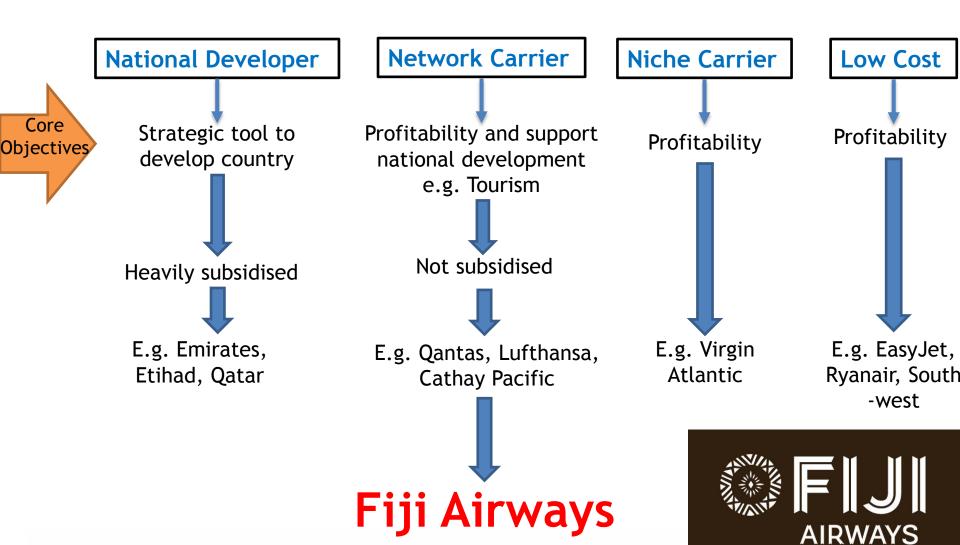




Types of Airlines:





National interest and profitability are not mutually exclusive - Fiji Airways should focus on balancing profitability aligned to national interests



The strategic role of Fiji Airways is to be a profitable national airline



Strategic Role

To be a profitable national airline

Core Objectives:

- Sustained profitability
- ◆ Support inbound tourism and home originating market
- Grow with smart investment
- ◆ Deliver exceptional service with Fijian touch
- Create a culture that encourages innovation and efficiency and rewards creativity

We are the **National Airline of Fiji** proudly **connecting our country to the world** with exceptional **Fijian** hospitality

Through innovative **Employees** determined to exceed the expectations of our **Customers, we are committed** to delivering **sustained profitability** in a **socially responsible** manner

4



Air Access - The Reality



5

Air Service Agreements - ASAs



 Bilateral air transportation agreement between two sovereignties regulating the air services.

Altogether there are 28 ASAs that Fiji has negotiated:

- 1. Australia
- 2. Canada
- 3. Chile
- 4. China
- 5. Cook Island
- 6. France
- 7. Germany
- 8. Hong Kong
- 9. India
- 10.Japan
- 11.Kiribati
- 12.Malaysia
- 13.Marshalls
- 14.Nauru

- 15. New Zealand
- 16. Niue
- 17. Papua New Guinea
- 18. Samoa
- 19. Singapore
- 20. Solomon
- 21. South Korea
- 22. Thailand
- 23. Tonga
- 24. Turkey
- 25. Tuvalu
- 26. United Kingdom
- 27. USA
- 28. Vanuatu



Air Service Agreements - Types of ASAs

	Traditional ASA	Liberal ASA	Open Skies
	Specifies number of carriers, aircraft, flights, seats, routes, cities and pricing mechanisms	Provides flexibility and less government control over number of carriers, aircraft, flights, seats, routes and pricing based on market conditions	Unrestricted flights, seats, routes and pricing based on market conditions
Australia	 ✓ 6,500 seats per week ✓ 140 tonnes freight per week ✓ Australia - Sydney, Melbourne, Brisbane & Perth plus 2 points beyond Australia ✓ Fiji- Nadi, Suva plus 6 points beyond Fiji 		
New Zealand		 ✓ no capacity constraint ✓ New Zealand - Auckland, Wellington & Christchurch plus 5 points beyond New Zealand ✓ Fiji - Nadi plus 10 points beyond Fiji 	

7

Air Service Agreements - Types of ASAs...cont



	Traditional ASA	Liberal ASA	Open Skies
USA			Unlimited (no seat/flight restrictions) & multiple points beyond
Hong Kong		 ✓ no capacity constraint ✓ Multiple points beyond excluding mainland China 	

Control Liberalization

Open Skies



What is Open Skies?

- ♦ Highly Liberalised air service environment between sovereignties that allows unlimited access to all destinations/routes and often includes no restrictions on intermediate and beyond traffic.
- Open Skies is expected/promised to:
 - √ boost flight frequency
 - √ enhance connectivity
 - √ increase traffic (passengers)
 - ✓ lower ticket prices



Open Skies





- Uncontrolled liberalising of ASAs does not create win-win situations
 - ✓ Major beneficiaries are the larger/industrialised countries/airlines.
 - ✓ Aviation history is littered with the carcasses of national airlines when smaller countries sign Open Skies with much bigger countries. This always works in the favour of the large carriers/countries.

For small island economies:

- ✓ There is no historic evidence of strong economic growth post liberalisation of skies
- ✓ Liberalisation leads to reduced stability of airline supply & less Government control
 - Foreign Airlines will serve Fiji based on home economics & route profitability
 - There may be a capacity growth but no evidence of real increase in tourist traffic
 - Fiji could end up with excess capacity or undersupply (note the current situation of Tonga & the Cook Islands)
 - Unfair competition can pose threats to jobs and long-term viability of National airline.
 - Loss of foreign currency earnings



In past 10 years more than 80 small national carriers have failed/disappeared. Some of them are:

- Cyprus Airways
- ♦ Estonian Air
- ◆ Air Nigeria
- Ghana Airways
- Air Ivoire
- Air Gabon
- Air Jamaica
- Air Malawi
- Air Mauritanie
- Mexicana
- Armavia Airline
- Sabena
- Wings of Alaska
- Monarch Airlines
- Air Berlin



Fiji Airways



Way Forward

Fiji Airways recommends the Government of Fiji to continue with its policy of controlled liberalisation.





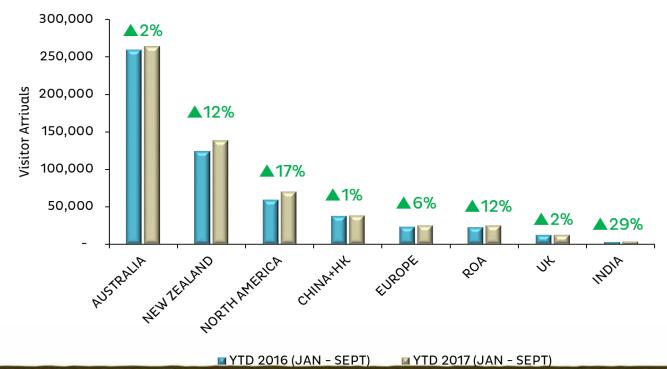


 Tourism is a major economic contributor with an average 4.8% growth over past 4 years

Tourism
Growth
(Visitor
Arrivals)

2013	2014	2015	2016	2017
658,866	692,630	754,835	792,320	
				6.5% YTD
-0.3%	5%	9 %	5%	

YTD 2017 (JAN - SEPT): VISITOR ARRIVALS





- Significant role played by Fiji Airways:
 - Growth in seats offered

Capacity Growth

2013	2014	2015	2016	2017
1,321,471	1,286,678	1,404,310	1,549,411	1,676,463
	-3%	9%	10%	8%

Growth in passengers

FJ Passengers Growth

2013	2014	2015	2016	2017
979,542	1,033,869	1,108,664	1,156,570	1,297,780
	6%	7%	4%	12%

Load Factor

79%	83%	82%	73%	77%
-----	-----	-----	-----	-----

65% of all arrivals and departures carried by Fiji Airways



- Significant role played by Fiji Airways:
 - New Destinations



- ♦ Major foreign currency generator for Fiji
 - Keeping it within the economy





- Significant role played by Fiji Airways
 - **♦ TC Winston**



Fiji Airways supported recovery initiatives through deep discounting fares

- approx. contribution of \$45million
- Annual spend on marketing with offices in AU, NZ, US, HKG & SIN

Spend (\$million)

2013	2014	2015	2016	2017
14,1	15,5	16,3	21,6	22,1







- Significant role played by Fiji Airways
 - ◆ Growth in Codeshare and Interline Alliance Partners <u>improves penetration in the Destination</u>

Air Caledonie	China Southern Airlines	Jetstar Japan
Air Canada	Delta Airlines	Jetstar Pacific Airlines
Air France/ KLM Royal Dutch Airlines	El Al Israel Airlines	Korean Air
Air New Zealand	Ethiopian Airlines	Malaysian Airlines
Air Niugini	Etihad Airways	Qantas Airways
Air Vanuatu	Finnair	Qatar Airways
Alaska Airlines	Garuda Indonesia	Shri Lankan Airlines
All Nippon Airways	Hahn Air	Singapore Airlines
American Airlines	Hainan Airlines	Solomon Airlines
Asiana Airlines	Hawaiian Airlines	Thai Airways
British Airways	Hong Kong Airlines	Turkish Airlines
Cathay Pacific Airways/ DragonAir	Japan Airlines	Virgin America
China Airlines	Jet Airways	Virgin Atlantic
China Eastern Airlines	Jetstar	Virgin Australia
		Westjet











Significant role played by Fiji Airways

4% organic growth

Objective to grow Fiji Airways by at least 8% per annum

4% new footprint

Passengers

				5 Tears						5 10015		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(million)	1,157	1,298	1,402	1,514	1,635	1,766	1,907	2,059	2,224	2,402	2,594	2,802

Aircraft

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Widebody	4		+1			+1			+1			+1
Narrowbody	5			+1			+1			+1		

10 Year Plan









Widebody: 8

Narrowbody: 8

ATR: 3

Twin otter: 4



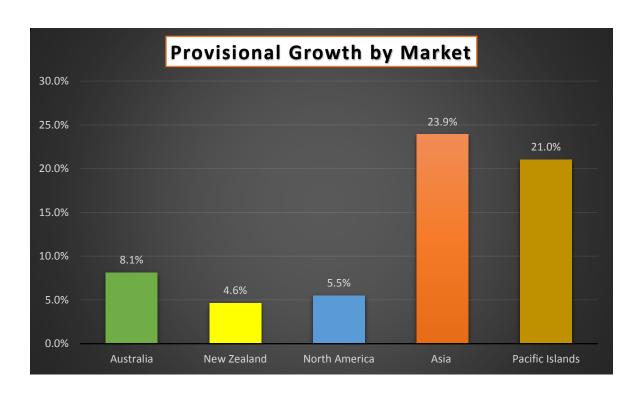
Total - 23 aircrafts





- Significant role played by Fiji Airways
 - Provisional Growth Planned for 2018

Network	Australia	New Zealand	North America	Asia	Pacific Islands
10.9%	8.1%	4.6%	5.5%	23.9%	21.0%







Fiji (The Destination) in 10 Years

3 Years - 2020										
Passengers	1,635m		23.10%							
Jets	11									
Props	7									
5Years - 2022										
Growth vs.										
Passengers	1,907m		46.20%							
Jets	13									
Props	7									
10 Years - 2027										
Growth vs.17										
Passengers	2,802m		115.40%							
Jets	16									
Props	7									

?

Fiji Infrastructure has to grow to match this supply:

- Accommodation
- Nadi Airport





be the most loved, the most flown and the 3150 most profitable airline in the pacific

Vision

Strategic Economic Impact - Fiji Airways

To deliver the planned growth objective (8% per year), Fiji Airways must accomplish its 9 Critical Success Factors (CSFs)

Corporate Vision Statement

To Be the Most Desired, Most Flown, **Most Profitable** Airline in the South **Pacific**

Most Desired

To be loved by our employees, to be loved by our partners and to be loved by our customers To be loved for:

our unique Fijian Hospitality &

- · welcoming you to our home
- · taking you on the journey to where happiness finds you



Most **Flown**

Connecting the world to the **South Pacific** with more direct flights and our **Partner Networks**



Most **Profitable**

Our relentless pursuit for sustainable high performance



Critical Success Factors

SAFETY & SECURITY

Un-compromisable safety first regime

Attract, retain and grow great people

CUSTOMER (Service Quality)

Consistently delight our customers by providing unique travel experience in a genuine Fijian way

NETWORK CONNECTIVITY& REVENUE MANAGEMENT

Ensure profitable network & connectivity growth, and effective Revenue Mgt

STRATEGIC ALLIANCES

Drive International growth by forging strong strategic alliance partnerships

BRANDING, MARKETING, SALES & DISTRIBUTION

Grow a profitable customer base in all

FINANCIAL PERFORMANCE

(Sustainable Profitability) Embed a financial framework ensuring profitable growth, relentless cost improvement, capital discipline & risk management

OPERATIONS

Always maintain operational reliability and integrity

TECHNOLOGY

Drive system and process improvements through technology

RESPECT FOR ALL

We will demonstrate our respect for all by treating everyone as important

colleagues, customers, and

istening and learning & giving back We respect and appreciate the value and input of every individual.

WORK AS ONE

We operate as a team for the good of the customer and the good of the

We put others before ourselves. We will work together to achieve common goals, demonstrate company values and have a duty of care to each other and everyone.

EMBRACE CHANGE

We are innovative, flexible and open to

We celebrate our achievements We are committed to continuous improvement We welcome change for the

opportunity that it brings

PASSION TO BE THE BEST

We will make a difference, everyday, by our will-do attitude, our focus on success and by going the extra mile. We have a commitment to ourselves. our customers, our communities, our business partners, and our shareholders to demonstrate that we are a world-class airline.

We live Fiji, we love Fiji, we are Fiji We are warm, welcoming, friendly: hospitable.

We demonstrate how proud we are of Fiji

excellence

FIJIAN FLAG-BEARERS

We always deliver service

The Brand of Fiji Airways & Country Fiji (around world) are inseparable! Many of our CSFs directly impact 'Brand Fiji'

Brand Fiji

Accomplishing our 9 CSFs is progressing to plan -achievements for selected CSFs to date:

CUSTOMER (Service Quality)
Consistently delight our customers by providing unique travel experience in a genuine Fijian way

A number of major improvements underway to lift Service Quality

New modern and fuel efficient aircrafts:



- ✓ Landmark deal for acquisition of five new generation Boeing 737 MAX 8 Aircraft burns 15% less fuel First B737 MAX 8 arrives November 2018.

 Program costing in excess of US\$500m.
- Expand and refresh Twin Otter fleet with acquisition of three brand new VIKING DHC-6 Series-400 Twin Otter aircraft plus option for 4th.



- Uplifting Service Quality
 - ✓ Completion of Phase 1 of the UP! Your Service Programme:
 - Inspiring Service Leadership sessions with Ron Kaufman
 - 1,140 Staff (83% of our team) have attended 2-day 'Achieving Superior Service' Workshops
 - 88 Staff have earned Bronze Star Awards for Stepping UP!

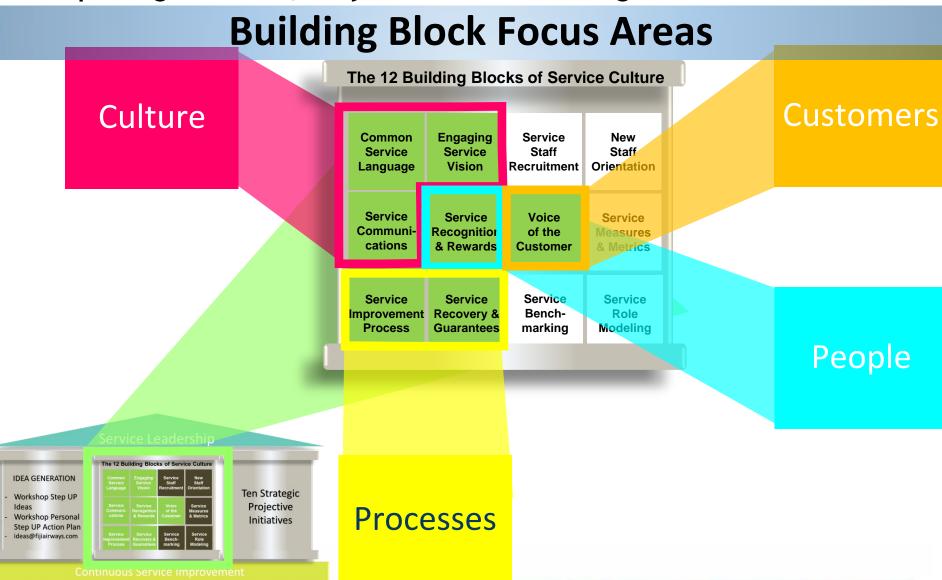


- ✓ Phase 2 of UP! Your Service Programme now launched:
 - Application Sessions to review and improve all systems and processes

Fiji Airways 23



Uplifting Service Quality - 12 Service Building Blocks



24













- √ Voice of the Customer
 - One of the 12 UP! Your Service Building Blocks is Voice of the Customer, where we get insights on what our customers think of us and the service they receive, and then use this information to selfevaluate for improvement
 - There are various ways we currently receive feedback from our customers, both internal and external. These are:
 - Direct feedback via onboard Guest Feedback Surveys 1500 completed forms per month from across our international network
 - Direct contact total of 500 per month via emails and phone calls to Customer Care
 - 'Tell Us' cards
 - Social Media including Facebook, twitter, TripAdvisor
 - SKYTRAX ongoing ratings

- Uplifting Service Quality
 - ✓ New Customer Experience Team has already delivered significant product and service improvements



 Premier Service Team (PST) to take care of our special guests



 Full-time Executive Chef & new Celebrity Chef to improve menus and meal standards.



 Brand new "Premier Lounge" at Nadi (NAN) nearing completion - 2/3 weeks

(Already moved to new lounges in LAX and HKG)

- Uplifting Service Quality
 - ✓ New Customer Experience Team has already delivered significant product and service improvements





- iPads for entertainment in B737 and ATR 72 Business Class Cabins.
- Headsets (IFE) can be used from gateto gate.
- Dedicated Quiet Zone on the A330-300
- More extensive IFE offering, with more movies, TV shows and music.
- Introduced Children's Meals onboard.
- Improved Frequent Flyer Benefits with Partner Airlines.
 - Qantas
 - American Airlines
 - Cathay Pacific
 - Alaska

Uplifting Service Quality

✓ New Customer Experience Team has already delivered significant product and service improvements









- Resort Check-in product a great success, official launch on Monday (30 Oct).
- Bula Bid "Upgrade Now" System launched -new initiative which allows our Economy Class customers to bid for upgrades to Business Class on international flights

Awards Won:

- World Travel Awards -Australasia's Leading Inflight Magazine
- APEX 4-Star Official Airline rating for Major Regional Airline





Uplifting Service Quality

? Encourage our Tourism Partners to continue to do the same -

STEP UP! SERVICE QUALITY







Fiji Airways 29

 Establishing Fiji as a leading Aviation Centre of Excellence in South Pacific





- CAE Boeing 737
 MAX 8 Full Flight
 Simulator deal
 finalised.
- CAE Airbus A330
 Full Flight Simulator
 progressing well.

✓ Fiji Aviation Academy (FA) Project progressing to plan





- Going Greener
 - ✓ Contribution to and support for Fiji's Presidency of the COP 23 Environmental Program



Goal: 2,500 Actual no. of trees planted: 5,000+

✓ 2018 Program – remove all inflight plastic bags from blankets, duvets, headsets, etc.



Logos across entire A330 and B737 fleet







Fiji Airways 31

- Going Greener 2018 Program
 - ✓ Customer Carbon Offset Program



- 1. Implementing a Customer Carbon Offset Program
- 2. Purchase Carbon Offsets integrated with booking systems (flow)
- 3. 100% of your contribution goes towards verified and accredited 'Green' Programs

✓ Deeper cuts in Carbon Emission

New Generation Long Haul Aircraft - Currently undertaking a campaign for future replacement of our A330's with new generation (Carbon Fibre) aircraft like AIRBUS 350 or BOEING 787 - burns 25% less fuel





 Concluded for the First Time a ground-breaking partnership between Fiji Airways and Tourism Fiji (TF) to produce unprecedented benefits for both



- ✓ Underpinned by a **definitive MOU** that generates synergistic results
- √ Fiji Airways and TF combine their unique assets and attributes into a stronger

brand platform which:

- 1. Supercharges the combined marketing efforts
- 2. Leverages the 'tools' and strengths of each party
- 3. Produces a cohesive and reinforced message to the world about the 'Brand Fiji'
- 4. Saves cost
- ✓ Fosters greater reach that neither could accomplish individually to robustly take the name 'Fiji' around the world to the highest-potential markets
- Creates combined branding and transactional activities for considerably more effective campaigns, 'tell the story', create the desire, book today. In other words, an immediate call to action
- ✓ Access to global aviation data now gives TF greater clarity into future market demand
- ✓ Allows TF to expand its reach and effectiveness of Familiarisation Programs

Fiji Airways 33

Fiji Airways has a 5 Year + 5 = 10 Year Master Plan





Does rest of the Tourism Industry in Fiji have same & how do we align this

STRATEGIC OBJECTIVES CRITICAL SUCCESS FACTORS VISION VALUES **KEY PERFORMANCE** SAFETY & SECURITY INDICATORS Embed a company-wide Just Safety Culture - PD/SA Number of non-mandatory occurrence reports Ensure rigid regulatory compliance through a robust Quality Assurance Programme - PD/SA SAFETY & SECURITY Maintain a safe and secure work environment AV/SA Number of medium-high risk incidents. Un-compromisable safety first regime RESPECT FOR ALL Number of regulatory non compliances. PEOPLE We will demonstrate our Implement Employee Step UP Plans reward programme - DS Safety climate survey index. ъ Implement an Employee Performance Management System (EMS) (ec@PS) - AV/DS respect for all by treating Implement Employee Development, Talent Management & Succession Programme (Passports & E-Learning) be everyone as important Conduct periodic Employee Climate & Engagement Surveys - DS Step UP Plans rewards Progrm in place PEOPLE the most desired, the most flown and the most profitable airline in the pacific - colleagues, customers, and Implement a robust Ethics programme - AV/DS EPMS Launched, Empl Dev. Program Launched. Attract, retain and grow great people community. Drive a Women in Leadership programme - AV/DS Achieve: # of Training days/employee; Employee Foster a culture that embraces diversity - All EGMs Listening and learning & giving back engagement level, Absenteeism Rates, # of Implement Departmental Job Sizing and Manpower Planning - DS + All EGMs We respect and appreciate the value women in leadership. Maintain Staff turnover rates CUSTOMER (Service Quality) and input of every individual. Continue Customer Experience & Product Development Improvements SV CUSTOMER (Service Quality) Implement BRS, Rollout Resort Check-in to key WORK AS ONE Implement SKYTRAX improvements to attain 4Star rating & the deliver Brand & Service Promise SV/DS Consistently delight our customers by locations; Customer satisfaction ratio%. Reduction Implement steps/processes to ensure sustainability of the UYS programme - SV/DS + BB EGMs We operate as a team for the good of providing unique travel experience in a in all customer complaints. Increase in customer Develop a strong CRM Capability – SV/AS/GP the customer and the good of the Empowerment for immediate Service Recovery - All EGMs genuine Fijian way compliments %. Increase in # of quality Tabua company. Secure custody of baggage - RC/GP members. We put others before ourselves. NETWORK CONNECTIVITY & REVENUE MANAGEMENT NETWORK CONNECTIVITY& Embed a Network Profitability Mindset - All EGMs We will work together to achieve REVENUE MANAGEMENT Optimise NAN hub connectivity/performance Target and implement an 8% annual network growth (4% organic, 4% new footprint) - AS common goals, demonstrate company Fleet Utilization, RASK, QSI rating Ensure profitable network & connectivity Ensure effective schedules, connectivity & leverage of Fiji Hub - Passenger & Freight - AS/WS values and have a duty of care to each Network profitability Drive Fleet usage optimisation - AS growth, and effective Revenue Mgt other and everyone. Achieve PAX Revenue Targets Optimise Revenue Management across all routes - AS Lobby on air access policy to assist FJ to build up a portfolio of suitable air access rights - AS/SV EMBRACE CHANGE Focus on increasing depth (frequency) on existing markets - AS STRATEGIC PARTNERSHIPS We are innovative, flexible and open to YOY Increase Launch Fiji Holidays - AS Drive International growth by forging Rev from codeshare booking on FJ (OA*). STRATEGIC PARTNERSHIPS We celebrate our achievements segments booked by FJ on codeshare. strong strategic alliance partnerships. Explore Forward/Backward integration opportunities - All EGMs We are committed to continuous Global Membership Alliance appropriate. S&M Develop effective airline alliance partnerships with specific joint marketing and sales plans - MC Plans for all codeshare partners existing & used. De-risk international growth by establishing strong (passenger & freight) alliance partnerships - MC/AS improvement BRANDING, MARKETING, SALES & Evaluate joining a Global Branded Alliance (e.g. oneWorld) - MC We welcome change for the Achieve: Pax revenue, channel mix & COS BRANDING, MARKETING, SALES & DISTRIBUTION DISTRIBUTION opportunity that it brings Raise brand awareness and ensure strict conformity to brand guidelines - MC+All EGMs targets. Increase in: - web conversions Grow a profitable customer base in all PASSION TO BE THE BEST Be a good corporate citizen - AV+AII EGMs brand awareness (meas, by Brand Tracker); Develop & implement aggressive marketing & sales plans - Passenger & Freight MC/ASt/WS We will make a difference, everyday, share of voice (SOV) across all direct markets: -Optimise channel mix - MC/ASt by our will-do attitude, our focus on unique visitors FINANCIAL PERFORMANCE Grow new revenue streams (ancillary revenue) - MC/ASt success and by going the extra mile. (Sustainable Profitability) Embed a FINANCIAL PERFORMANCE (Sustainable Profitability) Technical + Product Commonality, Avg A/C Age, Fuel We have a commitment to ourselves. Invest in a simplified, modern fuel efficient fleet - NC/AS financial framework ensuring profitable Burn/block hr. Achieve: Budgeted PBT, Op. Margin%, our customers, our communities, our Drive relentless cost monitoring and improvement actions - NC+All EGMs growth, relentless cost improvement, CASK Reduction%, Budgeted & Cash Bal, Functional Implement adequate financial risk mitigation (Fuel & FX Hedges) - NC business partners, and our capital discipline & risk management cost review held per yr. Cost per ASK excl fuel. Ensure a robust Capital Structure - NC shareholders to demonstrate that we Weighted Avg Cost of Capital, %Findings resolved in Ensure the cost effective procurement of products and services (Procurement Department) - NC+AII EGIMs are a world-class airline. OPERATIONS agreed time Ensure timely resolution/fixes of all (external/internal) audit findings- NC All EGMs Reduce: # of equipment changes by x%: # of open FIJIAN FLAG-BEARERS Embed a culture of cost frugality - NC+All EGMs Always maintain operational reliability MEL items by x%. Improve baggage performance to We live Fiji, we love Fiji, we are Fiji and integrity x/1000. OTP (390) Disruption Costs (reduction). # Achieve the Target of 390 for OTP - PD/RC/AD/TR/GP/SV We are warm, welcoming, friendly; Significant Disruptions (>2 Hours). Cancellations Implement fuel monitoring and saving programmes - AD hospitable. (Less than 0.5% of Flights). Fuel reduction of 1.5% Accelerate pilot localisation programme - AD We demonstrate how proud we Optimise major maintenance programmes - TR TECHNOLOGY across Group Implement robust disruption handling across the Network - PD/RC are of Fiji Drive system and process improvements Waste quantified and eliminated We always deliver service Projects portfolio implemented. through technology Simplify & automate all systems & processes aligning to best practice via Application Sessions - GP+All EGMs excellence Programme delivered to time, cost & specification. Invest in appropriate leading edge technology - GP+All EGMs Zero total systems failures. Accelerate the rapid implementation of customer facing digital technology - GP/MC/ASt Nil penetrations or data loss. Complete implementation of disaster recovery & business continuity programmes - GP + All EGMs Skillsets acquired and deployed. Improve data and cyber security - GP Exploit Business Intelligence capabilities - GP/AS

VINAKA





Value Proposition - No Significant fare increase over past 10 years

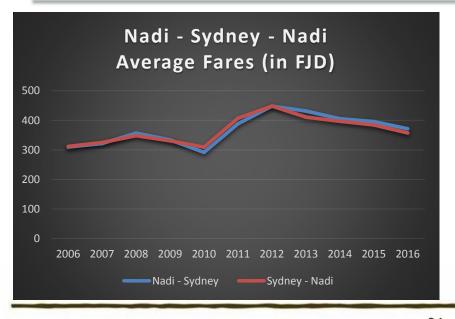
Average fares over the last 10 years – Economy Class (in FJD)

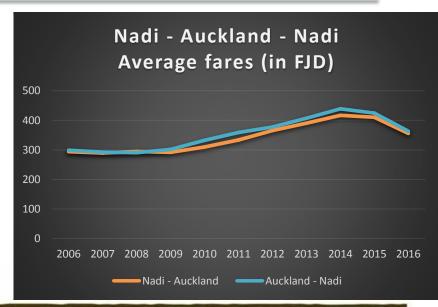
Nadi – Sydney – Nadi

	Routes	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ı	Nadi - Sydney	309	322	356	334	292	388	448	431	405	396	371
	Sydney - Nadi	312	325	348	331	309	407	448	411	397	384	357

Nadi – Auckland – Nadi

Routes	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nadi - Auckland	294	289	295	291	310	334	365	390	417	410	356
Auckland - Nadi	299	292	291	302	332	359	377	407	439	424	363





Fiji Airways 36

Open Skies

Playing Fields Not Equal



Middle East Carrier (MEC) flying to Island Country

No correlation between MEC Capacity & Tourist Arrivals

