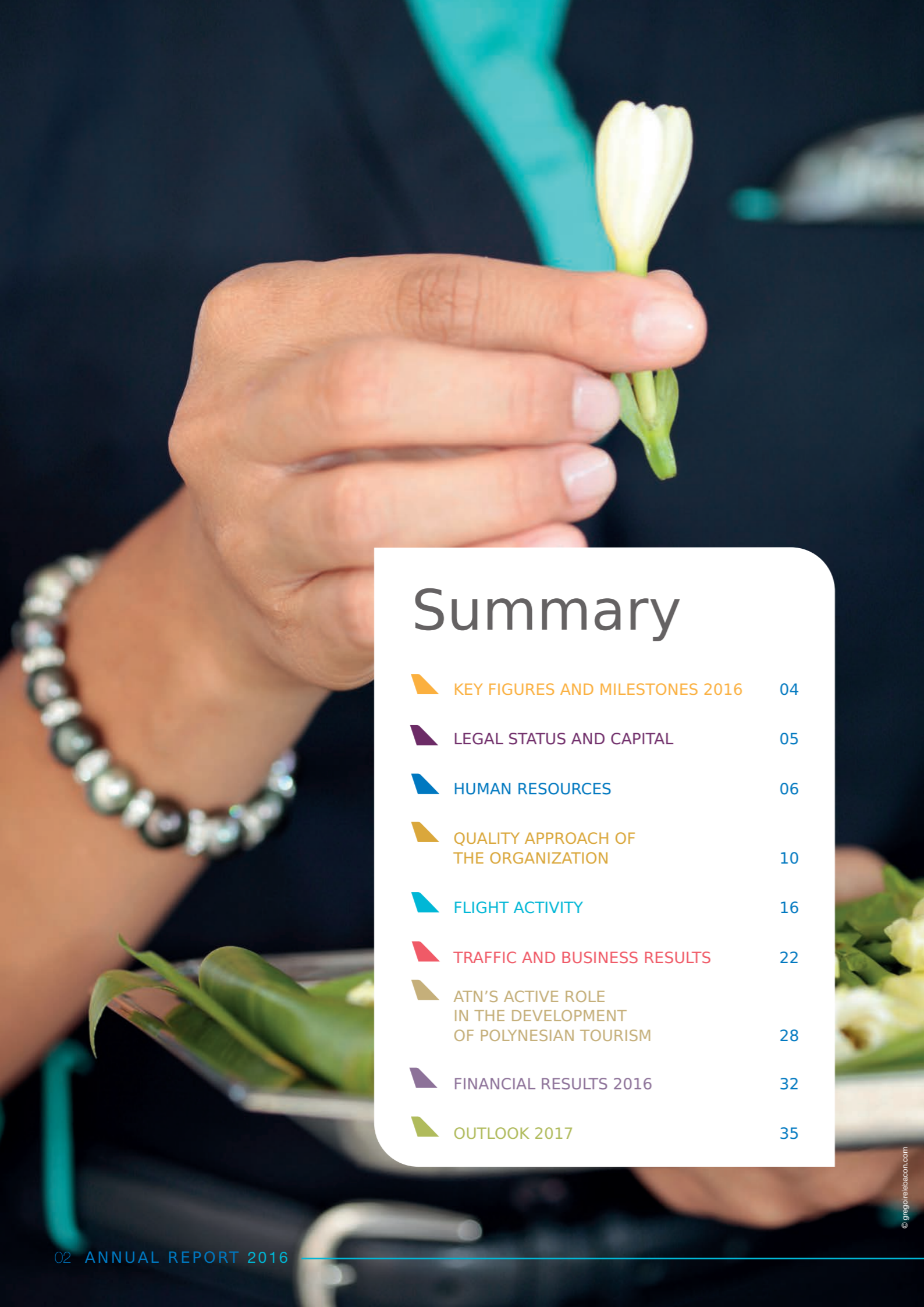




ANNUAL REPORT

2016



# Summary

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# Chairman's statement



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Thanks to the past three years of growth in activity and turnover, reaching an all-time record in 2015 of a 3% and 8% increase respectively, Air Tahiti Nui celebrated 18 years of existence this year with serenity.

This coming of age is the fruit of our teamwork, and a tribute to the pioneers of this adventure who have shaped their own vision of the Company in day-to-day business, sharing the values of professionalism, high standards, and a love of good workmanship, to succeed in making *To Tatou Manureva* the internationally recognized airline that is today.

This year, the final stage in the recruitment of the executive management committee, with the arrival of our Operations Director and Sales & Marketing Director, strengthened our organisation and provided us with the means and favourable conditions to initiate preparation work for the arrival of our future aircraft. This step in the new fleet configuration is part of a strategy to improve the end product for our customers, and allows us to stay competitive by providing them with a unique experience.

At the same time, the information systems master plan was implemented, focusing on the digitalization of customer and employee experiences in order to enhance them (optimization of the website, a collaborative office setup, equipment to promote mobility and so forth). In this way, the successful migration of our booking system, check-in and boarding processes to Amadeus solutions will soon allow us to seize the opportunities provided by the new platform and take charge of sales and marketing initiatives to optimize our network and trade efficiency.

The past year has also seen our Company's CSR gain powerful momentum, which means we are currently one of the most advanced businesses in this field in Polynesia. In order to pursue proactive continual improvement, the internal control unit developed its first audit assignments.

Concrete action to increase profitability combined with an evolution towards a management culture in 2016 enabled us to obtain a net result which was shared with employees in the form of an incentive bonus; which was a real first for Air Tahiti Nui.

The coming year will obviously be largely devoted to the preparation of the entry into service of our future aircraft, scheduled from October 2018, and the finalization of the Air Tahiti Nui brand refresh project. Just like the site of our new corporate head office, it will reach completion with the arrival of our Boeing 787-9s, thus coinciding, as a sign of maturity, with our Company turning 20 years old.

In the meantime, before celebrating this symbolic anniversary with you, I'll leave you to discover the following pages where you will find the key figures of the past year as well as the major transformations undertaken within the Company.

I would also like to take this opportunity to express my sincere gratitude for trusting in our common future.

We look forward to welcoming you aboard our flights soon, Maūru'uru.

Michel MONVOISIN  
Chairman of the board of directors  
and CEO of Air Tahiti Nui

# Key figures and milestones 2016



**480 085 PASSENGERS TRANSPORTED**  
 +1.45% from 2015

**18 896 FLIGHT HOURS**  
 for 1623 flights

**9 005 TONS OF FREIGHT TRANSPORTED**  
 for 2.8 billion XPF in revenue

**784 EMPLOYEES**  
 (including 398 flight crew)  
 +5.2% from 2015

**76.8 MILLION XPF DEVOTED TO PROFESSIONAL TRAINING**  
 +8.3% from 2015

**+6% FROM 2015**  
**4.6 BILLION XPF OPERATING INCOME**  
 (approx. 38.5 million euros)

**+6% FROM 2015**  
**7.3 BILLION XPF CASH FLOW**  
 (approx. 61.3 million euros)

**+7% FROM 2015**  
**13 BILLION XPF IN EQUITY**  
 (approx. 109 million euros)

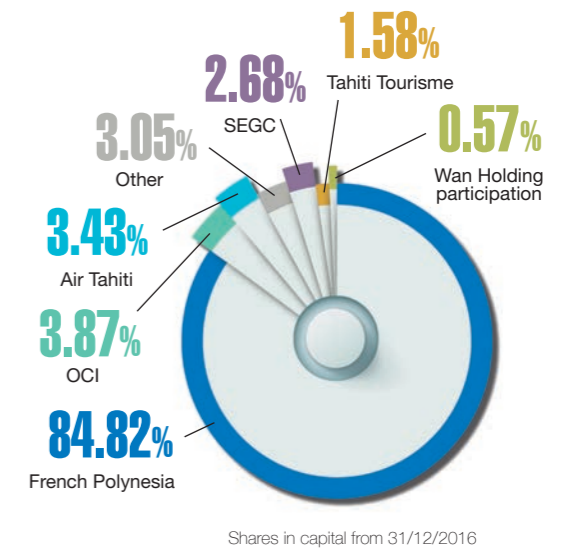
**+1 POINT FROM 2015**  
**21% RATIO GROSS OPERATING PROFIT / TURNOVER**

# Legal status and capital

## 1. DISTRIBUTION OF CAPITAL

In September 2001, Air Tahiti Nui's legal status evolved from public limited company to local mixed economy company in order to meet statutory rules when French Polynesia became the majority equity holder in the Company.

Since november 22<sup>nd</sup> 2011, capital amounts to 1 622 956 875 XPF and is distributed as follows:



## 2. MEMBERS OF THE BOARD

As a local mixed economy company (LMEC), the Company has a **board of directors composed of 15 members**, distributed as follows on 31 December 2016:

### PUBLIC ADMINISTRATORS REPRESENTING FRENCH POLYNESIA, APPOINTED BY THE CABINET

- > **Mr Teva ROHFRI TSCH**,  
*Vice-president, minister for economic affairs, in charge of major investment projects and economic reform*
- > **Mr Jean-Christophe BOUISSOU**,  
*Minister for housing, development and urbanisation, in charge of digital technology, government spokesman*
- > **Mr Nuihau LAUREY**,  
*Minister for finance and energy*
- > **Mr Marcel TUIHANI**,  
*President of the Assembly of French Polynesia (replacing Mrs Teura IRITI since June 2016, representative of the Assembly of French Polynesia)*
- > **Mrs Virginie BRUANT**,  
*Representative of the Assembly of French Polynesia*
- > **Mr René TEMEHARO**,  
*Representative of the Assembly of French Polynesia*

- > **Mr Daniel PALACZ**,  
*Administrator of LMEC Air Tahiti Nui*
- > **Mr Michel MONVOISIN**,  
*Chairman of the board of directors and Air Tahiti Nui CEO*
- > **Mr Gilles BERNEDE**,  
*Air Tahiti Nui staff representative*

### PRIVATE ADMINISTRATORS REPRESENTING THE PRIVATE SECTOR

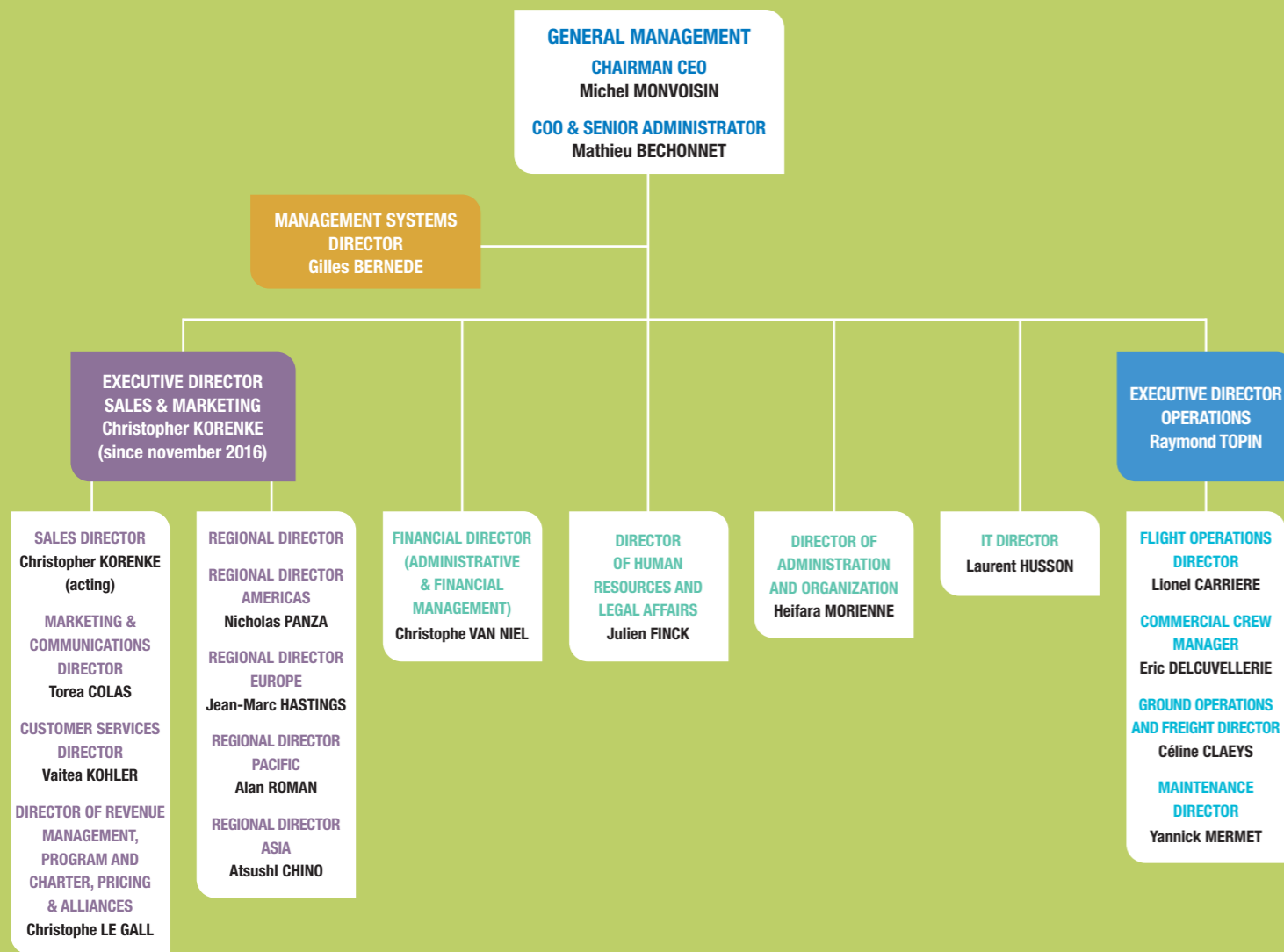
- > **Mr James ESTALL**,  
*President of Océanienne de Capital Investissement (OCI)*
- > **Mr Joël ALLAIN**,  
*Representative of Air Tahiti*
- > **Mr Vincent LAW**,  
*1<sup>st</sup> Vice-president of ATN board of directors, representative of la Société d'Etudes et de Gestion Commerciale (SEGC)*
- > **Mr Robert WAN**,  
*Manager of civil society Wan Holding Participation*
- > **Mr Yves BUHAGIAR**,  
*Representative of Financière Hôtelière Polynésienne*
- > **Mr Richard BAILEY**,  
*Representative of Tahiti Beachcomber PLC*

## 3. STATUTORY AUDITOR

The statutory auditor for Air Tahiti Nui is SCP GOSSE-PARION-CHANGUES-MENARD-ALBERT, represented by **Mr Christophe PARION**.

# Human resources

## 1. COMPANY ORGANISATION CHART

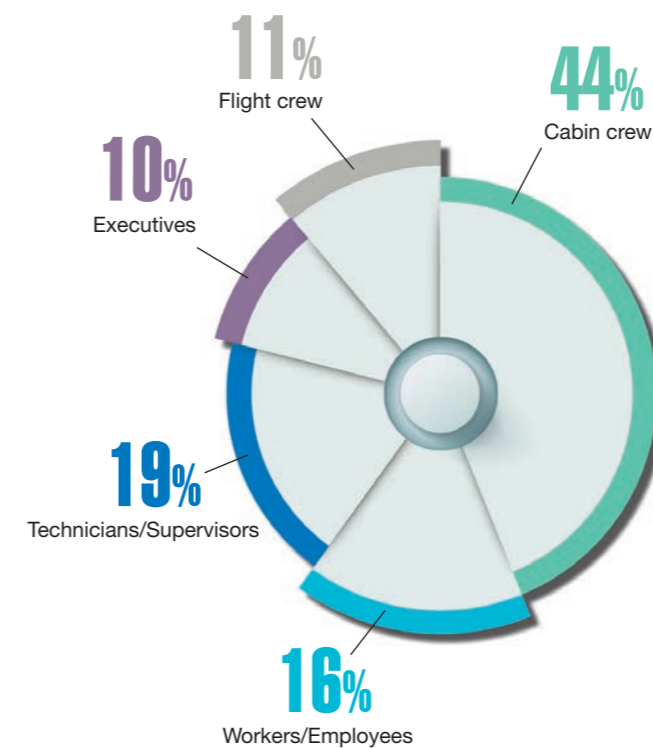


The members of Air Tahiti Nui Management Committee in 2016. From left to right: Gilles BERNEDE, Céline CLAEYS, Yannick MERMET, Lionel CARRIERE, Christophe LE GALL, Torea COLAS, Julien FINCK, Heifara MORIENNE, Eric DELCUVELLERIE, Laurent HUSSON, Michel MONVOISIN, Mathieu BECHONNET, Vaitea KOHLER, Raymond TOPIN, Christophe VAN NIEL.

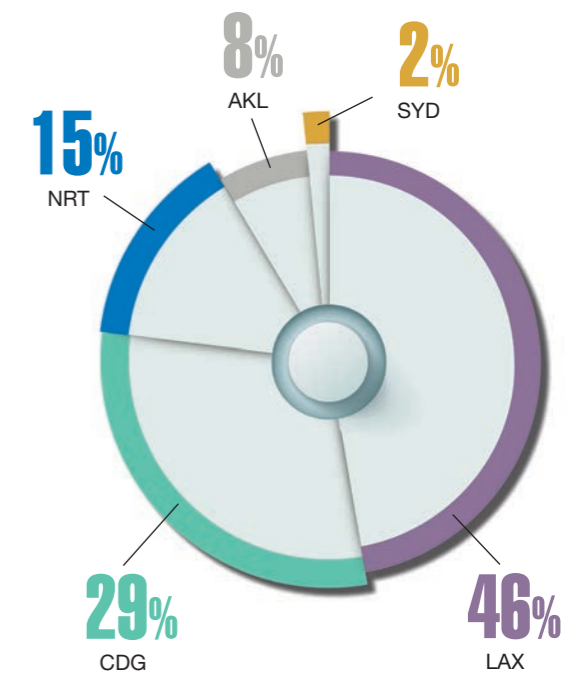
## 2. DISTRIBUTION OF HUMAN RESOURCES

On December 31, 2016, the staff consisted of **784 employees** (compared to 745 on December 31, 2015), divided into Tahiti ground personnel (321), air crew (398 of which 318 cabin crew and 80 flight crew) and agents of overseas offices and stations (65).

### EMPLOYEE DISTRIBUTION BY OCCUPATIONAL CATEGORIES IN FRENCH POLYNESIA



### EMPLOYEE DISTRIBUTION IN EXTERNAL STATIONS



Source: ATN social audit report 2016

### DISTRIBUTION OF AIR TAHITI NUI STAFF BY GENDER

WORKFORCE	2014		2015		2016	
	2014	DISTRIBUTION 2014 IN %	2015	DISTRIBUTION 2015 IN %	2016	DISTRIBUTION 2016 IN %
Men	349	48.3%	361	48.5%	379	48.3%
Women	374	51.7%	384	51.5%	405	51.7%
<b>TOTAL</b>	<b>723</b>	<b>100%</b>	<b>745</b>	<b>100%</b>	<b>784</b>	<b>100%</b>

Source: ATN social audits

### 3. EVOLUTION OF WORKFORCE

The year 2016 saw an increase in workforce with 63 external staff recruited (+22 persons on permanent contracts) in operations, sales and support functions.

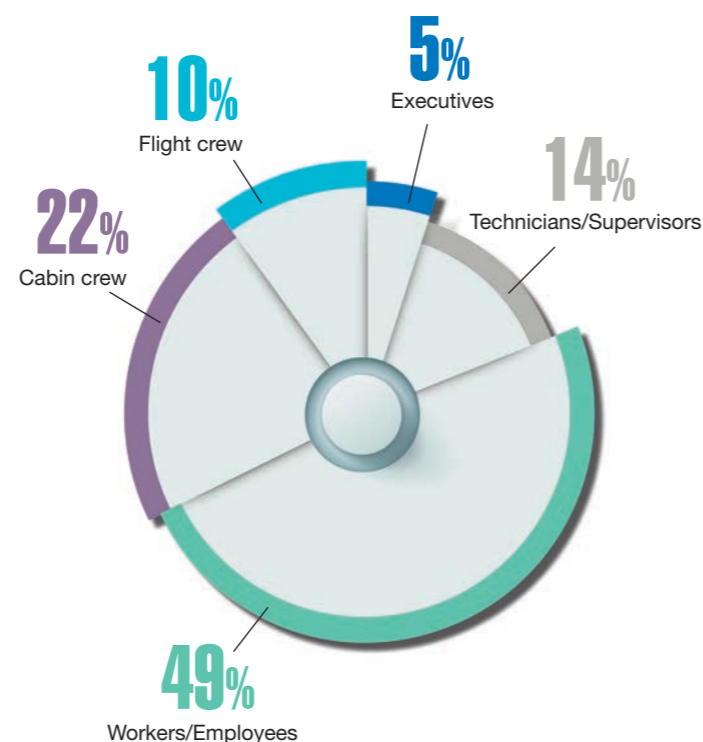
One point especially worthy of note is the arrival of four Captains (internal promotions) and six First Officers (external recruitments), to strengthen the ranks of technical manpower particularly to respond to the regulatory obligations in force since February (limitation of flight time and crew rest - "Flight Time Limitation").

Four positions were also created at the end of the year following the opening of the Airport Ticket Office, the Air Tahiti Nui ticket counter at the airport, in the immediate aftermath of the migration to Amadeus.

27 fixed-term contract employees joined Air Tahiti Nui, a majority of which were to reinforce teams following the changes to the reservation system, and an additional 14 seasonal cabin crew were also hired to respond to the increase in activity during the high season.

The Company comes very close to gender parity.

#### NUMBER OF STAFF HIRED IN 2016 BY OCCUPATIONAL CATEGORIES (BOTH TEMPORARY & PERMANENT CONTRACTS)



### 4. INDICATORS FOR POLYNESIA

#### EMPLOYMENT CONTRACTS

- > 39 departures (of which 9 resignations)
- > 692 employees on permanent contracts
- > 41 employees on fixed-term contracts
- > 307 employees promoted

#### ABSENTEEISM

- > 28 work-related accidents
- > 1 280 days maternity leave
- > 10 265 days of sick leave (an average of 14 calendar days per employee)

### 5. TOTAL PAYROLL

In 2016 payroll amounted to an exceptional **7.630 billion XPF** including 2.224 billion XPF in social security contributions (employer contributions). This variation increase is principally due to extraordinary bonus payments resulting from profits in 2015 for an aggregate amount of 418 million XPF.

Furthermore, a provision for employee incentive payments was accounted for in the financial year 2016 for a sum of **135 million XPF**, or 6% of net income.

**76.8 MILLION XPF**  
DEVOTED TO PROFESSIONAL TRAINING  
(+8.3% FROM 2015)

### 6. PROFESSIONAL TRAINING

Throughout 2016 the Human Resources Department continued its training plan and saw an increase in indicators, with **586 personnel (ground staff) trained in administrative matters** (professional effectiveness and well-being, office skills/IT, sales/customer service, languages, management, health and safety) for a budget of 20.6 million XPF (compared to 16.6 XPF in 2015, representing an increase of 22.6%).

Staff training as part of the reservations system migration from Sabre to Amadeus came to a total of nearly 800 man/days. Business developer training sessions were, among others, scheduled in Bangkok, Nice and London, beginning in February.

Since the beginning of the year, the Human Resources Department also **centralized the overseeing of all Company ground staff regulatory training**, which had previously been managed by the individual departments themselves. For this part, **495 people were assisted** in maintaining their skills.

**56.2 million XPF were also attributed to regulatory training for aircrew** (compared to 54.1 XPF in 2015, representing an increase of 3.8%).

# Quality approach of the organization

Air Tahiti Nui's strategic development as well as its organizational involvement in continuing improvement and optimization of its operational processes is reflected in a number of projects initiated last year. Among these, are the migration of the sales information system to Amadeus solutions and the construction of the new head office, which are concrete evidence of the Company transformation initiated to ensure a sustainable and profitable future.

The internal control and corporate social responsibility systems which were set up during 2015 within the organization also maintain a qualitative approach within their fields of expertise, to ensure the reliability of the actions and systems Air Tahiti Nui has established, and guarantee their sustainability.

## 1. CHANGE OF THE COMPANY PSS

Almost 18 years to the day after the first Air Tahiti Nui reservation was made (November 5<sup>th</sup> 1998), the issuance of the first Amadeus ticket marked the official launch of the Company's new Passenger Service System (PSS).

In August 2015, European provider Amadeus' Altéa solution was chosen and validated by the board of directors to replace the former system, under Sabre, in order to offer more innovative products and services, compared to those of its competitor. It was necessary to implement the most advanced computer system to optimize the efficiency of operations in order to accompany the renewal of the airline's fleet. This change of philosophy at the heart of Air Tahiti Nui also aims to improve the customer experience, making it a more pleasant and comfortable one, thanks to a new range of advanced technical solutions. After 18 years of service, the implementation of the new system has enabled the Company to review some features and examine internal procedures from a different angle; facilitating reconsideration and challenging focus for Company operations in the years to come, making them more suitable for the new opportunities created, in particular by changing the fleet.

Since November 2016, the new platform enables easier implementation of commercial developments, thus conforming to the requirements concerning improvements in quality and customer service as set out by Air Tahiti Nui.

### A MIGRATION IN TWO PHASES

The first part of the system migration consisted in providing customers a service equivalent to the one that already existed under SABRE: online booking, the ability to check in luggage from door to door with a connecting flight on a partner airline, etc.

A number of so-called basic services have thus been provided since the Amadeus cutover on November 9<sup>th</sup> 2016, corresponding to Day 1 of the migration.

The second phase of migration, Day 2, consists in implementing new services.

It will begin in 2017 and will successively enable the following:

- > to inform the passenger in real time by email or text, of any major event occurring or due on their flight and any changes to their journey (due in June 2017 — notifications that can be sent through the Amadeus Automated Customer Contact system in case of any issues: delays/flight cancellations/schedule changes/boarding gate, etc.).



The passenger may also receive offers for additional services or an invitation to the loyalty program, the tool for maintaining communication between the Company and the passenger throughout their trip, with automatic information updates.

- > online check-in through the self check-in service (by October 2017).

Among other important innovations, it will also be possible to

block a reservation — thus guaranteeing the rate found via an online search for a few days.

By offering new services to its passengers, Air Tahiti Nui hopes to gain customer loyalty as well as market shares; both being necessary prerequisites for the development of new agreements and partnerships with a view to operating new routes.

## 2. THE NEW AIR TAHITI NUI HEAD OFFICE

The construction project of the future Air Tahiti Nui head office in partnership with the Office of Post and Telecommunications was officially launched on November 16<sup>th</sup> 2015. The inaugural ceremony to celebrate the laying of the foundation stone of the new building marked a cornerstone in Company development within a revitalized economic landscape, thus enabling the launch of major long-term changes with renewed confidence.

With this building, ATN has chosen to commit to the long-term development of tourism in the country by offering greater visibility to customers and partners. This new head office will be the showcase of the Company's social commitment: it will also fully embrace the eco-responsible philosophy shared

by all the employees. 4 136 m<sup>2</sup> of the 14 046 m<sup>2</sup> total surface area will be dedicated to ATN, grouping together 250 employees — which is more than 80% of the ground staff in Polynesia who are spread over three sites in Tahiti at the present moment.

The investment budget for the project represents a funding envelope of 1.4 billion XPF, excluding interior space decoration.

The main work on the building foundations was carried out during the year. It will continue during 2017 before the interior decoration begins in August. Delivery of the new headquarters is scheduled for late August 2018.



### 3. COMPANY SOCIAL RESPONSIBILITY

Since 2015, Air Tahiti Nui has voluntarily engaged in a process of social responsibility. As an air carrier, the Company's priority is to ensure the health and safety of its passengers, whilst maintaining the high standards of security of operations.

As an international flagship for Tahiti, it continues its efforts towards internal transformation in order to sustain the profitability of its business and strengthen contribution to the economic and social development of the country.

As we are also aware of the challenges of climate change, our Company's ambition is to actively contribute to preserving the environment in Polynesia; a territory that is particularly exposed to these effects.

#### FOUR LINES OF ACTION TO RESPOND TO THE CHALLENGES OF SUSTAINABLE DEVELOPMENT

ATN's approach is based on the ISO 26 000 standard, an international benchmark for businesses in terms of social responsibility. The Company thereby confronted its professional practices with the 7 central issues of the standard in order to prioritize areas for improvement, and thus defined 4 pillars of action to guide the implementation of its CSR policy:

- > Responsible operations
- > Reduction of environmental footprint
- > Responsible employer
- > Vector for development

#### THE 4 PILLARS OF AIR TAHITI NUI'S CSR

ACCOMPANY  
THE DEVELOPMENT  
OF FRENCH POLYNESIA



PROMOTE QUALITY  
OF WORK LIFE  
FOR EMPLOYEES

ENSURE THE RESPONSIBLE  
OPERATION OF FLIGHTS  
IN FAVOUR OF OUR  
PASSENGERS AND FREIGHT  
FROM/TO POLYNESIA

RESPECT THE ENVIRONMENT  
BY REDUCING THE IMPACT  
OF OUR ACTIVITY

 **26.7**  
MILLION XPF  
IN SUPPORT  
FOR CHARITIES  
(+40.5% from 2015)

#### REVIEW AND OUTLOOK 2016-2017

Our staff has been actively involved in the three environmental, social, and societal aspects of sustainable development, and Air Tahiti Nui's departments and teams have contributed to and supported a number of actions in 2016.

##### > ENVIRONMENT

In line with the achievement of its first assessment of Company greenhouse gas emissions launched in 2015, ATN pursued its environmental efforts by setting up a carbon committee to implement and follow its greenhouse gas reduction policy.

In addition, a number of actions named 'SERD' (or European Week for Waste Reduction — collecting toys and books in collaboration with the associations Ohana and Te Autaa'e'ea no Mataiea, an exclusive sale of Green ID reusable bags for fruit and vegetables, etc.) completed the information and awareness campaign for eco-gestures targeting one hundred employees based in Papeete.



#### TRACKING THE CARBON EFFECTIVENESS OF FLIGHTS

Using the recommendations resulting from its first carbon assessment as a starting point, the engineering and design department of the Flight Operations Division was equipped in July 2016 with the software SkyBreathe® Fuel Efficiency in order to evaluate the energy efficiency of its flights. The program makes it possible to monitor fuel consumption through synthetic or detailed dashboards (by route, airport, aircraft type, etc.) and aims to promote better individual practices for each pilot by allowing them to replay their flight in 3D through the iPad application MyFuelCoach™.

Given that air transport is responsible for 2% to 3% of the CO<sub>2</sub> emissions in the world and that fuel consumption accounts for 30% to 40% of an airline's budget, it is obviously crucial to find solutions to optimize fuel consumption. The fuel management approach is intended to optimize the use of aircraft fuel to determine necessary adjustments for better economic performance.

The partnership contract signed with the company OpenAirlines will allow Air Tahiti Nui to optimize fuel consumption by 2% to 5%, before the arrival of the Boeing 787-9s. In conjunction with the new fleet, the solution will allow the Company to benefit from exceptional energy performances.

This step forward also supports the quality approach targeted by ETOPS, which is a certification requiring detailed analysis of route fuel statistics.



## > SOCIAL ASPECTS

Following the signature of the charter named *Entreprise active pour la santé de ses salariés* ("Company actively engaged in employee health") at the end of 2015, which is a pilot initiative of the Ministry of Health aimed at federating local businesses around health at work, ATN conducted an internal survey on eating habits and the lifestyle of its staff. Many demands were thus identified and solutions were offered in the form of events organized throughout the year: ATN Fun Day devoted to sport, participation in the first *Tournoi inter-entreprises actives*, etc.; others will be organized in 2017 by members of the health committee.

The project to implement dietary services for our crews, led by the healthy lifestyle and coaching commission of the Company works council also materialized in July with our catering in Los Angeles and Papeete. Thanks to substantive work with a dietician and the cabin and flight deck crews new 'diet' menus including the reduction of grammages, separation of sauces, diversification of nutrients etc., are now offered to the crews on these two routes. Work will continue on the Paris, Narita and Auckland routes in 2017.

As a continuation of its efforts to initiate better governance (defining the key values of Air Tahiti Nui and implementing the Manager's charter), the airline also approved the creation of an ethics committee in order to build a framework for ethical issues within the Company.

## > SOCIAL ISSUES

In its regular active support for the local population, ATN strengthened the Company's commitment this year with 26.7 million XPF (+40.5% compared to 2015) dedicated to charitable projects or support of local social and environmental associations.

One project worthy of note at the end of the year was when 260 young people from underprivileged neighbourhoods were given the opportunity to experience their first flight. This was the second time that a charitable flight of this kind had been organised. The first *Voyage du Coeur* took place in 2003, on the initiative of Air Tahiti Nui's founder Mr Nelson Lévy, with the arrival of two new Airbus, in conjunction with celebrations marking ATN's first five years of operation.

A community screening of the 2016 Disney blockbuster *Vaiana* (or "Moana" in USA), was also organized in November when it opened. Some 600 people were invited; the majority of whom were children and families from the underprivileged districts of Tahiti.

## Cofounding Member of 3 corporate networks in Polynesia

In parallel to the Polynesian eco-responsible businesses club ('EPER') and the "Company actively engaged in employee health" network, which were both founded in 2015, ATN provided support during the year to the creation of a new group of local companies committed to social causes through the Act against exclusion foundation ('FACE').

These networks are the opportunity for their members to share good practices and combine their efforts to develop

eco-responsible and community support action plans.

In September, ATN was able to contribute to the public conference project on CSR led by the 'EPER' club with the support of 'CCISM' (Chamber of Commerce) and the joint management funding committee, to set up vocational training for 13 local environmental safety/sustainable development managers to carry out sustainable development reports according to GRI (Global Reporting Initiative) standards, thanks to a visiting AFNOR certified expert.

## 4. INTERNAL CONTROL

The role of the internal controller is to continually improve and optimize the operational processes within the Company as well as the quality of its organization.

During the first year of implementation, the role of the internal control unit was to:

- > develop the internal inspection system, promote and monitor its implementation within the airline by, amongst other things : establishing the system organization (charter, piloting process, responsibility for the various actors), accompanying internal audit culture, and preparing internal communications in order to raise employee awareness, then to initiate and develop the culture within the Company;
- > ensure independent and objective audit assignments which provide our Company assurance on the level of control of its operations, give advice about how to improve them, and contribute to creating added value. These fundamentals are the foundation of the internal audit unit, set out in a charter standardized by the profession.

An internal oversight committee set up during the year also ensures the consistency and efficiency of Company internal control, correct organization and thoroughness of permanent controls of activities, and the effectiveness of monitoring and risk control systems. The committee's permanent members are CEO, COO, financial director, and internal control manager — with the managers of departments relevant to the reports and the ISSM as guest members.

The committee meets at least once quarterly to review the audit reports, validate recommendations and ensure their implementation.

### The internal audit and assignments completed in 2016

The objective of internal audits is also to ensure the effectiveness of risk management systems and internal control.

The audit makes it possible to:

- > carry out periodic inspections of operations processing, measuring the level of actually incurred risks, while making sure that procedures are respected and that measures in force are effective and suitable;
- > check that Company operations as well as internal procedures comply with legislative and regulatory provisions in force, and the codes of conduct and standards of professional practice;
- > measure the adequacy and the effectiveness of assessment and risk management procedures, and to make recommendations for improvements, enhance, secure, and organize departments according to the risks to which they are exposed.

Interconnected assignments operated within the directorates tend to correct or perfect methods and to support better operations. Special assignments can also be initiated as a result of the discovery of an embezzlement, a suspect operation, an anomaly detected during a check or following a complaint, in order to establish the facts, to determine the responsibilities, and if required to make proposals for sanctions and measures to avoid their recurrence.

The recommendations suggested in the reports, specifying deadlines and level of risk, are validated when the internal oversight committee meet and can then be enforced. The audited directorates are responsible for their application. These elements are recorded by the internal audit and are monitored with periodical reminders sent to the directorates concerned.



# Flight activity

## 1. CERTIFICATES AND LICENSES

To operate as a French international air carrier, Air Tahiti Nui holds:

- > an air carrier license, December 2006 (Decree 1389 CM);
- > an air carrier certificate (CTA) n°FR.AOC.OO83, 18<sup>th</sup> December 2014;
- > a certificate of approval from the Continuing Airworthiness Management Organisation FR.MG.0061, 24 December 2014;
- > a certificate of approval of maintenance part 145 for the maintenance of aircraft FR 145.423, 2<sup>nd</sup> August 2016.

The IOSA (IATA Operational Safety Audit) certification is the audit program developed by IATA (International Air Transport Association), based on standards which cover ICAO (International Civil Aviation Organization) regulations, FAA (Federal Aviation Association), EASA (European Aviation Safety Agency), etc.

Now mandatory for all IATA member airlines, IOSA certification is valid for two years from the date audit begins. There are few certified organizations in the world able to conduct such an audit.

The IOSA evaluation system covers the eight most important aspects related to the safety of flight operations:

- > Organization and operational Management (ORG);
- > Flight operations (FLT);
- > Operational control/Dispatch (DSP);
- > Engineering and Maintenance (MNT);
- > Cabin operations (CAB);
- > Ground Handling (GRH);
- > Freight/Dangerous goods (CGO);
- > Operational security (SEC).

In June 2017, the Company will proceed with its 6<sup>th</sup> renewal of certification. The audit program has evolved with the introduction of ENHANCED-IOSA or E-IOSA, based on the integration of IOSA pre-audits in the internal audit program of companies, the standardization of auditor training and the establishment of a conformance report sent to the agency performing the audit before each renewal.

This principle is intended to allow for more focus on the implementation and application of procedures during the renewal rather than documentary compliance, and thus improve security.

## 2. THE NETWORK

Air Tahiti Nui operates connections between the South Pacific and four continents. It is positioned as the main airline serving French Polynesia with daily flights to this destination. The airline offers a direct round trip flight between Paris and Los Angeles and also flies to Los Angeles, Tokyo and Auckland from Papeete.

Air Tahiti Nui offers routes to a total of 51 cities thanks to its code share partners:

> **SNCF trains with the TGV Air program in France and Europe** departing daily from CDG to: Aix-en-Provence, Angers, Avignon, Bordeaux, Le Mans,

Lille, Lyon, Marseille, Metz, Montpellier, Nantes, Nîmes, Poitiers, Reims, Rennes, Strasbourg, Toulon, Tours, Valencia, and Brussels.

> **American Airlines in the United States** departing daily from Los Angeles to: Atlanta, Boston, Chicago, Dallas, Denver, Fresno, Houston, Las Vegas, Miami, New York, Orlando, Phoenix, St. Louis, Salt Lake City, San Diego, San Francisco, San Jose, and Washington. On 22<sup>nd</sup> December 2016, the code-share agreement with the American airline was extended, allowing the addition of four new USA destinations – Charlotte, Philadelphia, Portland, and Seattle, and a destination in Canada – Toronto.

> **Qantas, Air New Zealand and Air Calin** (since March 29<sup>th</sup>, 2015) link Australia and the South Pacific to Auckland, Sydney, Melbourne, Brisbane, and Nouméa.

> **Air France** provides connections to Los Angeles and Paris (a seat exchange agreement between PPT and LAX for TN, and CDG and LAX for AF allows both airlines to offer passengers more frequent flights during low season.)

> **Korean Air** has a route to Seoul in Asia.

Moreover, within the framework of Company developments in its markets, **43 interline agreements** have been concluded to date with other carriers in order to offer customers a broader choice of destinations.



\* Flights to Tokyo are operated under a unilateral code-share with Japan Airlines: with the application of JAL code on TN flights.

### 3. FLIGHT SCHEDULE

#### FREQUENCY OF SERVICE BY ROUTE

	2014	2015		2016	
		LOW SEASON	HIGH SEASON	LOW SEASON	HIGH SEASON
Papeete - Paris via LAX	3/7 to 7/7	3/7 to 5/7	5 to 8 flights/wk.	2/7 to 5/7	5 to 9 flights/wk.
Papeete - Los Angeles	5/7 to 7/7	5/7	5 to 8 flights/wk.	5/7	5 to 8 flights/wk.
Papeete - Japan	2/7	2/7	2/7	2/7	2/7
Papeete - Auckland	3/7	3/7	3/7	3/7	3/7

#### ANNUAL NUMBER OF FLIGHTS PER ROUTE

	2014	2015	VAR 2014/2015	2016	VAR 2015/2016
Papeete - Paris via LAX	468	492	+5%	503	+2%
Papeete - Los Angeles	631	605	-4%	597	-1%
Papeete - Japan	208	207	-0.5%	210	+1%
Papeete - Auckland	316	312	-1%	313	+0.3%
<b>TOTAL</b>	<b>1 623</b>	<b>1 616</b>	<b>-0.5%</b>	<b>1 623</b>	<b>+0.4%</b>

#### FREQUENCY OF WEEKLY SERVICES BY CODE-SHARE PARTNER<sup>(1)</sup>

Air New Zealand (NZ)	PPT - AKL - PPT	X2 per week
Air France (AF)	LAX - CDG - LAX	X1 per week X2 per week in Feb 16
Qantas (QF)	AKL - SYD/MEL/BNE - AKL	X4 per week
Korean Air (KE)	NRT - ICN - NRT	X2 per week
Air Calin (SB)	AKL - NOU - AKL PPT - NOU - PPT	X2 per week X1 per week

(1) Except American Airlines and SNCF who operate daily links

### 4. PUNCTUALITY

In 2016 ATN showed a decline in punctuality over its entire network with **79% of flights leaving on time** or within 15 minutes (-7% compared to 2015).

Stopovers in LAX and CDG are down a respective **72% and 67% in punctuality**. LAX airport suffers primarily from a lack of infrastructure adapted to the high increase in usage, and for CDG the major issue remains the absorption of delays incurred during transit.

Flights from Narita declined sharply with a **90% punctuality rate** (compared to 97% in 2015). The main challenge for the Japanese stopover remains its capacity to adapt to a growing Chinese clientele in transit.

Auckland continues to improve its performance with **94% punctuality** (compared to 91% in 2015) despite an increase in airport usage which has created congestion across the whole operating chain.

The punctuality of the PPT stopover dropped slightly with **86% of flights departing on time** (compared to 89% last year).



## 5. AIR TAHITI NUI FLEET

The Air Tahiti Nui fleet currently consists of **five Airbus A340-300**:

- > Mangareva F-OJGF, Rangiroa F-OSEA, and Moorea F-OSUN (property of Air Tahiti Nui);
- > Nuku Hiva F-OLOV (leasehold with a purchase option);
- > Bora Bora F-OJTN (on loan from AerCap).

All our aircraft have a two-class configuration: 30 (1 aircraft) or 32 seats (4 aircraft) in business class and 264 in economy class, with individual on-demand video.

**Business class Poerava** offers a sleeper seat that can tilt up to 160 degrees, offering optimal comfort: positioned with a space of 152 cm between each row, providing greater privacy. Each seat is equipped with a high definition touch screen (12 inches/30.5 cm wide) offering a variety of on-demand content on every flight (16 films, 40 documentaries, a wide range of music, games and TV series).

In **economy class Moana**, the cabin has comfortable seats (118 degree tilt and 45 cm seats), the widest currently available on the Tahiti route. The space between each row is 81 cm.



Each seat is also equipped with a high definition touch screen (9 inches/23 cm), with a full on-demand entertainment system.

The reconfiguration of our Airbus A340-300 cabins (modernization of cabin interior decoration with audiovideo entertainment system) ended in 2015, providing our passengers with a real evolution in comfort and on-board experience, with standardized quality of product and service across our regular network<sup>(1)</sup>.

At the beginning of the year, focus was on defining new products, such as the amenity kit in our Poerava Business class, available from March.

(1) The regular flight schedule operates with four aircraft. The five planes are identical except for the seats and the entertainment systems, which have not been changed on the 5<sup>th</sup> aircraft since it is mainly used for charter flights and only used as a reserve in the case of maintenance on another plane.

## 6. RENEWAL ON THE HORIZON 2018

In early 2015, the airline's board of directors made the decision to **replace the fleet of Airbus 340-300 by Boeing 787-9s**. In March and April of last year, the contracts for the lease of two B787-9s and the purchase of two others were signed.

Deliveries of the four new aircraft will be staggered over the course of the year between October 2018, and September 2019, before the A340-300s permanently leave the company.

**The new generation twin-engine Boeings** will allow for a reduction in fuel consumption in particular, a reduction in maintenance costs, and a significant improvement in passenger comfort.

The new cabin fixtures and **advanced technologies integrated into these wide-bodied aircraft** will also enhance the on-board experience.

**Panasonic Avionics Corporation** solutions were selected in October for our future fleet's entertainment and connectivity systems (wireless Internet communication). The platform of the world's leading IFEC provider (In-flight entertainment and communication systems) will offer travellers the latest technology on a high definition screen, thus providing a top of the range in-flight experience.

The coming year will be devoted to the finalization of the configuration work on the future B787-9s and **preparations for the new aircraft entering into service**. Training programs for personnel are scheduled to begin in 2018.

This new kit made from recyclable materials (a reed-straw case, organic cotton mask free from synthetic colouring agents, socks made from bamboo fibre and organic cotton also free from synthetic colouring agents, a toothbrush made from corn flour), now addresses eco-concerns formalised through the Company's CSR initiatives.



Signature in Tahiti on 2<sup>nd</sup> November 2016 of the decision to commission Panasonic for the provision of the entertainment and connectivity systems of the future Company B787-9s, in the presence of Kevin Cooper, Vice President for the Americas and Oceania regions of Panasonic Avionics Corporation, and Michel Monvoisin, Air Tahiti Nui CEO.

# Traffic and business results

## 1. TAHITI-BOUND TRAFFIC

TOTAL PASSENGERS ALL ROUTES



	NUMBER OF PASSENGERS 2015	MARKET SHARES	NUMBER OF PASSENGERS 2016	MARKET SHARES	INCREASE/DECREASE PASSENGER NUMBERS
Air Tahiti Nui	381 483	66.9%	395 682	66.5%	+3.7%
Air France	80 883	14.2%	82 929	13.9%	+2.5%
Air New Zealand	44 798	7.9%	48 852	8.2%	+9.0%
Hawaiian Airlines	26 586	4.7%	24 328	4.1%	-8.5%
Latam	16 913	2.9%	22 856	3.8%	+35.1%
Air Calin	15 926	2.8%	17 606	3.0%	+10.5%
Air Tahiti	3 233	0.6%	3 103	0.5%	-4.0%
<b>TOTAL REGULAR</b>	<b>569 822</b>	<b>100%</b>	<b>595 356</b>	<b>100%</b>	<b>+4.5%</b>

Source: ADT

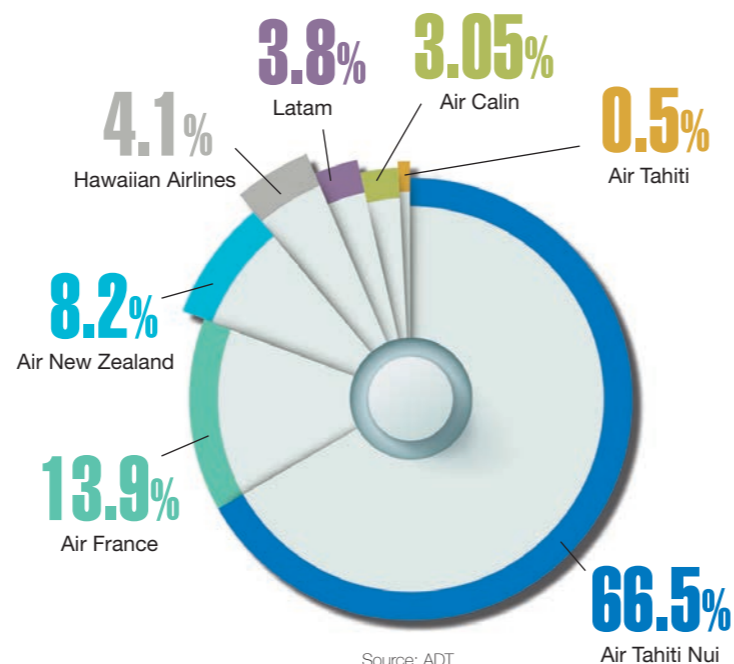
In 2016, the total number of passengers departing and bound for French Polynesia was **595 356**, a variation of **+4.5% compared to 2015**.

Air Tahiti Nui transported **66.5% of international** traffic in 2016, a relatively stable result compared to 2015.

Air France is the second largest carrier, with a 13.9% share in traffic, an increase of 2.5% from 2015.

Air New Zealand counts 8.2% of traffic, an increase of 9.0% from 2015.

### MARKET SHARES BY AIRLINE ARRIVAL AND DEPARTURE MOVEMENTS



Source: ADT

## 2. RESULTS & EVOLUTION OF NUMBER OF ATN FARE PAYING PASSENGERS TRANSPORTED BY ROUTE

EVOLUTION OF NUMBER OF PASSENGERS TRANSPORTED BY ROUTE

ROUTES	2014	PASSENGERS 2015	2016	VAR 2015/2016
PAR via LAX	215 610	227 439	230 436	+1.3%
LAX	144 337	140 182	138 936	-0.9%
AKL	60 521	63 074	65 599	+4.0%
TYO	39 338	42 491	45 114	+6.2%
<b>TOTAL</b>	<b>459 806</b>	<b>473 186</b>	<b>480 085</b>	<b>+1.45%</b>

Source: Traffic - Mercator



### FARE-PAYING PASSENGER ACTIVITY BY ROUTE

AVERAGE PASSENGER LOAD FACTOR			REVENUE (MILLION XPF)			REVENUE/PKT (PASSENGER REVENUE PER KILOMETRE TRANSPORTED)		
2015	2016	VAR 2015/2016	2015	2016	VAR 2015/2016	2015	2016	VAR 2015/2016
77%	76%	-0.5%	31 603	31 950	1.1%	9.4	9.4	-0.2%

Source: DAF ATN

In 2016, Air Tahiti Nui transported **480 085 passengers**, an increase of 1.45 % compared to 2015. Number of seats available across the network has increased by 1% for a volume of passengers per kilometre transported (PKT), an increase of 1% from last year.

This increase in offer was absorbed thanks to good sales performance. In fact, **the average passenger load factor was maintained at its level (more than 75%)**.

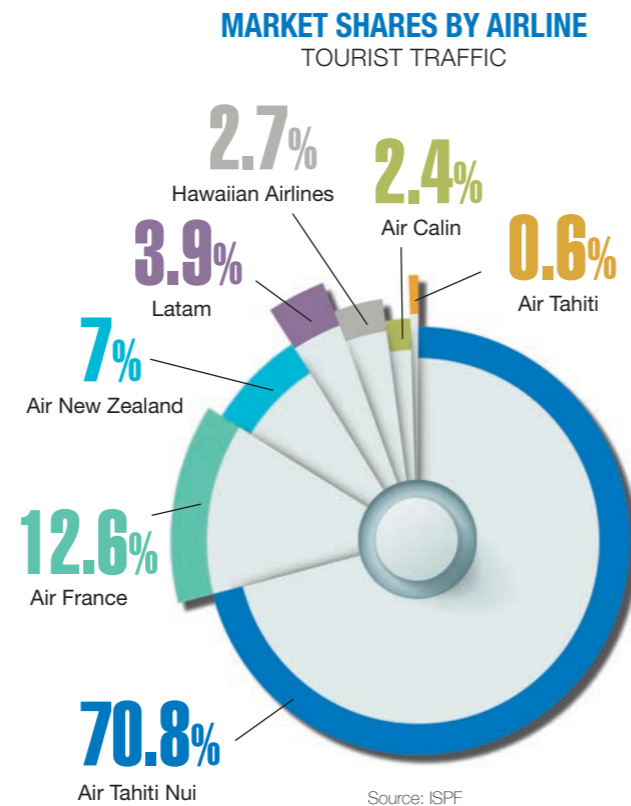
In 2016 the Company generated revenue of **31.9 billion XPF** from fare paying passengers. Revenue per kilometre travelled (R/PKT) dropped slightly by 0.2% following stronger competition on some routes, and a sluggish European market for which promotional offers were required to compensate.





### 3. TOURIST TRAFFIC

In 2016, more than 192 000 tourists visited the islands of Tahiti, of which over two thirds were transported by Air Tahiti Nui (70.8%), followed by Air France (12.6%) and other companies (Air New Zealand, Latam, Hawaiian Airlines, Air Calin, and Air Tahiti, for 16.6%).



### EVOLUTION OF TOURISTS BY ORIGIN

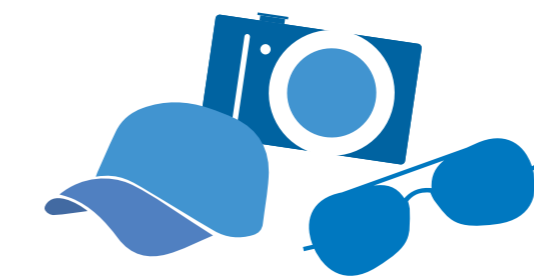
COUNTRY	2015		2016		VARIATION 2015/2016	
	AIR TAHITI NUI	TOTAL ALL AIRLINES	AIR TAHITI NUI	TOTAL ALL AIRLINES	AIR TAHITI NUI	TOTAL ALL AIRLINES
North America	56 742	72 315	58 293	74 234	+2.7%	+2.6%
France	22 691	35 765	25 903	39 086	+14.1%	+9.2%
Italy	7 113	7 993	6 946	7 887	-2.3%	-1.3%
United Kingdom	3 276	4 711	2 970	3 980	-9.3%	-15.5%
Spain	1 863	2 608	1 680	2 414	-9.8%	-7.4%
Germany	2 125	3 538	2 389	3 951	+12.4%	+11.6%
Switzerland	1 578	2 845	1 546	2 831	-2%	-0.4%
Europe (other)	3 198	5 075	3 500	5 455	+9.4%	+7.4%
Japan	11 200	11 447	11 884	12 174	+6.1%	+6.3%
Asia (other)	7 410	9 035	8 081	9 775	+9%	+8.1%
Australia	6 496	9 167	7 000	9 757	+7.7%	+6.4%
New-Zealand	3 271	7 315	3 055	7 221	-6.6%	-1.2%
Pacific region	680	4 704	603	4 941	-11.3%	+5%
South America	1 111	5 628	1 053	6 832	-5.2%	+21.3%
Central America	790	1 107	743	1 052	-5.9%	-4.9%
Other countries	397	578	624	905	+57.1%	+56.5%
<b>TOTAL</b>	<b>129 941</b>	<b>183 831</b>	<b>136 270</b>	<b>192 495</b>	<b>+4.8%</b>	<b>+4.7%</b>

Source: ISPF

### TOURIST TRAFFIC BOUND FOR THE ISLANDS OF TAHITI

	2015		2016		N/N-1 %	VARIATION MS <sup>(1)</sup>	
	TOURISTS	MS	TOURISTS	MS		2014/2015	2015/2016
Air Tahiti Nui	129 941	71%	136 270	70.8%	4.9%	-0.9 pt	-0.2 pt
Air France	23 765	13%	24 188	12.6%	1.8%	+0.4 pt	-0.4 pt
Air New Zealand	12 398	7%	13 403	7%	8.1%	+0.4 pt	0 pt
Latam	5 975	3%	7 448	3.9%	24.7%	-0.1 pt	+0.9 pt
Hawaiian Airlines	6 504	3.5%	5 285	2.7%	-18.7%	+0.3 pt	-0.8 pt
Air Calin	4 277	2%	4 681	2.4%	9.4%	-0.1 pt	+0.4 pt
Air Tahiti	970	0.5%	1 125	0.6%	16%	+0.1 pt	+0.1 pt
Other airlines			95				
<b>TOTAL</b>	<b>183 830</b>	<b>100%</b>	<b>192 495</b>	<b>100%</b>	<b>4.7%</b>		

Source: ISPF. (1) MS: marketshares



**136 270**  
**TOURISTS**  
**TRANSPORTED**  
**IN 2016 BY**  
**AIR TAHITI NUI**  
(APPROX. 71% OF MARKET SHARES)

In 2016, visitor numbers to the islands of Tahiti increased by 4.7% compared to the previous year, with a significant increase departing from France (+9.2%), and a moderate increase departing from North America, which remains the first market source for French Polynesia.

European market performance is more contrasted with a decline in traffic from Italy, England and Spain, partially compensated for by markets such as Germany (+11.6%) and other European countries.

The number of cruise ship passengers is down by 0.8% compared to 2015 whilst the number of tourists in island accommodation increased by 6.1%.

A 5.8% increase of single destination traffic was noted whilst circuit traffic remains stable in comparison with 2015.

## 4. FREIGHT REVENUE

In 2016, freight revenue for the Air Tahiti Nui network amounted to **2 792 million XPF**, a decrease of -5.4% from 2015, for a total **tonnage of 9 005 tons**.

### FREIGHT REVENUE & TONNAGE ACCORDING TO ORIGIN<sup>(1)</sup>

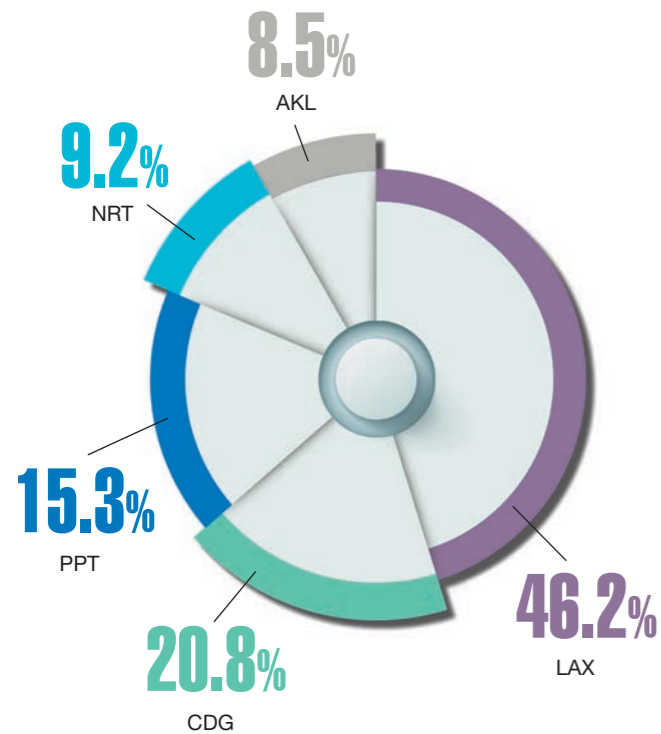
	2015	2016	VAR 2015/2016	VARIATION %
Revenue (million XPF)	2 952	2 792	-160	-5.4%
Weight in tons	10 168	9 005	-1 163	-11.4%

Source: ATN Management control department  
(1) Origin of freight departure

**9 005**  
**TONS OF FREIGHT**  
**TRANSPORTED**  
FOR  
**2.8 BILLION XPF**  
IN REVENUE



### DISTRIBUTION OF TONNAGE TRANSPORTED BY ORIGIN



The year 2016 was marked by a **5.4% decrease** in results in comparison to 2015 (which was a favourable year for worldwide air freight); this was particularly due to a decline in the volume of freight.

Specific actions and events organised in the second semester made it possible to boost figures after a somewhat difficult start.

Indeed Air Tahiti Nui initiated and participated in the **development of tuna export to New York** in particular, by inviting top chefs to discover the specificities, the different varieties and flavours of Polynesian fish, in order for them to promote it in their restaurants.

Thus, the Company was able to carry out **its first exports in partnership with American Airlines in NYC as of July 2016**, and contributed to the promotion of Polynesian tuna thanks to innovative partnerships:

- > following his trip to Tahiti, the New York Chef Ben Pollinger organized a culinary event around tuna and typical Polynesian dishes in his restaurant *Oceana*;
- > Christopher D'Ambrosio, Chef at the *Bouley*, was also inspired by his stay in Tahiti in September, using it as a starting point for bold culinary creations;
- > and to round-off the year in style, the *Aki Matsuri* culinary festival in New York, celebrating autumn in Japan, was the perfect occasion to place Tahitian tuna in the spotlight.

## 5. CHARTER ACTIVITY

### COMPARATIVE TABLE OF CHARTER ACTIVITY IN 2015 & 2016

	2015	2016	VARIATION %
ACMI <sup>(1)</sup>	330	133	-60%
Full charter	506	270	-47%
<b>TOTAL NBR FLIGHT HOURS</b>	<b>836</b>	<b>403</b>	<b>-52%</b>
ACMI	187	75	-60%
Full charter	761	418	-45%
<b>TOTAL REVENUE (MILLION XPF)</b>	<b>948</b>	<b>493</b>	<b>-48%</b>

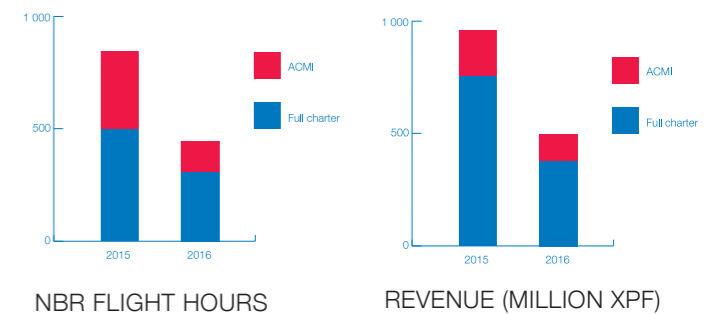
**493**  
**MILLION XPF**  
INCOME GENERATED FROM CHARTER FLIGHTS  
(-48% FROM 2015)

As a result of teams being mobilized for the preparation of the future Boeing fleet coming into service, Air Tahiti Nui underwent a transitional phase in its charter activity.

Over the year **400 flight hours** were conducted on behalf of various shippers (a 52% decrease, on ACMI flights as well as full charter flights).

This additional activity generated **493 million XPF in revenue** over the year (in comparison with 948 million XPF in 2015, representing a decrease of 48%).

(1) ACMI = Aircraft Crew Maintenance & Insurance: flights chartered on behalf of other airlines for which the aircraft, crew, maintenance and insurance costs are included in the price of the charter; unlike Full charter which also include costs related to handling, catering and fuel.



# ATN's active role in the development of Polynesian tourism

## 1. PROMOTIONAL AND ADVERTISING POLICY

2016 was dedicated to strategic advertising campaigns to provide impetus during the low tourist season and highlight regular special offers such as Early Bird<sup>(1)</sup>, family, honeymoon, short and family-owned guesthouse stays.

In its partnership with the Tourist Office for the promotion of Tahiti as a destination, Air Tahiti Nui also devoted a portion of the annual advertising budget to tactical applications of the overall destination campaign "Embraced by Mana" led by Tahiti Tourisme.

Our regions particularly supported the launch of the themed campaign 'Islands of Mana' within their own markets by displaying adverts specially created for the occasion by the agency MeringCarson in the United States.

### DISNEY, A LEGENDARY PARTNERSHIP

The major highlight of the year was the unique opportunity given to our Company to collaborate with Disney Europe for the opening of the feature film *Vaiana, la légende du bout du monde*<sup>(2)</sup> in November 2016.

In return for its involvement late October in the organisation of a press trip to Polynesia (for French journalists, Disney top executives and the French voices of the movie) with the support of Tahiti Tourisme, ATN benefitted from the excellent exposure associated with the animation giant's high profile communications projects:

- > logo visible on all Disney communications in France;
- > rights for the Vaiana licence for one year;
- > the grand premiere screening of the film in Tahiti;
- > partnership for the grand premiere screening at the Grand Rex, Paris, in November;

- > partnership in a competition held in all the Gaumont-Pathé movie theatres end 2016;
- > the making of a video co-signed by Air Tahiti Nui/Disney for communication on social media.

With 311 041 entries for its first day of screening-including 175 430 preview admissions, *Vaiana, la légende du bout du monde* immediately reached box office number one, and even scored higher than Frozen (which had recorded 308 741 entries on its first day, including previews). In fact, two months after it was released, the Disney blockbuster booked record numbers, placing it top of the films released in 2016.

The co-branded Disney/Air Tahiti Nui video, released on social networks on 3<sup>rd</sup> November, was also a hit with 500 000 views on YouTube and 40 000 on Facebook in just two months of airing.

While the promotion of the film was essentially a national affair, Air Tahiti Nui also distinguished itself internationally: the Company was awarded **"Best Airline of the South Pacific"**, for the second consecutive year by the readers of the American magazine Global Traveler who award the prize, thus placing itself as leader of the air carriers serving French Polynesia and the South Pacific.

(1) The Early Bird offer is the promise of a preferential fare for tourists who book their flight early.

(2) Since the trademark Moana had already been registered in France and a number of other European countries, the original film title "Moana" had to be changed to "Vaiana".



## REBRANDING ATN: EVOLUTION VERSUS REVOLUTION

In order to accompany the major transformation projects initiated in 2015, and in particular the fleet renewal project that will coincide with the airline's 20<sup>th</sup> anniversary, management decided to refresh Air Tahiti Nui's brand image.

As the n°1 carrier for the destination, ATN is the first ambassador of Polynesia and must therefore concentrate on its Look & Feel<sup>(3)</sup>, so that the whole brand universe immerses the traveller in the Polynesian atmosphere, encompassing everything from the banner ad on Internet to the aircraft cabin, through to the bag-tag or the airport check-in.

This rebranding project, which is definitely the **most important communication challenge in the life of a company**, began at the end of 2015. Due to the strength of their knowledge of Polynesia for having launched the destination trademark *The Islands of Tahiti (Tahiti et ses îles)* in 2014, the Australian agency Future Brand was selected to work on the project. It is also world famous for having launched the product Nespresso... "What else?", and has a solid portfolio of achievements for majors such as the airline American or other smaller and emblematic companies such as Fiji Airways.

Following external and internal consultations (with not only employees but clients, partners, tour operators, travel agents etc.), focus group meetings, and a trip to allow the agency's creative teams to immerse themselves in the world of Air Tahiti Nui, the new architecture of the ATN trademark could be defined around the concept "Nui".

The idea was to define the best way to present the brand to customers and partners and to respond to the demands of the international market in an optimal manner. The symbolically meaning name Air Tahiti Nui will remain unchanged; it is the visual identity of the brand that will be shaped to make the airline with the Tiare flower **"The world's most immersive travel experience"**.

The complexity of the endeavour lies in finding a "middle ground" between an overly realistic literal illustration and an impersonal reproduction of the Tiare Tahiti flower. Without revolutionizing the current logo, it is a question of working on a more symbolic representation of the Company icon, providing the detail that will enhance its authenticity and singularity, while at the same time giving it warmth and familiarity.

This design work was carried out jointly from the end of the year with Alexander Lee. The Polynesian born artist has spent much of his career in New York, and currently exposes internationally. For this collaboration, he chose to work free-hand to create an inimitable flower, in order to guarantee the uniqueness of the airline's future identity, producing a **final result that is exceptional, original and true to the Polynesian spirit**.

The image and the brandmark should be finalized at the beginning of 2017 and will be presented to the public in the course of the year.

(3) The Look & Feel is the set of rules that govern the visual identity of a concept.



- experience:
- > modernized design and interface with an update of the photos and videos;
  - > fully responsive site (optimized for use on smartphone, or tablet...);
  - > simplified menu and content structure to facilitate navigation from one page to another...

The new environment also makes it possible to enhance the navigation experience thanks to 360° virtual reality. All specific developments to Amadeus (integration of the new PSS functionalities to our Web sites: Mobile/desktop IBE, Booking Retrieve, ALMS Club Tiare<sup>(4)</sup>...) were made to this new environment after the cutover and have contributed to improving customer experience.

Over the year, **2.6 million visitors from 235 different countries** visited our various sites, of which 47% from a mobile device.

Finally, to complete these improvements in 2016, the 12 versions of the site were brought into line with the regulations on accessibility for those with disabilities (compatibility with the majority of online assistance tools).

(4) Internet booking engine on desktops and mobile devices, electronic ticketing, integration of loyalty program platform under Amadeus...

## A GROWING PRESENCE ON THE WEB

The new Air Tahiti Nui Web platform was launched at the end of 2014 through five regional sites (Polynesia, France, USA, Japan and New Zealand), and is in three languages. Mid 2016, a first updated version of the platform was launched, in conjunction with the activation of new variations of the site (Chinese, Taiwanese, Spanish and Italian), which were an addition to the Australian, Korean and United Kingdom versions made available online in 2015 (German and Brazilian versions will follow in 2017). The improvement of this update focused mainly on the user

## 2. LOYALTY PROGRAM



For the past two years, Club Tiare has taken on more collaborative initiatives with various organizations to allow members to use their miles on a number of events or to accumulate them via commercial partnerships.

In total, **238 million miles** were used for purchases of tickets, upgrades, excess luggage and other services offered by the airline, of which **2.3 million were used for entries to events**

(Miss Tahiti election, Johnny Halliday concert, the Elie Semoun show, plays, and other festivals...) **and in gift vouchers** for purchases with our partners Millésime, Le Coco's, and Beauty Success.

On 31<sup>st</sup> December 2016, there were **119 920 members** (an evolution of +8,8% from 2015) including many of the Club Tiare Corporate and Fenua Student programs.

## 3. CUSTOMER SATISFACTION POLICY

As part of its continuous improvement plan, Air Tahiti Nui has been carrying out an **on-going program of on-board satisfaction surveys** on all flights since 2012 in order to better meet customers' expectations.

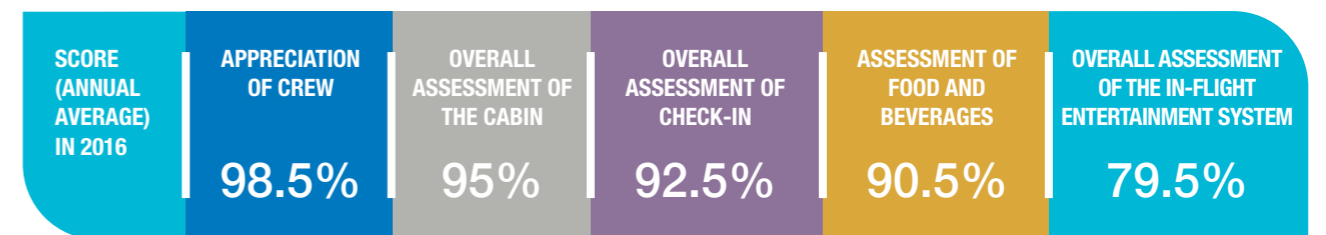
In response to the results relating to the evaluation of the economy class seat, the design of the latter was re-examined during the year to improve ergonomics (in particular the head-rest), making it possible to reevaluate comfort with a 79% satisfaction result out of the **7 772 customers surveyed during the year** (+14.5 points of improvement compared to the evaluation in 2015).

In response to strong demand from our passengers, in particular our frequent flyers, the lounge of Tahiti Faa'a airport will be renovated with the colours of the Company. Work began in 2016, for an expected delivery in August 2017.

For **96% of overall satisfaction (+3 points improvement from 2015)**, 94% of our clients claimed they would recommend our airline.



## STRENGTHS IDENTIFIED BY OUR CUSTOMERS



Thanks to the actions undertaken in 2015 and continued throughout 2016, the appreciation scores show a clear progression in averages over the year.

The budget devoted to the range of videos available was raised by 10%, making it possible to add 5 films, including two new releases and three movie classics. This was the same case for the budget dedicated to food and beverage services departing from Paris Charles de Gaulle (in February), and Papeete (in October), which also increased by 10%.

This meant an increase of **7 points in appreciation of the on-board entertainment system**, rising from 72.5% to 79.5% total satisfaction. In the same way, **meals gained 5.5 points of improvement** in 2016 (rising from 85% to 90.5% satisfaction). **Crew appreciation also progressed** by 1.5 points, **the cabin assessment gained 5 points** going from 90% in 2015 to 95% total satisfaction this year, and the appreciation of the check-in procedure also gained 3 points.



# Financial results 2016

## 1. ASSETS BALANCE SHEET

### FIXED ASSETS

The principal movements of the financial year 2016 were:

- > advance payment and installments following the order of 2 aircraft BOEING type 787-9 for a total sum of 2.1 billion XPF;
- > several maintenance expenditure events (engine overhauls, C check) for a total sum of 1.6 billion XPF;
- > depreciation of 3.5 billion XPF (from 2.5 billion XPF in 2015);
- > net provision charges for aircraft depreciation for a total of 1.4 billion XPF of which 0.8 billion in financial assets;
- > a contribution in tax exemption of 0.5 billion XPF, provisioned 100%.

### CURRENT ASSETS

The principal movements of the financial year 2016 were:

- > the decrease in accounts receivable of 375 M XPF (-17%) mainly due to two International Lease Finance Corporation (ILFC) receivables in 2015 being settled in 2016;
- > cash assets amounted to 14.3 billion XPF at the close of the financial year (against 14.6 billion XPF on 31/12/2015, a decrease of 2%).

ASSETS IN MILLION XPF	GROSS	RESERVE	NET	NET N-1	VARIATION	VARIATION %
Intangible fixed assets	378	181	197	79	118	151%
Tangible fixed assets	31 163	20 819	10 343	10 642	-299	-3%
Financial fixed assets	3 332	1 348	1 983	2 950	-967	-33%
<b>TOTAL FIXED ASSETS</b>	<b>34 872</b>	<b>22 348</b>	<b>12 524</b>	<b>13 671</b>	<b>-1 147</b>	<b>-8%</b>
<b>IN MILLION €</b>	<b>292</b>	<b>187</b>	<b>105</b>	<b>115</b>	<b>-10</b>	
Inventory	618		618	662	-44	-7%
Accounts receivable	1 919	130	1 789	2 164	-375	-17%
Other receivables	487	1	486	545	-58	-11%
Liquid assets	14 324	4	14 320	14 569	-249	-2%
Prepaid expenses	942		942	864	77	9%
<b>TOTAL CURRENT ASSETS</b>	<b>18 290</b>	<b>136</b>	<b>18 154</b>	<b>18 803</b>	<b>-649</b>	<b>-3%</b>
<b>IN MILLION €</b>	<b>153</b>	<b>1</b>	<b>152</b>	<b>158</b>	<b>-5</b>	
Conversion losses	27		27	43	-16	-37%
<b>GRAND TOTAL</b>	<b>53 190</b>	<b>22 484</b>	<b>30 706</b>	<b>32 518</b>	<b>-1 812</b>	<b>-6%</b>
<b>IN MILLION €</b>	<b>446</b>	<b>188</b>	<b>257</b>	<b>273</b>	<b>-15</b>	

## 2. NON-CURRENT LIABILITIES

LIABILITIES IN MILLION XPF	2016	2015	VARIATION	VARIATION %
Capital	1 623	1 623	0	0%
Issue premium	1 701	1 701	0	0%
Statutory reserve	162	162	0	0%
Retained earnings	6 056	2 728	3 328	122%
Result	2 242	4 825	-2 583	-54%
Investment subsidy	558	761	-203	-27%
Statutory provisions	631	369	262	71%
<b>EQUITY</b>	<b>12 972</b>	<b>12 168</b>	<b>804</b>	<b>7%</b>
<b>IN MILLION €</b>	<b>109</b>	<b>102</b>	<b>7</b>	
<b>PROVISIONS FOR CONTINGENCIES &amp; LOSSES</b>	<b>978</b>	<b>1 311</b>	<b>-333</b>	<b>-25%</b>
<b>IN MILLION €</b>	<b>8</b>	<b>11</b>	<b>-3</b>	
Funding liabilities	713	3 292	-2 578	-78%
Other liabilities	7 218	6 491	727	11%
Deferred revenue	8 706	8 735	-29	0%
<b>TOTAL LIABILITIES</b>	<b>16 637</b>	<b>18 518</b>	<b>-1 880</b>	<b>-10%</b>
<b>IN MILLION €</b>	<b>139</b>	<b>155</b>	<b>-16</b>	
Exchange rate differential liabilities	118	521	-403	-77%
<b>GRAND TOTAL</b>	<b>30 706</b>	<b>32 518</b>	<b>-1 812</b>	<b>-6%</b>
<b>IN MILLION €</b>	<b>257</b>	<b>273</b>	<b>-15</b>	

### EQUITY & PROVISIONS

The principal movements of the financial year 2016 were:

- > the appropriation of retained profits for 2015 to the sum of 3 328 M XPF, the balance having been paid in dividends;
- > the net result for the year 2016 came to a total of 2 242 M XPF.
- > the reversal of a provision for CPS (health service) concerning fiscal year 2014 and 2015 for a total sum of 392 M XPF.

### DEBTS

The principle movements of the financial year 2016 were:

- > the loan repayment concerning the MANGAREVA amounting to 2 470 M XPF;
- > the increase in social and tax debts due to corporation tax and additional contribution for a total of 180 M XPF, to the increase in investment income tax for a total of 224 M XPF, and to the incentive payments for a total of 135 M XPF.

**OPERATING  
INCOME  
INCREASED BY**  
IN 2016  
(13% OF TURNOVER)

**6%**



### 3. INCOME STATEMENT

INCOME STATEMENT IN MILLION XPF	2016	2015	VARIATION	VARIATION %
Revenue	35 533	35 880	-347	-1%
Reversal of amortization and provisions	911	356	555	156%
Other income	87	30	57	190%
<b>TOTAL OPERATING INCOME</b>	<b>36 530</b>	<b>36 266</b>	<b>264</b>	<b>1%</b>
<b>IN MILLION €</b>	<b>306</b>	<b>304</b>	<b>2</b>	
Purchase of goods and other provisions	7 527	8 875	-1 347	-15%
Services and external subcontracting	11 783	11 922	-139	-1%
Duties and taxes	114	104	10	9%
Payroll	7 630	6 920	710	10%
Depreciation expenses	3 458	2 473	985	40%
Provisions for current assets	1	47	-46	-98%
Provisions for risks and expenses	314	448	-135	-30%
Other expenses	1 105	1 141	-36	-3%
<b>TOTAL OPERATING EXPENSES</b>	<b>31 932</b>	<b>31 930</b>	<b>2</b>	<b>0%</b>
<b>IN MILLION €</b>	<b>268</b>	<b>268</b>		
Operating income	4 598	4 336	262	6%
Financial income	-299	501	-800	-160%
Exceptional income	-716	746	-1 461	-196%
Incentive payments	-135		-135	
Tax	-1 207	-758	-450	-59%
<b>NET INCOME</b>	<b>2 242</b>	<b>4 825</b>	<b>-2 583</b>	<b>-54%</b>
<b>IN MILLION €</b>	<b>19</b>	<b>40</b>	<b>-22</b>	

Operating revenues totalled 36.5 billion XPF compared to 36.3 billion XPF in 2015, an increase of 1%. The reversal of a provision for CPS (health service) compensates for the decrease in revenue.

Operating expenses stagnated partly due to the following cumulative effects:

- > a reduction of 1.5 billion XPF in fuel costs;
- > a rise in personnel costs of 710 M XPF (or 10%);
- > a rise in amortization expenses of 985 M XPF due to the reduction in the depreciation period in account of new insight into the release date of the A340 aircraft.

The negative financial income of 299 M XPF is mainly composed of foreign exchange results and provision for depreciation of cash collateral for a total of 822 M XPF.

The exceptional result of -716 M XPF is mainly due to:

- > a 313 M XPF gain related to unused tickets > 1 year;
- > a net provision for aircraft depreciation for 558 M XPF;
- > a provision regarding a waiver for tax exemption amounting to 526 M XPF.

Incentive payments for a total of 135 M XPF.

The Company is required to pay corporate income tax for the financial year 2016 and an additional contribution for the respective amounts of 603 M XPF and 605 M XPF.

## Outlook 2017

Work is already well under way this year to configure our future aircraft, including the definition of the type of cabin and travel classes, and will continue next year with the final choice of seats and engines to equip our Boeing. Operations will undergo an organizational reworking in preparation for ETOPS certification of the Airbus aircraft, which was requested in advance in order to prepare the teams for new working procedures prior to the arrival of the new fleet. 2017 will therefore be a crucial year for the definition and preparation of our B787-9 fleet's entry into service.

The new passenger management system implemented in 2016 will make it possible to develop the opportunities offered by the new Amadeus platform, and in particular to undertake sales and marketing initiatives to improve our results and open up new markets. Combined with the arrival of the twin-engine aircraft, it should enable the development of Air Tahiti Nui lines to Asia in particular in the coming years.

Next year will mark a significant step forward in terms of internal organization and structure, with the need to reach new formalized agreements with social partners.

The first part of the positions classification project undertaken by the HR department in 2015 will also be finalized during the year. It was important to give Air Tahiti Nui staff a positive perception of internal equity through transparent Company remuneration processes in order to foster a climate of trust and fairness.

With this approach to quantifying specific positions, the Company aspires to set up a system that will contribute to employee performance, and create the framework for employee career development.

The installation of a human resources management information system (HRMIS) should also support this initiative.

In conjunction with this, many other IT projects will also focus on improving employee experience with the implementation of tablets for our air crews, mechanics, and sales staff; the integration of solutions to manage customer relations, and more specifically complaints and on-board catering, etc.

At the same time, the telecom equipment and data processing of the new ATN head office will be installed, and the move is scheduled for the third quarter 2018.

Just as it did last year, Air Tahiti Nui will have to use ingenuity to adapt to a constantly evolving sector, competition for the destination, and expanding LCC type transport (low cost carriers).

To achieve this, the Company can count on its assets that allow it to reaffirm its unique position and on which the new projects aim to capitalize.

*To Tatou Manureva, the journey continues.*



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