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MEDIA RELEASE

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To: All members of the media

AIR NAMIBIA MESSAGE FOR 2020

Air Namibia wishes the entire public and stakeholders a happy new year. In the same vein, the Airline would like to update esteemed stakeholders and the general public on challenges and developments relating to the Namibian National Airline. This statement is part of the airline's collective input to keep you engaged and informed on Air Namibia affairs.

Air Namibia embraces year 2020 as an opportunity to reinforce the airline's purpose and mandate of providing air transport services, promoting tourism and encouraging business investment opportunities in Namibia which are aimed at strengthening our socio-economic activities in the country. Our primary mandate allows us to connect Namibia to the World, and the World to Namibia, and the key focus for 2020 is to fulfill this mission in a financially sound manner.

1. As we plan for the year ahead, we reflect on year 2019, which was by far the most difficult year in the history of our airline, due to pressure from both internal and external. We are happy to have survived the challenges and we believe that the year 2019 experiences will go a long way as a key input for turning-around the financial fortunes of Air Namibia. Here below are factors which threatened our operations which include among others:

1.1. At the beginning of 2019, the airline projected that it will have a cash flow deficit of N\$ 1.6 billion by end of March 2020, inclusive of accumulated cash flow deficit brought forward from previous years and inclusive of the full amount claimed by Challenge Air.

Board of Directors: Mr. Escher Luanda (Chairperson), Ms. Heritha Muyoba, Mr. Willy Mertens, Capt. Alois Nyandoro

1.2. Air Namibia's key source markets for passengers and cargo traffic (Namibia, South Africa and Angola) continued to experience negative growth, with some of these countries being in depression while others are in recessions, impacting revenue generation negatively.

1.3. Competition from large well-resourced network carriers continued to intensify, inclusive of Lufthansa's re-entry into the Namibia market, while KLM, Ethiopian and Qatar Airlines increased foothold in the Namibia market. Air Namibia further welcomed entry of a competitor in the domestic market in the name of Westair.

Air Namibia's attitude towards competition is that this is un-avoidable, and imposes pressure on our business to become more efficient and strive for excellence to remain relevant and to succeed.

1.4. For the purpose of ensuring continuation of our undented safety record as well as continuous compliance to applicable regulations, our entire aircraft fleet underwent mandatory "heavy maintenance" checks over the 18 months period ending November 2019. These heavy scheduled maintenance activities required significant cash outlays (hundreds of millions of Namibia Dollars), resulting in some of the aircraft remaining grounded for extended periods of time while funding solutions were being pursued. The impact thereof was the airline operating well below its normal revenue earning capacity and the published schedule was disrupted.

1.5. The Challenge Air court case, which started in 1998 and related to a dispute on an old aircraft lease agreement resulted in significant amounts of the airline's cash earnings having been seized through court orders in Germany.

1.6. Given the negative publicity covered in both the local and international media houses around Air Namibia's risk of closure, some suppliers changed their trading terms by i) terminating the supply arrangements, ii) demanding up-front payments, or iii) demanding payment of security deposits for goods and services required for the airline's operations. This put further pressure on the airline's ability to trade as a normal going concern.

1.7. Cash flow shortages regrettably resulted in delaying payment of some of employee benefits and payroll deductions to service providers, such as medical aid, retirement fund, home loans, etc.

2. In response to above challenges aimed at ensuring business continuity, some measures were implemented, which all contributed to the airline continuing to trade albeit under very difficult conditions. Some of the key challenges faced by the airline were resolved or addressed during 2019, whereby:
 - 2.1. A settlement agreement was reached with Challenge Air, resulting in suspension of court orders which were used to seize Air Namibia cash earnings in Europe. This will go a long way in allowing the airline to trade normally going forward.
 - 2.2. Some austerity initiatives which helped reduce costs were implemented, inclusive of the re-alignment of our on-board meal and beverage service. We continue to identify more austerity cost saving initiatives as we go along and implement them swiftly.
 - 2.3. A Government Guarantee backed loan of N\$ 578 million was secured, to settle most outstanding supplier accounts, amongst them aircraft maintenance services providers. This resulted in restoration of our long haul schedule to normal during December 2019, and the two grounded Embraer ERJ 135's are expected to enter service during the first quarter of 2020.
 - 2.4. Payment of arrears employee benefits and payroll deductions was done and brought up-to-date during last quarter of 2019.
3. While 2019 was challenging and we managed to go through up to the end, 2020 will be another year with its own set of challenges. Market conditions are expected to continue being tough while the airline is expected to stand on its own feet and become self-reliant.
4. *We, the Air Namibia team pledge to all our stakeholders that we will work towards the restoration of Air Namibia as the proud national airline of the Republic of Namibia. This objective will require radical changes in many parts of Air Namibia as it stands today and bold decisions are underway awaiting shareholder approval.*
5. The key focus for January and February 2020, driven from the top with the Board of Directors' involvement is finalization of the airline's Integrated Strategic Business Plan (ISBP) which will be the blueprint to achieve desired financial objectives. The envisaged

ISBP will contain business model and organizational structural changes, with strategic initiatives aimed at:

- Revenue enhancement,
- Strategic cost containment,
- Efficiency improvements,
- Customer service excellence,
- Human capital development & productivity improvement.

On this note, allow me to thank you, all our stakeholders for your unwavering support, patronage and confidence in us. We are here today, standing firm because of your support.

Let 2020 be your year of travel and adventure. If you have limited days to travel and want to spend quality time with your family, or visit your business associates at their destinations, then you should consider travelling by air. Locally, we need to reduce pressure on our roads and maximise our quest of utilising airline services. Air Namibia continues to facilitate your air travel needs with excellence and unmatched customer service. We wish you a happy 2020 with safe taking offs and landings.

-ENDS -

ISSUED BY: **Xavier Masule, Interim Chief Executive Officer**

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