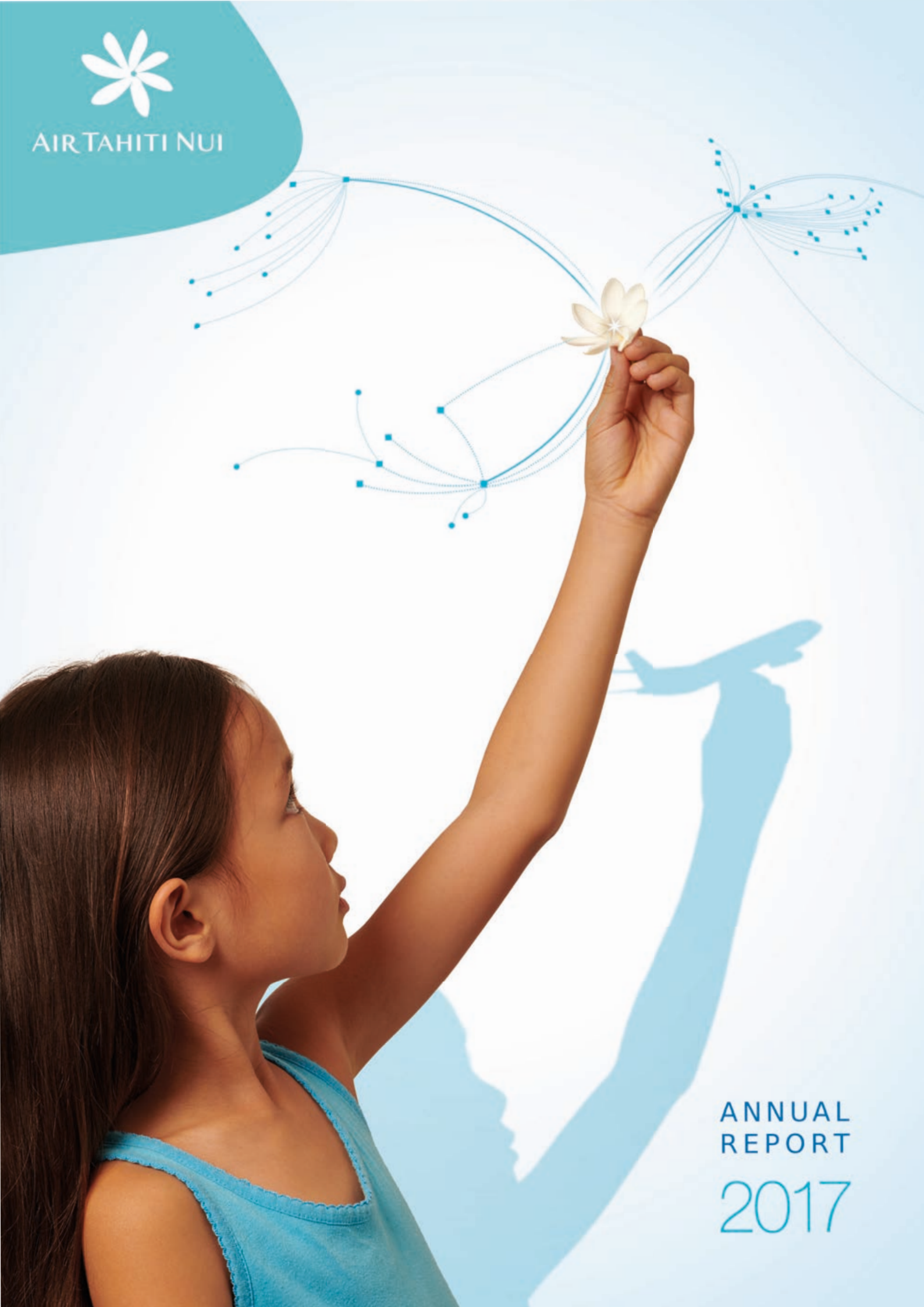
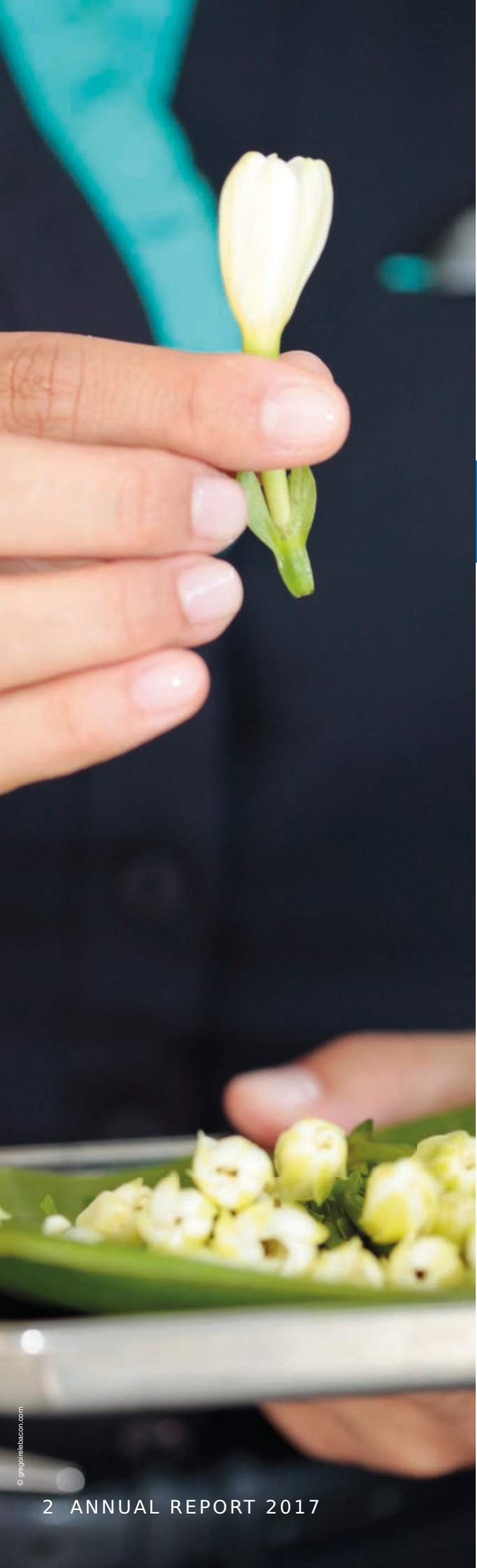




AIR TAHITI NUI



ANNUAL  
REPORT  
2017



# EDITORIAL

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In keeping with 2016, the year 2017 has enabled Air Tahiti Nui to continue its transformation in preparation for major changes next year, with the move to our new headquarters, the rebranding of our logo and the operation of our future fleet, providing new products and services for our customers.

The Company has thus proceeded with its digital transformation to improve both customer and employee experiences.

Meanwhile, the Airline's structuring projects for the future have made it possible to ensure sustainability. After the configuration and definition phases of our new aircraft, preparation began for the entry into service of the Boeing 787-9s during the course of the year.

Teams were organized in order to make provisions for this evolution and to get us ready for the changes to our working environment.

At the same time, the entire Air Tahiti Nui experience was redesigned to position the brand's values, capitalize on the Company signature that defines and differentiates it from the rest of the world, as well as provide an unparalleled travel experience that is environmentally respectful and committed to the economic development of our *fenua*.

Although we were shaken at the end of the year by the announcement of the arrival of two competitors on our route to profit, we remain confident that thanks to our skilled workforce and creativity, our Company has the necessary resources to adapt and prosper.

Rising to this challenge in the coming year will give us the means to reinvent ourselves around our uniqueness, our assets and the values that are the foundation of who we are... Air Tahiti Nui.

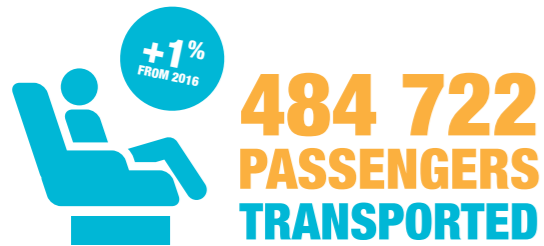
By your side, the journey continues.

Maūru'uru.



**Michel MONVOISIN**  
Chairman of the Board of Directors  
and Air Tahiti Nui Chief Executive Officer

# KEY FIGURES 2017



# 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 22<sup>ND</sup> NOVEMBER 2011, CAPITAL AMOUNTS TO 1 622 956 875 XPF AND IS DISTRIBUTED AS FOLLOWS ON 31<sup>ST</sup> DECEMBER 2017:**

## 2 MEMBERS OF THE BOARD

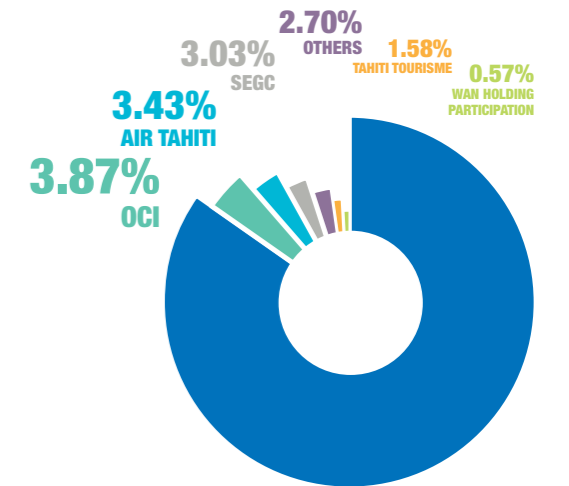
As a Local Mixed Economy Company (LMEC), Air Tahiti Nui has a **Board of Directors composed of 15 members**, distributed as follows on 31<sup>st</sup> December 2017:

### Public administrators representing French Polynesia, appointed by the Council of Ministers

- **Mr. Teva ROHFRITSCH**, Vice-president, Minister for Economic Affairs, in charge of major investment projects and economic reform;
- **Mrs. Nicole BOUTEAU**, Minister for Tourism, International Transport, in charge of institutional relations;
- **Mr. Jean-Christophe BOUISSOU**, Minister for Housing, Development and Urbanization, in charge of digital technology, Government Spokesman;
- **Mr. Nuihau LAUREY**, 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. 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. Yves BUHAGIAR**, Representative of la Financière Hôtelière Polynésienne;
- **Mr. Bruno WAN**, Manager of Civil Society Wan Holding Participation;
- **Mr. Mataharii BROTHERS**, President of SAS Océanienne de Capital Investissement (OCI);
- **Mr. Joël ALLAIN**, Representative of Air Tahiti;
- **Mr. Richard BAILEY**, Representative of Tahiti Beachcomber Plc.



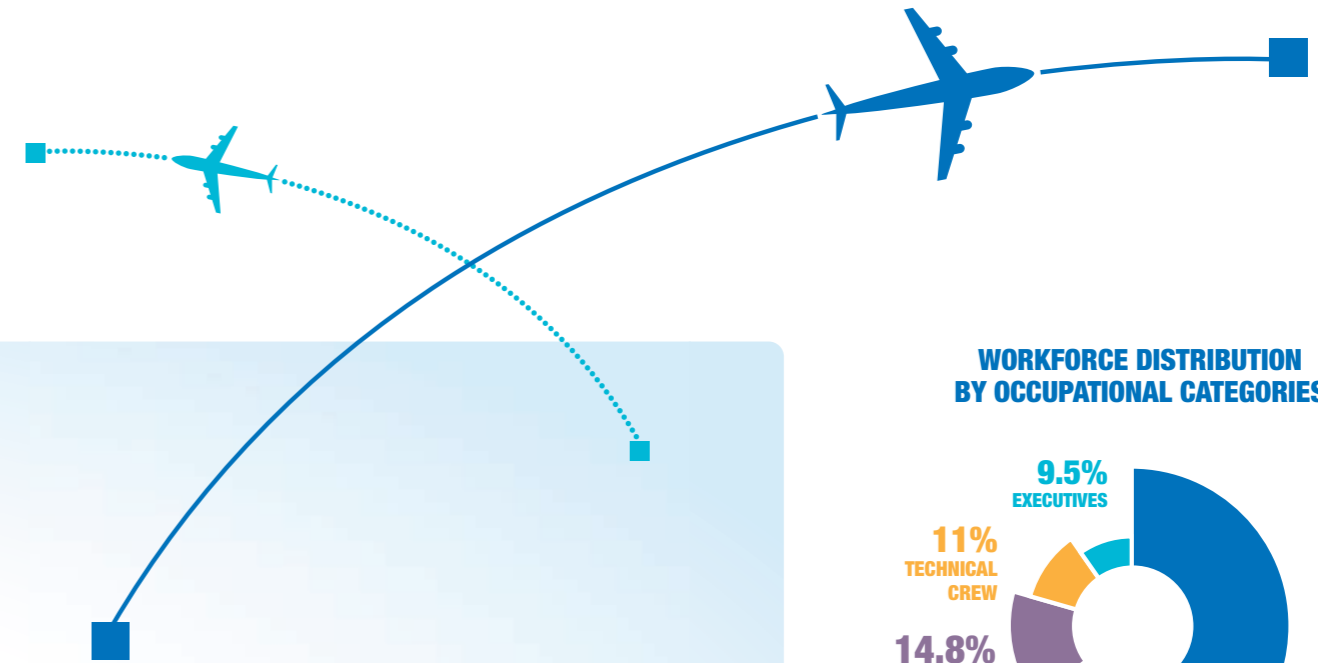
**84.82%**  
FRENCH POLYNESIA

Shares in capital on 31/12/2017

## 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 ORGANIZATION

**MANAGING DIRECTOR SALES**  
Christopher KORENKE

**REGIONAL DIRECTORS**

- Director Americas**  
Nicholas PANZA
- Director France Europe**  
Jean-Marc HASTINGS
- Director Asia**  
Atsushi CHINO
- Director Pacific**  
Alan ROMAN
- Market Manager Brazil**  
Thomas REBERGUE

- Sales Director**  
Christopher KORENKE (interim)
- Marketing and Communications Director**  
Torea COLAS
- Customer Services Director**  
Vaitea KOHLER
- Director of Revenue Management, Pricing, Program and Alliances**  
Christophe LE GALL

**GENERAL MANAGEMENT**

- Michel MONVOISIN**  
Chairman Chief Executive Officer
- Mathieu BECHONNET**  
Chief Operating Officer

**SUPPORT MANAGEMENT**

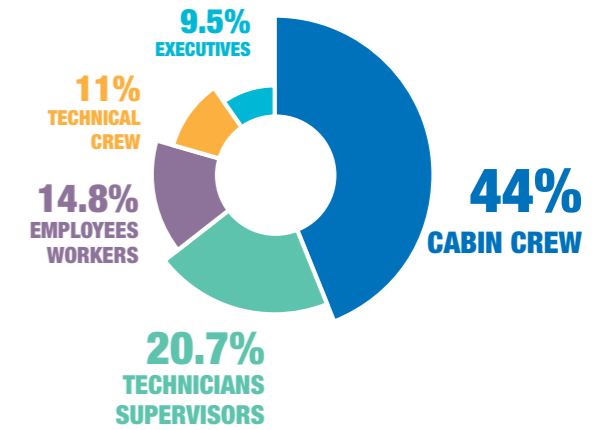
- Director of Finance and Administration**  
Christophe VAN NIEL
- Director of Human Resources and Legal affairs**  
Julien FINCK
- Director of Administration and Organization**  
Heifara MORIENNE
- Information Systems Director**  
Laurent HUSSON

**MANAGING DIRECTOR OPERATIONS**  
Raymond TOPIN - Responsible Manager

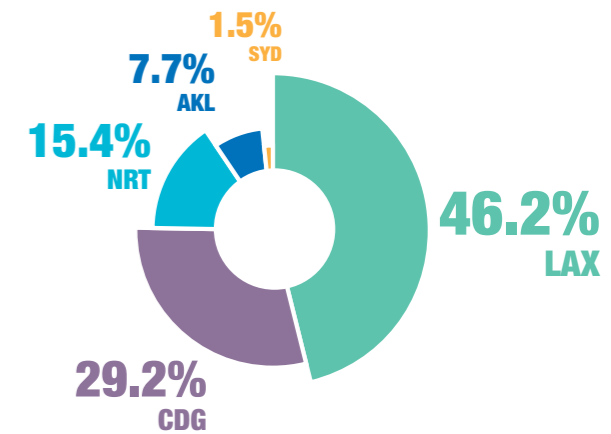
- Management System Director**  
Gilles BERNEDE
- Technical Director**  
Yannick MERMET
- Director of Ground Operations - Stations - Freight**  
Céline CLAEYS
- Flight Operations Director**  
Lionel CARRIÈRE

**Commercial Crew Manager**  
Éric DELCUVELLERIE

WORKFORCE DISTRIBUTION BY OCCUPATIONAL CATEGORIES



WORKFORCE DISTRIBUTION IN EXTERNAL STATIONS



Source: ATN SOCIAL AUDIT 2017

© B. Lai, Ah Che et L. Chongue - ATN

## 2 DISTRIBUTION OF HUMAN RESOURCES

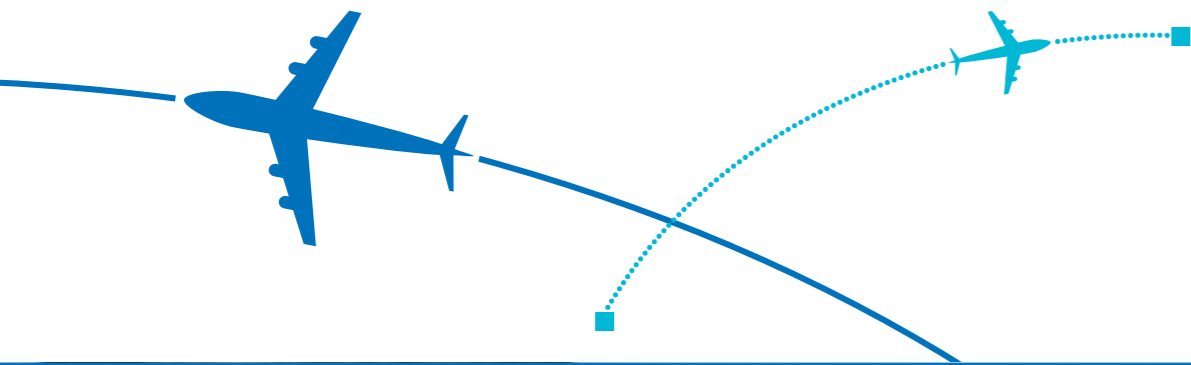
On 31<sup>st</sup> December 2017, the workforce consisted of 790 employees (compared to 784 on 31<sup>st</sup> December 2016) divided into Tahiti ground personnel (326), flight crews (399 of which 319 cabin crew and 80 technical crew), and agents of overseas offices and stations (65).

**790 EMPLOYEES**  
ON DECEMBER 31<sup>ST</sup> 2017

### Distribution of Air Tahiti Nui workforce by gender

	2015	Distribution 2015	2016	Distribution 2016	2017	Distribution 2017
Men	361	48.5%	379	48.3%	382	48.4%
Women	384	51.5%	405	51.7%	408	51.6%
<b>Total</b>	<b>745</b>	<b>100%</b>	<b>784</b>	<b>100%</b>	<b>790</b>	<b>100%</b>

Source: ATN SOCIAL AUDITS



### 3 EVOLUTION OF WORKFORCE

The year 2017 saw an increase in workforce thanks to the recruitment of 54 external employees (14 of these for permanent positions) in Operations, Sales and support functions.

One point worthy of note is the appointment of two Captains (internal promotions) and two First Officers (external recruitment), who will strengthen the ranks of the technical crews in order to meet the requirements of transitioning to the B787, and thus preparing for the future.

Several positions were also created within Technical Management and Operations to allow for the implementation of ETOPS (Extended-range Twin-engine Operation Performance Standards).

23 temporary contract employees joined Air Tahiti Nui, the majority of whom were to reinforce crews during the implementation of the project and the preparation of the Boeing transition, and an additional 17 seasonal cabin crew were hired to respond to increased activity in high season and operational needs throughout the year.

Gender parity continues to be respected throughout the Company.

### 4 INDICATORS FOR POLYNESIA

#### Employment contracts:

- 53 departures (of which 7 resignations)
- 695 employees on permanent contracts
- 30 employees on temporary contracts
- 311 employees promoted

#### Absenteeism:

- 10 workplace accidents
- 1 715 days of maternity leave

### 5 TOTAL PAYROLL

Payroll amounts to a total of **7.449 billion XPF** (representing -2.4% from 2016) of which 2.246 billion in social contributions (employer contributions i.e. more than 1.0% compared to the previous year), to which profit-sharing must be added for **141 million XPF**, or 7% of net income.

### 6 PROFESSIONAL TRAINING

The Human Resources Department continued its training program during 2017 and saw an increase in indicators with **448 personnel (ground staff) trained in administrative matters** (professional efficiency and well-being, IT and administration, sales/customer service, languages, management and health and safety) for a budget of **27.2 million XPF** (compared to 20.6 M XPF in 2016, representing an increase of +32%).

The Human Resources Department organized the first seminar for in-Company trainers, with specialized courses and individual support.

The supervision of regulatory training continued with the management of training deadlines for all Company employees and the transition to digitization of this process via an HRIS<sup>(1)</sup> tool introduced at the end of the year, to be deployed next year.

Language training programs for English and French – via the Voltaire certificate, were held for flight crews and ground staff.

**41.8 million XPF were also attributed to regulatory training for flight crews, compared to 56.2 M XPF in 2016** (representing a decrease of -25.6%, explained by the integration of Boeing training costs in the transition program).

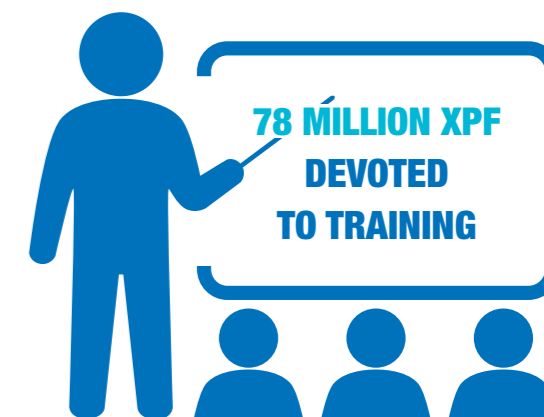
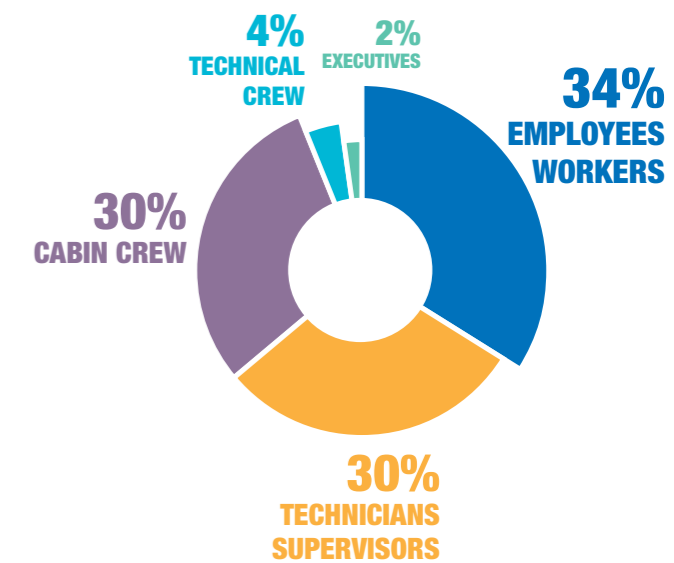
Some occupational training sessions were held and managed by their departments. The overall training budget for the airline, all personnel included, amounts to 78 million XPF.

Next year these budgets should remain consistent. Additionally, the Human Resources Department recently began a project study relating to the implementation of a new e-learning tool.

(1) A Human Resources management Information System consists of several modules that simplify, automate and centralize human resources and management tasks.



### NUMBER OF STAFF HIRED IN 2017 BY OCCUPATIONAL CATEGORY (BOTH TEMPORARY AND PERMANENT CONTRACTS)



# QUALITY APPROACH OF THE ORGANIZATION

In 2017 the ISD devoted 1,500 man-days to developing the information system. The Company thus accelerated its digital transformation aimed at improving its customer and employee experience. Throughout the year, the corporate social responsibility unit also continued its efforts undertaken in 2015 and structured its CSR policy around 4 focus areas and 10 progress commitments in order to ensure sustainable growth in its activity. In September, an in-house Compliance and Risks Committee was

created to bring together the 3 pillars of Company risk management: the Management Systems Department, the Internal Control Department and the Information Systems Security Department. 2017 also saw the construction of the future Company head office take shape. During the course of the year a specialist interior design company advised ATN on how to optimize space and initiate the layout of the premises.

## 1 TUA RATA

On 16<sup>th</sup> November 2015, the inaugural ceremony to celebrate the laying of the foundation stone of the project to build Air Tahiti Nui's future head office in partnership with the Post and Telecommunications Office, marked a cornerstone in our Company development in a reassuring economic landscape, allowing major changes to begin with confidence in the long term future.

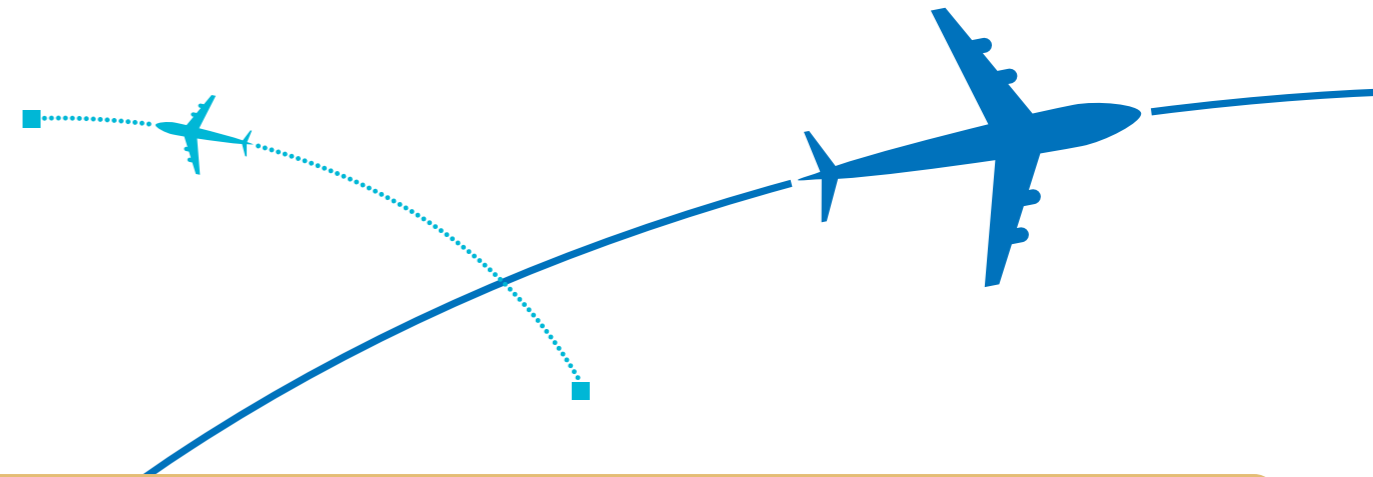
The main work on building the foundation was carried out in 2016. It continued during 2017, which was devoted to the advancement of the technical works such as electricity, air-conditioning, plumbing, access, etc. and to begin work on optimizing surfaces and fitting out workspaces. Expert advice from the French company Tertiam covered technical recommendations, taking into account issues of durability, aesthetics and flexibility for future developments.

4 136 m<sup>2</sup> of the 14 046 m<sup>2</sup> total surface area of the future building will be devoted to Air Tahiti Nui, grouping together 250 Company employees – which is more than 80% of the ground staff in Polynesia – that is currently spread over three locations in Tahiti.

The investment budget for the project represents an allocation of 1.4 billion XPF, excluding interior fittings of the premises. Delivery of the new head office is scheduled for late August 2018.



© Agence of Architecture Pascal BEAUBET Architecte d.p.s. + Eric REGAUD



## 2 DIGITIZATION OF CLIENT AND EMPLOYEE EXPERIENCE

Following the modernization of its PSS (Passenger Service System) with Amadeus in late 2016, the website [www.airtahitiniui.com](http://www.airtahitiniui.com) benefited from new features, enabling customers to enjoy an enhanced and customizable travel experience.

It is now possible to complete certain operations online:

- passengers can check-in from 36 to 5 hours prior to departure;
  - the option "Time to Think" allows customers to hold fares for online reservations for a period of 3 days (72 hours);
- and to have access to à la carte services (lounge access, priority pass, and gift basket).

trative tasks quicker and more securely. The tablet also enables them to have direct access to Company tools for optimum preparation of their route in order to improve both passenger comfort and energy efficiency of the flight.

The digital transformation of Air Tahiti Nui will continue during 2018 in two main focus areas: the launch of the new fleet of Boeing 787 and the improvement of knowledge and client experience.



ATN received recognition for its website in the air transport category by the *Travel D'Or*<sup>TM</sup> awards 2017. The *Travel D'Or*<sup>TM</sup> are the first totally independent awards set up in 2009 intended to commend companies in the tourism sector who make a difference on the web.

Another notable improvement was the implementation of a new information request and feedback management solution for the customer service department. In addition to saving time and simplifying tasks for employees, the solution improves our customer experience. An electronic form now allows them to contact and interact intuitively with the Company, 24h/7. The customer complaint management process has thus been optimized and response times reduced significantly.

To simplify and reduce their administrative workload, the chief pursers (CP) have also been equipped with tablets that allow them to consult onboard documentation and write and transmit flight reports electronically. They also improve the quality of business relations by enabling them to consult and add to information relating to the passengers on board.

Tablets equipped with professional software were also provided for cockpit crews, enabling them to perform their technical and adminis-



After its deployment within the major air transport companies, Air Tahiti Nui is the second French airline to implement the eWAS (Enhanced Weather Awareness System) solution, which is a weather risk prevention system for flights. By cross-checking the forecast data of multi-providers such as Météo France, Schneider Electric, and US NOAA, etc., the application proposes a dynamic and interactive display of forecast models informing pilots with great precision of the meteorological hazards they will have to face during their cruise. Thanks to an anticipation of turbulence and a global vision of the significant dangerous phenomena for aviation, pilots and operations control center (OCC) agents can thus offer more comfortable flights for passengers. This is a major step forward not only in terms of safety but also in the working conditions for flight crews who are also exposed to in-flight weather phenomena.

## OUR 10 CSR COMMITMENTS

### RESPONSIBLE AND SUSTAINABLE OPERATIONS



ENSURING RESPONSIBLE OPERATIONS FOR THE BENEFIT OF PASSENGERS AND FREIGHT TO/FROM POLYNESIA

1 Guarantee

the health and safety of our clients (internal and external) and goods transported

2 Maintain

a sustainable relationship with our stakeholders (clients, partners etc.)

### ENVIRONMENTAL FOOTPRINT



REDUCING OUR ENVIRONMENTAL FOOTPRINT

3 Reduce

our emissions and participate in the fight against global warming

4 Mitigate

the environmental impact of our activity (energy performance, waste)

5 Contribute

to the preservation of the destination Tahiti and its biodiversity

### RESPONSIBLE EMPLOYER



PROMOTING QUALITY OF LIFE AT WORK FOR OUR EMPLOYEES

6 Share

a common vision and maintain the foundations of a trust-based relationship

7 Ensure

health and safety in the workplace

8 Develop

skills and support employee individual development

### VECTOR FOR DEVELOPMENT



ACCOMPANYING THE DEVELOPMENT OF POLYNESIA

9 Integrate

sustainable development into our activity and our culture

10 Support

and encourage economic development projects in the country (tourism industry, social innovation etc.)

#### An approach that has taken flight

Voluntarily committed to a corporate social responsibility approach since 2015, Air Tahiti Nui has structured its CSR policy around 4 main focus areas to respond to the challenges of sustainable development (responsible operations, environment, employer commitment and local development) as well as ten progress commitments.

In 2017, the Company continued its efforts and was awarded two distinctions:

- a **TravelPlus Airline Amenity Bag Award** for the comfort kit in Poerava Business class in the 'ethically sustainable' category. Provided in Business class, the comfort kit is made from recyclable materials (reed straw case, organic cotton mask, bamboo fiber socks and toothbrush made of corn starch);
- a **Silver CUBE 2020** (2<sup>nd</sup> place) in the Overseas category, for having made an energy saving of 14.3% in one year on the premises in Tahiti thanks to employee eco-behaviors.

#### A committed approach to environmental policy

As an international airline, Air Tahiti Nui is fully concerned by the aviation industry's exemplary action in the fight against climate change and is concretely involved in the 'Carbon Offsetting and Reduction Scheme for International Aviation' named CORSIA<sup>(1)</sup>. The completion of the Company's first carbon assessment in 2015 and the resulting policy will enable Air Tahiti Nui to prepare its application by 2020 in a proactive way (monitoring and reduction of emissions).

In the lead up to the renewal of the Company fleet which will give rise to an increase of 20% in energy and carbon efficiency, the CSR unit continues to lead its wide awareness campaign, which was reinforced in 2017, in order to incite every employee at their own level to actively contribute to Air Tahiti Nui's environmental policy.

**280 ECO-PLAYER EMPLOYEES AND OVER 3 MILLION XPF ENERGY SAVED ON PREMISES IN 2017**

Waste-sorting, energy saving, optimized travel (car pooling, mobility challenges): the mobilization of employees through eco-gestures in the offices was rewarded by a silver cube for Air Tahiti Nui's first participation in the national CUBE 2020 competition organized by the 'Institut Français pour la Performance du Bâtiment - IFPEB' (French Institute for Building Performance) which promotes energy-saving tertiary buildings thanks to the eco-gestures of their occupants.

As an air and freight carrier concerned by the issue of sustainable mobility, Air Tahiti Nui has also renewed its fleet of vehicles by investing in five 100% electric utility vehicles to optimize employee travel and adhere to the 'eco-mobility in Polynesia' charter, initiated by the ADEME Polynesia.

The Company has also supported the *Utilibus* social initiative, which offers a free of charge means of transport to vulnerable individuals in neighborhoods within Papeete and Punaauia.

#### Instilling a collective dynamic to health

As part of its participation in the "Company actively engaged in employee health" charter, Air Tahiti Nui's health committee continues to raise awareness amongst employees to promote a balanced diet combined with physical activity; guarantors of good health in the workplace and beneficial in the long term for employees.

In 2017, an innovative in-house contest called *Bouge pour ta santé* ("Get moving for health") provided 15 workshops based on sport and nutrition to motivate and support over 96 members of staff from 11 departments in their efforts to regain control of their health over a three-month period.

87% of the participants said they were happy with the challenge they claimed to be "very enjoyable, motivational and convivial."

#### A strong development of acts of solidarity

Beyond its contribution to the economic and social development of Polynesia, Air Tahiti Nui continues to participate and support numerous actions related to solidarity, education, culture and the environment for a total sum of 32.1 million XPF in 2017 (compared to 26.7 million XPF in 2016).

It remains a partner that is faithfully committed to the fenua and its inhabitants:

- by transporting food supplies and donations from France and Los Angeles (over 11 tonnes in ATN's cargo holds) for the victims of the weather events that hit Tahiti at the beginning of the year,
- through action programs to combat exclusion held by the business club *FACE Polynésie* (Foundation for Act Against Exclusion) of which it is the founding member, leading over 42 projects in favor of 1071 recipients in 2017.

#### The first sustainable development report 2016

This year, in an effort to ensure transparency, Air Tahiti Nui published its first sustainable development report in order to present its CSR policy and account for related initiatives undertaken throughout the year 2016.

It was established according to the general principles set out by the 'Global Reporting Initiative' (GRI), an internationally recognized standard for reporting on the economic, environmental and social issues of a company.

The next stage will consist in reassessing and ensuring the progress of ATN's CSR approach between now and 2020, whilst taking into account the expectations of stakeholders.



Scan this QR code to download the first Air Tahiti Nui CSR report

(1) The new CORSIA regulations by the International Civil Aviation Organization (ICAO), adopted in October 2016, apply to all international airlines over their entire network.

## 4 COMPLIANCE AND RISKS

### The Management System Division (MSD)

The Management System is a structured organization of safety management federating the fields of Flight Operations, Ground, Maintenance, Flight Safety, Security and Approved Training Organizations (ATO).

The MSD is a division under the authority of the Company's Responsible Manager and presided by a Director. It groups together and concerns 4 areas:

- security: establishing Company security programs in all the countries it covers according to applicable regulations and instructions; training all personnel in security issues;
- the Emergency Response Plan (ERP): establishing the emergency plan in the event of a Company air disaster. The plan enables a centralized controlled and coordinated response in emergency situations;
- safety: identifying and analyzing the risks related to all areas of operations and to implement adapted corrective and preventative measures;
- monitoring of compliance: guaranteeing compliance with all applicable regulatory requirements or any other additional requirement.

The regulatory authorities, The Directorate General for Civil Aviation (DGAC), State Service for Civil Aviation (SEAC) and the Civil Aviation Safety Agency (OSAC) ensure through audits that Air Tahiti Nui complies with EASA (European Aviation Safety Agency) regulations. The results of multiple audits carried out by the authorities and the resulting rating allow for a national ranking of airlines with an air carrier license to be drawn up.

The performance indicator of ATN's Management System is characterized by two indicators representing the measurement of the rate of compliance resulting from the monitoring of the operator by the authority over the last 12 to 24 months:

- the rate of compliance,
- the capacity to restore compliance.

The rate of compliance corresponds to the number of discrepancies found during surveillance divided by the number of man-days allocated to the surveillance (findings are weighted according to their level).

The capacity to restore compliance corresponds to the rate of discrepancies resolved within a certain period.

#### NATIONAL STATISTICS INDICATE HOW ATN IS POSITIONED OVER THE PAST 12 AND 24 MONTHS, IN RELATION TO THESE TWO INDICATORS:

1. Compliance rate: 1<sup>st</sup> out of 24 (16<sup>th</sup> in 2016);
2. Capacity to restore compliance: 9<sup>th</sup> out of 24 (12<sup>th</sup> in 2016).



### Internal Control (IC)

The position of internal controller aims to continually improve and optimize the Company's operational processes as well as the quality of its organization.

Reporting to the General Management, the main functions of the department are:

- to develop the internal control system, and promote and monitor its implementation within the Company;
- to ensure the effectiveness of risk management and internal control systems through audits.

An internal control committee created in 2016 (composed of CEO, COO, Financial Director and Internal Control Manager as permanent members – the director of the departments concerned in the reports and the CISO may be invited) ensures the coherence and the efficiency of Company internal control, of the correct organization and the comprehensiveness of the ongoing control of activities and the effectiveness of surveillance and risk control systems.

The internal control committee was held twice during 2017 to examine the audit reports, validate recommendations and oversee their implementation.

### Internal Audit (IA)

The internal audit has a Charter approved in October 2016 by the members of the internal control committee, stating its independence and objectivity, thus providing the assurance for Air Tahiti Nui of the degree of control of operations.

It carries out periodic controls, measures the level of risks incurred, checks compliance with procedures and ensures the efficiency and the appropriateness of the measures in force. It also verifies that Company operations as well as internal procedures comply with applicable laws, regulations and professional standards and practices.

It measures the congruence and the efficiency of assessment and risk management procedures, then makes recommendations to improve, strengthen, secure and organize departments according to the risks to which they are exposed.

The recommendations suggested in the reports are validated at the internal control committee meeting, have a time frame and level of risk, and become enforceable. The departments audited are responsible for their enforcement. These elements recorded in the internal audit are subject to monitoring and periodical reminders are sent to management concerned.

### Information Systems Security (ISS)

A risk analysis carried out in 2015, following the appointment of the Chief Information Security Officer of the Company (CISO), made it possible to establish a three-year action plan. The accomplishments of the year are divided into four complementary lines of action, which led to technical or organizational measures being implemented over 2017:

#### Focus 1 - Governance of Information System (IS) security:

- the setting up of a quarterly IS security committee to monitor the progress of action plans;
- the 14 standards that constitute Air Tahiti Nui's Information System Security Policy (ISSP) were finalized. They outline the rules and processes to abide by and are inspired by the ISO 27002 standard referring to this matter;
- the implementation of dashboards and indicators to monitor changes in Information System security levels.

#### Focus 2 - IS security audits:

- reviewing the state of Company compliance regarding the Law on Information Technology and Liberties and new General Data Protection Regulation (GDPR);
- penetration test performed by a specialist in order to assess the level of security of a number of applications and services exposed to the Internet.

#### Focus 3 - Security in projects:

- securing pilot and chief pursers' lpad;
- securing cockpit/ground communications of the Boeing 787 thanks to digital certificates.

The security of certain flight systems such as e-Enabling, In-flight Entertainment or Electronic Flight Bag relies on digital certificates that Air Tahiti Nui must be able to produce. In order to manage these certificates, it is necessary to have a key management framework. This system, which is a real keystone in aircraft communications security, was installed late 2017 in accordance with the manufacturers' security recommendations (Boeing and Panasonic). The proper functioning of these certificates will be tested in Boeing and Panasonic laboratories during 2018 before the new fleet enters into service.

#### Focus 4 - Raising employee awareness

223 personnel were briefed during the year. Face to face information sessions were conducted for newcomers, ISD personnel, laptop owners and members of the Board of Directors, in groups of 8 maximum. An e-learning module adapted to the working environment (on tablet) for pilots and chief pursers was created.

### The Compliance and Risks Committee

In September 2017, Air Tahiti Nui brought together the three pillars of risk management (MSD, IC and ISS) within the Compliance and Risks Committee.

It was decided that these three departments and services should be federated since they have common issues such as: risk control of different areas (MSD: flight safety; IC: financial security, ISS: information systems security) and the possible consequences in the event of loss of control (financial losses, impact on Company image and reputation, legal impact, organizational/operational impact).

The purpose of this committee is to:

- make an annual progress report summarizing the main achievements of its stakeholders;
- provide an overview of the state of compliance of Air Tahiti Nui in accordance with various regulations and recommendations resulting from external audits;
- where appropriate, inform the members of the committee of the regulatory changes that may have an impact on the organization of Air Tahiti Nui.

At the same time, the CISO and the ICM regularly hold a committee meeting that enables them to present an audit plan, conclusions and recommendations to the General Management of the Company.

The Management System Directorate holds two security committee meetings per year to present the security performance indicators derived from the monitoring and analysis of security events and study of changes (reactive, proactive and predicative indicators) to the Responsible Manager of the organization.

In addition, the Compliance and Risks Committee meets at least once a year and whenever its members deem it necessary.

The Compliance and Risks Committee is composed of the following members:

- Company Administrators;
- Chairman and Chief Executive Officer;
- Chief Operating Officer;
- Director of Management System;
- Chief Information Security Officer;
- Internal Control Manager.





# FLIGHT ACTIVITY



## 6<sup>th</sup> RENEWAL OF CERTIFICATION

### 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 Organization FR.MG.0061 24<sup>th</sup> 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 certification (IATA Operational Safety Audit) is the audit program developed by IATA (International Air Transport Association), based on standards that 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 proceeded with its 6<sup>th</sup> renewal of certification. The audit program evolved with the introduction of ENHANCED-IOSA or E-IOSA, based on the integration of IOSA pre-audits in the internal audit program of airlines, 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 ETOPS

Air Tahiti Nui's choice to renew its fleet with twin engine Boeing aircraft in 2018 involves the application of ETOPS rules subject to approval by the authorities to allow the future fleet to operate on all routes.

Before the arrival of its Boeing 787-9, the Company wished to obtain a certain number of experience credits in order to have 180 minutes ETOPS approval. To accomplish this, the internal organization and procedures were reviewed. In particular, the Company Operations Control Center structured its organization by creating two entities to enable compliance with ETOPS operational requirements:

- the first unit is comprised of dispatchers, in charge of the preparation of flight records;
- the second is comprised of supervisors, flight watch and flight programming managers (hazard management).

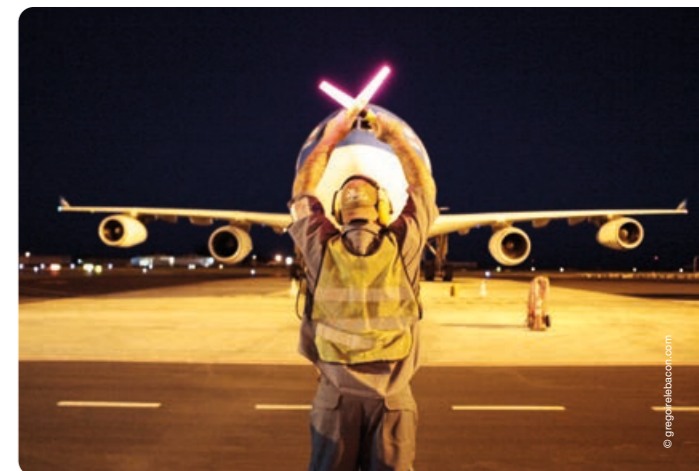
Since 31<sup>st</sup> July 2017, all Company flights operate in accordance with ETOPS procedures; the challenge was to transpose regulations established for twin-engine to four-engine aircraft: which was a real first in Europe!

### 3 THE NETWORK

Air Tahiti Nui operates in four continents. It is positioned as the main airline serving French Polynesia with daily flights to this destination. The Airline offers flights from Papeete to Los Angeles, Tokyo, Auckland and Paris (via Los Angeles).

Air Tahiti Nui offers routes to a total of 50 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, Charlotte, Chicago, Dallas, Denver, Fresno, Houston, Las Vegas, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, St. Louis, Salt Lake City, San Diego, San Francisco, San Jose, Seattle, Toronto and Washington. The code-share agreement with the American airline was extended from 7<sup>th</sup> July, with the addition of a new destination in Canada — Vancouver.
- **Qantas and Air Calin** complete the Air Tahiti Nui offer in the South Pacific to Sydney, Melbourne, Brisbane, Perth and Nouméa.
- **Korean Air** has a route to Seoul in Asia.



**AIR TAHITI NUI OFFERS ROUTES TO 50 CITIES THANKS TO ITS CODE-SHARE PARTNERS**



## 46 INTERLINE AGREEMENTS

Parallel to this offer, Air Tahiti Nui applies its airline code on Air New Zealand flights so as to increase the frequency of flights between Tahiti and Auckland, bringing the number to 5 return flights a week on this route, and on Air France, between Los Angeles and Paris, in order to extend the Paris-Tahiti offer by one or two return flights per week.

The following partners use their airline codes on flights operated by Air Tahiti Nui:

- American Airlines: PPT-LAX/PPT-AKL and since early 2017 LAX-CDG;
- Qantas: PPT-AKL/PPT-LAX;
- Air New Zealand: PPT-AKL/PPT-LAX;
- Air Calin: PPT-AKL/PPT-LAX;
- Japan Airlines: PPT-NRT;
- Korean Air: PPT-NRT;
- Air France: PPT-LAX.

In addition, as part of Air Tahiti Nui's development within its markets, **46 interline agreements** have been made with other transporters to this date, in order to offer clients a wider choice of destinations (new agreements with Scandinavian Airlines, WestJet and APG Airlines in 2017).



## 4 FLIGHT SCHEDULE

### Frequency of service per route

	2016		2017	
	Low season	High season	Low season	High season
Papeete - Paris via LAX	2/7 to 5/7	5 to 9 flights/wk.	2/7 to 5/7	4 to 8 flights/wk.
Papeete - Los Angeles	5/7	5 to 8 flights/wk.	4 to 7 flights/wk.	4 to 8 flights/wk.
Papeete - Japan	2/7	2/7	2 to 3 flights/wk.	2 flights/wk.
Papeete - Auckland	3/7	3/7	3 flights/wk.	3 flights/wk.

### Annual number of flights per route

	2015	2016	Variation 15/16	2017	Variation 16/17
Papeete - Paris via LAX	492	503	+2%	500	-1%
Papeete - Los Angeles	605	597	-1%	585	-2%
Papeete - Japan	207	210	+1%	233	+11%
Papeete - Auckland	312	313	+0.3%	313	0%
<b>TOTAL</b>	<b>1 616</b>	<b>1 623</b>	<b>+0.4%</b>	<b>1 631</b>	<b>+0.49%</b>

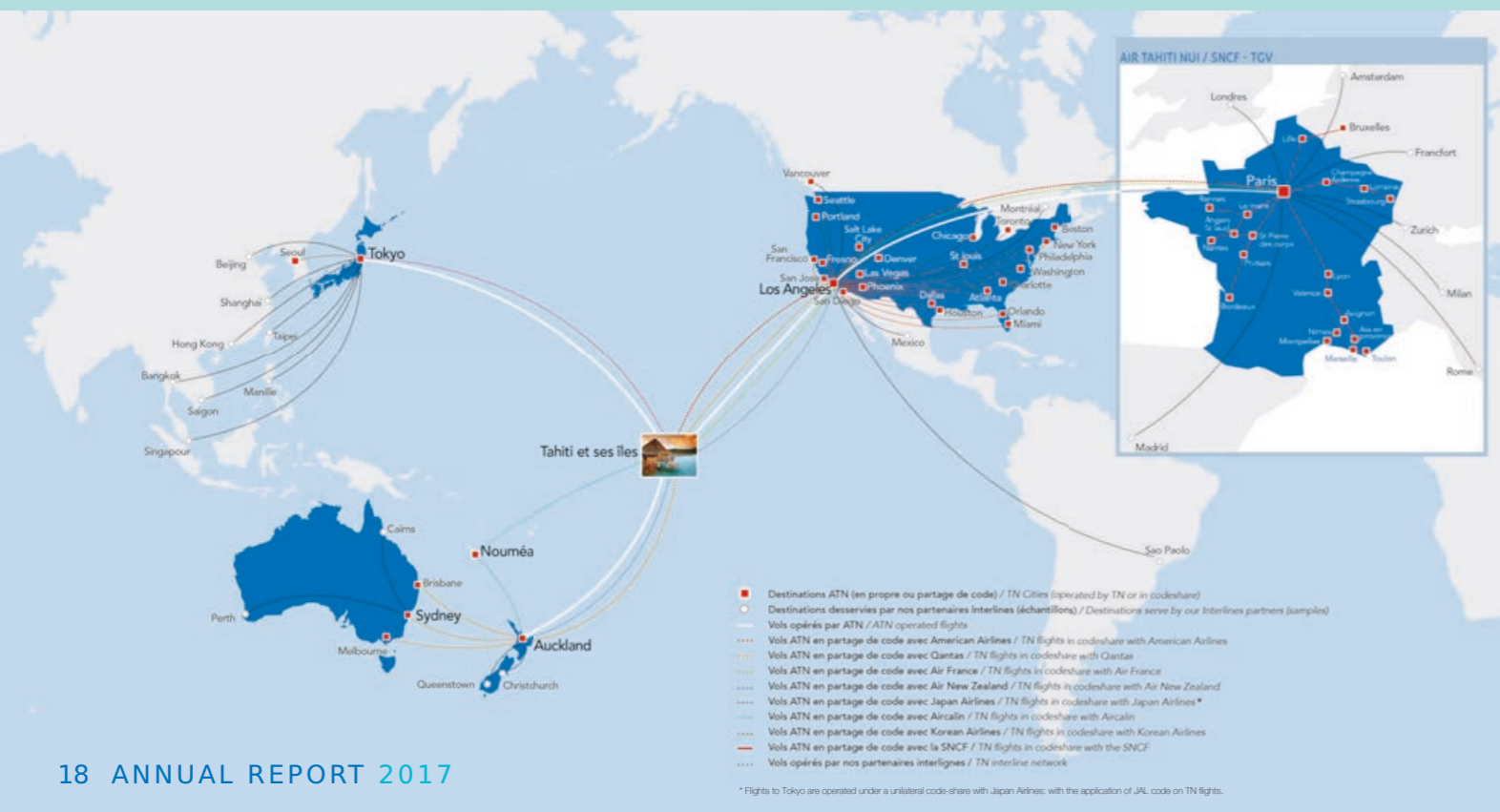
### Frequency of weekly services by code-share partners\*

Air New Zealand (NZ)	PPT-AKL-PPT	X2 per week
Air France (AF)	LAX-CDG-LAX	X1 per week X2 per week in Feb 17
Qantas (QF)	AKL-SYD/MEL/BNE-AKL AKL-PER-AKL	Daily X2 per week in Dec 17
Korean Air (KE)	NRT-ICN-NRT	X2 per week
Air Calin (SB)	AKL-NOU-AKL PPT-NOU-PPT	X2 per week X1 per week

\* Except American Airlines and SNCF who operate daily links



**1 631 FLIGHTS  
IN 2017 FOR  
17 912  
FLIGHT HOURS**





POERAVA BUSINESS



MOANA PREMIUM



MOANA ECONOMY

## 5 RENEWAL OF THE AIR TAHITI NUI FLEET

The current Air Tahiti Nui fleet is comprised of five Airbus A340-300 with a two-class configuration: 30 (1 aircraft) or 32 seats (4 aircraft) in Poerava Business class and 264 in Moana Economy class, equipped with individual video screens.

In early 2015 the Airline's Board of Directors made the decision to **replace the fleet of Airbus 340-300s by Boeing 787-9s**: in March and April, contracts for the lease of two B787-9 and the purchase of two others were signed. Deliveries of the four new aircraft will be staggered between October 2018 and September 2019, before the A340-300s permanently leave the Company.

**The new generation Boeing twin-engine** will allow in particular for a reduction in fuel consumption (thus conforming with the ATN CSR approach and recommendations following the Company's GHG assessment), a reduction in maintenance costs and a significant improvement in passenger comfort. **The new cabin equipment and advanced technologies built into these jumbo jets** will also enrich the customer experience on board.

The year 2017 was largely devoted to the configuration of our future aircraft.

On 20<sup>th</sup> March, the Company Board of Directors validated the choice of the **GENx engine by General Electric**, who have fitted 60% of the B787-9s delivered to this date and represent 75% of B787-9s on order (the two B787-9 leased from Air Lease Corp. will also be fitted with GENx engines). Its main characteristics are a dual-body design with a wide use of composite materials (fan blades and fan casing) and a lower fuel consumption over the Air Tahiti Nui network than its competitor's: the Rolls Royce Trent 1000.

At the end of July, the definition phase for the cabin type, travel classes and all the systems for the future B787-9s reached completion.

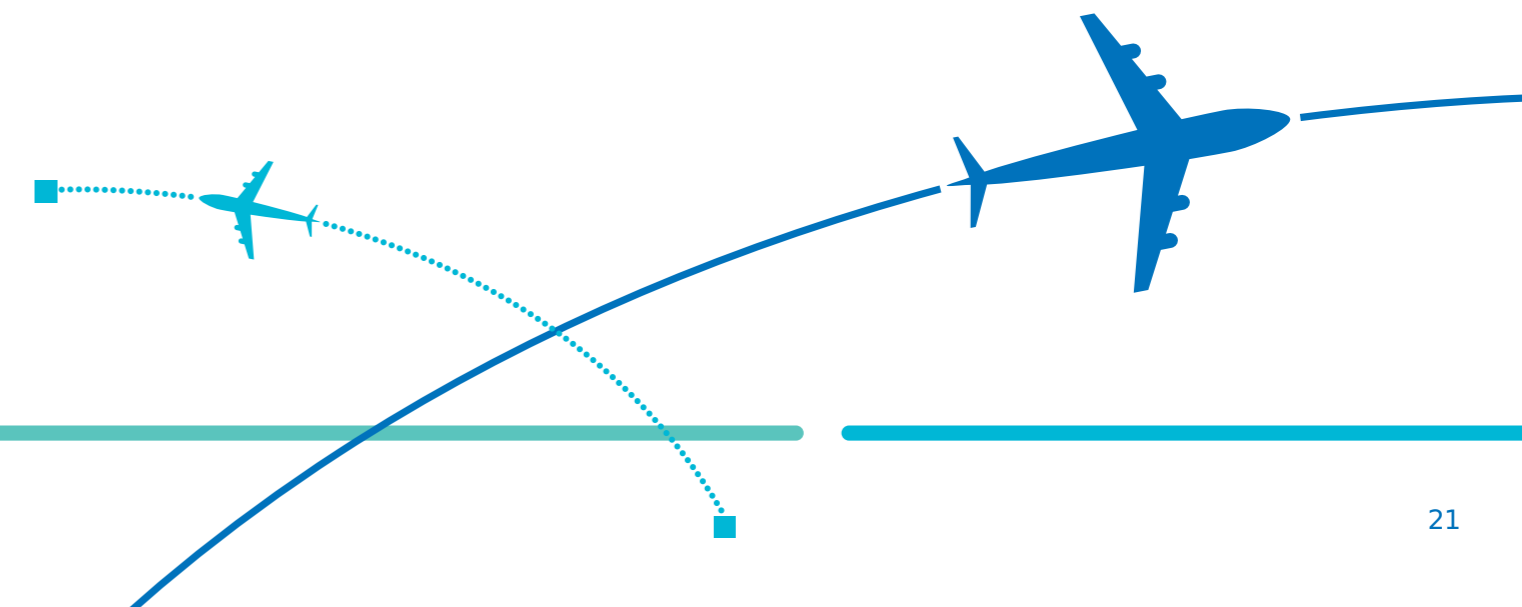
The market studies combined with customer and sales personnel surveys conducted from 2015 resulted in the decision to offer a three-class product comprising:

- **Poerava Business**, a Business class product, offering a horizontal sleeper-seat, in a 6 forward-facing configuration (2-2-2) over 5 rows (for a total of 30 seats), providing a 100% couple offer adapted to our tourist clientele;
- **Moana Premium**, a Premium Economy product, tailored to provide an intermediary offer between Business and Economy with a total of 32 seats in a 7 forward-facing configuration (2-3-2) over 5 rows;
- **Moana Economy**, an Economy class product, identical to the standard installation on the B787 by 95% of airlines and by our main competitors, offering a total of 232 seats over two cabins in a 9 forward-facing configuration (3-3-3).

The supplier of both Moana class seating models is ZODIAC Aerospace: the 'Z535' for Moana Premium and the 'Z300' for Moana Economy. Poerava Business class will integrate the 'Parallel Diamond' seat which converts into a 198 cm long 180° bed (full flat), manufactured by Rockwell Collins. Each seat will be fitted with a touch-screen remote control for the inflight entertainment system.

**Panasonic Avionics Corporation** products were chosen for the future fleet's entertainment and connectivity systems (Wi-Fi Internet communication). The platform of the number one supplier of IFEC (InFlight Entertainment and Communication systems) will provide travellers with state of the art technology on a high-definition touch screen, ensuring a top of the range inflight experience.

The first Air Tahiti Nui B787-9 will be delivered in October 2018 and will operate its first flights in November. The year 2018 will be devoted to preparing the entry into service of the new aircraft. Co-piloted by Boeing and Air Tahiti Nui, this phase named Service Ready Plan (SRP) is aimed at preparing the operations of the Boeing aircraft. Training for personnel is scheduled to begin in early 2018.



# TRAFFIC AND BUSINESS RESULTS



**65.5%**  
OF INTERNATIONAL TRAFFIC  
TRANSPORTED BY AIR TAHITI NUI  
(-1 PT COMPARED TO 2016)

## 1 TAHITI-BOUND TRAFFIC

In 2017, the total number of passengers departing from and bound for French Polynesia was **604 487**, representing an increase of **+1.5%** compared to 2016.

Air Tahiti Nui transported **65.5% of international traffic** in 2017, a stable result in comparison with 2016.

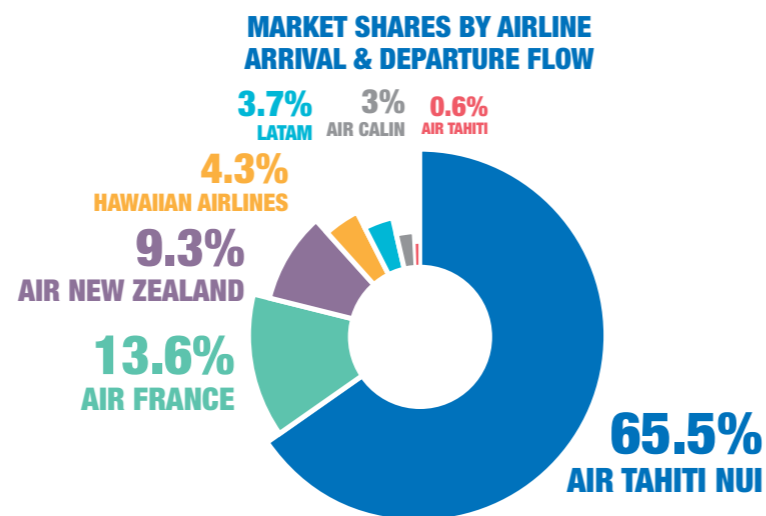
Air France is the second largest carrier, with a 13.6% traffic share, a decrease of -1.2% from 2016.

Air New Zealand accounts for 9.3% of traffic, an increase of 14.5% from 2016.

### Total passengers all routes

	Number of passengers		Variation	Market shares		Variation
	2016	2017	Number of passengers n/n-1	2016	2017	Market Shares n/n-1
Air Tahiti Nui	395 682	396 178	+0.1%	66.5%	65.5%	-1 pt
Air France	82 929	81 955	-1.2%	13.9%	13.6%	-0.3 pt
Air New Zealand	48 852	55 921	+14.5%	8.2%	9.3%	+1.1 pt
Hawaiian Airlines	24 328	26 208	+7.7%	4.1%	4.3%	+0.2 pt
Latam	22 856	22 185	-2.9%	3.8%	3.7%	-0.1 pt
Air Calin	17 606	18 468	+4.9%	3.0%	3.0%	0 pt
Air Tahiti	3 103	3 572	+15.1%	0.5%	0.6%	+0.1 pt
<b>TOTAL REGULAR</b>	<b>595 356</b>	<b>604 487</b>	<b>+1.5%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

Source: ADT



Source: ADT

## 2 RESULTS EVOLUTION OF ATN FARE PAYING PASSENGERS BY ROUTE

### Evolution of number of passengers transported by route

	Passengers			Variation
	2015	2016	2017	2017/2016
PAR VIA LAX	227 439	230 436	235 504	+2.2%
LAX	140 182	138 936	136 663	-1.7%
AKL	63 074	65 599	67 243	+2.5%
TYO	42 491	45 114	45 312	+0.5%
<b>TOTAL</b>	<b>473 186</b>	<b>480 085</b>	<b>484 722</b>	<b>+1%</b>

Source: Traffic - Mercator

### Average passenger load factor

Average passenger load factor			Revenue (million xpf)			Passenger revenue per kilometer transported		
2016	2017	VAR n/n-1	2016	2017	VAR n/n-1	2016	2017	VAR n/n-1
76%	77%	+0.7%	31 950	31 638	-1%	9.4	9.2	-2%

Source: Traffic - Mercator - Revenue Management

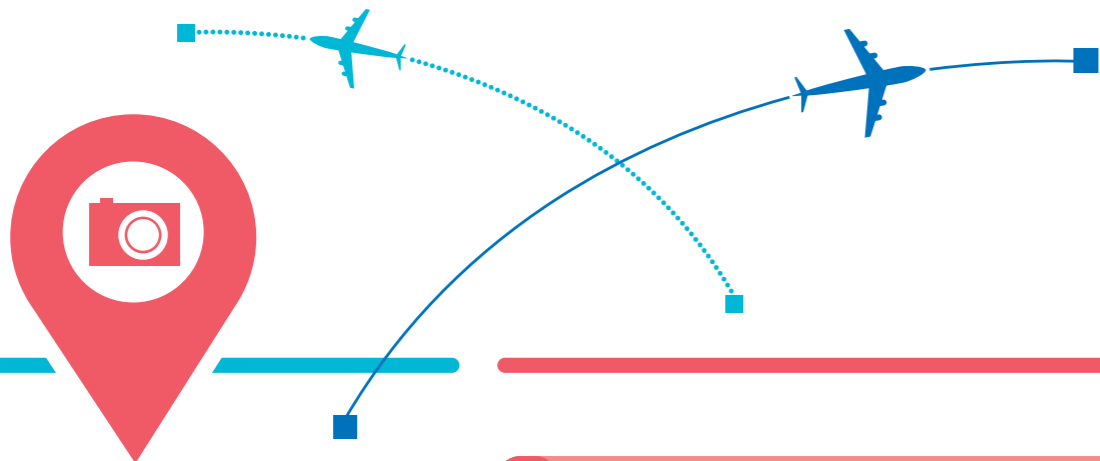
In 2017, **Air Tahiti Nui transported 484 722 passengers**, a slight increase (+1%) compared to 2016. This was a good sales performance considering the fact that Air Tahiti Nui carried less cruise ship passengers due to the dry-docking of the ships Paul Gauguin and Windstar.

The number of seats available across the network remains stable in comparison to 2016 for a number of passengers per kilometer transported (PKT) with an increase of 1% from last year.

In 2017 the airline generated **sales revenue of 31.6 billion XPF** from passenger traffic. Revenue per kilometer travelled (R/PKT) dropped slightly by -2% following stronger competition on some routes which were given a boost in promotional initiatives.



**484 722**  
**PASSENGERS**  
TRANSPORTED IN 2017



**137 772**  
**TOURISTS TRANSPORTED**  
**IN 2017 BY AIR TAHITI NUI**  
**(APPROX. 70% MARKET SHARES)**

### 3 TOURIST TRAFFIC

In 2017, 198 959 tourists visited the Islands of Tahiti, of which over two thirds were transported by Air Tahiti Nui (69%), followed by Air France (12%) and other airlines (Air New Zealand, Latam, Hawaiian Airlines, Air Calin, and Air Tahiti, for 19%).

#### Tourist traffic bound for the islands of Tahiti

	Tourists		Variation	Market shares		Variation
	2016	2017	Variation number of tourists n/n-1	2016	2017	Variation market shares
Air Tahiti Nui	136 270	137 772	+1.1%	70.8%	69.2%	-1.6 pt
Air France	24 188	24 446	+1.1%	12.6%	12.3%	-0.3 pt
Air New Zealand	13 403	16 595	+23.8%	7%	8.3%	+1.3 pt
Latam	7 448	7 684	+3.2%	3.9%	3.9%	0 pt
Hawaiian Airlines	5 285	5 860	+10.9%	2.7%	3%	+0.3 pt
Air Calin	4 681	5 278	+12.8%	2.4%	2.6%	+0.2 pt
Air Tahiti	1 125	1 282	+14%	0.6%	0.7%	+0.1 pt
Other airlines	95	42	-	-	-	-
<b>TOTAL</b>	<b>192 495</b>	<b>198 959</b>	<b>+3.4%</b>	<b>100%</b>	<b>100%</b>	

Source: ISPF

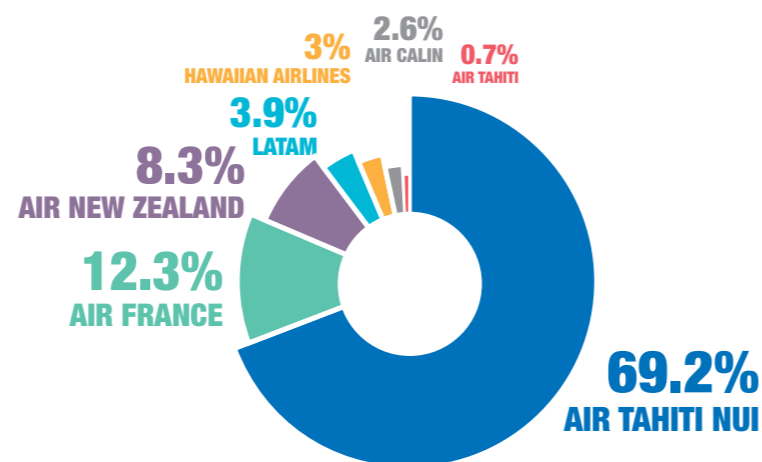
#### Evolution of tourists by origin

	2016		2017		Variation 2016-2017	
	Air Tahiti Nui	Total all airlines	Air Tahiti Nui	Total all airlines	Air Tahiti Nui	Total all airlines
North America	58 293	74 234	57 484	74 582	-1.4%	+0.5%
France	25 903	39 086	27 722	41 685	+7%	+6.6%
Italy	6 946	7 887	6 759	7 720	-2.7%	-2.1%
United Kingdom	2 970	3 980	2 727	3 768	-8.2%	-5.3%
Spain	1 680	2 414	1 732	2 459	+3.1%	+1.9%
Germany	2 389	3 951	2 240	3 881	-6.2%	-1.8%
Switzerland	1 546	2 831	1 741	3 054	+12.6%	+7.9%
Europe (other)	3 500	5 455	3 821	6 164	+9.2%	+13%
Japan	11 884	12 174	12 457	12 808	+4.8%	+5.2%
Asia (other)	8 081	9 775	7 395	9 083	-8.5%	-7.1%
Australia	7 000	9 757	7 405	10 015	+5.8%	+2.6%
New Zealand	3 055	7 221	3 168	9 392	+3.7%	+30.1%
Pacific region	603	4 941	707	5 821	+17.2%	+17.8%
South America	1 053	6 832	1 073	6 663	+1.9%	-2.5%
Central America	743	1 052	737	971	-0.8%	-7.7%
Other Countries	624	905	604	893	-3.2%	-1.3%
<b>TOTAL</b>	<b>136 270</b>	<b>192 495</b>	<b>137 772</b>	<b>198 959</b>	<b>+1.1%</b>	<b>+3.4%</b>

Source: ISPF



#### MARKET SHARES BY AIRLINE TOURIST TRAFFIC



Source: ISPF

In 2017, visitor numbers to the Islands of Tahiti **increased by 3.4%** compared to the previous year, with a **significant increase departing from New Zealand** (+30.1%), and a steady development in numbers departing from **North America**, which remains the **leading source market** for French Polynesia.

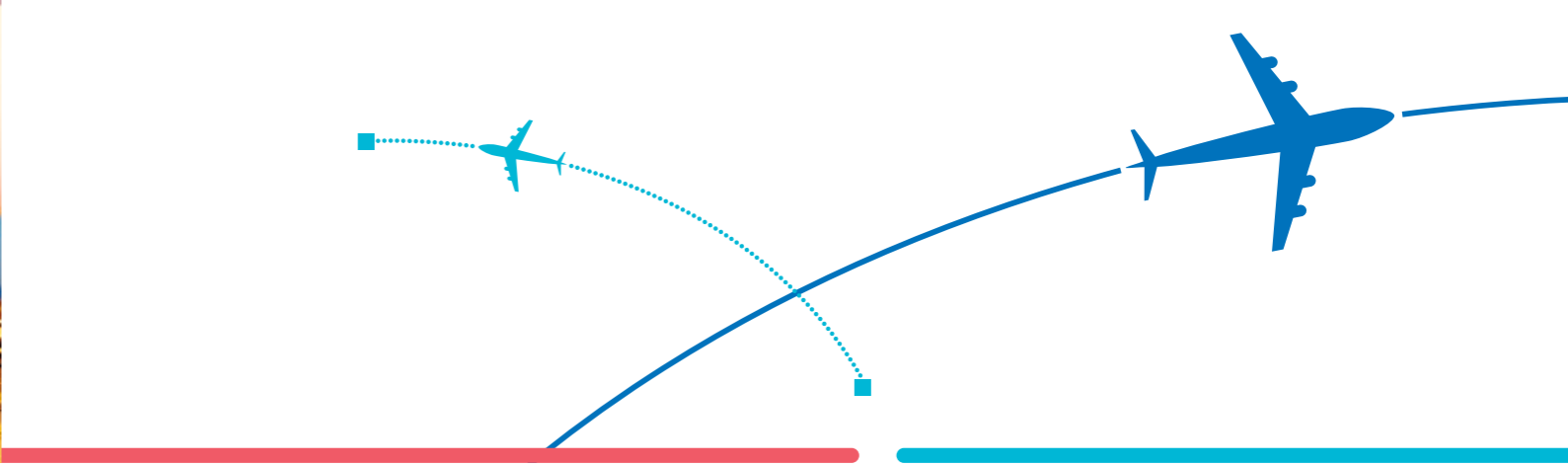
**European market performance is more contrasted** with a decline in traffic from Italy and England, partially compensated by markets such as Switzerland (+7.9%) and other European countries.

**The number of cruise ship passengers is down by -6%** compared to 2016 whilst the number of tourists in island accommodation saw an increase of +5.6%.

**An increase of +3.3% in single destination traffic and +3.7% circuit traffic** was noted compared to 2016.



**NORTH AMERICA**  
**LEADING**  
**SOURCE MARKET**  
**FOR FRENCH POLYNESIA**



**9 512 TONNES**  
OF FREIGHT TRANSPORTED  
FOR 2.9 BILLION XPF IN REVENUE

#### 4 FREIGHT REVENUE

In 2017, freight revenue for the Air Tahiti Nui network amounted to **2 891 million XPF**, for a total tonnage of **9 512 tonnes**.

#### Comparative table of freight revenue and tonnage in 2016 and 2017

	2016	2017	Variation n/n-1	Variation %
Revenue (million XPF)	2 792	2 891	+99	+3.5%
Weight in tonnes	9 005	9 512	+507	+5.6%

Source: fret et service du contrôle de gestion ATN

2017 was marked by an **increase in revenue of +3.5%** in comparison to 2016, owing to the very strong performance departing from French and Japanese markets.

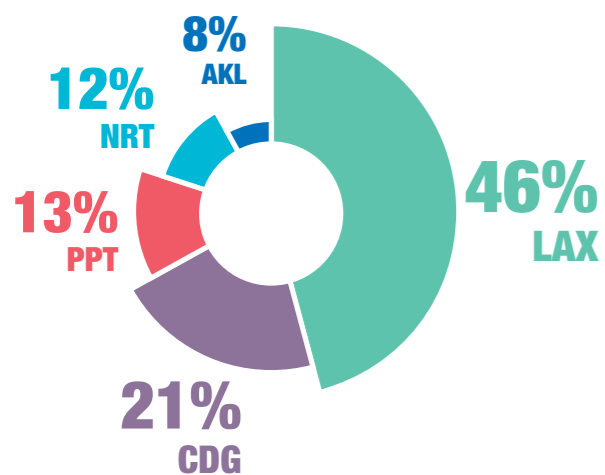
The stability in volumes, particularly from France, fostered a favorable climate. In Japan, a **surplus in freight volumes from China added to the growth in Japanese export** allowed for a strong progression of +30%.

On the Polynesian market, 2017 was not a favorable year for the fishing industry, which led to forecasted figures for the export of fresh tuna not being reached.

Despite this, the Company was very active in the **promotion of Polynesian export** by participating in a number of local events and by initiating the 'Exporter Contest' in partnership with the CCISM (Chamber of Commerce of Tahiti) in order to showcase the pool of potential exports. Exporters of Noni-based energy products, dried fruits from the Marquesas Islands or Rum and other spirits were thus rewarded and encouraged for their work.



#### DISTRIBUTION OF TONNAGE TRANSPORTED BY ORIGIN<sup>(1)</sup>



Source: ATN Freight and Management Control Department  
(1) Origin of freight departure

#### 5 CHARTER ACTIVITY

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

During the year, 265 flight hours were conducted on behalf of various shippers (representing a decrease of -34% in comparison with 2016).

This activity generated 414 million XPF in revenue over the year, (compared to 493 million XPF in 2016, representing a decrease of -16%).

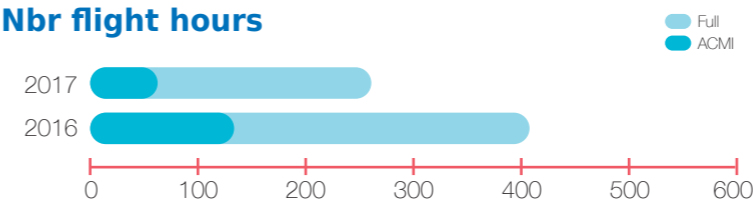
**414**  
MILLION XPF  
IN REVENUE  
GENERATED FROM  
CHARTER FLIGHTS  
(-16% FROM 2016)

#### Comparative table of charter activity in 2016 and 2017

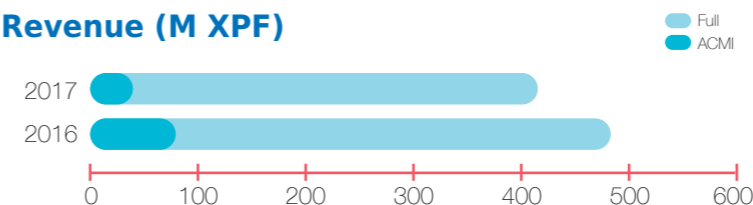
	2016	2017	Variation n/n-1
ACMI <sup>(2)</sup>	133	65	-51%
Full charter	270	200	-26%
<b>TOTAL NB FLIGHT HOURS</b>	<b>403</b>	<b>265</b>	<b>-34%</b>
ACMI	75	46	-39%
Full charter	418	368	-12%
<b>TOTAL REVENUE (MILLION XPF)</b>	<b>493</b>	<b>414</b>	<b>-16%</b>

(2) ACMI (Aircraft Crew Maintenance and 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 includes costs related to handling, catering and fuel.

#### Nbr flight hours



#### Revenue (M XPF)



# ATN'S ACTIVE ROLE IN THE DEVELOPMENT OF POLYNESIAN TOURISM

## 1 AIR TAHITI NUI'S NEW BRAND IMAGE

Having chosen to renew its fleet of Airbus A340-300s with Boeing Dreamliner 787-9s, Air Tahiti Nui made a turning point in the standing of the product it will offer its customers from 2018.

To accompany this move upmarket and as a symbol of its maturity on the eve of its 20<sup>th</sup> anniversary, the Airline decided to update its brand image. The rebranding project, which is undoubtedly the most significant communication challenge in the life of a company, began at the end of 2015.

The Australian agency Future Brand was chosen to work on the project thanks to the strength of their knowledge of Polynesia. In order to respond to the demands of the Airline and the international market, their specialists organized the new brand design around the concept of "Nui".



With this idea as a starting point, the core values of the Air Tahiti Nui brand such as "fostering peace of mind", "focusing on the customer," "sharing our generosity", "adventurers at heart" were formalized. And so, with the smile, the hospitality and the commitment that define our Company signature, the visual identity of the brand came to life from a powerful promise:

**"The world's most immersive travel experience".**

Without revolutionizing the previous logo, the second step in the rebranding work consisted in evolving towards a more symbolic representation of the Company icon, the Tiare flower, to enhance its authenticity, singularity, warmth and familiarity.



With its delicate yet proud forward-facing silhouette, the new Air Tahiti Nui logo carries a subtle but strong message about commitment to the future. It captures the very essence of the Company's growth and progress.

The two elements of our brandmark, our symbol and our logotype, have been carefully crafted to complement and at the same time contrast with each other. Strength meets sophistication.

The Tiare flower is and forever will remain the symbol of *To Tatou Manureva*. Our new brandmark amplifies our Tiare as the incarnation of 'Nui' and all that makes Air Tahiti Nui authentic, powerful and unique. Carefully crafted by the Polynesian artist Alexander Lee, this Tiare flower is the embodiment of the beauty and spirit of the Polynesian islands. He chose to work freehand to create an inimitable flower, in order to guarantee the uniqueness of the Airline's future identity, producing a **final result that is unique, original and true to the Polynesian spirit**.

The letters of the new Air Tahiti Nui brand name font are curved and intentionally rounded to echo the shape and joins of the Tiare petals, as they harmoniously bring together all the elements as one.

## 2 PROMOTIONAL AND ADVERTISING POLICY

As in previous years, 2017 was punctuated by tactical advertising campaigns to stimulate the low tourist season and proposing the usual special offers such as 'Early Bird'<sup>(1)</sup>, families, honeymoon short stays and small family-run guesthouses.



Several promotional offers were launched on the Polynesian market in particular in January and February 2017 (promotions for Papeete-Los Angeles, Papeete-Auckland, 'Sakura' package to discover the cherry blossom season and the 'Study and Discovery' Fair offers). The end of the year was especially marked locally by promotional offers targeting the French Polynesian and French markets in response to the arrival of a new competitor in Polynesian skies from May 2018. One such initiative of note is a new 'Eco-Light' fare range on the Papeete-Paris route in addition to a major innovation in the form of a luggage free fare.

In conjunction with this fare response, the product strategy resulting from the new brand and the whole experience created and formalized around the 'Future fundamentals'<sup>(2)</sup> aims to strengthen Company achievements while developing new assets in the short, medium and long term, to allow Air Tahiti Nui to distinguish itself from its competitors and thus make it the first choice for visitors to the destination. The overall travel experience with Air Tahiti Nui is the Airline's added value: it is unique, incomparable and extraordinary. In a nutshell, it is 100% "Nui".

(1) The 'Early Bird' offer is a preferential rate for travellers who anticipate their trip and book very early.  
(2) The 'Future fundamentals' are the values that form the basis and essence of the Air Tahiti Nui brand spirit.

### Our regional directorates, spearheading promotional activities

The French market is particularly involved in partnership initiatives and promoting the destination, especially due to the fact that for the past few years it has been the official partner of three annual events putting Polynesia in the spotlight: *Vendée Va'a*, promoting va'a, the emblematic Polynesian sport (traditional outrigger canoe), the *Heiva I Paris*, which showcases Tahitian dance and *Ori Tahiti* dance groups, and the *Nuit de la glisse* (Board Sports Night) which highlights not only water-based board sports (kitesurfing, foil, surfing) but also land-based activities such as mountain biking.



In addition to our ongoing partnerships, there were some special events that took place during the year 2017:

- the project #PartezATahiti with the media *L'Equipe* – the leader in French sporting news, in collaboration with Tahiti Tourisme, spotlighted four major sporting events in Tahiti such as the *XTerra trail*, *La Ronde Tahitienne* cycle tour, the surf competition *Billabong Pro* and the *Ironmana* event of the *Waterman World Tour*;
- the partnership between Disney and Vinci to promote the release of the American studios' animation movie 'CARS 3' in August;
- a competition on the Company's social networks to win two tickets to Tahiti to mark the release of the film *Gauguin* in September 2017 generated a major buzz (244K people reached with 10K reactions, comments and shares);
- for the second year running, ATN was the official transporter for *Miss France* during the preparation trip to Los Angeles for the candidates, in November 2017.

The ATN sales challenge was a resounding success for all travel agents between February and November: 909 travel files reported and validated, representing a total of 1 903 passengers, which was double the number of sales reported in 2016.

Another highlight was the tremendous success of the film *Vaiana* ('Moana') in France and French Polynesia, for which Air Tahiti Nui was a partner, supporting the promotional media campaign (over 5 million movie admissions in France alone, compared to 4.8 million for 'Frozen') contributing to the promotion of Polynesia on a national and international level, including all types of merchandizing with the heroine from the ends of the earth...

In partnership with the Tourism Office, Air Tahiti Nui launched the final phase of the 'Only in Tahiti' promotional campaign for the American market in February, part of the global GIE Tahiti Tourism destination strategy 'Embraced by Mana'. Two other large-scale American campaigns 'Auckland Flash Sale' (in January) and an Auckland stopover promotion 'New Zealand & Tahiti' (in May) have helped boost sales by generating bookings and prospects via quote forms sent to tour operators online.

On the Japanese market, four campaigns between July and December were used to advertise our destination in Asia (three online promotional campaigns and one initiative to market the destination via three articles published in *Retrip*, a popular travel site in Asia).

Thanks to promotional operations in January, February and September, sales in the New Zealand market were also boosted. The 'Tahitian B&B Experience' campaign which took place throughout June was especially intended to advertise the destination by showcasing family-run guest houses.

The Australian market also ran similar campaigns during January, April and September.

Finally, in Europe, the Italian and Spanish markets also launched marketing campaigns for the destination during Spring 2017 (in May).



### Development of the South American market

After a difficult year in 2016, results for 2017 were very encouraging across the South American market with an increase of +66% in passenger numbers compared to the previous year.

Brazil and Argentina were the drivers of this growth with a +65% increase in passengers for Brazil (the majority of sales were for the Los Angeles-Papeete route) and +82% in passengers for Argentina (mainly on the Auckland-Papeete route).

In order to boost the Brazilian market, changer par the first ever advertizing ATN campaign for the South American market was launched mid second semester, conducted 100% online. *Voe Tahiti via Los Angeles* ("Fly to Tahiti via Los Angeles") highlighted the partnership with American Airlines (route São Paulo-Papeete via Los Angeles) and the advantages of a stopover in Los Angeles with the slogan "Two destinations, one unique experience", playing on the complementarity of the two destinations (see more information online at <https://voetahiti.com.br>).

### Optimization of presence on the Web

As for the Web, 2017 saw the launch of the Company website V2 with its updated graphics. The site covers four zones (Europe, America, Pacific and Asia), 13 countries (France, Germany – new this year, Italy, Spain, United Kingdom, Australia, French Polynesia, New Zealand, USA, Japan, China, Taiwan and South Korea) and is available in nine languages (French, English, Italian, Spanish, German, Japanese, Chinese, Taiwanese and Korean).

The notions of 'Marketing Automation' that enable better interaction with Web clientele were especially tested, in close correlation with the specifications of the CRM<sup>(3)</sup> project that had been finalized during the year for a choice of solution and implementation in 2018.

The 'Always-on marketing' digital concept that makes it possible to optimize Company communications between each advertizing campaign on every market was also worked on. This strategy is used to remain in contact with potential clients in a highly targeted way. More generally, Web policy was reinforced with these types of tactical elements which help improve direct sales via the website [www.airtahitiniui.com](http://www.airtahitiniui.com).

The overall sales revenue generated over the year via all website is constantly increasing, both in terms of sheer volume and in shares. 87% of sales on the website [www.airtahitiniui.com](http://www.airtahitiniui.com) are generated on the French, American and French Polynesian markets.

Visitors come from 230 different countries and 47% use a smartphone.

(3) The 'Customer Relationship Management' is a strategy tool to manage relations and interactions of an organization with its clients and prospects.

## 3 LOYALTY PROGRAM

For the past three years, Club Tiare has been developing new partnerships in order to offer its members additional opportunities to gain and use miles.

A total of **245 million miles were exchanged for services offered by the Company** (tickets, upgrades, additional baggage allowance, etc.) **in tickets to events** (Election night for Miss Tahiti, shows for

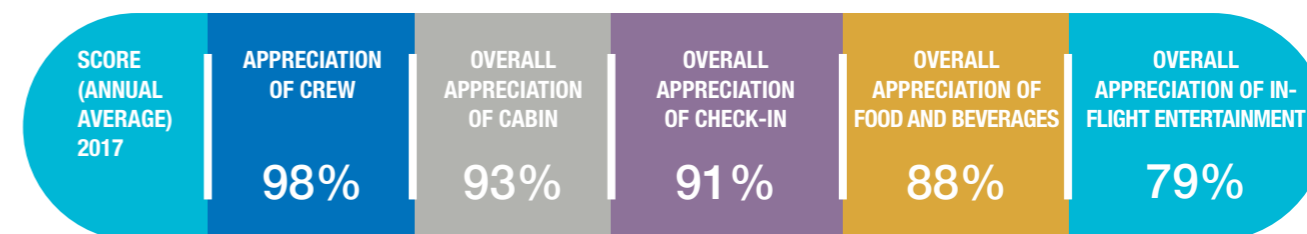
Mesmer, Smain, theatre and festivals) **and in gift vouchers** for purchases with our partners Millésime, Le Coco's, Beauty Success, Jeff de Bruges, Vahinerii Tea House and L'Occitane).

On 31<sup>st</sup> December 2017 the Club Tiare had a total of **129 786 members**, representing an increase of +8.2% from 2016.



## 4 CUSTOMER SATISFACTION POLICY

### Strengths identified by our customers



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

For **96% overall satisfaction (the same score as 2016)**, 92% of our clients claimed they would recommend our Airline.

In October 2017, Air Tahiti Nui inaugurated its new lounge at Tahiti Faa'a International Airport to improve the welcome for its high-yield passengers, in renovated and better quality surroundings, decorated in the Company colors.

Throughout the year, the Airline devoted itself above all to define the new fleet of Dreamliners, by integrating new products and methods of onboard service that our clients will be able to discover for themselves from November 2018, with the delivery of the first Boeing 787-9 aircraft.





# FINANCIAL RESULTS

## 1 ASSETS BALANCE SHEET

### Fixed assets

The principal movements of the financial year 2017 were:

■ for tangible and intangible fixed assets:

- advance payments and installments for the acquisition of two future Boeing 787-9 aircraft for a total sum of 1.6 billion XPF;
- several maintenance expenditure events (engine overhauls, Check C) for a total sum of 0.8 billion XPF;
- depreciation of 4.2 billion XPF (from 3.5 billion XPF in 2016);
- a net reversal of provisions for aircraft depreciation for a total of 0.8 billion XPF.

■ for long term investments:

- the expiry of tax exemption for F-OLOV which resulted in the exercise of the purchase option for a sum of 1.58 billion XPF, as the aircraft was recorded in tangible assets;
- reversal of provision for the aircraft following the exercise of the purchase option for the sum of 0.8 billion XPF;
- a 100% provision in tax exemption contribution to the sum of 0.3 billion XPF.

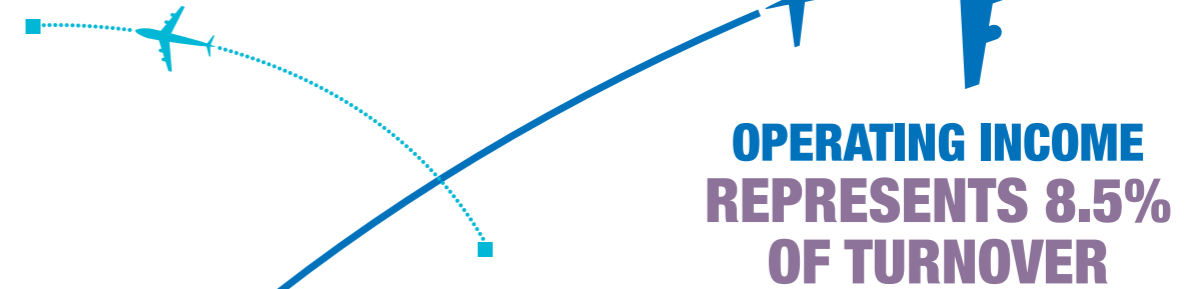
### Current assets

The principle movements of the financial year 2017 were:

- the increase in accounts receivable of 398 M XPF (representing +22%) mainly due to an International Lease Finance Corporation (ILFC) debt obligation of 210 M XPF and an increase in activity over the end of the year;
- cash assets amounted to 14.9 billion XPF at the close of year (from 14.3 billion XPF on 31/12/2016, representing an increase of 631 M XPF, or +4%).

### Assets balance sheet in million xpf and million euros

ASSETS	GROSS	RESERVE	NET	NET N-1	VARIATION	VARIATION %
Intangible fixed assets	433	213	219	197	22	11%
Tangible fixed assets	35 032	23 843	11 189	10 343	846	8%
Financial fixed assets	1 521	300	1 221	1 983	-762	-38%
<b>TOTAL FIXED ASSETS</b>	<b>36 986</b>	<b>24 356</b>	<b>12 630</b>	<b>12 524</b>	<b>106</b>	<b>1%</b>
<b>IN MILLION €</b>	<b>310</b>	<b>204</b>	<b>106</b>	<b>105</b>	<b>1</b>	
Inventory	709		709	618	91	15%
Accounts receivable	2 330	142	2 187	1 789	398	22%
Other receivables	292		292	486	-195	-40%
Liquid assets	14 955	4	14 950	14 320	631	4%
Prepaid expenses	864		864	942	-78	-8%
<b>TOTAL CURRENT ASSETS</b>	<b>19 149</b>	<b>147</b>	<b>19 002</b>	<b>18 154</b>	<b>848</b>	<b>5%</b>
<b>IN MILLION €</b>	<b>160</b>	<b>1</b>	<b>159</b>	<b>152</b>	<b>7</b>	
Conversion losses	75	0	75	27	48	175%
<b>GRAND TOTAL</b>	<b>56 211</b>	<b>24 503</b>	<b>31 707</b>	<b>30 706</b>	<b>1 002</b>	<b>3%</b>
<b>IN MILLION €</b>	<b>471</b>	<b>205</b>	<b>266</b>	<b>257</b>	<b>8</b>	



## 2 NON-CURRENT LIABILITIES

### Equity and provisions

The principal movements of the financial year 2017 were:

- the appropriation of 852 M XPF retained profits for 2016 carried forward, the balance having been paid in dividends for 1 390 M XPF;
- the net result for the financial year 2017 came to a total of 2 013 M XPF;
- the variation of the provision relating to the tax exemption of per diems for the sum of 77 M XPF.

### Liabilities

The principal movements of the financial year 2017 were:

- the loan repayments concerning the cabin renovation amounting to 138 M XPF;
- a variation in other debts of 109 M XPF. This change is principally due to an increase in advance payments and installments for the sum of 243 M XPF which corresponds to the increase in down payments for cruise ship passengers for the sum of 173 M XPF and a decrease in 82 M XPF for social security and tax debts due to the remuneration of an extraordinary bonus for 2012 for employees who waived their '13<sup>th</sup> month' premium.

### Non-current liabilities in million xpf and million euros

LIABILITIES	2017	2016	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	6 908	6 056	852	14%
Result	2 013	2 242	-229	-10%
Investment subsidy	361	558	-197	-35%
Statutory provisions	1 020	631	390	62%
<b>EQUITY</b>	<b>13 788</b>	<b>12 972</b>	<b>816</b>	<b>6%</b>
<b>IN MILLION €</b>	<b>116</b>	<b>109</b>	<b>7</b>	
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>	<b>1 151</b>	<b>978</b>	<b>173</b>	<b>18%</b>
<b>IN MILLION €</b>	<b>10</b>	<b>8</b>	<b>1</b>	
Funding liabilities	583	713	-131	-18%
Other liabilities	7 327	7 218	109	2%
Deferred income	8 825	8 706	119	1%
<b>TOTAL LIABILITIES</b>	<b>16 734</b>	<b>16 637</b>	<b>97</b>	<b>1%</b>
<b>IN MILLION €</b>	<b>140</b>	<b>139</b>	<b>1</b>	
Exchange rate differential liabilities	34	118	-84	-71%
<b>GRAND TOTAL</b>	<b>31 707</b>	<b>30 706</b>	<b>1 002</b>	<b>3%</b>
<b>IN MILLION €</b>	<b>266</b>	<b>257</b>	<b>8</b>	

### 3 INCOME STATEMENT

#### Income statement in million xpf and million euros

INCOME STATEMENT	2017	2016	VARIATION	VARIATION %
Revenue	35 388	35 533	-145	0%
Reversal of amortization and provisions	399	911	-512	-56%
Other income	159	87	72	84%
<b>TOTAL OPERATING INCOME</b>	<b>35 946</b>	<b>36 530</b>	<b>-584</b>	<b>-2%</b>
<b>IN MILLION €</b>	<b>301</b>	<b>306</b>	<b>-5</b>	
Purchase of goods and other provisions	8 579	7 527	1 052	14%
Services and external subcontracting	11 189	11 783	-594	-5%
Duties and taxes	131	114	17	15%
Payroll	7 449	7 630	-181	-2%
Depreciation expenses	4 217	3 458	759	22%
Provisions for current assets	12	1	11	1 005%
Provisions for risks and expenses	271	314	-43	-14%
Other expenses	1 079	1 105	-26	-2%
<b>TOTAL OPERATING EXPENSES</b>	<b>32 927</b>	<b>31 932</b>	<b>995</b>	<b>3%</b>
<b>IN MILLION €</b>	<b>276</b>	<b>268</b>	<b>8</b>	
Operating income	3 019	4 598	-1 579	-34%
Financial income	-7	-299	292	-98%
Exceptional income	966	-716	1 682	-235%
Incentive payments	-141	-135	-6	-5%
Tax	-1 825	-1 207	-617	-51%
<b>NET INCOME</b>	<b>2 013</b>	<b>2 242</b>	<b>-228</b>	<b>-10%</b>
<b>IN MILLION €</b>	<b>17</b>	<b>19</b>	<b>-2</b>	

Operating income totaled 35.9 billion XPF compared to 36.5 billion XPF in 2016, representing a decrease of -2%. This fall is principally due to the reversal of provisions for CPS (health service), which was accounted for in 2016 for the sum of 392 M XPF, for the cancellation of adjustments relating to financial years 2015 and 2016.

Operating expenses increased, due in part to the following cumulative effects:

- a rise of 1.2 billion XPF in fuel costs;
- a reduction in personnel costs of 181 M XPF, representing -2%;
- a rise in depreciation expenses of 759 M XPF due to reduced depreciation periods in view of a better insight into the release dates of the A340 aircraft;
- a decrease in external expenses with the main variations being: the decrease in aircraft leasing due to its entry into fixed assets in June 2017 (-344 M XPF), the reduction in lease for the Bora Bora (-192 M XPF), lower fuel coverage costs of -337 M XPF, and the increase in engine rental costs for 126 M XPF.

The negative financial income of 7 M XPF consists mainly of foreign exchange results and provision for depreciation of cash collateral for a total of 822 M XPF.

The exceptional result of 966 M XPF is principally due to:

- a 341 M XPF gain related to unused tickets > 1 year;
- a net provision for aircraft depreciation for 790 M XPF;
- a 300 M XPF allocation relating to a debt waiver for tax exemption.

Incentive payments were made for a total sum of 141 M XPF (7% of net income). The company is required to pay corporate income tax for the financial year 2017 and an additional contribution for the respective amounts of 1 027 M XPF and 798 M XPF.

## OUTLOOK 2018

2018 will be a symbolic year in the history of Air Tahiti Nui. The Airline will celebrate 20 years of existence at the end of the year and on this momentous occasion will welcome the first Boeing 787-9 of its new fleet. The *Tahitian Dreamliner* will operate its first flights to Auckland starting from November, with the ambition to provide transport for customers in unrivalled comfort and above all to offer the world's most immersive travel experience.

For this purpose, the Company will continue its digital transformation with the twofold objective of improving customers experience at all stages of their journey and to simplify, accelerate and secure internal processes.

An Air Tahiti Nui mobile application will therefore also be developed to allow travellers to prepare their trip easily, personalize their flight experience and find practical information and assistance when needed.

In addition, the customer services department will also be equipped with a new CRM tool in order to gain better insight into the expectations and needs of its interlocutors and to be able to interact and cooperate more simply with them. Furthermore, a BPM<sup>(1)</sup> application will be progressively integrated to allow for steering and accelerating Company processes.

Finally, a new maintenance management tool adapted to the Boeing 787-9 technology will be implemented for the benefit of technicians and engineers responsible for maintaining Air Tahiti Nui's new fleet in operational condition.

The extent of opportunities available since the 2016 implementation of the new passenger service platform Amadeus will also continue to be enhanced throughout the year. In June 2018, passengers will have the possibility of buying their air miles tickets and making changes to their reservations online.

The move to the new Air Tahiti Nui head office is also scheduled for the third quarter of the year. Through these new premises, ATN has chosen to make a long-term commitment to developing the country's tourism sector by offering better visibility to its customers and partners. The new building will also showcase the Company's societal commitment and be fully inline with the eco-responsible philosophy shared by all employees.

2018 will therefore be the year of many challenges, the most competitive of these being to welcome new rival airlines. It will be thanks to the unique positioning and recent development projects on which Air Tahiti Nui aspires to capitalize, for the benefit of its clients, that the difference will be made.

By your side, the journey will continue.

(1) The Business Process Management provides an overview of an organization's work processes and their interaction to optimize and automate them as far as possible.





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