491
OTP								
<15mins		68%	66%	71%	75%	76%	76%	77%
<30mins		79%	79%	81%	80%	81%	81%	82%
ACMI L5 Profit USD'000s		0	135	(565)	100	(60)	106	(462)
Domestic								
PRI								
Departures		8,299	12,178	11,986	11,019	11,717	11,829	11,941
Block Hours		2,871	4,184	4,038	3,747	4,139	4,177	4,215
Aircraft Utilization (hrs/day)		1.6	2.3	2.2	2.1	2.3	2.3	2.3
ASK'000s		5,842	9,645	9,493	9,212	9,304	9,397	9,491
Load Factor (%)		74%	65%	65%	65%	67%	68%	69%
Yield (USC)		155	199	188	188	189	191	193
RPK'000s		4,312	6,247	6,141	5,993	6,262	6,388	6,516
RASK (USC)		114.0	129.0	121.8	122.6	127.2	129.7	132.3
CASK (USC)		186.0	98.9	121.0	121.0	124.3	129.0	131.5
OTP								
<15mins		95%	92%	92%	92%	92%	92%	92%
<30mins		97%	96%	97%	97%	97%	97%	97%
Charters								
Departures		330	518	548	586	588	588	588
L3 Profit USD		(153,426)	144,153	(188,743)	50,000	255,676	229,000	220,370
Ground Handling								
Aircraft Handled								
HM		307	467	526	508	481	481	481
Scheduled		1,335	2,163	2,137	2,072	2,164	2,188	2,236
Ad Hoc		373	373	398	431	435	439	444
Total		2015	3,003	3,061	3,011	3,011	3,011	3,011
Cargo								
Tonnage handled kg'm		6.0	10.6	11.6	12.6	12.3	12.8	13.4
Revenue per ton USD		0.47	0.35	0.37	0.37	0.37	0.37	0.38
Lounge guests								
VIP		5,718	7,021	7,662	8,013	8,253	8,501	8,756
CIP		34,819	47,854	49,225	52,997	54,587	56,224	57,911
Technical Handling								
No. Technical Handling		972	1,871	1,652	1,702	1,653	1,677	1,725
HR								

Staff count		592	610	631	752	760	767	775
Attrition rate		23%	21.8%	10.0%	12.0%	10.0%	9.0%	9.0%
Total salaries (USD'm)		11.8	13.1	15.1	17.4	17.9	18.1	18.2
Average salary (USD)		19,876	21,481	23,853	23,083	23,595	23,548	23,508
Finance								
Total Debt (USD'm)		79.3	15.7	13.3	10.7	8.0	5.1	2.0
Total Equity (USD'm)		(100.6)	19.0	25.5	32.0	40.6	49.1	57.2
Gearing		(79%)	83%	52%	33%	20%	10%	3%
Quick ratio (excl Inv) (USD'm)		(143.1)	(2.2)	3.4	9.8	18.0	27.6	29.7
Liquidity (USD'm)		12.1	12.5	19.2	26.6	34.1	43.1	43.8
Receivables days		120.3	71.9	53.9	51.3	48.4	47.5	46.4

1.1.8.2. Risks and Resilience Plan of the Air Seychelles Ltd

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
	Zil Air or another new carrier commencing scheduled operations to PRI. They could target tourist traffic with a lower fare than our non-resident fares. This could severely impact the profitability of domestic operations. Another related risk is another ferry operator entering the ferry market. This may force Cat Cocos to reduce its fares and cause us to further lose market share to the ferry business.	Keeping the operating costs as low as possible is critical. Ensuring the product is of a good quality and the optimal aircraft is being used for the route. Adding more codeshares with international carriers coming to Seychelles also helps protect the non-resident market share as our EASA compliance advantage only allows us to do this.
Financial Risks	SCAA fee increases. Risk factor USD 1.2-1.5m	Lobbying and trying to explain the negative financial and economic impacts
	More costly 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).
	Fuel price is a major risk for any airline. A 10% increase in fuel cost compared to what was projected, would increase the fuel bill by USD 1.7m	Main mitigations would be ACMI and charter flying which does not expose us to fuel risk if structured well. Fuel hedging is another possibility, but this also comes with risk and premiums.
	Other airlines pulling out of Seychelles is a risk for our ground handling and domestic operations. This can be for any number of reasons including high local fees, pandemics, aircraft shortages and runway obstruction.	HM has little control over this risk and mitigation remains ensuring our costs are as variable and low as possible and that we keep high cash reserves to weather potential storms.
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).
	An accident that leads to total loss of the aircraft and loss of lives onboard is a relatively low risk but catastrophic if it happens. Reputational damage to the airline is massive as well as financial losses.	Our current mitigation is maintaining our reputable aviation insurance, having an emergency response programme and ensuring compliance with EASA safety standards. Maintaining sufficient cash reserves mitigates the risk of immediate insolvency.
Compliance and Regulatory Risks	Compliance to new PEMC act, companies act, employment act etc.	Recruiting head of legal
	Regular IOSA audits are critical to pass	Trainings
Environmental and Social Risks	Pilot and engineer unions.	Always seeking legal advice ensuring we are also compliant with employment act
PESTEL	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.
	If the Government were to allow another party perform ground handling operations in Seychelles this could impact HM by USD 12m pa in worse case scenario and even bankrupt the company. If SCAA and Government continues to allow a second FBO operator, this could at worse case impact HM negatively by USD 2.5m pa. If GoS and SCAA adds another airside lounge operator for VIP or CIP, this could impact HM negatively by USD 2.3m pa. If another cargo handler is added, this could impact HM negatively by USD 3.2m pa.	Main mitigation strategy would be to ensure that service levels are high, even at the cost of some profitability. Secondly, lobbying the Government is important, explaining them the risks and the fact that the loss of HM profits would directly impact the Government as a shareholder and taxpayers. The revenue would not increase, but having two operators in such a small market replicating fixed costs would reduce overall profitability. Especially, if the business is given to a foreign entity, profits will be moved away from Seychelles and into other countries. Thirdly, ensuring our operating costs are as low as possible, to fend off potential competitors.

1.1.8.3. List of External Reporting's by the Air Seychelles Ltd

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

1.1.9. Stakeholder Engagement

1.1.9.1. 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.

Mr. Sandy Benoiton
Chief Executive Officer

1.1.9.2. 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, labor 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 narrow body 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.

Mr, Francois Jackson
Chairperson of Air Seychelles

1.1.9.3. 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.

Mr. Antony Derjacques
Minister for Transport