

FLIWAY GROUP LIMITED

INVESTMENT STATEMENT

INITIAL PUBLIC OFFERING OF ORDINARY SHARES IN FLIWAY GROUP LIMITED
6 March 2015



IMPORTANT INFORMATION

[The information in this section is required under the Securities Act 1978.]

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to www.fma.govt.nz.

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check—

- the type of adviser you are dealing with;
- the services the adviser can provide you with;
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at www.fspr.govt.nz.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

Important notice

This Investment Statement has been prepared in accordance with the Securities Act and the Securities Regulations. It is prepared as at, and dated, 6 March 2015. There is a registered prospectus containing an offer of securities to which this Investment Statement relates.

Fliway and the Selling Shareholders are the issuers of the Offer Shares for the purposes of the Securities Act.

This Investment Statement is an important document and should be read carefully before deciding whether or not to invest in Fliway. You should be aware that other important information about Fliway, the Offer Shares and the Offer is set out in other documents, including the Constitution, the Prospectus and the financial statements of Fliway.

No one is authorised to give any information or make any representation in connection with this Offer which is not contained in this Investment Statement, the Prospectus or in other communications from the Directors or the Issuers. You should not rely upon any other information or representation.

If you are in any doubt as to any aspect of the Offer, you should consult your authorised financial adviser, legal adviser or an NZX Firm or Broker.

You should seek your own taxation advice on the implications for you of an investment in the Offer Shares.

No guarantee

No person guarantees the Offer Shares offered under this Investment Statement. No person warrants or guarantees the performance of the Offer Shares or any return on any investments made pursuant to this Investment Statement.

Selling restrictions

The Broker Firm Offer is being made to New Zealand resident Retail Investors and the Institutional Offer is being made to selected Institutional Investors in New Zealand and in Australia.

You may not offer, sell (including resell) or deliver, or invite any other person to so offer, sell (including resell) or deliver, any Offer Shares or distribute any documents (including this Investment Statement) in relation to the Shares to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with Fliway, by applying for Offer Shares under the Offer, you will, by virtue of such Application, be deemed to represent that you are not in a jurisdiction which does not permit the making to you of an offer or invitation of the kind described in this Investment Statement and are not acting for the account or benefit of a person within such a jurisdiction. None of Fliway, or any of its directors, officers, employees, consultants, agents or advisers, nor the Selling Shareholders, accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

Forward looking statements

This Investment Statement contains certain statements that relate to the future, including, in particular, the information set out in the Appendix *Prospective Financial Information*. Forward-looking statements should be read together with the other information in this Investment Statement and the Prospectus, including the risk factors in Section 8 *What Are My Risks?* of this Investment Statement and the assumptions and the sensitivity analysis set out in the Appendix *Prospective Financial Information*.

Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Fliway and which may cause the actual results, performance or achievements of the Offer Shares to differ materially from those expressed or implied by such statements.

Definitions

Capitalised terms used in this Investment Statement have the specific meaning given to them in Section 11 *Glossary* (including certain industry specific terms with which you may not be familiar).

Unless otherwise indicated, \$ refers to New Zealand Dollars and all references to times and dates are to times and dates in New Zealand.

This Investment Statement refers to New Zealand legislation in force as at the date of this Investment Statement. You can view free of charge copies of any such legislation online at www.legislation.govt.nz.



INITIAL PUBLIC OFFERING

OFFER PRICE SET AT \$1.20 PER SHARE

KEY OFFER STATISTICS

The following table highlights key Offer statistics based on the Offer Price and based on Fliway undertaking a Share split so that it has 45.4 million Shares on issue upon completion of the Offer.

For further information on the Offer please refer to the Prospectus and Investment Statement at www.fliwayoffer.co.nz. To apply for Shares under the Offer you must fill out a Broker Firm Application Form accompanying the Investment Statement.

Capitalised terms used in this announcement have the meanings given to them in the Investment Statement and / or Prospectus.

Offer Price	\$1.20
New Shares being offered	7.5 million
Number of Existing Shares being offered	13.3 million
Number of Offer Shares	20.8 million
Offer size	\$25.0 million
Shareholding of the Selling Shareholders upon completion of the Offer	54.2% ¹
Indicative market capitalisation	\$54.5 million ²
Net debt on completion of the Offer	\$12.5 million ³
Indicative enterprise value	\$67.0 million ⁴

KEY INVESTMENT METRICS

The following table highlights key Offer statistics and should be read in conjunction with Section 10 *Details of the Offer* of the Prospectus. These metrics are provided to help you assess the value of Fliway. The calculations are presented based on the Offer Price and are explained further in the table set out at the end of Section 11 *Glossary* of the Prospectus.

	FY15F	12M Dec 15F
Enterprise value / EBITDA	7.7x	7.0x
Enterprise value / EBIT	10.1x	9.4x
Market capitalisation / NPAT	13.9x	12.0x
Cash dividend yield	5.0%	5.8%
Gross dividend yield	7.0%	8.1%

KEY DATES

This timetable is indicative only and the dates may change. Fliway, in conjunction with the Arranger and Lead Manager, reserves the right to vary or extend these dates. Fliway may also withdraw the Offer at any time before the Allotment Date or accept late Applications (either generally or in individual cases).

Opening Date	18 March 2015
Closing Date	1 April 2015
Allotment and dispatch of holding statements	8 April 2015
Expected commencement of trading on the NZX Main Board ⁵	9 April 2015
Expected payment of first dividend	September 2015

1. Based on the number of New Shares being offered by Fliway and the number of Existing Shares being sold by the Selling Shareholders under the Offer.
2. Calculated as total number of Shares upon completion of the Offer multiplied by the Offer Price of \$1.20.
3. Net debt on completion of the Offer is equal to forecast total debt upon completion of the Offer of \$12.5 million.
4. Calculated as indicative market capitalisation plus net debt on completion of the Offer.
5. Application has been made to NZX Limited (**NZX**) for permission to list Fliway and to quote the Shares on the NZX Main Board and all of the requirements of NZX relating to that application that can be complied with on or before the date of this announcement have been duly complied with. However, NZX accepts no responsibility for any statement in this announcement. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the Financial Markets Conduct Act 2013.

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Important notice

This document is an investment statement. The purpose of an investment statement is to:

- provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for securities; and
- bring to the attention of such a person the fact that other important information about the securities is available to that person in other documents.

For more information to assist you in deciding whether or not to purchase the Shares offered to you, you are recommended to read the Prospectus which has been prepared in respect of this Offer.

The Prospectus, which includes the most recent financial statements of Fliway, can be obtained, free of charge:

- by downloading it from www.fliwayoffer.co.nz; or
- from the Companies Office website at www.business.govt.nz/companies.

FLIWAY SNAPSHOT



400+
STAFF



170+
VEHICLES

FLIWAY IS ONE OF NEW ZEALAND'S LARGER INDEPENDENT AND LOCALLY OWNED SPECIALISED TRANSPORT AND LOGISTICS COMPANIES WITH A NATIONWIDE PRESENCE AND STRONG GLOBAL FREIGHT FORWARDING RELATIONSHIPS.¹

Fliway's activities include transporting and warehousing freight in New Zealand and co-ordinating the movement of freight internationally, including arranging customs clearance and associated border clearance activities.

Fliway also has a 50/50 joint venture (**UPS-Fliway**) for express package delivery with United Parcel Services (**UPS**), one of the world's largest package delivery companies.

Domestically, Fliway delivers over 2 million pieces of freight per annum and processes, on average, over 25,000 units of freight per day across 27,750 square metres of warehousing facilities. Fliway also handles approximately 9,000 international shipments and 96,000 customs clearances per annum. From these services, Fliway generated revenue and EBITDA of \$81.5 million and \$8.3 million respectively.²

Fliway services over 1,000 customers across specialised domestic transport, warehousing and international Freight Forwarding. These services are provided by over 400 team members, a fleet of over 170 vehicles and a footprint of 11 branches and 5 warehouses across the country.

1. For more information on Fliway's position in the New Zealand freight industry, refer to Section 5.5 *Competition*.

2. For the year ended 30 June 2014 on a Pro Forma basis. For more information refer to Section 2.5 *Selected financial information*.



GLOBAL
NETWORK



HOME



RETAIL



BUSINESS




16
SITES
NZ WIDE



**TWO
OFFER AT
A GLANCE**



This is an initial public offering of Shares in Fliway Group Limited. This section summarises the key terms of the Offer and provides selected financial information. Please see Section 9 *Financial Information* and Section 10 *Details of the Offer* for further information.

2.1 PURPOSE OF THE OFFER AND USE OF PROCEEDS

Fliway Group Limited is currently 100% owned by the Selling Shareholders. The Offer includes an offer of Existing Shares by the Selling Shareholders and an offer of New Shares by Fliway.

The Offer is being made to allow the Selling Shareholders to realise a portion of their investment and provide Fliway with capital which it intends to use to repay Shareholder Loans, reduce term loan facilities and pay the costs of the Offer. The repayment of Shareholder Loans and a reduction in term loan facilities will provide Fliway with greater flexibility to capitalise on future growth opportunities as they arise. In addition, the Offer will also provide Fliway with opportunities for on-going access to capital markets, increase its profile and provide an opportunity for Fliway to broaden its investor base.

The indicative proceeds of the Offer are estimated to be \$27.3 to \$44.5 million from the sale of approximately 22.7 million to 31.8 million Shares. Between \$18.2 million and \$35.5 million of the Offer proceeds will be received by the Selling Shareholders, who will retain between 30% – 50% of their Shares in Fliway following the Offer. The balance of the Offer proceeds (expected to be \$9.0 million) will be received by Fliway.

Sources	\$m	Uses	\$m
Sale of Existing Shares	\$26.4	Proceeds from Existing Shares to the Selling Shareholders	\$26.4
Issue of New Shares	\$9.0	Proceeds from issue of New Shares to Fliway to be applied to:	\$9.0
		• Repayment of Shareholder Loans (\$2.8)	
		• Reduction in term loan facility (\$3.7)	
		• Transaction costs (\$2.6)	
TOTAL	\$35.4	TOTAL	\$35.4

This table is indicative only and assumes that the Offer Price is set at the mid-point of the Indicative Price Range and the Selling Shareholders retain a stake of 40% (i.e., the mid-point of the sell down range). Numbers are rounded to the nearest hundred thousand, which may result in some minor discrepancies between the sum of components and totals.

2.2 OFFER STRUCTURE

The Offer comprises the Broker Firm Offer and the Institutional Offer. There is no public pool. The Offer is not underwritten.

- The Offer Price will be announced prior to the Broker Firm Offer opening and may be above, within, or below the Indicative Price Range.
- Indicative only. The actual number of Existing Shares to be offered by the Selling Shareholders will only be known at the conclusion of the Bookbuild following a Share split of the 102 Existing Shares.
- Indicative only. Based on the Selling Shareholders selling down the minimum number of Existing Shares at the low end of the Indicative Price Range and the maximum number of Existing Shares at the high end of the Indicative Price Range.

2.3 KEY DATES

Prospectus registered	6 March 2015
Bookbuild, pricing and allocation	17 March 2015
Opening Date	18 March 2015
Closing Date	1 April 2015
Allotment and dispatch of holding statements	8 April 2015
Expected commencement of trading on the NZX Main Board	9 April 2015
Expected payment of first dividend	September 2015

This timetable is indicative only and the dates may change. Fliway, in conjunction with the Arranger and Lead Manager, reserves the right to vary or extend these dates. Fliway may also withdraw the Offer at any time before the Allotment Date or accept late Applications (either generally or in individual cases).

2.4 KEY OFFER STATISTICS

The following table highlights key Offer statistics based on the lower and upper values of the Indicative Price Range and based on Fliway undertaking a Share split once the Offer Price is known so that it has 45.4 million Shares on issue. These key Offer statistics should be read in conjunction with Section 10 *Details of the Offer*.

Indicative Price Range	\$1.20 – \$1.40 ³
New Shares being offered to raise \$9.0 million (based on the Indicative Price Range)	6.5 – 7.5 million
Expected number of Existing Shares being offered	15.2 – 25.3 million ⁴
Expected number of Offer Shares	22.7 – 31.8 million ⁵
Indicative Offer size	\$27.3 – \$44.5 million ⁶
Total number of Shares on issue upon completion of the Offer	45.4 million ⁷
Shareholding of the Selling Shareholders upon completion of the Offer	30% – 50% ⁸
Indicative market capitalisation	\$54.5 – \$63.6 million ⁹
Net debt on completion of the Offer	\$12.5 million ¹⁰
Indicative enterprise value	\$67.0 – \$76.1 million ¹¹

- Indicative only. Based on the Selling Shareholders selling down the minimum number of Existing Shares at the low end of the Indicative Price Range and the maximum number of Existing Shares at the high end of the Indicative Price Range.
- Based on between 6.5 million and 7.5 million New Shares being issued pursuant to the Offer.
- Indicative only. Based on the Selling Shareholders selling between 15.2 million and 25.3 million Existing Shares and 6.5 million to 7.5 million New Shares being issued pursuant to the Offer.
- The market capitalisation of Fliway based on the Indicative Price Range multiplied by the number of Shares on issue on completion of the Offer (assuming between 6.5 million and 7.5 million New Shares are issued pursuant to the Offer).
- Net debt on completion of the Offer is equal to forecast total debt upon completion of the Offer of \$12.5 million.
- Enterprise value (EV) is equal to the sum of the indicative market capitalisation and the net debt position on completion of the Offer.

FLIWAY
DELIVERING TRANSPORT SOLUTIONS



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TRANSIT
CUSTOM



2.5 SELECTED FINANCIAL INFORMATION

The following table shows selected summary financial information for Fliway. Wherever prospective financial information (**PFI**) appears in this Investment Statement you should read that financial information together with the assumptions in the Appendix *Prospective Financial Information* as well as the risk factors set out in Section 8 *What Are My Risks?*. There is no guarantee that the results set out in the PFI will be achieved.

Fliway's financial information

Unless otherwise noted, all of the financial information presented in this Investment Statement is shown on a Pro Forma basis. Fliway believes this Pro Forma information more closely reflects Fliway's post-Offer structure and provides a better basis for investors to compare and assess both historical and prospective financial information. Fliway has made Pro Forma adjustments for forecast one-off listing costs, forecast publicly listed company costs and changes to management remuneration practices. For a full explanation of the term Pro Forma, the adjustments Fliway has made to its financial information and why these adjustments have been made, please see Section 9.3 *Reconciliation of non-GAAP financial information* under the heading "Explanations of Pro Forma adjustments".

	Actual			Prospective		Actual	
	FY12	FY13	FY14	FY15F	12M Dec 15F	1H FY14A	1H FY15A
	12 months ended 30 June 2012	12 months ended 30 June 2013	12 months ended 30 June 2014	12 months ending 30 June 2015	12 months ending 31 December 2015	6 months ended 31 December 2013	6 months ended 31 December 2014
Revenue	73.2	74.4	81.5	85.3	85.6	42.7	44.4
Pro Forma EBITDA comprising:¹²	7.4	7.4	8.3	8.7	9.5	5.2	4.7
Fliway Group	6.3	6.0	7.0	7.3	8.2	4.7	3.9
UPS-Fliway ¹³	1.1	1.3	1.3	1.4	1.3	0.5	0.8
Pro Forma EBIT ¹⁴	6.0	6.1	6.8	6.6	7.1	4.5	3.8
Pro Forma NPAT ¹⁵	3.6	3.6	4.4	3.9	4.5	3.2	2.2

Summary financials

You can find an explanation of trends in financial information and of Pro Forma EBITDA and Pro Forma NPAT, and why Fliway uses these non-GAAP measures of financial performance, in Section 9 *Financial Information*. A reconciliation of statutory NPAT to Pro Forma EBITDA, Pro Forma EBIT and Pro Forma NPAT is also included in Section 9.3 *Reconciliation of non-GAAP financial information*.

Fliway's balance date is 30 June. The comparative prospective financial information for the 12 months ending 31 December 2015 has been provided as additional information to show the readers the 1H16F six month period as part of a full 12 calendar month period. This additional disclosure will enable readers to better compare the period ending 31 December 2015 with the historical Pro Forma financial information presented for FY12 to FY14 and the prospective Pro Forma financial information for FY15F.

The financial information for the six months ended 31 December 2014 is provided to show the performance of the business in the most recent six month period. The financial performance for the six months ended 31 December 2013 has been provided as additional information to enable readers to better compare the financial information for the six months ended 31 December 2014.

Key investment metrics

The following table highlights key Offer statistics and should be read in conjunction with Section 10 *Details of the Offer*. These metrics are provided to help you assess the value of Fliway. The calculations are presented based on the lower and upper values of the Indicative Price Range and are explained further in the table set out at the end of Section 11 *Glossary*.

	FY15F	12M Dec 15F
Enterprise value / EBITDA	7.7x - 8.8x	7.0x - 8.0x
Enterprise value / EBIT	10.1x - 11.5x	9.4x - 10.7x
Market capitalisation / NPAT	13.9x - 16.2x	12.0x - 14.0x
Cash dividend yield ¹⁶	5.0% - 4.3%	5.8% - 5.0%
Gross dividend yield ¹⁷	7.0% - 6.0%	8.1% - 6.9%

Based on the Indicative Price Range. If you acquire Shares in the Offer you will be entitled to prospective dividends on those Shares. There is no assurance that prospective dividends will be paid.

12. Total EBITDA includes 50% of attributable EBITDA from UPS-Fliway. For an explanation of how Fliway calculates EBITDA including, in particular, the attribution of EBITDA from UPS-Fliway and Pro Forma adjustments, see Section 9.2 *Overview of Fliway's financial information* under the heading "Explanation of non-GAAP financial information".

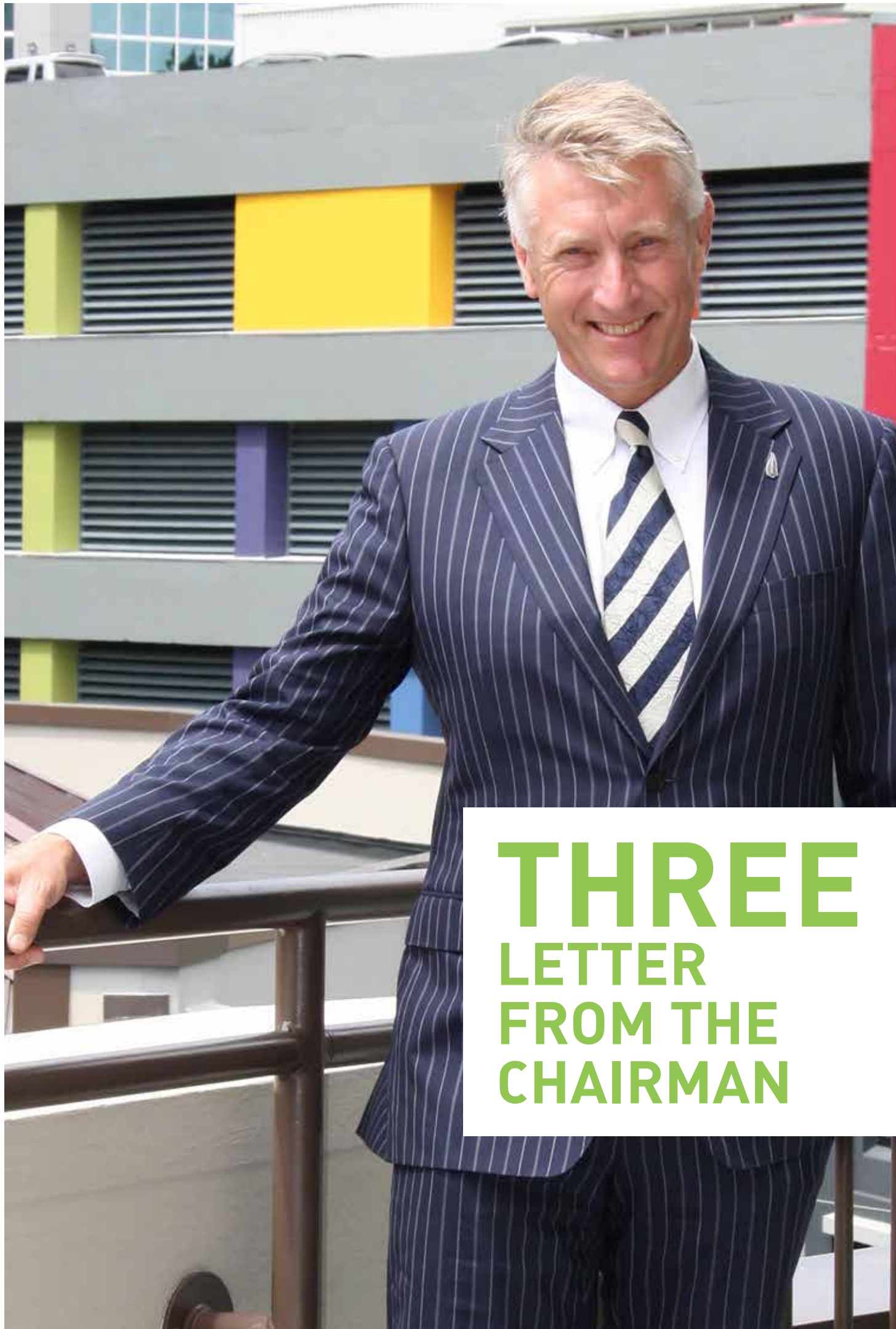
13. Equivalent to 50% of UPS-Fliway EBITDA.

14. Includes contribution from UPS-Fliway.

15. Includes contribution from UPS-Fliway.

16. For FY15F: Annualised calculation based on the forecast dividend for FY2015 to be paid in September 2015 in respect of the three month period from the Allotment Date to 30 June 2015. For 12M Dec 15F: based on the forecast dividend in the 12 month period ending 31 December 2015, assuming a payout ratio of 70% of NPAT. Dividends are payable at the discretion of the Board and are subject to legal tests being met. Fliway's dividend policy is set out in Section 10.6 *About the Shares*.

17. Cash dividend yield grossed up for imputation credits at the New Zealand corporate tax rate. The gross dividend yield is based on the Indicative Price Range.



**THREE
LETTER
FROM THE
CHAIRMAN**

SINCE ITS INCEPTION IN 1977, FLIWAY HAS GROWN TO BE A MAJOR PLAYER IN THE NEW ZEALAND MARKET

On behalf of the Board, it is my pleasure to invite you to become a Shareholder in Fliway Group Limited.

Since its inception in 1977, Fliway has grown to be a major player in the New Zealand market with a large fleet and nationwide footprint.

Fliway operates within the New Zealand freight industry which is typically influenced by gross domestic product (**GDP**). Economic analysis has demonstrated that the New Zealand transport industry is required to grow at a faster rate than GDP to support economic growth and Fliway is well positioned to capitalise on New Zealand's favourable growth outlook over the next two years. While GDP is a key influencer of changes in Fliway's turnover, Fliway's earnings are maximised when its service capacity is optimised for actual demand. For this reason, after a period of sustained growth in demand, Fliway has invested heavily in new capacity across the transport network.

Globally, Fliway has relationships with logistics companies across Australia, Asia, USA and Europe. Fliway's 50/50 joint venture, UPS-Fliway, delivers express packages in New Zealand that originate from the international UPS network and offers small package express courier services to over 220 countries and territories worldwide.

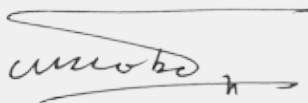
Fliway considers that it has strong differentiators from its competitors. Fliway is able to customise its service offering and deliver a good outcome for customers because of its focus on high service freight which requires a distinct business model and infrastructure that is not easily replicated profitably by Fliway's competitors. Fliway considers that this has resulted in it enjoying good relationships with its customers and long customer tenure.

In addition to prospective growth of the New Zealand freight industry, Fliway is specifically focused on the expansion of revenue, earnings and market share through investment in technology and people, optimising asset utilisation and expanding into new sectors.

Fliway is led by an experienced senior management team who have been with Fliway for a number of years and have proven their capability in managing the business. Duncan Hawkesby will remain as Managing Director and will retain a significant shareholding post-IPO, incentivising him to continue to deliver returns for Shareholders.

This Investment Statement and the Prospectus prepared in relation to the Offer contain detailed information about the Offer, the New Zealand freight industry in which Fliway operates and Fliway's operating and financial performance. Importantly, it also contains information about the risks associated with an investment in Fliway. I encourage you to read it carefully before making an investment decision.

The Board and management are enthused about the future for Fliway. On behalf of the Board, I look forward to welcoming you as a Shareholder.



Yours sincerely,

Craig Stobo



**LETTER
FROM THE
MANAGING
DIRECTOR AND
SHAREHOLDER**

AS PART OF THE IPO, MY FAMILY WILL RETAIN A STAKE OF AT LEAST 30% AND I LOOK FORWARD TO CONTINUING AS MANAGING DIRECTOR OF THE FLIWAY GROUP.

Dear prospective Shareholder,

Fliway has operated as a private business since starting out of a garage nearly 40 years ago. My family acquired the business from its founder in 2006. Fliway has a proud history of providing specialised services within the transport, international Freight Forwarding and logistics industry and a track record of stable cash flows and growing earnings.

An initial public offering (**IPO**) provides my family with the ability to retain a significant shareholding while allowing the business to access capital markets, broaden its investor base and increase its profile. As part of the IPO, we are raising capital to reduce debt which will provide headroom for future growth opportunities.

As the business enters its next phase of growth, I believe that it is important to have the experience and rigour of a high quality board structure to support the business in achieving its goals. To complement the experience of our management team and provide support and guidance moving forward, I have been delighted to welcome two experienced independent directors to Fliway's Board, with Craig Stobo joining as Chair and Alan Isaac in the role of Head of Audit and Risk.

As part of the IPO, my family will retain a stake of 30% - 50% and I look forward to continuing as Managing Director of the Fliway Group.

In my eight years at Fliway so far, our senior management team has grown revenue by over 45% both organically and through acquisitions. We have invested in quality people, information technology systems, infrastructure and fleet.

We have been focused on building a platform for growth so that we can deliver greater levels of service to our customers, generate efficiencies to improve productivity and take advantage of opportunities to increase scale in this fast moving and growing industry.

The IPO provides Fliway with a platform to deliver on that targeted growth. I look forward to your participation as a Shareholder in the future of our Company.



Managing Director and Shareholder

Duncan Hawkesby



FOUR INVESTMENT HIGHLIGHTS

ESTABLISHED NATIONWIDE END-TO-END SUPPLY CHAIN PROVIDER

- Fliway provides customers with integrated supply chain solutions throughout New Zealand and globally, offering international freight; customs brokerage; warehousing; and specialised domestic transport.
- Integration enables Fliway to provide a one-stop shop for customers, reducing costs and creating cross-selling opportunities between Fliway's divisions.
- Fliway's nationwide capability is provided through 11 transport branches and 5 logistics warehouses, operated by more than 400 staff.
- Fliway also has a joint venture with UPS. UPS-Fliway provides international express package delivery into and out of New Zealand.

For more information about Fliway's service offering and history, refer to Section 6 *Business Description*.

-  **TRANSPORT BRANCH**
-  **LOGISTICS WAREHOUSE**
-  **INTERNATIONAL BRANCH**



FLIWAY OPERATES ACROSS DIVERSE MARKETS AND IS A LEADER IN A NUMBER OF SPECIALISED SECTORS DUE TO ITS DIFFERENTIATED SERVICE OFFERING

Fliway's operating model and its focus on service has positioned it as a market leading provider of specialised transport and warehousing in a number of sectors including:

- commercial refrigeration;
- consumer electronics;
- home appliances;
- consumer transaction technologies;
- medical imaging; and
- copiers and printers.

Fliway also has customers operating across many other sectors. For more information on Fliway's customers and the sectors in which they operate, refer to Section 6.6 *Customers*.

Fliway's competitive position is supported by its differentiated service offering comprising:

- a network of specialised facilities, vehicles and materials handling equipment which creates economies of scale that smaller players are unable to replicate;
- company-owned and operated fleet that provide it with control over the specifications of the vehicles as well as the flexibility of the service offering and the daily delivery schedule;
- IT infrastructure that can be customised and is customer centric;
- experienced and fully trained staff; and
- an ability to perform the role of Lead Logistics Provider (LLP) by offering customers a specialised single point of contact.

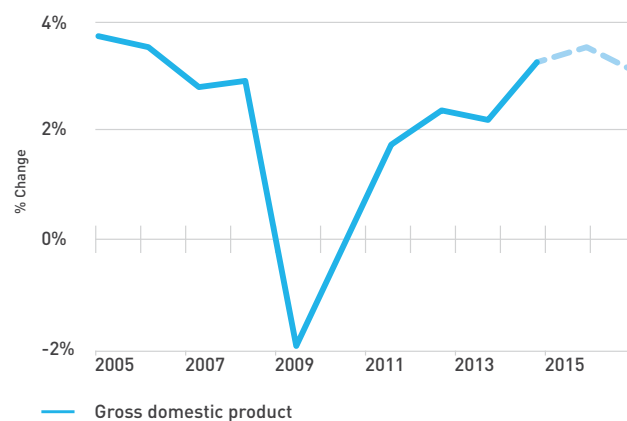
For more information about Fliway's service offering, refer to Section 6 *Business Description*.

GROWTH INDUSTRY SUPPORTED BY STRONG ECONOMIC FUNDAMENTALS

- The New Zealand road transport sector is correlated to economic growth (as measured by GDP). In the long run, it is estimated that a 1.5% - 2.0% increase in road transport activity is required to support a 1% increase in GDP.¹⁸
- GDP is forecast to grow by 3.5% and 3.1% respectively in the 2015 and 2016 calendar years.¹⁹
- Forecast growth in international trade and the New Zealand population are expected to positively influence the New Zealand road transport market.²⁰
- Fliway considers that the recent trend towards online shopping will provide an opportunity for freight providers to innovate and that it is well positioned to benefit from global online retail growth through both UPS-Fliway and its home delivery capabilities.

For more information about the industry in which Fliway operates, refer to Section 5 *Industry Overview*.

GROSS DOMESTIC PRODUCT



Source: Statistics NZ, RBNZ

18. J Bolland, D Weir and M Vincent "Development of a New Zealand National Freight Matrix", Land Transport New Zealand Research Report 283, www.nzta.govt.nz.

19. Reserve Bank of New Zealand "Monetary Policy Statement" (December 2014) Reserve Bank of New Zealand, www.rbnz.govt.nz.

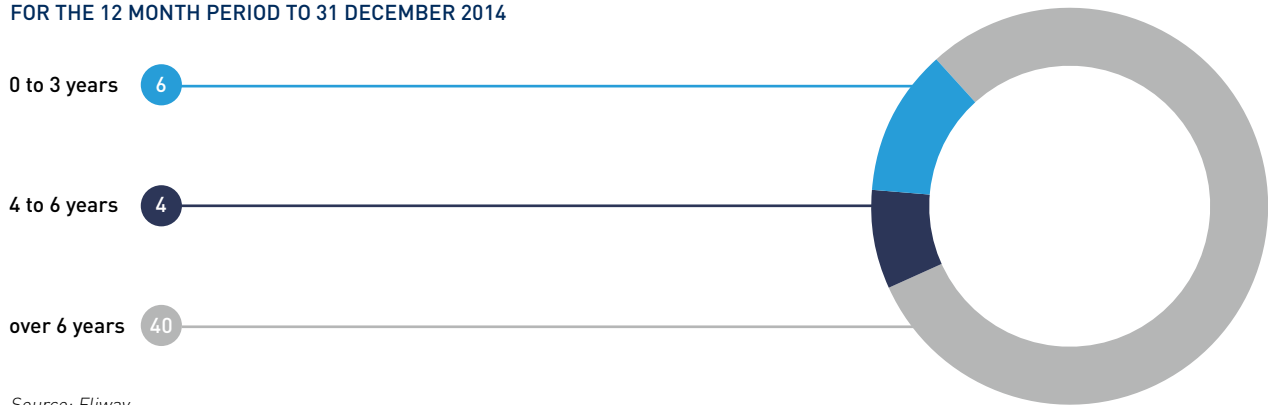
20. Ministry of Transport "Statement of Intent 2013-2016", www.transport.govt.nz; NZ Transport Agency "Land Transport Issues", www.nzta.govt.nz; and Ministry of Transport "National Freight Demand Study March 2014" (March 2015), www.transport.govt.nz.

HIGH QUALITY CUSTOMER BASE WITH LONG TENURE

- Fliway has a diverse set of customers ranging from large multinational corporations to smaller family owned businesses.
- More than 55% of Fliway's top 50 customers have been with Fliway for over 10 years.²¹
- No single customer exceeds 14% of Fliway's total revenue, and only two customers exceed 5%.
- Fliway has several customers whose tenure exceeds 20 years.
- Fliway considers that its focus on service and specialised offering form the basis for these longstanding customer relationships.

For more information on Fliway's customers, refer to Section 6.6 *Customers*.

TENURE OF TOP 50 CUSTOMERS BY % OF REVENUE FOR THE 12 MONTH PERIOD TO 31 DECEMBER 2014



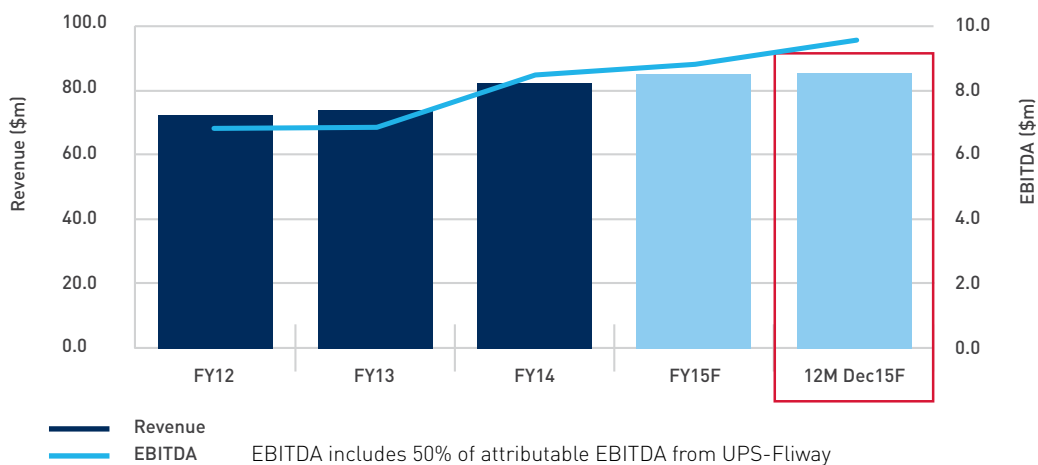
Source: Fliway

21. Top customers defined relative to revenue for the 12 month period to 31 December 2014.

TRACK-RECORD OF CASH GENERATION

- Over the period of FY12 to 12M Dec15F, Fliway's revenue is forecast to deliver CAGR revenue growth of 4.6% and CAGR EBITDA growth of 7.3%.²²
- Fliway expects to generate an average EBITDA margin of 9.3% for the same period.²³
- Fliway's cash generative ability is reflected in the forecast dividend payout ratio of 50% - 70% and corresponding forecast 6.9% - 8.1% gross dividend yield.²⁴

FLIWAY GROUP REVENUE AND EBITDA



For more information on Fliway's revenue, refer to Section 9 *Financial Information*.

22. Calculated as Fliway revenue plus 50% of UPS-Fliway revenue.

23. Calculated as Fliway Pro Forma EBITDA plus 50% of UPS-Fliway EBITDA.

24. Based on the forecast dividend in the 12 month period ending 31 December 2015 based on a payout ratio of 70% of NPAT and is grossed up for imputation credits at the New Zealand corporate tax rate. The gross dividend yield is based on the Indicative Price Range.

FLIWAY HAS INVESTED IN A PLATFORM FOR GROWTH

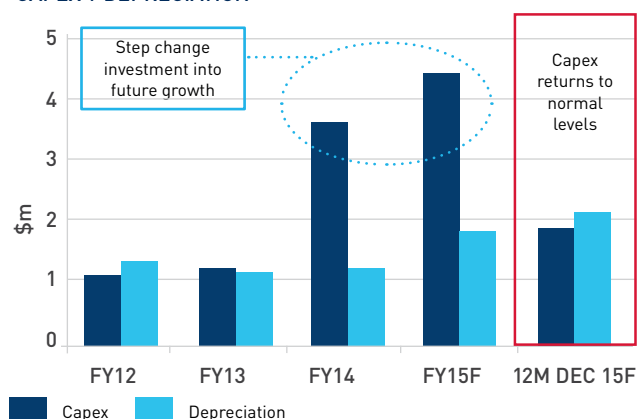
- Fliway expects that its investment in people, fleet, facilities and IT will result in opportunities for economies of scale and strengthen its platform for further growth.
- Fliway has been committed to attracting and developing strong leaders with industry, supply chain and commercial experience in its wider management team.
- The introduction of High Performance Motor Vehicles (HPMV) regulations, allowing for higher capacity vehicles, has led Fliway to invest in new Line-Haul fleet. The addition of these HPMVs means a greater volume of freight can be transported by a single vehicle resulting in a more efficient operating cost base.²⁵
- This step-change capital investment in future growth is expected to return to normal levels over the period of the PFI.

HIGH QUALITY SENIOR MANAGEMENT, SUPPORTED BY AN EXPERIENCED BOARD

- Fliway’s current senior management team has been led by Duncan Hawkesby since 2006. It has delivered an increase in total revenue of approximately 47% across that period, both organically and through acquisitions.
- The General Managers of Fliway Domestic and Fliway International have been with Fliway since 1993 and 1985 respectively.
- Fliway’s senior management team is supported by experienced Directors. Directors and senior management have capabilities across governance and mergers and acquisitions as well as commercial expertise in the New Zealand transport sector.

For more information about the Directors, see Section 7 *Board and Senior Management Team*.

CAPEX V DEPRECIATION



- Fliway secured an additional Auckland site in FY14 to accommodate growth, and planning is now underway to increase its warehousing capacity in both Auckland and Christchurch through securing new leased premises.
- Fliway has invested in additional IT personnel to ensure it keeps up with increasing customer requirements for information and technology solutions and to support the future upgrade of its warehouse management system and other IT initiatives.

For more information of Fliway’s business, refer to Section 6 *Business Description*.

25. For more information on the effect of this capital expenditure, refer to Section 9.2 *Overview of Fliway’s financial information*.



Wangarei
Auckland
Hamilton
Tauranga
North
Wellington
Dunedin
Christchurch

FLIWAY
SPECIALISING FREIGHT SOLUTIONS

FLIWAY TRANSPORT LTD
100 WINDY ROAD
WANGAREI, AUCKLAND
09 438 4444

Wangarei
Auckland
Hamilton
Tauranga
Palmerston North
Wellington
Dunedin
Christchurch

FLIWAY

FLIWAY

FIVE INDUSTRY OVERVIEW

Fliway operates in the New Zealand freight and logistics industries as a provider of specialised domestic transport and warehousing, international Freight Forwarding and, through UPS-Fliway, international express package delivery.

5.1 FREIGHT INDUSTRY SECTORS

The New Zealand freight industry can be categorised into the three sectors described below, each of which includes road, rail, sea and air methods of transport.

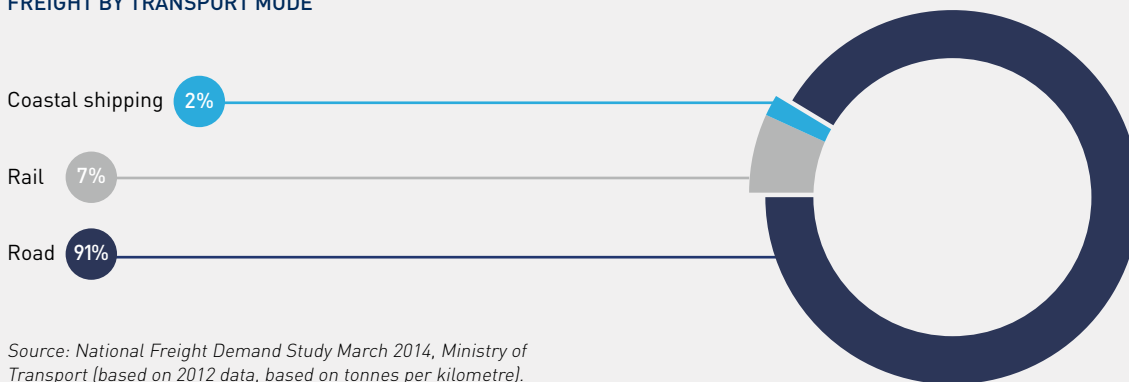
<p>1. Domestic freight</p>	<p>This sector encompasses the movement of all freight from business to business and business to consumer, primarily by road, rail and coastal shipping. A large proportion of domestic transport is related to the import and export of goods and involves the transport of goods to and from major ports.</p> <p>The domestic freight sector plays an important role in New Zealand’s economy. The sector is substantial, moving the equivalent of approximately 50 tonnes of freight a year per capita.²⁶</p> <p>The delivery of express packages within New Zealand forms a sub-sector of the domestic freight sector. The domestic express package industry is undertaken by network couriers who deliver packages (typically up to 25 kg) in a time-sensitive manner locally, regionally and nationally.</p>
<p>2. Warehousing and logistics</p>	<p>A growing segment within the wider freight industry is the provision of warehousing and logistics services for third parties (often referred to as “third party logistics” or “3PL”). Outsourcing warehousing and distribution activities allows organisations to benefit from cost efficiencies arising from the scale of the staff and systems of specialised facilities, and the ability to adjust their inventory holdings and activity levels up and down with a variable cost model.</p> <p>The increasing prevalence of online shopping and “just in time” inventory systems increases demand for distribution centres and warehousing to hold large quantities of goods with smaller and more frequent deliveries to end destinations. Equally there is a demand for warehousing and distribution centres to cater for “reverse logistics” (being the transport of returned goods and obsolete stock from businesses back to warehouses) to manage aspects of the supply chain such as customer returns.</p>
<p>3. International Freight Forwarding</p>	<p>The export and import of freight from or to New Zealand typically involves a number of logistics parties through Freight Forwarding arrangements.</p> <p>Third party analysis has shown that the Freight Forwarding industry typically outpaces the growth of global GDP.</p> <p>A sub-sector of international Freight Forwarding relates to the international delivery of express packages. These are typically smaller consignments that are time critical. Fliway expects that the increasing prevalence of online shopping will be an important driver of international express package activity.</p>

26. Ministry of Transport “National Freight Demand Study March 2014”.

5.2 DOMESTIC FREIGHT INDUSTRY

The domestic freight industry in New Zealand primarily uses three modes of transport: road, rail and coastal shipping.

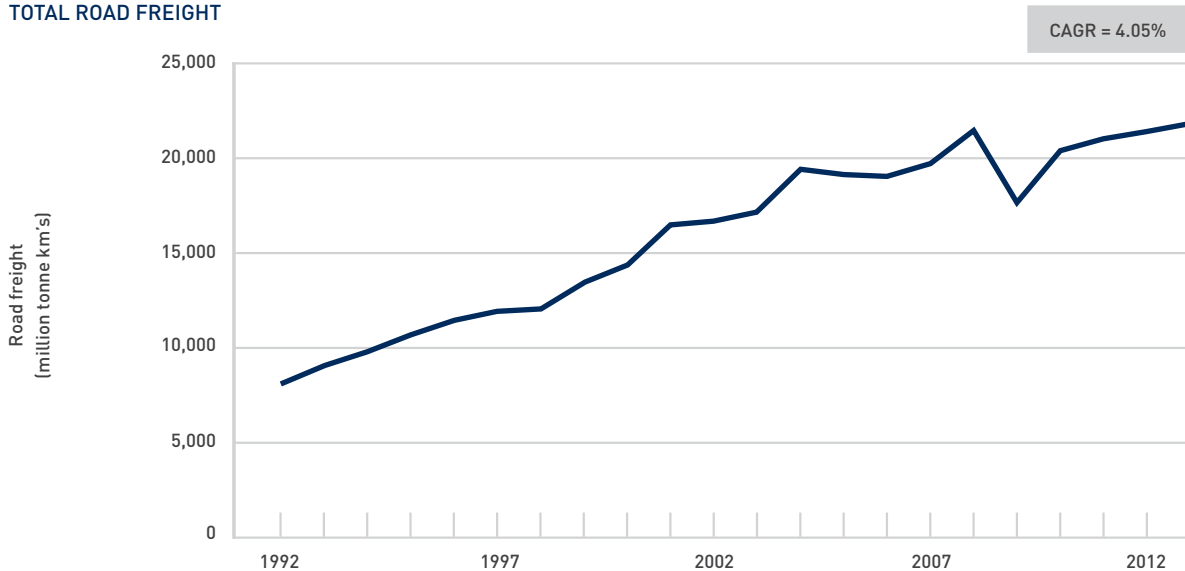
FREIGHT BY TRANSPORT MODE



Source: National Freight Demand Study March 2014, Ministry of Transport (based on 2012 data, based on tonnes per kilometre).

Road is the dominant freight mode, accounting for over 90% of all domestic freight movements.²⁷ Partly this is because freight movements (on a tonnes per kilometre basis) are dominated by shorter distance movements within regions which are not able to be completed by rail or shipping.²⁸

TOTAL ROAD FREIGHT



Source: Ministry of Transport

Total road transport cargo by weight has generally increased since the 1990's. This trend was only broken in 2006 and by the global economic recession in 2009. Road transport cargo is forecast to grow by close to 60% over the next 30 years.²⁹

27. Ministry of Transport "National Freight Demand Study March 2014", page 223.

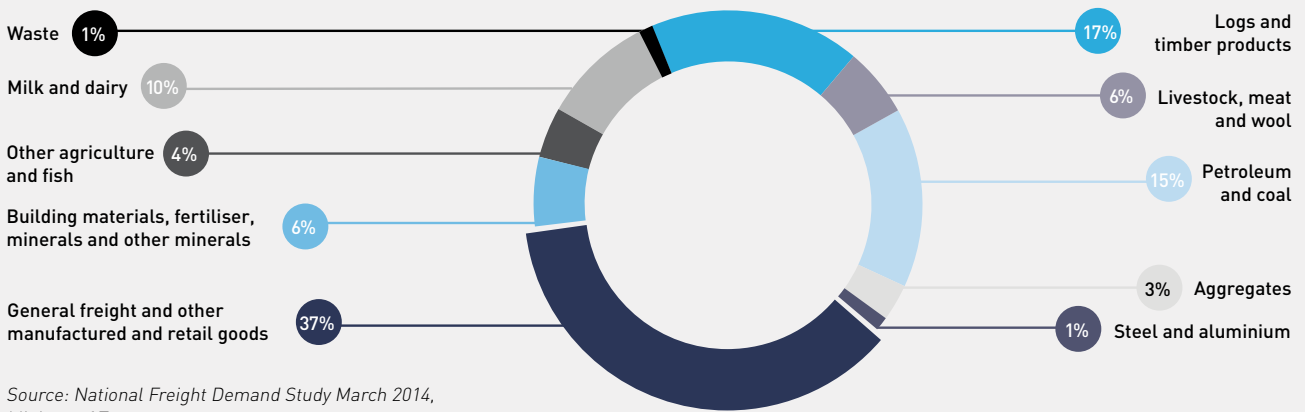
28. Ministry of Transport "National Freight Demand Study March 2014", page 17.

29. Ministry of Transport "National Freight Demand Study March 2014", page 17.

Type of road freight

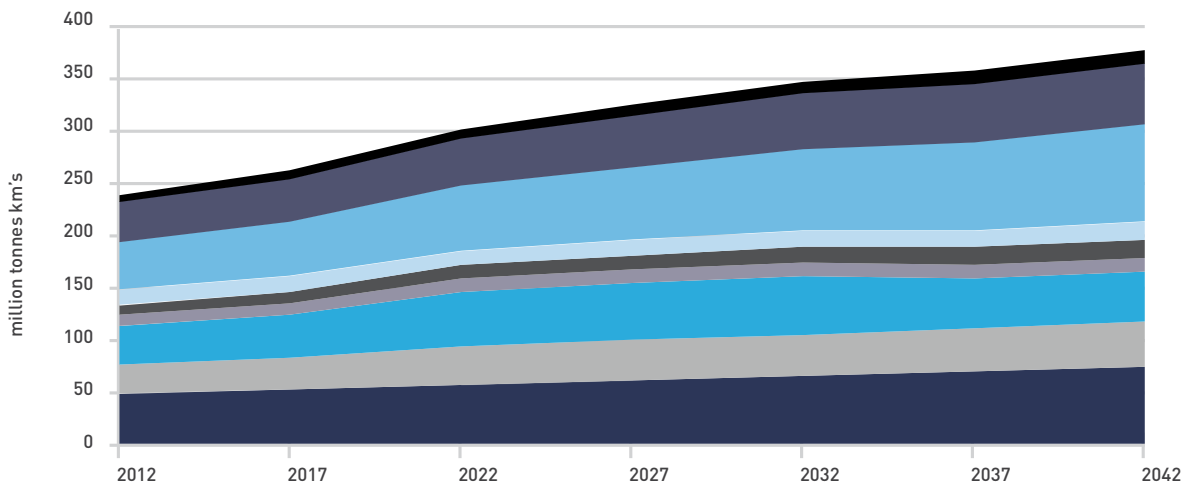
The road freight industry transports a wide range of goods. It broadly mirrors the key commodities produced by local industry and the import needs of domestic businesses and consumers.

FREIGHT MOVEMENTS (BY TONNE-KMS)



Source: National Freight Demand Study March 2014, Ministry of Transport

ROAD FREIGHT MOVEMENT FORECASTS (BY TONNE-KMS)



Source: National Freight Demand Study March 2014, Ministry of Transport

Fliway's activities are in the "general freight and other manufactured and retail goods" category. That category represents approximately 30%-40% of the total freight industry market. This segment of the market is expected to grow by approximately 50% over the next 30 years.³⁰

For more information on the sectors in which Fliway operates and the type of goods Fliway transports, refer to Section 6 Business Description.

30. Ministry of Transport "National Freight Demand Study March 2014", page 17. This is based on the fact that Fliway operates in the "General freight and other manufactured and retail goods" sectors.

5.3 DRIVERS OF THE FREIGHT INDUSTRY

The level of freight volume in New Zealand is driven by domestic business activity (measured by GDP), New Zealand's population and the level of international trade into and out of New Zealand.

GROSS DOMESTIC PRODUCT

GDP and domestic freight volumes are correlated. Historical economic analysis suggests a 1.5% – 2.0% increase in road transport activity is required to support a 1% increase in GDP.³¹

Consensus estimates forecast GDP growth of 3.5% and 3.1% per annum in the calendar years 2015 and 2016 respectively.³²

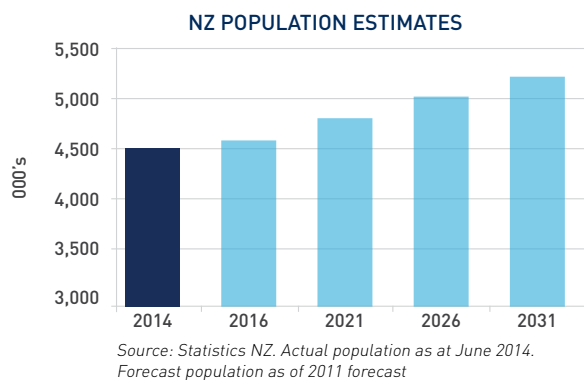


NEW ZEALAND POPULATION

Population growth is an important driver of freight demand.

Population growth leads to increased consumption and demand for goods, which in turn requires transport to reach consumers.

The New Zealand population is forecast to increase by approximately 15% over the next 17 years.³³



INTERNATIONAL TRADE

The import and export of goods into and out of New Zealand requires freight to be transported from or to the port of arrival or departure.

International trade into and out of New Zealand (in volume terms) has increased nearly 50% over the past 10 years.³⁴

Global international trade has increased over 180% in the past 20 years.³⁵



31. J Bolland, D Weir and M Vincent "Development of a New Zealand National Freight Matrix", Land Transport New Zealand Research Report 283, www.nzta.govt.nz.

32. Reserve Bank of New Zealand, Monetary Policy Statement December 2014, page 28.

33. Statistics New Zealand accessed 1 October 2014.

34. Statistics New Zealand accessed 1 October 2014.

35. World Trade Organization "Modest trade growth anticipated for 2014 and 2015 following two year slump" (15 April 2014) World Trade Organization, www.wto.org/english/news_e/pres14_e/pr721_e.htm, accessed 4 February 2015.

In addition to the key drivers, there are a number of structural changes, trends and technology improvements which Fliway considers are impacting the way the freight industry operates:

Changes in distribution practices (i.e. outsourcing of supply chain)	<p>Goods are now often distributed directly from a holding warehouse to the customer, with many bypassing the retail store in the interests of efficiency.³⁶</p> <p>In Fliway's experience, this often results in customers demanding more flexible, smaller and more numerous transportation and warehousing deliveries. However it also means that customers tend to be willing to pay higher transport rates per unit of volume for these services.</p>
Improved data and information systems (i.e. fleet tracking, vehicle management and capacity utilisation)	<p>Improved data and information systems allow the development of integrated logistics packages, where operators offer combinations of transport and storage. These packages effectively allow customers to outsource these functions entirely.³⁷</p> <p>New investments, regulations and technologies are resulting in increased payloads, lower operating costs and improving utilisation of available assets.</p>
Consumer supply chain being disrupted by e-commerce	The increasing prevalence of online shopping has led to growth in demand for express packages.
More technology in the home and shorter replacement cycles	The combination of the fact that consumers tend to own more consumer electronic devices (for example, smartphones and tablet computers) and an accelerating product replacement cycle means that consumers are purchasing consumer electronic devices more frequently, requiring larger volumes to be distributed from the manufacturer.

5.4 REGULATION

The New Zealand Government has recently made a priority of upgrading and enhancing the roading network to facilitate fast and efficient trade. Seven roads of national significance have been the most visible evidence of investment in productive capacity. These projects have been complemented by significant funding to improve New Zealand's critical roading infrastructure. This effort can be seen both through targeted improvements to enable bridges to carry heavier freight vehicles and more general funding for improvements to regional networks.³⁸

The introduction of HPMV legislation in May 2010 is an example of the New Zealand Government endeavouring to improve the efficiency of road transportation. Previously trucks were permitted to have up to 44 tonne gross vehicle mass. Under the 2010 amendments, HPMVs are permitted to be longer and weigh up to 53 tonnes, subject to obtaining a permit and operating only on specified routes with sufficient strength to cope with the increased load.³⁹

5.5 COMPETITION

The New Zealand freight industry is highly fragmented and Fliway competes with many companies and services on a local, national and international basis.

While fragmented, Fliway believes that New Zealand transport providers require a number of features in order to compete effectively in the New Zealand freight industry (in the industry, such

competitors are referred to as "lead logistics providers" or "LLPs"). An LLP has the ability to:

- provide national warehousing and distribution through established infrastructure;
- provide international Freight Forwarding connections;
- offer integrated and customisable IT interfaces;
- maintain a high service level and brand that users can trust; and
- provide flexibility to grow and evolve with changing demands of customers.

Given the fragmented nature of the industry, the majority of New Zealand transport providers are small private businesses. Based on its national footprint, employee and vehicle numbers and customer base, Fliway is one of the larger independent and locally owned specialist transport and logistics companies in the New Zealand freight industry. Fliway estimates that there are around 10 providers that are of sufficient scale to be considered an LLP and able to compete effectively with Fliway.

Fliway seeks to distinguish itself from its competitors by focussing on specialised freight, which requires a distinct operating model and infrastructure that are not easily matched by competitors.

KiwiRail is the only rail operator in New Zealand and is 100% Government-owned. Fliway is able to use rail where it is a suitable option and it is frequently offered as an option to Fliway's customers. While rail is cost effective over long distances, the delivery schedule requirements of freight carried by Fliway means rail is often not a viable proposition for its customers.

36. Ministry of Transport "National Freight Demand Study March 2014", page 7.

37. Ministry of Transport "National Freight Demand Study March 2014", page 232.

38. Government Policy Statement on Land Transport, page 12. Announced 18 December 2014. Comes into effect from 1 July 2015.

39. Ministry of Transport "National Freight Demand Study March 2014", page 228.



SIX
BUSINESS
DESCRIPTION

6.1 INTRODUCTION

Fliway operates under two main divisions:

- Fliway Domestic (**Domestic**) – the warehousing and transportation of freight in New Zealand; and
- Fliway International (**International**) – the organising of transportation and border clearance for international freight.

Fliway also holds a 50% share in UPS-Fliway. UPS-Fliway delivers, or arranges the delivery of, express packages internationally.



Fliway's people

Fliway encourages its people to be focused on doing it right, first time, every time – and this quality and safety focus is recruited for, and internally developed, encouraged and rewarded. Over a third of Fliway's positions are recruited internally, with commitment through succession planning, performance feedback and development to increase this pipeline of talent in operational and leadership positions. From a people management perspective, Fliway tries to keep things simple and straightforward, so that the focus of its people is consistently on delivering high levels of customer service.

Technology enables efficient handling of freight

Fliway was one of the first transport operators in New Zealand to scan freight 22 years ago, and continues to invest in IT in an effort to remain at the forefront of supply chain technology. Fliway focuses on the deployment of smart technology solutions – using technology that is designed to improve visibility and consistency for customers and staff.

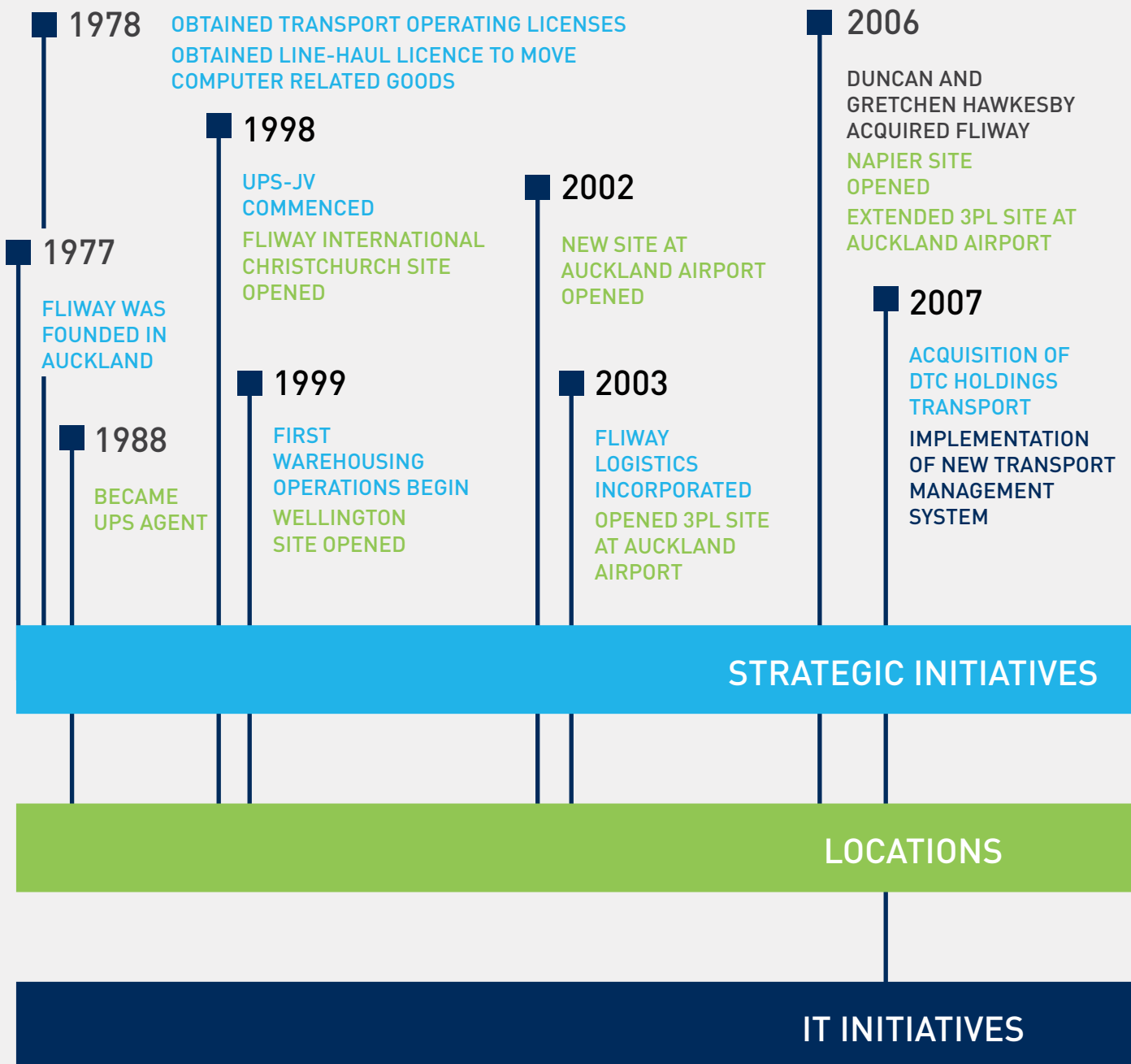
Fliway is a one stop shop

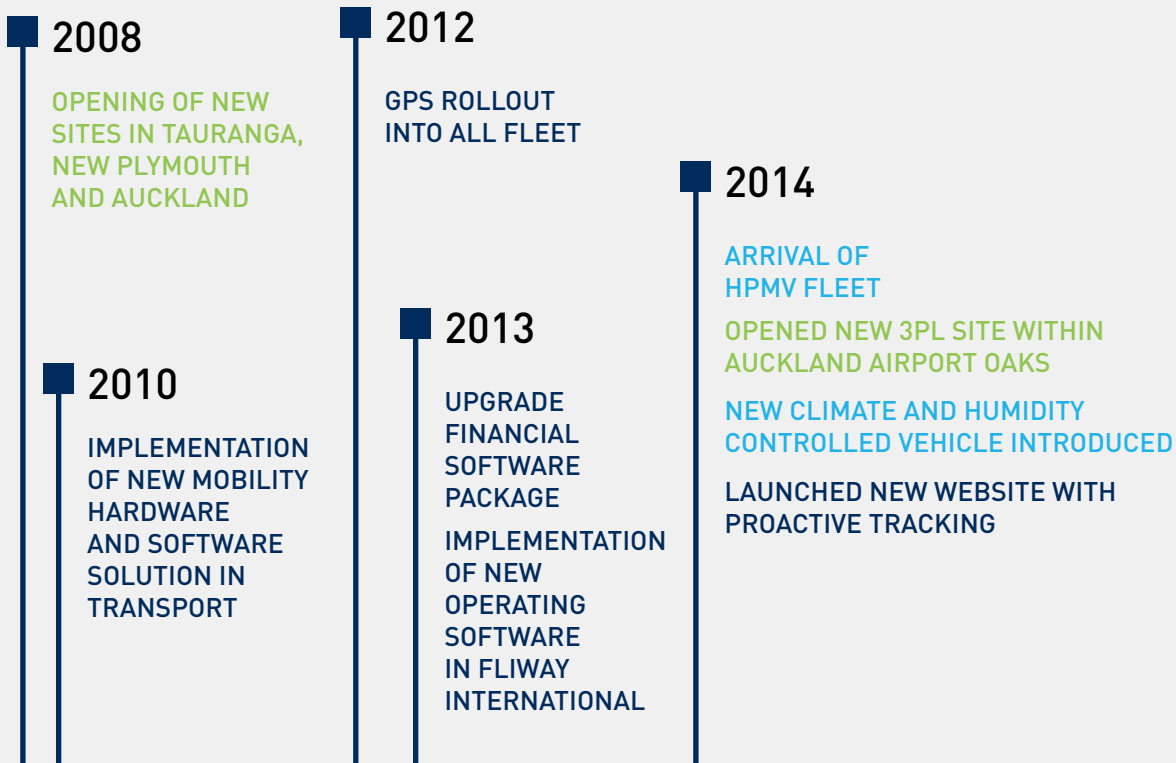
Fliway offers customers an end-to-end supply chain solution, allowing customers to have a single supplier responsible for every aspect of their supply chain.

To facilitate this Fliway has global partners, domestic nationwide coverage, and integrated facilities in key centres that are capable of receiving and despatching all freight modes. On a single integrated site Fliway can have international bond store areas, warehousing facilities and transport operations enabling it to handle freight fewer times and more promptly.

6.2 HISTORY OF FLIWAY

Fliway was established in 1977 and has since grown to be a meaningful participant in the New Zealand transport and logistics industry.





2014
ONE OF NEW ZEALAND'S LARGER LEAD LOGISTICS PROVIDERS:

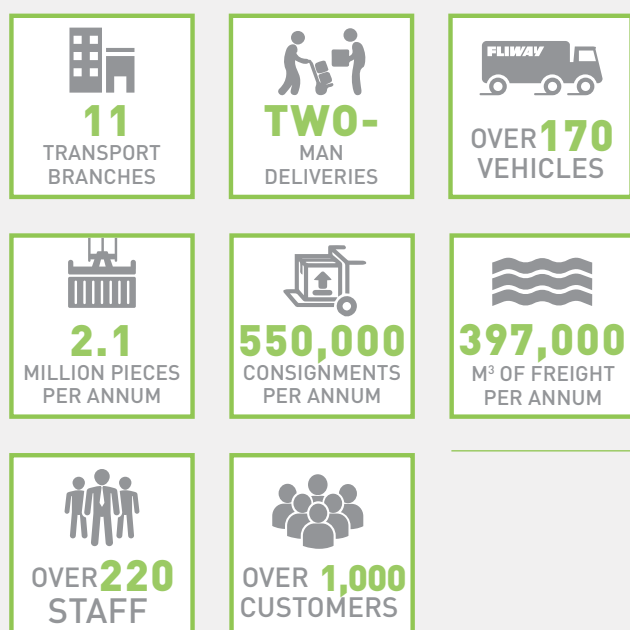
- 400+ STAFF
- GLOBAL NETWORK
- 16 SITES
- 170+ VEHICLES

6.3

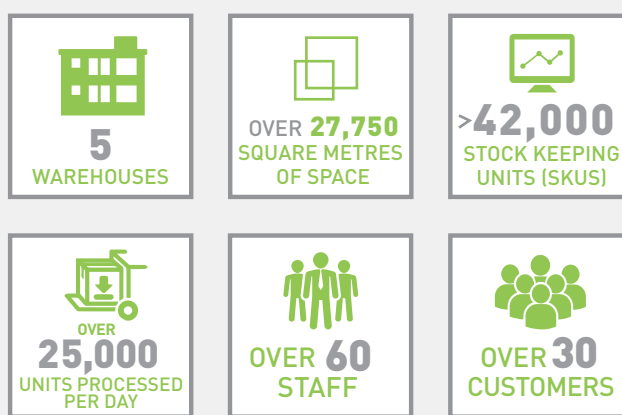
FLIWAY DOMESTIC DIVISION

Fliway Domestic operates through two business units: **Fliway Transport**, which involves the transportation of freight nationwide; and **Fliway Logistics**, which provides warehousing and distribution services.

Transport



Logistics



For the 12 month period to December 2014

Description of operations

The core business of Fliway Transport is the transportation of goods throughout New Zealand. Domestic freight is typically transported inter-city (**Line-Haul**) overnight using Fliway's truck and trailer fleet, with daily deliveries of smaller consignments using Fliway's fleet of smaller vehicles (**Metro**).

Fliway Logistics also provides warehousing and distribution services, including:

- racked and bulk storage;
- "reverse logistics" where Fliway manages product returns from retail locations back to Fliway's warehouses; and
- "spare parts logistics" where Fliway manages organisations' spare parts function.

Fliway Logistics operates from five modern facilities in Auckland (3), Wellington and Christchurch.

The service offerings of Fliway Logistics and Fliway Transport are complementary, affording opportunities for Fliway to provide one unit's services to the other unit's customers. This supports the growth of both units and the retention of customers.

FLIWAY LOGISTICS AND FLIWAY TRANSPORT ARE COMPLEMENTARY, AFFORDING OPPORTUNITIES FOR FLIWAY TO PROVIDE BOTH SERVICES TO CUSTOMERS.

Point of difference

Over time, Fliway has evolved the Fliway Domestic service offering based on the needs of its customers, who have demanded a service different to that provided by other firms. Fliway Domestic participates in sectors where customer demands are significant and include the requirement for technology supported solutions, speed of supply chain and the transport of freight that is often difficult to handle, fragile or of high value. To best service these specific needs, Fliway Domestic's model has evolved and has some distinct differences to its counterparts.

- **Company owned. Company operated.**

Fliway chooses to own its freight vehicles and operate them using its own employees to ensure a high degree of control over fleet specifications and consistency of its service offering. In Fliway's view, the flexibility and service levels that a company-owned and operated model allows is a key differentiator in the market.

- **Fliway's trucks are specialised.**

Fliway predominantly utilises hard sided vehicles, with systems to secure freight and tail lifts to move items from the truck deck to the ground safely and securely. In Fliway's view, this is more suitable for transporting sensitive freight, or freight of non-uniform size and shape.

This equipment type is well suited for delivering to both commercial and residential properties, giving Fliway flexibility to service a wide range of customers.

- **Fliway's depots are different.**

Given the specialised vehicle configuration, Fliway's depots and branch network are also specialised. Fliway's trucks must be loaded and unloaded from the rear of the unit, so Fliway's depots have raised docks. Unloaded freight is sorted by destination before reloading into the corresponding delivery vehicle, a process known as "cross docking" which is integral to Fliway's "hub and spoke" operating model.

- **Fliway's materials handling equipment is specialised.**

Given the nature of the freight Fliway is transporting, it requires specialised materials handling equipment to enable it to move freight at the point of pick-up, delivery or within depots or warehouses.

- **Fliway has a Special Services team for projects.**

Fliway has a team with specialist expertise and equipment used to transport, install and commission and locate "out of gauge" and highly sensitive freight. This Special Services team transports art, installs highly sensitive medical equipment and carries out other highly technical deliveries and installations.

6.4 INTERNATIONAL DIVISION

Fliway International provides inbound, outbound and "cross-trade"⁴⁰ international transport and border clearance services to customers. Goods are transported either by sea or air.



OVER 45 STAFF

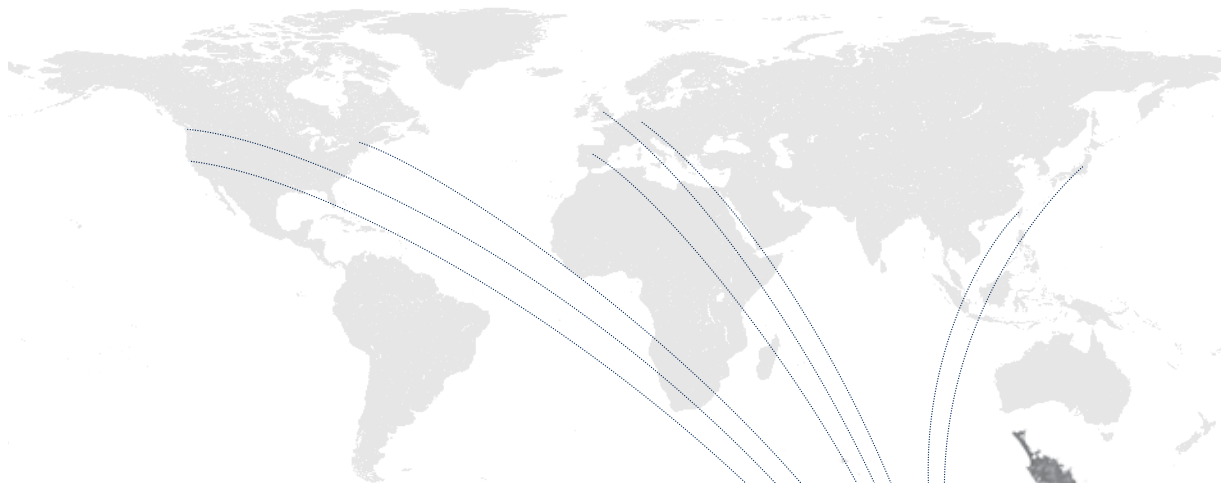


APPROXIMATELY 9,000 INTERNATIONAL SHIPMENTS AND 96,000 CUSTOMS CLEARANCES PER ANNUM



OVER 170 CUSTOMERS

Description of operations



FLIWAY INTERNATIONAL ARRANGES:



Freight to be moved from producer to port



Loading of freight to **carrier**



Clearing of customs at both New Zealand and end destination



Unloading of freight from vessel



Delivery to end destinations

40. "Cross-trade" is arranging the transport of goods where New Zealand is neither the country of origin or destination, for example between China and Australia.

Fliway International arranges the transportation of freight domestically and internationally, using a combination of external freight providers and /or Fliway’s domestic transportation fleet. Fliway does not deliver freight outside New Zealand, but has arrangements with a range of international parties to fulfil these services on behalf of Fliway’s customers. Fliway’s relationships also allow it to manage cross-trade Freight Forwarding for its customers.

In Fliway’s opinion, the business model of the International business unit is highly scalable. Employee numbers have remained relatively stable during the past two years notwithstanding a significant increase in incremental revenue over that period.

Point of difference

Fliway International has strong international agency relationships in all key trade routes. As an independent agent, Fliway is not restricted to any particular global network, which allows it to focus solely on securing the best outcome for its customers, based on price and the type of service an agent offers. Fliway International is one of New Zealand’s largest customs brokers. It is consistently ranked amongst the top customs lodgers of entries by volume, performing approximately 96,000 clearances per annum. Fliway International’s brokerage operation works 7 days per week and 52 weeks per year.

Fliway International provides Freight Forwarding and customs brokerage services to a range of customers servicing many industries, including electronics, aviation, medical, fitness and motor vehicles.

Key features of Fliway International’s service offering include:

- an in-house customs brokerage team dealing with the New Zealand Customs Service and the Ministry of Primary Industries;
- airfreight accreditation with the International Air Transport Association;
- being a Regulated Air Cargo Agent in accordance with Part 109 of the Civil Aviation Rules;
- its facilities being customs controlled areas and approved by the Ministry of Primary Industries, allowing Fliway International to bring uncleared cargo to its sites pending clearance from the relevant Government agency;
- using an IT system that is a recognised leader in the industry;
- each senior broker being qualified and New Zealand Customs Service approved; and
- the use of individual electronic PIN coding by all senior Fliway International brokers.

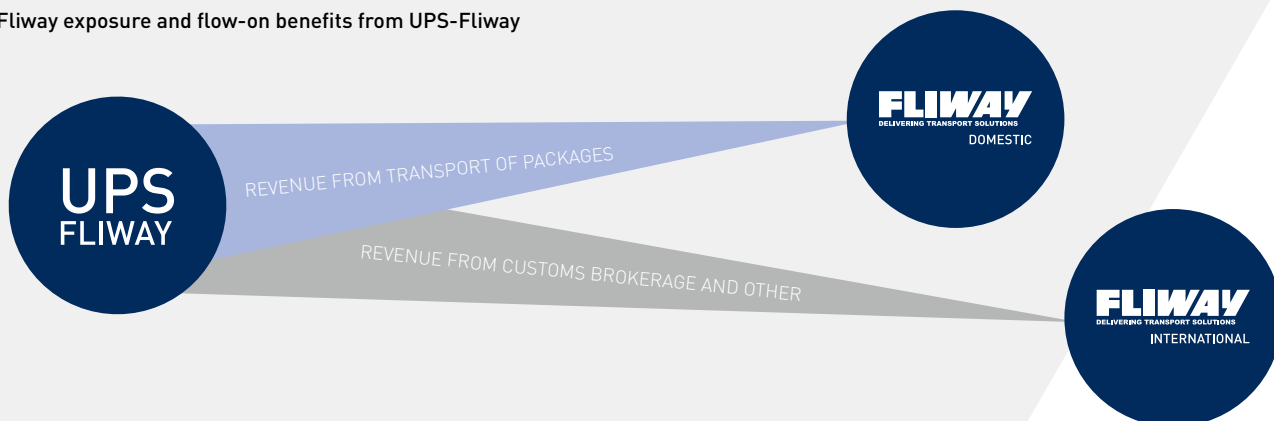
**6.5
UPS-FLIWAY**

Description of operations

Fliway commenced an agency relationship with UPS in 1988. Almost 10 years later, in 1998, Fliway and UPS formed UPS-Fliway. UPS is one of the world’s largest package delivery companies, delivering 4.3 billion packages and documents in 2013. UPS provides services to 9.4 million customers a day across more than 220 countries and territories. UPS-Fliway is a separate entity owned 50/50 by Fliway and UPS. UPS-Fliway employs approximately 30 staff. Fliway and UPS have equal board representation and day-to-day operations are overseen by UPS management. Fliway Transport provides domestic deliveries and pickups for UPS-Fliway, and Fliway International provides customs brokerage services.

For more information on how UPS-Fliway contributes to Fliway’s financial performance, refer to Section 9 *Financial Information*.

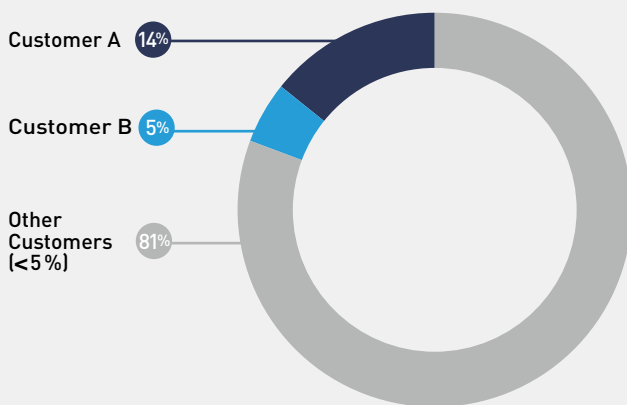
Fliway exposure and flow-on benefits from UPS-Fliway



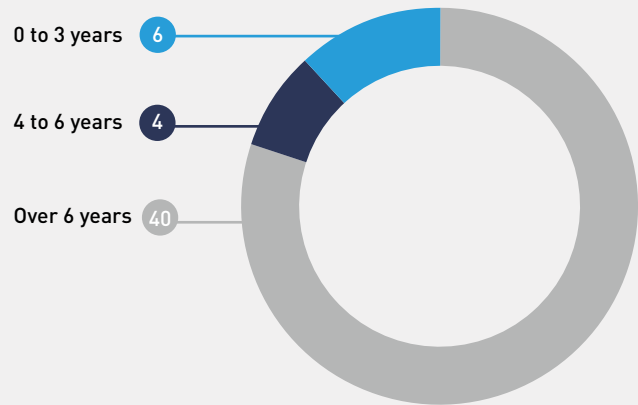
6.6 CUSTOMERS

Fliway has a diverse range of customers, who have varied contract expiry profiles and tenure. No single customer exceeds 14% of Fliway's total revenue, and only two customers exceed 5%.

CUSTOMERS BY % OF REVENUE FOR THE 12 MONTH PERIOD TO 31 DECEMBER 2014



TENURE OF TOP 50 CUSTOMERS BY % OF REVENUE FOR THE 12 MONTH PERIOD TO 31 DECEMBER 2014



Fliway's customer base is broad and consists of over 1,000 customers ranging from sole traders to large multi-nationals. Fliway considers that its distinctive operating model and its focus on service has positioned it as a leading provider of specialised transport and warehousing in a number of sectors, including:

- commercial refrigeration;
- consumer electronics;
- home appliances;
- consumer transaction technologies;
- medical imaging; and
- copiers and printers.

Fliway also has customers operating across many other sectors including: office equipment; general freight; courier; gaming; sporting goods; apparel; plumbing; ICT; health and rehabilitation; vending; automotive; agricultural equipment; art; infrastructure and many more.

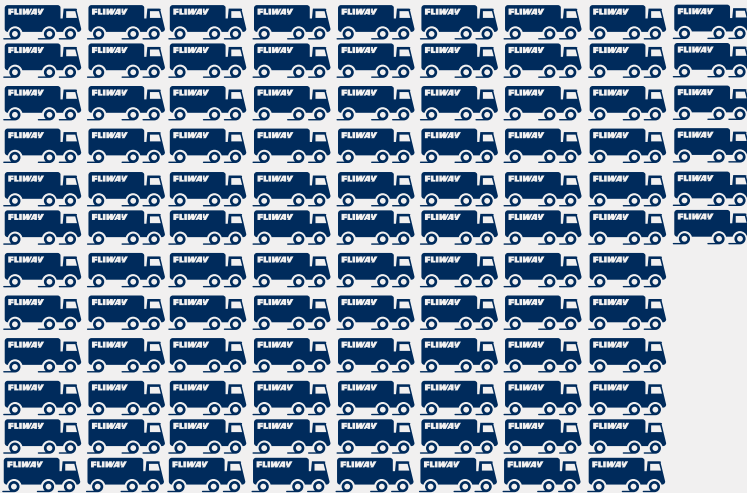
6.7 FLEET

Fliway's fleet comprises 102 trucks, 36 vans, 13 utes and 20 cars. In addition, Fliway owns 42 trailers.

Fliway owns and operates all its trucks and trailers (as compared to an owner-driver or leasing model) based on:

- a lower funding cost of ownership than leasing;
- the ability to offer differentiated services such as two person delivery teams and hard sided trucks; and
- consistency of service offering and ability to control the "last mile" (i.e., the point of delivery).

Fliway's Line-Haul fleet is managed and serviced centrally, with the majority of the trucks being operated under fixed cost per kilometre maintenance contracts. Fliway's Metro fleet is managed by the local Branch Manager and is maintained in their domiciled region.



102
TRUCKS



42
TRAILERS



36 VANS



20 CARS






13 UTES

FLIWAY PROVIDES COMPREHENSIVE GEOGRAPHIC COVERAGE ACROSS NEW ZEALAND VIA ITS 11 TRANSPORT BRANCHES AND 5 WAREHOUSES

6.8 LOCATIONS

Fliway provides comprehensive geographic coverage across New Zealand through its 11 transport branches and 5 warehouses. These branches and warehouses are leased and predominantly purpose-built for Fliway to enable the transportation and handling of high service freight.

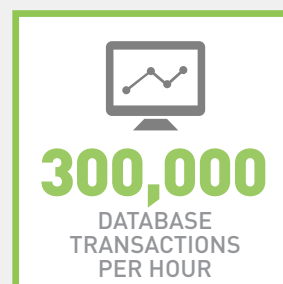
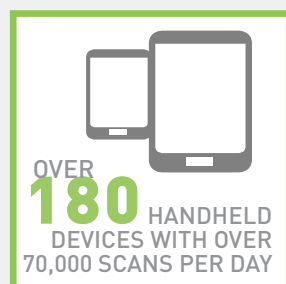
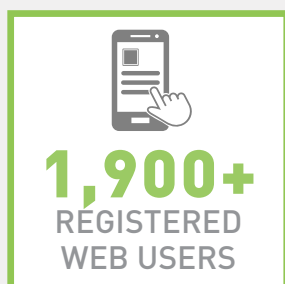
-  **TRANSPORT BRANCH**
-  **LOGISTICS WAREHOUSE**
-  **INTERNATIONAL BRANCH**



6.9 INFORMATION TECHNOLOGY

Fliway invests in information technology applications, selected to meet the needs of each division. Across the Group, Fliway has integrated IT systems which can link with customers' systems through EDI interfaces. Fliway has extensive EDI implementation expertise and has personnel who monitor and manage this, supported by external partners.

Fliway's EDI interfaces enable customers to access real-time track and trace and order status. There is the capability for these interfaces to be customised for individual customers to give them increased supply chain visibility, which should mean better planning, improved efficiency and lower costs for them.



Over its recent history, Fliway has invested regularly and heavily in IT. Since FY10, Fliway has invested capital expenditure of over \$1.8 million in IT.

6.10 GROWTH STRATEGY

Fliway’s vision is to build a significant transport and logistics business operating in New Zealand, based on its specialised service offering, infrastructure and expertise to target sectors where there are opportunities for Fliway to provide a distinctive service and deliver increased earnings.

Fliway focuses on three specific avenues for growth:

OPTIMISING CAPACITY	Continuing to maximise operating leverage, including through using its capacity efficiently and gaining efficiencies from the use of technology.
GROWING EXISTING BUSINESS	Fliway is a leading provider of specialised transport and warehousing in a number of sectors (for more information, refer to Section 6.6 <i>Customers</i>). Fliway plans to continue to invest in business development initiatives to target increased customer and market penetration in these existing sectors.
ENTERING NEW MARKETS	Fliway has specialist equipment, facilities and expertise which is distinct from its competitors (for more information, refer to Section 6.1 <i>Introduction</i>). Fliway intends to leverage this equipment and expertise to target sectors which the business does not currently operate in. For example, Fliway could transport or warehouse other types of goods which require specialist handling equipment or facilities or acquire companies which currently transport or warehouse such goods.



SEVEN

**BOARD AND SENIOR
MANAGEMENT TEAM**

Fliway's Board has a diverse range of skills and experiences, including in executive and governance roles at publicly listed companies and other significant entities.

The senior management team, led by Managing Director Duncan Hawkesby, will continue without change following the Offer. The senior management team has extensive industry experience, and has been an integral part of Fliway's history.

7.1 FLIWAY BOARD

The Fliway Board comprises an independent non-executive Chairman (Craig Stobo), an independent non-executive director (Alan Isaac) and an executive director (Duncan Hawkesby).

Craig Stobo

CHAIRMAN AND INDEPENDENT DIRECTOR

Craig is a professional independent director and is currently Chairman of the listed companies Precinct Properties New Zealand Limited and AIG Insurance New Zealand Limited, the New Zealand Local Government Funding Agency Limited and OCG Consulting Limited. Craig is also a shareholder and Chairman of Saturn Portfolio Management Limited, Elevation Capital Management Limited, Appello Services Limited and Biomarine Group Limited.



Alan Isaac

INDEPENDENT NON-EXECUTIVE DIRECTOR

Alan was the President of the International Cricket Council for two years until June 2014 and is currently Chairman of Acurity Health Group Limited and Chairman of McGrathNicol and Partners. In addition Alan is a director of listed companies Opus International Consultants Limited and Scales Corporation Limited and of various private companies. He is also Chairman of the New Zealand Community Trust. Alan has an extensive background in accounting and finance and is a former national Chairman of KPMG. He was made a Companion of the New Zealand Order of Merit in 2013 for services to cricket and business.



Duncan Hawkesby

MANAGING DIRECTOR

Duncan Hawkesby has been Managing Director of Fliway since acquiring the business in 2006. In this role Duncan has led Fliway in its growth as a large scale, quality, and specialised freight transport, logistics and warehousing provider. Duncan now has over eight years' experience working in the New Zealand transport sector.

Prior to his role with Fliway, Duncan was Chief Executive Officer at Nature's Oven, a small food manufacturing business, and before that he held various roles at the Lion Nathan group.



Duncan Hawkesby has been a director of the Company since he (as trustee of The D & G Hawkesby Trust) acquired Fliway in 2006. Craig Stobo and Alan Isaac were appointed to the Board shortly before the Offer. Before their formal appointments as directors, each of Craig and Alan had spent a period of time developing an understanding of Fliway's business, including with Duncan and the other members of the Fliway senior management team. The Board has been meeting as an operating board of directors since late 2014 notwithstanding the fact that Craig and Alan had not been formally appointed.

7.2

FLIWAY SENIOR MANAGEMENT TEAM

Duncan Hawkesby

MANAGING DIRECTOR

See Section 7.1 *Fliway Board*.

Jim Sybertsma

CHIEF FINANCIAL OFFICER

Jim was appointed as Chief Financial Officer of Fliway in 2008. Prior to his appointment, Jim was Chief Executive Officer at Paradise Food Industries (Brisbane, Australia). Previously he has been Chief Financial Officer at New Zealand Dairy Foods Limited and Fonterra Brands (New Zealand) Limited and the General Manager of Finance and Administration at DB Group Limited (liquor division).

Jim is a Chartered Accountant and holds a Bachelors degree in Management Studies from the University of Waikato.



Cameron McKeown

GENERAL MANAGER DOMESTIC

Cameron joined Fliway in 1993 and has more than 16 years' experience in various management roles at Fliway, having worked within all of Fliway's major divisions. Cameron was appointed as General Manager of Fliway Logistics in 2006 and in 2008 became General Manager of Fliway Domestic.

Cameron has 24 years' experience in the logistics industry.



Gavin Satchell

GENERAL MANAGER INTERNATIONAL

Gavin started as an Operations junior for Fliway in 1985. Since then he has worked across different management roles within the Fliway group and in 2006 was appointed as General Manager of Fliway International.

Gavin has 29 years' experience in the customs clearance, transport and international Freight Forwarding industries.



7.3

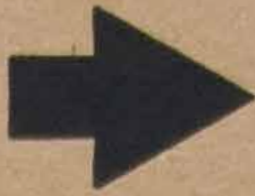
SELLING SHAREHOLDERS' INTERESTS IN SHARES

The Selling Shareholders are the joint owners of 100% of the Shares in Fliway in their capacity as trustees of The D & G Hawkesby Trust. They will retain a stake of between 30% and 50% of their Shares following the Offer. If they sold such of their Existing Shares so that they retained a 30% stake, they would receive consideration of between \$28.7 million and \$35.0 million, based on the Indicative Price Range. The Selling Shareholders do not guarantee, or undertake any liability in respect of, the Offer Shares.

The Selling Shareholders have agreed with Fliway that, following completion of the Offer, they will not sell any Shares for a specified period. These restrictions are subject to certain limited exceptions, details of which are set out in Section 10.9 *Escrow arrangements*.



From left to right: Gavin Satchell (General Manager International), Peter Sapiatzer (Chief Information Officer), Jim Sybertsma (Chief Financial Officer), Kate Bacchus (Human Resources Manager), Cameron McKeown (General Manager Domestic) and Duncan Hawkesby (Managing Director)



FRONT



Max 1700 lbf
Max 770 kgf

BE CAREFUL CAUTION



Do not
on your
carry



When
product with your knee.



If product is stacked, make sure product is
secure to avoid damage or injury.

EIGHT
WHAT ARE
MY RISKS?

Principal risks for investors

Your Shares will be fully paid and you will have no liability to make any further payments in respect of your Shares. However, the principal risk is that you may not be able to recoup your original investment or you may not receive the returns you expect. Any investment in the share market has risks associated with it, and this investment is no exception.

A number of the key risks that Fliway faces are summarised briefly below. **These are summaries only - you should also read Section 8 What Are My Risks? of the Prospectus for further information on each of the risks discussed below as well as for a description of other key risks that may affect Fliway.** Any of these risks, were they to occur, could have a material adverse effect on Fliway's financial position or performance through reduced revenue, increased costs, reduced cash flows, damage to reputation or a combination of these.

You should consider such risk factors together with the other information in this Investment Statement. In particular, you should read the disclosures under "Forward looking statements" in the Important Information section inside the front cover, Section 5 *Industry Overview*, Section 6 *Business Description* and Section 9 *Financial Information* of this Investment Statement and the Prospectus.

- Revenue from Fliway's existing customers may reduce**
 Fliway is dependent on the continued custom of its customer base. Fliway's customer contracts do not provide for any minimum volume commitments from its customers. The level of demand from any individual customer can fluctuate within any given month as well as from month-to-month and year-to-year, depending on that customer's underlying business performance. These fluctuations can be material. For example, nearly half of Fliway's revenue in 2014 came from its ten largest customers (by revenue). Of those ten customers, five of them had revenue increases or decreases of more than ten per cent in 2014 relative to 2013. Fliway is exposed to the risk that the revenue that it receives from its customer base reduces, which could materially adversely affect Fliway's financial performance. Such a reduction could be as a result of a worsening of economic conditions, a shift in consumer sentiment away from Fliway's customers' products, or other factors. A reduction in revenue from its customers could materially adversely affect Fliway's financial performance.
- Difficulties in forecasting demand may mean that Fliway's cost structure is less efficient**
 Fliway's customers generally do not provide either minimum volume commitments or reliable forecasts of expected demand for upcoming periods. As a result, Fliway is required to prepare its own estimates of likely demand for its capacity planning purposes. Those estimates are used in a range of decisions, such as the level of warehousing space or fleet that Fliway will need for that period. As much of Fliway's cost structure is fixed (especially in the short term), its ability to respond to levels of demand that are different to its forecasts is often limited in the

short term to contracting temporary resources at relatively high cost. This erodes Fliway's margins. As with any forecasting process, Fliway's estimates of likely customer demand regularly end up being different to actual demand, particularly given the volatility of Fliway's customer demand described above. At times, these differences have been material and have had a material adverse impact on Fliway's financial performance. For example, if Fliway underestimated the level of demand in its Transport division, it may have to hire temporary vehicles that have a higher cost than its permanent fleet until it can procure additional fleet or establish permanent capacity. Conversely, if Fliway overestimated the level of demand, it would be incurring costs associated with owning a larger fleet than was required to meet customer demand. As a further example, if Fliway underestimated the amount of storage capacity required by customers of its Logistics division, it may have to incur additional costs associated with arranging temporary capacity. Conversely, if Fliway overestimated the level of storage capacity required, it would be incurring costs associated with warehouse capacity that was not required to meet customer demands. The impact on Fliway's financial performance could be materially adverse. For more information on the impact on a change in Fliway's capacity requirements, refer to Appendix: *Prospective Financial Information* under the heading "Sensitivity analysis".

- Fliway faces aggressive competition**
 Fliway operates in a highly competitive sector and faces competition from a number of international, national and regional freight and logistics providers, including various transport operators express companies, Freight Forwarders, air couriers and others. The market share of these competitor organisations may increase relative to Fliway's share as a result of various factors, including changes in customer preferences towards services offered by those other providers for any reason. Fliway's business could also be negatively impacted if a significant new competitor, or new competitors, entered the market. The impact of operating in a highly competitive sector is particularly acute given the fact that, consistent with industry practice, many of Fliway's contracts with customers are subject to periodic tender and renewal processes. Contract terms tend to be relatively short, with the term of Fliway's contracts with customers often being less than three years. As a result, in any given period Fliway will have a number of customer contracts scheduled to expire. For example, contracts with three of Fliway's top ten customers by 2014 revenue are scheduled to expire in 2015. In aggregate, these three contracts represented approximately 12.3% of Fliway's 2014 revenue. Fliway is likely to have to participate in a competitive tender process in order to retain a number of those contracts. There can be no guarantee that Fliway will be successful in any such processes. Even if it is successful, Fliway may have had to agree to less favourable terms with the relevant customers. Customer loss, or retaining customers on less favourable commercial terms, could have a material adverse effect on Fliway's revenues and profits. Further, consistent with common industry practice, some

of Fliway's contracts with its customers may be terminated without cause or for performance issues by the customer on relatively short periods of notice. As a result, Fliway faces risks associated with customer loss in any given period irrespective of whether or not any customer contracts are due to expire in that period.

- **Fliway depends on certain key individuals**

The success of Fliway's business is dependent on the leadership of its key management personnel. For example, customer relationships are a very important aspect of Fliway's business and those relationships are often dependent on long-standing personal relationships between a member of the Fliway senior management team and their contact at the relevant customer. As a result, the loss of a key person could damage Fliway's relationship with important customers. Further, a loss of key personnel could have a materially adverse effect on Fliway's leadership and institutional knowledge. Although Fliway endeavours to manage these risks through the inclusion of restraint of trade provisions in its employment agreements with its senior management team and providing market remuneration packages, such protections will only apply for finite periods of time and cannot protect against these risks other than in the short term.

- **If Fliway is unable to recruit and retain qualified staff, it would be adversely affected**

Fliway's future success relies on its ability to continue to recruit, retain and motivate suitably skilled and qualified personnel; particularly qualified truck drivers. There is a limited group of skilled personnel with the appropriate experience and, as a result, Fliway can face strong competition for such personnel. For example, Fliway has experienced very strong competition for qualified truck drivers in the Canterbury region following the earthquakes in 2010 and 2011. Fliway may be adversely affected if it is unable to recruit suitably qualified employees or if it loses its existing employees (who could then be difficult to replace). Even if it is able to attract and retain the required qualified personnel, Fliway may be required to pay more than it currently expects to pay in order to do so. These additional costs could have a material impact on Fliway's financial performance.

- **Fliway faces risks associated with business interruptions**

Fliway's business is reliant on the continued and uninterrupted performance and availability of its fleet and facilities as well as the wider New Zealand transport infrastructure. As a result, it is exposed to risks associated with the availability of these resources being disrupted. For example:

- across New Zealand, Fliway operates 11 transport branches, 5 logistics warehouses and over 170 vehicles. On occasion, unanticipated equipment failures can result in vehicle break downs, material facilities shut downs or periods of reduced production. Such failures can lead to Fliway incurring additional costs and /or negatively impact customer relationships if, as a consequence, Fliway fails to meet contracted customer service levels;
- Fliway depends on the ongoing fitness and availability of New Zealand's transport infrastructure such as roads and ferries. Fliway's delivery schedule can be materially affected

in the event that a road is impassable by the relevant Fliway vehicle as a result of closure or road-works. Such a disruption can result in Fliway being required to divert its fleet via an alternative route, which can involve Fliway incurring additional costs. In particular, given the limited number of ferries that cross Cook Strait, Fliway's business operations can be materially disrupted in the event of an unanticipated failure of one of those ferries; and

- Fliway is subject to operating risks such as industrial accidents (including fire), extended power outages, withdrawal of permits or licenses, catastrophic events (such as a major earthquake, a landslide, a fire, a flood, a cyclone, an explosion, an act of terrorism or other disaster) and prolonged maintenance activity. Further, Fliway's business operations risk disruptions from labour disputes, strikes or work stoppage by employees.

Any interruption in capability may require Fliway to undertake material capital or operational expenditure to remedy the cause of the interruption and could cause lost sales, reduced revenues and profits.

- **The UPS-Fliway joint venture gives rise to certain risks**

Fliway was appointed as New Zealand agent for United Parcel Services in 1988. In 1998 Fliway and UPS established a joint venture through UPS-Fliway. UPS-Fliway is a stand-alone company with its own management, which is owned 50/50 by each of Fliway and UPS. UPS-Fliway has its own board of directors, comprising three representatives of Fliway and three representatives of UPS. UPS-Fliway's day to day operations and its accounting, treasury and tax functions are overseen by UPS management. Each of Fliway and UPS has contracted to provide certain services to UPS-Fliway. Fliway receives income as a 50% shareholder in UPS-Fliway and also through the provision of domestic transport services, customs brokerage, and the provision of premises and ancillary services. In aggregate these discreet activities form a material portion of Fliway's earnings.

Participation in this joint venture raises risks which are different from those faced by Fliway in its stand-alone operations. Those risks include:

- UPS and UPS-Fliway are arms' length entities that have their own interests and goals which may differ from Fliway's. As a result, those entities may act in a way that is contrary to Fliway's interests or goals.
- The service contracts under which UPS-Fliway is provided with services by each of UPS and Fliway are able to be terminated in certain circumstances, including on notice without cause. The termination of any of these arrangements could have a materially adverse impact on Fliway, and /or UPS-Fliway.
- The agreement establishing the joint venture is perpetual in term. However either of the two joint venture partners (UPS or Fliway) could make a business decision to attempt to restructure its New Zealand operations away from the current joint venture, or seek to exit the joint venture by taking unilateral actions that could adversely affect its on-going viability. The Joint Venture Agreement does, however, materially limit either joint venture partner from

competing with UPS-Fliway in New Zealand while the Joint Venture Agreement remains in place. In Fliway's opinion, a commercial negotiation between the two partners is the most likely outcome if either party wished to attempt to restructure or exit the joint venture. If the UPS-Fliway joint venture was terminated or ceased to be viable, it would materially impact Fliway's financial performance, notwithstanding the receipt of any compensation for the value of Fliway's shares in UPS-Fliway.

- As is common with joint venture arrangements, each shareholder in the joint venture company has pre-emptive rights over the other shareholder's shares. Those pre-emptive rights can be triggered if there is a change of the effective ownership or control of a shareholder in the joint venture or the holding company of a shareholder.⁴¹ Under those pre-emptive rights, if one of the shareholders wishes to sell its shares in the joint venture the other shareholder has the right, but not the obligation, to acquire those shares either at a price agreed between them or, if they cannot agree, at an independently determined fair market value.⁴²

- **Fliway may be subject to losses that it is not fully insured against**

Although Fliway generally seeks to limit its liability in its contracts with its customers, there is no guarantee that such contractual limits will be sufficient to ensure that Fliway is not subject to costs or losses from claims associated with the services it provides. Fliway's insurance coverage may not be adequate to cover any significant future claims. In addition to losses associated with customer claims, Fliway seeks to insure itself against a range of other losses, such as losses associated with business interruption. However Fliway does not insure itself against all known or possible losses. Further, even if losses suffered by Fliway are of the type that is covered by Fliway's insurance, there is no assurance that the levels of that insurance would be sufficient to cover the loss suffered. Losses suffered by Fliway that are not covered by its insurance will reduce its value.

- **Fliway faces risks due to its dependence on information technology systems**

Fliway relies on the proper functioning of information technology systems for the successful operation of its business. The key systems on which Fliway relies are licensed from, and supported by, third parties. If critical information technology systems fail or are otherwise unavailable, or the services of third party IT support contractors are unavailable or delayed, Fliway's business could be disrupted.

In addition, from time to time Fliway implements changes to its information technology systems, such as upgrading to a more recent version of an existing system or replacing one system with a new system licenced from a different party. Fliway is expecting to upgrade one of its information technology systems during 2015. Although Fliway will endeavour to take mitigating steps, any software upgrades or implementations expose Fliway to a range of risks, including ultimately that the upgrade

or implementation would disrupt Fliway's ability to operate its business.

- **The relatively dangerous nature of the work performed by Fliway's employees exposes it to certain health and safety risks**

Fliway engages in potentially high risk activities including the operation of heavy equipment (such as trucks and forklifts). As a result, there is a potential risk to the health and safety of Fliway's employees and contractors and /or its customers or members of the public. If Fliway does not comply with its health and safety obligations it could be subject to a range of enforcement activity, including directions to take remedial action and /or summary criminal prosecutions and fines, if convicted. Fliway monitors health and safety incidents regularly, including reporting of accidents and other incidents weekly and of days lost through injury monthly. Given the nature of Fliway's activities and the size of its 400+ workforce, Fliway can regularly have multiple reported accidents in a month and has been prosecuted under the Health and Safety in Employment Act in the past eight years. An increase in the level of health and safety incidents, or a particularly serious incident, has the potential to negatively affect Fliway's revenues and profitability, including as a result of damage to Fliway's reputation, brand or staff culture.

- **Fliway may be the subject of disputes or litigation**

Fliway may from time to time be the subject of, or become a party to, complaints, disputes, litigation or inquiries alleging or investigating matters such as issues involving service quality, damage to or loss of inventory held by Fliway (for example in its warehouses), billing and payment, injury, health, environmental factors, nuisance or failure to comply with applicable laws, regulations or contractual obligations. Such matters, even if successfully addressed by Fliway without direct adverse financial effect, could have an adverse effect on Fliway's reputation and divert its financial and management resources from more beneficial uses. If Fliway were found to be liable under any such claims, this could have a material adverse effect on Fliway's future financial performance. Refer to Section 12.18 *Pending proceedings* of the Prospectus for a description of an anticipated claim by a former customer against Fliway. Refer also to Section 12.17 *Material contracts* of the Prospectus under the heading "Indemnity from Selling Shareholders" for a summary of an indemnity given in favour of Fliway by the Selling Shareholders that may protect Fliway against losses arising from third party claims relating to events that occurred before the allotment of Shares under the Offer.

Consequences of insolvency

Shareholders will not be liable to pay any money to any person as a result of any future insolvency of Fliway. All of Fliway's creditors (secured and unsecured) will rank ahead of Shareholder claims if Fliway is liquidated. After all such creditors have been paid; any remaining assets will be available for distribution between all holders of Shares who will rank equally amongst themselves. There may not be sufficient surplus assets to enable Shareholders to recover all or any of their investment.

41. Fliway does not consider that the implementation of the Offer will trigger pre-emptive rights because it will not result in a change in the effective ownership or control of Fliway. If, in the future, another shareholder obtains the effective control of Fliway, this change is likely to trigger these pre-emptive rights meaning that UPS would have the option to acquire Fliway's shares in UPS-Fliway (which UPS could decide whether or not to exercise).

42. The Joint Venture Agreement also provides that if one party decides to sell its shareholding to a third party, it will be deemed to have granted to the other party an option to acquire such of its shares in the joint venture company that comprise ten per cent (10%) of the total shares of the joint venture (which the other party could decide whether or not to exercise).



NINE FINANCIAL INFORMATION

This section contains both historical and prospective financial information for Fliway. This financial information should be read in conjunction with the risk factors set out in Section 8 *What Are My Risks?* and the other information contained in this Investment Statement and the Prospectus.

Included within this section is:

Introduction to Fliway's financial information

An overview of how Fliway makes money and the main drivers of its financial performance are provided to help readers better understand the financial information provided.

Overview of Fliway's financial information

An overview of the key historical and prospective financial information between the twelve months ended 30 June 2012 (**FY12**) and the six months ending 31 December 2015 (**1H16F**), and commentary on key trends and drivers of historical and prospective financial information. This selected information is provided in addition to the financial information disclosure required under the Securities Regulations to help readers understand Fliway's financial performance.

Reconciliation of non-GAAP financial information

A reconciliation of the Pro Forma profitability to the financial statements and PFI.

Appendix: Prospective Financial Information

PFI for the year ending 30 June 2015 (**FY15F**) and the six months ending 31 December 2015 (**1H16F**) comprising:

- prospective consolidated statements of comprehensive income;
- prospective consolidated statements of changes in equity;
- prospective consolidated statements of financial position;
- prospective consolidated statements of cash flows;
- a description of the general and specific assumptions on which the PFI has been prepared; and
- an analysis of the sensitivities of the PFI to changes in key assumptions.

9.1 INTRODUCTION TO FLIWAY'S FINANCIAL INFORMATION

This Investment Statement contains a detailed description and analysis of Fliway's industry (see Section 5 *Industry Overview*) and business (see Section 6 *Business Description*). You are strongly encouraged to read those sections in detail, and also Section 8 *What Are My Risks?*

Certain information included in this section (including EBITDA, Pro Forma EBITDA, EBIT and Pro Forma EBIT) is non-GAAP financial information. It also includes Pro Forma financial information and profit measures other than net profit for the financial year

as reported in the statutory financial statements. The statutory financial statements are prepared in accordance with generally accepted accounting practice in New Zealand (**NZ GAAP**) and comply with New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) as appropriate for profit oriented entities that qualify for and apply differential reporting. The financial statements for the year ended 30 June 2014 also comply with full IFRS. You can find an explanation as to why Fliway uses these measures of financial performance in Section 9.2 *Overview of Fliway's financial information* under the heading "Explanation of non-GAAP financial information" and a reconciliation of statutory net profit to Pro Forma EBIT and EBITDA in Section 9.3 *Reconciliation of non-GAAP financial information*.

A summary of how Fliway makes money

The following provides a simplified overview of how Fliway makes money as an introduction to assist in reading the detail in the rest of this section.

Fliway's core business is in the transport and logistics sector of the New Zealand freight industry. Its activities include transporting and warehousing freight in New Zealand and co-ordinating the movement of freight internationally, including arranging customs clearance and associated brokerage payments.

Fliway derives revenue from the movement and storage of freight in the following areas:

- **Domestic freight transport and warehousing and logistics**

Domestic freight transport: Fliway owns a fleet of trucks, vans and other vehicles that are used to provide a national freight pick-up and delivery service. The overall fleet is a combination of three vehicle types:

- Line-Haul fleet, which moves freight overnight between Fliway's depots for delivery the next day;
- regional and Metro fleet, which are smaller trucks that pick-up and deliver freight to and from the customer and Fliway's depots; and
- delivery vans that are used for the express package pick-up and delivery services that Fliway provides, alongside the Metro fleet.

Freight is delivered on a set timetable which involves the co-ordination of Fliway's Line-Haul and depot network and regional and Metro fleet. This "hub and spoke" model provides national capability, which is delivered through Fliway's 11 branches.

Warehousing and Logistics: Fliway has approximately 27,750 square metres of warehousing capacity across five locations which is used to store customers' inventory. Revenue is earned through charges for storage and related activities such as container unloading, receipt of inwards goods, inventory management, order picking and product despatch. Storage revenues are generally earned based on volume stored, but can also be based on a customer's

requirement for a set footprint area in the warehouse and / or dedicated rack space or specialised areas. Fliway also provides value added services involving Fliway undertaking tasks in addition to warehousing for its customers.

- **International Freight Forwarding**

Fliway arranges services associated with the end-to-end international movement of customers' freight. These services can include arranging:

- services at origin, such as picking the freight up;
- the air or sea movement of the freight; and
- destination services including the clearing of customs and satisfaction of any border clearance requirements and the delivery of the freight to the required destination.

This freight may be being imported or exported. However, Fliway also arranges international freight that does not transit through New Zealand (referred to as "cross-trade freight forwarding").

- **International express small package**

Fliway has a 50/50 joint venture in an international express small package business, UPS-Fliway. UPS-Fliway provides door-to-door pick-up, air freight and express delivery of small packages globally. Fliway receives dividends from UPS-Fliway in its capacity as a 50% shareholder. In addition to dividends, UPS-Fliway is one of Fliway's customers and Fliway earns revenue for providing services to UPS-Fliway, such as customs clearance and picking up and delivering express small packages.

Main drivers of Fliway's financial performance

The following factors can have a significant impact on Fliway's financial performance and net cash flows, but are not an exhaustive list of all relevant factors. This should be read in conjunction with "Trends in revenue, Pro Forma EBITDA and statutory net profit" later in this section as well as Section 8 *What Are My Risks?*

- **Demand for Fliway's customers' products:** Fliway has a diverse range of customers and the revenue it receives is not strongly correlated to any single data point. The freight industry is typically influenced by movements in GDP, although while GDP is indirectly relevant, Fliway's revenue is primarily related to the trading performance of its customers.

Fliway considers that it has points of difference that are attractive to a range of New Zealand customers. Key sectors Fliway has exposure to include: commercial refrigeration; consumer electronics; home appliances; consumer transaction technologies; medical imaging; and copiers and printers. As a result, Fliway's revenue is indirectly linked to the performance of these sectors.

In the international Freight Forwarding business, Fliway

has broad exposure to New Zealand's range of importers and exporters. Given the diverse customer range, there are a number of factors which drive demand for customers' products. Examples of these factors include exchange rates, economic growth and consumer confidence.

- **Capacity utilisation:** An important driver of Fliway's financial performance in its Domestic division is the utilisation of available capacity.

Fliway is focussed on efficiently managing capacity within the Transport business unit by endeavouring to have the right size of fleet on any particular run, by targeting freight services into routes that have excess capacity, and by contracting short term capacity cost effectively if required. However, under or over utilisation of the owned capacity may result in reduced profitability.

Management of capacity is also important in Fliway's Logistics business unit where it endeavours to balance warehousing space with customer demand. Customer inventory levels can be dynamic. If inventory levels in a warehouse are less than that warehouse's capacity, it is under-utilised and Fliway would be incurring costs associated with a larger warehouse than demand warrants. Similarly, if demand exceeds a warehouse's capacity, Fliway would need to contract overflow storage, which is often at premium short term rental rates.

- **Management of labour resource:** Fliway's single largest cost is salaries and wages associated with its workforce. Fliway endeavours to allocate labour efficiently against customer demand, service delivery requirements and, where required, comply with all relevant regulations.
- **Fleet:** Fliway operates an extensive fleet of vehicles. Fliway incurs costs associated with these vehicles being maintained and operated to ensure its network is functioning at all times. These costs are monitored and managed daily.

Fliway has adopted a two-tiered approach to fleet management:

- the trucks involved in the Line-Haul network are largely operated under a "cents per kilometre" maintenance contract with the truck vendor to ensure they have limited downtime and their maintenance costs are highly predictable; and
- the regional and Metro fleet comprises a combination of different size trucks and vans, the maintenance of which is managed locally by branch managers. Fliway's reliance on any one of its vehicles in the regional and Metro fleet is significantly lower than for vehicles utilised in the Line-Haul network.

9.2

OVERVIEW OF FLIWAY'S FINANCIAL INFORMATION

Presented in this section is certain historical and prospective financial information and a description of non-GAAP financial information used in this Investment Statement. This is provided as an introductory overview, in addition to the financial information disclosure required under the Securities Regulations. The financial information is presented in New Zealand Dollars and is rounded to the nearest thousand (unless stated otherwise), which may result in some minor discrepancies between the sum of components and totals within tables, and also in certain percentage calculations. If you do not understand the information in this section, you should consult a financial adviser.

Financial information presented

There are four different types of financial information presented in this Investment Statement:

- **Statutory historical financial information** as reported in Fliway's financial statements.
- **Pro Forma historical financial information** adjusts the statutory historical financial results to reflect the additional costs associated with Fliway being a publicly listed company, ongoing management remuneration arrangements and the spread of a management bonus paid in FY13 over the period to which it related (FY09 to FY13).
- **Statutory prospective financial information** includes the forecast results presented on the same basis as they will be reported under NZ GAAP in the future.
- **Pro Forma prospective financial information** adjusts the statutory prospective financial results to reflect additional costs associated with Fliway being a publicly listed company, ongoing management remuneration arrangements and to remove the costs associated with the Offer process.

In addition, forecast Pro Forma profitability for the 12 month period ending 31 December 2015 (**12M Dec 15F**) is provided as additional information. This information represents the Pro Forma prospective financial information for the six months ending 31 December 2015 (**1H16F**) and the six months ending 30 June 2015, which has been extracted from the prospective financial information for the 12 months ending 30 June 2015.

The Pro Forma prospective financial information for the 12 months ending 31 December 2015 has been provided as additional information to show the readers the 1H16F six month period as part of a full 12 calendar month period. This additional disclosure will enable readers to better compare the period ending 31 December 2015 with the Pro Forma historical financial information presented for FY12 to FY14 and the Pro Forma prospective financial information for FY15F.

Overview of financial information

The following non-GAAP financial information represents historical and prospective financial information that has been adjusted for specific items to assist potential investors with comparing profitability on a consistent basis. It is provided in addition to the statutory information required for the PFI set out in the Appendix *Prospective financial information* and the summary historical financial information set out in Appendix 1 of the Prospectus.

This selected information is provided in addition to the financial information disclosure required under the Securities Regulations to help readers understand the drivers of financial performance. Set out in Section 9.3 *Reconciliation of non-GAAP financial information* is a reconciliation of non-GAAP profitability to statutory historical and prospective financial information, with a description of the various adjustments following.

Pro forma consolidated financial information

\$'000	FY12 12 months ended 30 June 2012	FY13 12 months ended 30 June 2013	FY14 12 months ended 30 June 2014	FY15F 12 months ending 30 June 2015	1H16F 6 months ending 31 December 2015	12M Dec 15F 12 months ending 31 December 2015
Total operating revenue	73,197	74,391	81,511	85,265	44,749	85,642
Disbursement costs	(18,567)	(19,121)	(22,490)	(23,013)	(12,233)	(23,344)
Freight costs	(4,500)	(4,562)	(3,781)	(4,843)	(2,382)	(4,455)
Operating and leasing charges	(6,340)	(6,401)	(6,717)	(7,054)	(3,368)	(6,795)
Personnel costs	(24,464)	(24,343)	(27,577)	(29,093)	(15,193)	(29,498)
Vehicle expenses	(6,669)	(6,732)	(7,099)	(6,893)	(3,492)	(6,842)
Other operating expenses	(6,329)	(7,215)	(6,841)	(7,092)	(3,264)	(6,502)
Other income	19	-	-	-	-	-
Operating profit	6,347	6,017	7,006	7,276	4,815	8,207
Attributed share of UPS-Fliway EBITDA (50%)	1,093	1,348	1,282	1,416	726	1,306
Pro Forma EBITDA	7,439	7,366	8,289	8,692	5,541	9,514
Depreciation - Fliway	(1,366)	(1,198)	(1,249)	(1,839)	(1,066)	(2,130)
Amortisation - Fliway	(90)	(104)	(196)	(216)	(133)	(253)
Depreciation - UPS-Fliway	(8)	(7)	(9)	(17)	(12)	(24)
Pro Forma EBIT	5,975	6,057	6,835	6,620	4,329	7,107
Pro Forma NPAT	3,560	3,614	4,426	3,921	2,865	4,546

Notes:

Pro Forma financial information: The Pro Forma financial information should be read in conjunction with the notes and discussion accompanying this section, including the explanation of the Pro Forma adjustments in Section 9.3 *Reconciliation of non-GAAP financial information* and the Appendix *Prospective financial information*. Pro Forma adjustments have been allocated to the appropriate categories above.

12M Dec 15F: Forecast Pro Forma profitability for the 12 months ending 31 December 2015 (12M Dec 15F) is provided as additional information only.

Disbursement costs: Customer-specific direct costs associated with transporting freight.

Freight costs: General subcontractor costs within the Domestic division when additional capacity or resource is required.

Operating and leasing charges: Rent on premises occupied by Fliway and costs associated with the rental and / or lease of vehicles.

Personnel costs: Costs associated with employees, with the largest expense relating to salaries. This category includes Pro Forma

adjustments in the periods FY12 to 12M Dec 15F in relation to the management long term incentive and ongoing management remuneration arrangements; refer Section 9.3 *Reconciliation of non-GAAP financial information* for further information on this adjustment.

Vehicle expenses: Fuel and oil, Road User Charges and vehicle repairs and maintenance costs.

Other operating expenses: Claims, administration and IT costs, including Pro Forma adjustments for incremental public company costs in FY12 to 12M Dec 15F as well as a Pro Forma adjustment for the listing costs incurred in FY15F and 12M Dec 15F; refer Section 9.3 *Reconciliation of non-GAAP financial information* for further information on these adjustments.

Attributed share of UPS-Fliway EBITDA: 50% share of the EBITDA generated by UPS-Fliway.

Depreciation and amortisation: Depreciation on vehicles, plant and equipment, amortisation of computer software, and attributed depreciation from UPS-Fliway (50%).

Explanation of non-GAAP financial information

Fliway's financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards as appropriate for profit oriented entities that qualify for and apply differential reporting. The financial statements for the year ended 30 June 2014 also comply with full IFRS.

Fliway monitors its profitability using the non-GAAP financial measures of EBIT and EBITDA. The use of EBIT removes the effects of the Fliway Group's capital structure and tax position and the impact of certain non-cash items (fair value movements in financial instruments and other gains or losses on the sale of assets). The use of EBITDA also further removes the effect of depreciation and amortisation.

A reconciliation between EBIT, EBITDA and NPAT is presented in Section 9.3 *Reconciliation of non-GAAP financial information*. The measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards and therefore Fliway's calculation of these measures may differ from the similarly titled measures presented by other companies. These measures are intended to supplement

the NZ GAAP measures presented in Fliway's financial information. They should not be considered in isolation and are not a substitute for NZ GAAP measures.

Pro Forma EBITDA and Pro Forma EBIT are non-GAAP profit measures which reflect a number of historical and prospective Pro Forma adjustments (see Section 9.3 *Reconciliation of non-GAAP financial information*).

Fliway uses EBITDA to evaluate the operating performance of the business without the impact of depreciation, amortisation, capital structure and the tax position. Fliway also uses EBIT to evaluate the operating performance over time without the impact of the capital structure and Fliway's tax position.

Fliway considers that it is common practice to evaluate profitability based on both EBITDA and EBIT which allow for a better comparison of operating performance with that of other companies in comparison to NZ GAAP measures, although caution should be exercised as other companies may calculate EBITDA and EBIT differently.

In addition, EBIT and EBITDA also include the attributed EBIT or EBITDA from Fliway's 50% interest in UPS-Fliway as set out below.

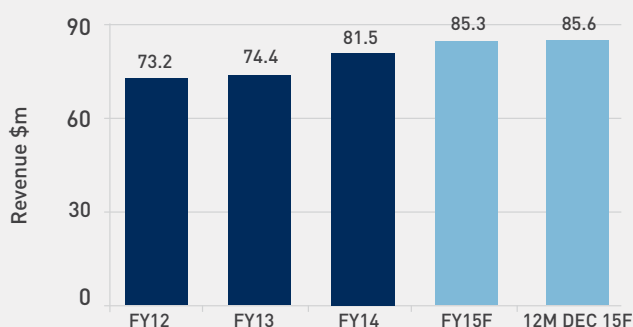
UPS-Fliway

\$'000	FY12 12 months ended 30 June 2012	FY13 12 months ended 30 June 2013	FY14 12 months ended 30 June 2014	FY15F 12 months ending 30 June 2015	1H16F 6 months ending 31 December 2015	12M Dec 15F 12 months ending 31 December 2015
Attributable EBITDA (50%)	1,093	1,348	1,282	1,416	726	1,306
Depreciation and amortisation (50%)	(8)	(7)	(9)	(17)	(12)	(24)
Interest (50%)	6	11	11	11	5	10
Tax (50%)	(301)	(379)	(359)	(397)	(203)	(366)
Attributable NPAT (50%)	791	974	925	1,013	515	926
Dividend received (50%)	800	750	900	900	450	900

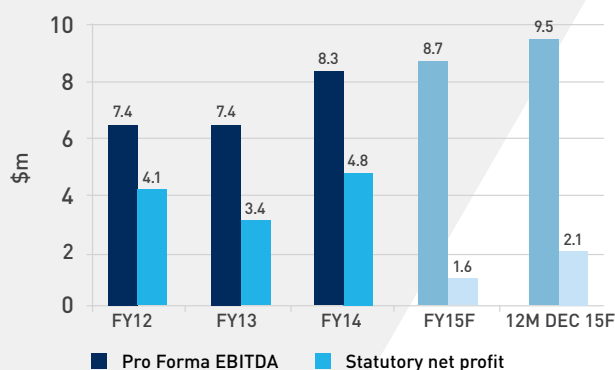
Trends in revenue, Pro Forma EBITDA and statutory net profit

The charts below summarise the movements in revenue, statutory net profit and Pro Forma EBITDA over FY12, FY13 and FY14, the PFI for FY15F and additional forecast information relating to the twelve month period ending 31 December 2015.

REVENUE TREND



PRO FORMA EBITDA AND STATUTORY NET PROFIT



Overview of historical revenue and Pro Forma EBITDA for FY12

In FY12, Fliway experienced growth, particularly in the International division, with revenue recovering to pre-Global Financial Crisis levels. Revenue growth was supplemented by a focus on warehouse profitability in the Logistics business unit and strong earnings growth from UPS-Fliway. The key factors that affected FY12 Revenue and Pro Forma EBITDA included:

- achieving revenue growth in the International division from growth within its existing customer base combined with the full year effect of new customers acquired in FY11;
- focussing on warehouse profitability in the Logistics business unit during a period of stable revenue generation, with modest growth from existing customers in addition to increased demand in spare parts logistics; and
- the full year impact of outsourcing IT infrastructure in FY11, which resulted in additional Head Office costs.

Overview of historical revenue and Pro Forma EBITDA for FY13 compared to FY12

In FY13, revenue increased by \$1.2 million (1.6%), when compared with FY12. Pro Forma EBITDA decreased by \$0.1 million (1%). The key factors that affected the FY13 Revenue and Pro Forma EBITDA results included:

- revenue increased and EBITDA margin percentage declined as a result of an increase in Road User Charges of \$0.5 million (\$0.8 million for a full 12 month period) which Fliway passed through to customers;
- the performance of Fliway's Christchurch depot was adversely impacted by the post-earthquake and rebuild environment. Impacts included the challenging labour market and ongoing roading disruptions; and
- following a strategic review, a Christchurch warehouse was closed in December 2012, resulting in a number of non-core customers leaving the business. The remaining customers from that warehouse migrated to Fliway's other Christchurch warehouse. While one-off costs were incurred in closing the warehouse and shifting inventory, the closure resulted in cost efficiencies which improved profitability in subsequent financial periods.

Overview of historical revenue and Pro Forma EBITDA for FY14 compared to FY13

In FY14, revenue increased by \$7.1 million (9.6%), when compared with FY13. Pro Forma EBITDA increased by \$0.9 million (12.5%). The key factors that affected the FY14 Revenue and Pro Forma EBITDA results included:

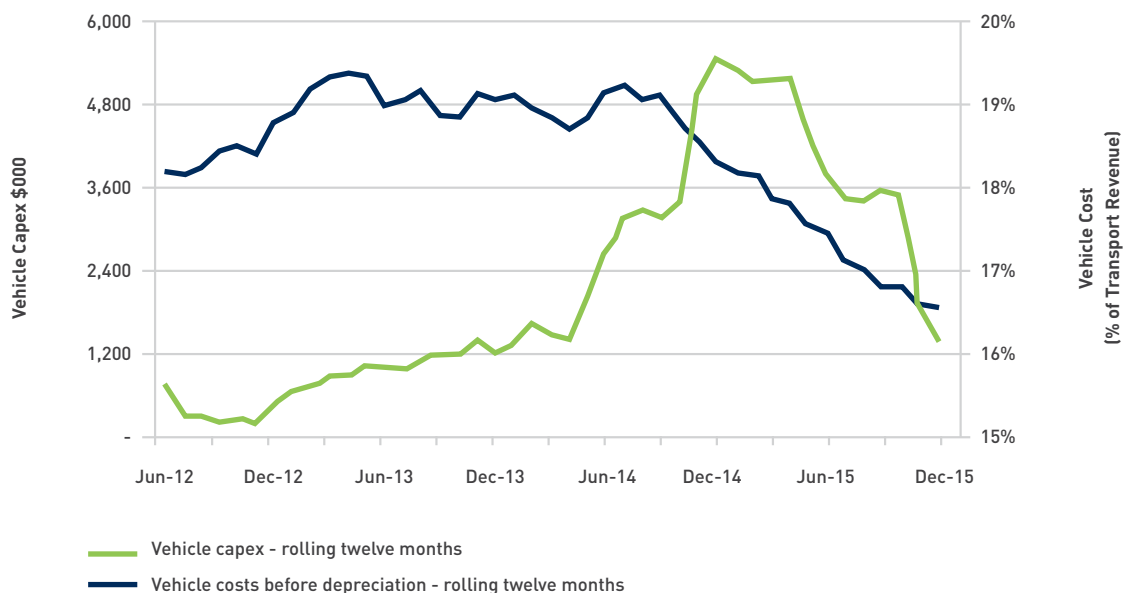
- growth from Fliway's existing customer base together with the acquisition of new customers resulted in the Domestic division's revenue increasing by \$4.0 million (8.2%) and the International division's revenue increasing by \$3.3 million (13.1%);

- increases in revenue in the Logistics business unit which were partially offset by costs associated with moving inventory into a temporary overflow warehouse in Auckland, and again six months later to an additional newly leased site in Auckland;
- a strategy designed to strengthen Fliway's operational management personnel and increase the business development resources resulted in staff costs increasing across all divisions;
- a strategic review was conducted in FY14 which identified the need for an expansion of the IT function within Head Office. This investment increased IT resources and was designed to enable Fliway to offer IT functionality that it considered was at the forefront of the New Zealand transport and logistics sector. This resulted in a \$0.5 million cost increase; and
- Fliway's net capital expenditure increased in FY14 by 26% to \$3.4 million in comparison to FY13 as it upgraded its fleet due for replacement, with new equipment built to the limit of new HPMV regulations. Although the capital expense was incurred in FY14, the vehicles were not delivered until June and November 2014, meaning the payback is expected to commence being generated in FY15F.

Overview of prospective revenue and Pro Forma EBITDA for FY15F and 1H16F compared with FY14 and 1H15 respectively

In FY15F, revenue is forecast to increase by \$3.8 million (4.6%), when compared with FY14. Pro Forma EBITDA is forecast to increase by \$0.4 million (4.9%). In 1H16F, revenue is forecast to increase by \$0.4 million (0.9%), when compared with 1H15. Pro Forma EBITDA is expected to increase by \$0.8 million (17.4%). The key factors that are forecast to affect the FY15F and 1H16F Revenue and Pro Forma EBITDA results include:

- demand is forecast to be consistent with FY14 and 1H15, except for general or contractual rate increases implemented in 1H15, and the annualisation of revenue generated from new customers acquired part-way through FY14 or in 1H15. Route losses or volume reductions have been factored in based on historical experience and discussions held with specific customers;
- lower transport operational costs are forecast as a result of the capital expenditure invested by Fliway in FY14 and 1H15 on new HPMV trucks and trailers. The new trucks and trailers were delivered in June and November 2014, and as a result, no cost reductions were achieved in FY14. However, the lower cost operating model has now been established and is assumed to operate for FY15F and 1H16F; and
- capital expenditure for FY15F is expected to be \$4.4 million, the majority (\$4.2 million) of which will be spent before the end of March 2015.

VEHICLE CAPEX V VEHICLE COSTS

Overview of trends in statutory net profit

Trends in Net Profit are influenced by the movements in Pro Forma EBITDA discussed above, a range of non-cash expenses, items one-off in nature, and interest and tax costs. The more significant differences are explained below:

- depreciation is forecast to increase by \$0.6 million from \$1.5 million to \$2.1 million in FY15F as a result of the fleet capital expenditure invested late in FY14 and 1H15;
- Fliway has two derivative contracts in place associated with its current Banking Facilities. A revaluation loss of approximately \$0.2 million was incurred in FY13, a \$0.1 million gain in FY14, and a subsequent \$0.2 million revaluation loss in 1H15. No movements have been assumed in the forecast period; and
- net financing costs are forecast to increase from \$0.7 million to \$0.9 million between FY14 and FY15F as a result of an increase in the average debt balance during the year.

9.3

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

EBIT and EBITDA are key metrics which management monitors to operate the business. Set out below is a reconciliation of these non-GAAP profitability measures to historical and prospective financial information together with a description of the various Pro Forma adjustments following the table.

Reconciliation of Non-GAAP Financial Information

\$'000	Notes / Pro Forma adjustment	FY12 12 months ended 30 June 2012	FY13 12 months ended 30 June 2013	FY14 12 months ended 30 June 2014	FY15F 12 months ending 30 June 2015	1H16F 6 months ending 31 December 2015
Reported NPAT		4,065	3,397	4,786	1,646	2,865
Adjust for:						
Share of UPS-Fliway net surplus (post tax 50%)		(791)	(974)	(925)	(1,013)	(515)
Attributed share of UPS-Fliway EBITDA (50%)		1,093	1,348	1,282	1,416	726
Net (gain)/loss on fair value of derivative instruments		(76)	152	(89)	182	23
Net (gain)/loss on sale of fixed assets		69	56	30	29	-
Net financing costs		1,011	794	741	907	329
Taxation expense/(benefit)		1,313	989	1,520	1,285	914
EBIT		6,684	5,763	7,344	4,453	4,342
Depreciation and amortisation		1,456	1,302	1,445	2,055	1,199
EBITDA		8,140	7,065	8,789	6,507	5,541
Less:						
Incremental public company costs	1	(420)	(420)	(420)	(280)	-
Management remuneration	3	(80)	(80)	(80)	(40)	-
Management LTI	2	(200)	801	-	-	-
Add:						
Listing costs	4	-	-	-	2,505	-
Total adjustments		(700)	301	(500)	2,185	-
Pro Forma EBITDA		7,439	7,366	8,289	8,692	5,541
Depreciation - Fliway		(1,366)	(1,198)	(1,250)	(1,839)	(1,067)
Amortisation - Fliway		(90)	(104)	(195)	(216)	(133)
Depreciation - UPS-Fliway (50%)		(8)	(7)	(9)	(17)	(12)
Pro Forma EBIT		5,975	6,057	6,835	6,620	4,329
Attributed share of UPS-Fliway EBIT (50%)		(1,085)	(1,342)	(1,273)	(1,399)	(714)
Share of UPS-Fliway net surplus (post tax 50%)		791	974	925	1,013	515
Net gain/(loss) on fair value of derivative instruments		76	(152)	89	(182)	(23)
Net gain/(loss) on sale of fixed assets		(69)	(56)	(30)	(29)	-
Net financing costs		(1,011)	(794)	(741)	(907)	(329)
Pro Forma NPBT		4,677	4,687	5,806	5,116	3,778
Pro Forma taxation expense	5	(1,117)	(1,073)	(1,380)	(1,195)	(914)
Pro Forma NPAT		3,560	3,614	4,426	3,921	2,865

Explanations of Pro Forma adjustments

1. **Incremental public company costs:** An adjustment has been made to include an estimate of the incremental annual costs that will be incurred as a publicly listed company. These incremental costs include Director remuneration, additional audit and tax costs, listing fees, share registry fees, Directors' and officers' insurance premiums, investor relations, company secretarial costs, as well as annual general meeting and annual report costs. The Pro Forma adjustment assumes an effective Listing Date of 9 April 2015.
2. **Management long term incentive:** A management long term incentive was paid in FY13 that related to the four year period September 2008 to August 2012. The adjustment spreads the payment in FY13 over the four year period to which it relates.
3. **Management remuneration:** An \$80,000 per annum remuneration increase has been factored into the PFI from 1 January 2015 onwards to reflect a market-based remuneration structure for the senior management team. This increase has been normalised in FY12, FY13, FY14 and a six month pro-rated adjustment was applied to FY15F (representing July to December 2014).
4. **Listing costs:** Total expenses of the Offer are estimated at \$3.4 million, of which \$0.5 million is brokerage on the Existing Shares sold by the Selling Shareholders which will be paid or reimbursed by the Selling Shareholders, \$2.5 million is non-tax deductible and has been expensed in the statutory forecast results. The remaining \$0.4 million is directly attributable to the issue of Shares and will be offset against equity raised in the Offer. For the purposes of the PFI, the total expenses of the Offer have been forecast based on the assumption that the Offer Price is set at the top of the Indicative Price Range and the Selling Shareholders retaining a stake of 30%.
5. **Taxation expense:** the Pro Forma tax expense represents the tax expense adjusted for the impact of the Pro Forma adjustments. Listing Costs of \$2,505,000 were treated as non-tax deductible and therefore do not impact the tax calculation.



TEN DETAILS OF THE OFFER

10.1 THE OFFER

The Offer is an offer of ordinary shares in Fliway, comprising both:

- New Shares to be issued by Fliway; and
- Existing Shares offered by the Selling Shareholders.

The Offer Shares will be offered at the Offer Price, which will be set on or about 17 March 2015 following the completion of the Bookbuild in which Institutional Investors and NZX Firms will be invited to participate (as described more fully below). On allotment, all Offer Shares will be fully-paid ordinary shares which rank equally with each other and all other Shares.

The Offer is made by Fliway and the Selling Shareholders on the terms, and is subject to the conditions, set out in this Investment Statement and the Prospectus.

Size of the Offer

The Offer is an initial public offering of 22.7 million to 31.8 million Offer Shares in Fliway Group Limited (based on the Indicative Price Range, Fliway's intention to raise \$9.0 million and the Selling Shareholders' intention to retain between 30% and 50% of their Existing Shares in Fliway). The Offer Shares comprise:

- 6.5 million to 7.5 million New Shares (based on the Indicative Price Range) to be issued on the Allotment Date; and
- 15.2 million to 25.3 million Existing Shares to be sold by the Selling Shareholders (based on Fliway undertaking a Share split as described under Section 10.2 *Shareholding structure – before and after the Offer* following the Bookbuild). The exact number of these Existing Shares will only be known at the conclusion of the Bookbuild.

Based on there being 6.5 million to 7.5 million of New Shares issued and the Selling Shareholders selling down between 15.2 million to 25.3 million Existing Shares (following the Share split) at either end of the Indicative Price Range, the expected gross proceeds from the Offer will be \$27.3 million to \$44.5 million.

The Selling Shareholders have offered to sell up to 25.3 million Existing Shares (following the Share split), however, Applications will be first applied to the offer of New Shares by Fliway and, prior to the Bookbuild opening, the Selling Shareholders may agree with Fliway to offer a lesser number of Existing Shares under the Offer.

Structure of the Offer

The Offer comprises:

- the Broker Firm Offer which is available only to New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm; and
- the Institutional Offer, which consists of an invitation to bid for Offer Shares made to selected Institutional Investors in New Zealand and in Australia.

There is no general public offer under which you may subscribe for Offer Shares. Members of the public wishing to subscribe for Offer Shares under the Offer must do so through a NZX Firm with a Firm Allocation.

The Offer will remain open until either the Closing Date or such other time and date as is determined by Fliway and the Selling Shareholders.

The allocation of Offer Shares between the Broker Firm Offer and the Institutional Offer will be determined by Fliway and the Selling Shareholders, having consulted with the Arranger and Lead Manager and having regard to the allocation policies outlined under the headings "Allocation under the Broker Firm Offer" and "Allocation under the Institutional Offer" below.

Pricing of the Offer

An Indicative Price Range of \$1.20 to \$1.40 per Offer Share has been established for the Offer.⁴³ The final Offer Price per Offer Share will be determined by Fliway and the Selling Shareholders in consultation with the Arranger and Lead Manager following the conclusion of the Bookbuild process discussed below. The Offer Price is expected to be announced to the NZX and posted on the Offer website www.fliwayoffer.co.nz on or about 18 March 2015.

The Offer Price will be determined using a bookbuild process managed by the Arranger and Lead Manager. On 17 March 2015 the Arranger and Lead Manager will carry out the Bookbuild, pursuant to which they will invite Institutional Investors and NZX Firms to submit bids, indicating the number of Offer Shares they wish to apply for at a range of prices. The Bookbuild will be used to assist Fliway and the Selling Shareholders to determine the Offer Price and the allocations of the Offer Shares. The Offer Shares will not necessarily be the highest price at which Offer Shares could be sold under the Offer and may be within, above or below the Indicative Price Range.

In determining the Offer Price, consideration may be given to the following factors:

- the level of demand for Offer Shares in the Bookbuild at various prices;
- the desire for a successful and consistent aftermarket for the Shares; and
- any other factors that Fliway and /or the Selling Shareholders consider relevant.

The Application Form requires that you apply for a specified number of Offer Shares at the Offer Price and pay the Offer Price in full. All Offer Shares allotted under the Offer will be allotted at the Offer Price.

The minimum Application amount for the Broker Firm Offer is 2,000 Offer Shares. Fliway and the Selling Shareholders reserve the right to accept Applications for less than that minimum amount.

43. The range provided to the parties participating in the Bookbuild will be updated at the time of the Bookbuild and may differ from the Indicative Price Range.

Purpose of the Offer and use of proceeds

The purpose of the Offer and intended use of proceeds is to:

- provide an opportunity for the Selling Shareholders to realise a portion of their investment in Fliway;
- enable the Company to list on the NZX Main Board, which will provide additional access to capital markets (if required) to pursue further growth opportunities in accordance with its strategy; and
- provide a market for the Shares and an opportunity for stakeholders to invest in the Company.

The Offer and Listing will also:

- provide the broader Fliway business with the benefits of an enhanced profile that arises from being a listed entity;
- increase Fliway's transparency through the dissemination of more information to the market; and
- provide funds to repay Shareholder Loans and pay down term loan facilities and costs associated with the Offer.

Sources	\$m	Uses	\$m
Sale of Existing Shares	\$26.4	Proceeds from Existing Shares to the Selling Shareholders	\$26.4
Issue of New Shares	\$9.0	Proceeds from issue of New Shares to Fliway to be applied to: <ul style="list-style-type: none">• Repayment of Shareholder Loans (\$2.8)• Reduction in term loan facility (\$3.7)• Transaction costs (\$2.6)	\$9.0
TOTAL	\$35.4	TOTAL	\$35.4

This table is indicative only and assumes that the Offer Price is set at the mid-point of the Indicative Price Range and the Selling Shareholders retain a stake of 40% (i.e., the mid-point of the sell down range). Numbers are rounded to the nearest hundred thousand, which may result in some minor discrepancies between the sum of components and totals.

Discretion relating to the Offer

Fliway and the Selling Shareholders may withdraw the Offer, or any part of it, at any time before the allotment of Offer Shares to successful Applicants in the applicable part of the Offer. If the Offer, or any part of it, is withdrawn, all relevant Application Monies will be refunded (without interest) to the relevant Applicant within five Business Days after the decision to withdraw the Offer is announced.

Fliway and the Selling Shareholders also reserve the right to reduce the number of Shares being sold down by the Selling Shareholders, close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or settlement or accept bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Offer Shares than applied or bid for. Fliway and the Selling Shareholders also retain the discretion to:

- alter the dates of the Bookbuild; and

- determine the allocation of Offer Shares under the Offer (as described more fully under the "Allocation under the Broker Firm Offer" and "Allocation under the Institutional Offer" headings below).

If the Company amends the Closing Date, any such amendment will be announced through NZX and posted to the Offer website www.fliwayoffer.co.nz.

Refunds and rounding

If an Application is rejected, all of the relevant Application Monies will be refunded (without interest) to the relevant Applicant by no later than five Business Days after the Allotment Date or a decision to withdraw the Offer is announced (as the case may be).

If the total dollar amount of the Offer Shares you apply for and the value (based on the Offer Price) of the Offer Shares you receive differs by more than the Offer Price due to scaling of your Application, this difference will be refunded to you (without interest) no later than five Business Days after the Allotment Date. If this difference is less than the Offer Price, it will be retained by Fliway.

Refunds will be paid in the manner you elect any future dividend payments to be paid on the Application Form.

10.2 SHAREHOLDING STRUCTURE – BEFORE AND AFTER THE OFFER

Current shareholding

The Selling Shareholders are the sole Shareholders of Fliway Group Limited on the date of this Investment Statement, owning 100% of the Shares on issue.

Following the determination of the Offer Price, but before the allotment of Shares under the Offer, Fliway will undertake a Share split of the 102 Existing Shares on issue such that upon Listing, Fliway will have 45.4 million Shares on issue (subject to rounding only). The ratio of the Share split will depend on the Offer Price, but based on the lower and upper values of the Indicative Price Range this will be between a 371,616 to 382,167 to 1 Share split.

Selling Shareholders

The Selling Shareholders propose to sell up to 25.3 million Existing Shares under the Offer (following the Share split).

The Selling Shareholders have agreed not to sell, transfer or otherwise dispose of any of their Shares which are not sold or transferred prior to, or as part of, the Offer, for a minimum period of time. For further information please see Section 10.9 *Escrow arrangements*.

Indicative ownership structure

Following completion of the Offer the Shareholders of Fliway will be:

- investors who subscribe for Offer Shares under the Institutional Offer and the Broker Firm Offer; and
- the Selling Shareholders, who will retain between 30% and 50% of the Shares in Fliway.

The Selling Shareholders do not guarantee, or undertake, any liability in respect of the Offer Shares.

10.3 BROKER FIRM OFFER

Who may apply	The Broker Firm Offer is open to persons who have received an allocation from their NZX Firm and who are residents of New Zealand. If you have been offered an allocation by an NZX Firm having a Firm Allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your NZX Firm to determine whether they may allocate Offer Shares to you under the Broker Firm Offer.
How to apply	<p>Investors who have received an allocation of Offer Shares in the Broker Firm Offer must follow the instructions provided by their NZX Firm or Broker.</p> <p>Those Applicants must complete the Application Form at the back of this Investment Statement. By making an Application, you declare that you were given a copy of this Investment Statement, together with an Application Form. Please contact your NZX Firm or Broker if you require further instructions.</p> <p>Any Application Form must be stamped by an NZX Firm or Broker so that the correct allocation of Offer Shares is received.</p>
Minimum and maximum Application amount	Amounts will be determined by your NZX Firm or Broker. However, the minimum Application amount under the Broker Firm Offer is 2,000 Offer Shares (\$2,400 - \$2,800 based on the Indicative Price Range).
How to pay	Applicants under the Broker Firm Offer should make payments in accordance with the directions of the NZX Firm or Broker from whom you received an allocation.
Return of Application Forms and Application Monies	<p>Applicants under the Broker Firm Offer should send their completed Application Form and Application Monies to their NZX Firm or Broker in time to enable forwarding to the Share Registrar by 5.00pm on the Closing Date.</p> <p>Alternatively, Applications can be lodged with Fliway, any NZX Firm or Broker, the Arranger and Lead Manager, or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 5.00pm on the Closing Date.</p>
Closing Date for receipt of Applications	<p>The Broker Firm Offer opens at 9.00am on 18 March 2015 and is expected to close at 5.00pm on 1 April 2015.</p> <p>Fliway may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date.</p> <p>Applicants applying for Offer Shares using an Application Form are encouraged to submit an Application Form and Application Monies to their NZX Firm or Broker as early as possible in advance of the Closing Date and to allow a sufficient period for mail processing time.</p>
How to obtain a copy of the Prospectus and this Investment Statement	<p>Please contact your NZX Firm or Broker for instructions. You may also obtain a copy of the Prospectus and this Investment Statement as follows:</p> <ul style="list-style-type: none"> • you can download a copy at www.fliwayoffer.co.nz; or • request a copy from the Share Registrar, Link Market Services by phoning +64 9 375 5998. <p>While you may obtain a copy of these documents as set out above, your Application will only be accepted under the Broker Firm Offer if it is lodged through an NZX Firm or Broker with an allocation.</p>

10.4 FURTHER TERMS OF THE BROKER FIRM OFFER

Availability of funds

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s), bank draft(s) or direct debit payment(s). If the amount of your cheque(s), bank draft(s) or direct debit payment(s) for Application Monies (or the amount for which those cheque(s), bank draft(s) or direct debit payment(s) clear in time for allocation) is less than the dollar amount of the Offer Shares applied for, you may be taken to have applied for such lesser number of Offer Shares for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

Allocation under the Broker Firm Offer

The allocation of Offer Shares under the Broker Firm Offer to NZX Firms, for the purpose of making Firm Allocations to their New Zealand resident retail clients, will be decided by Fliway and the Selling Shareholders in their sole discretion, having consulted with the Arranger and Lead Manager. That decision will be influenced by a number of factors, which may include:

- the price for Offer Shares bid by particular bidders;
- the number of Offer Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the overall level of demand, including under the Institutional Offer;
- an assessment of whether the clients of a particular bidder will be long term Shareholders; and
- any other factors that Fliway and /or the Selling Shareholders consider appropriate.

Offer Shares which have been allocated under the Broker Firm Offer to NZX Firms as a Firm Allocation for allocation to their New Zealand resident retail clients will be issued to the Applicants nominated by those NZX Firms.

It will be a matter for the NZX Firm to determine how they allocate Offer Shares among their retail clients, and they (and not Fliway, the Selling Shareholders, the Arranger and Lead Manager or any other person) will be responsible for ensuring that retail clients who have been allocated Offer Shares receive the relevant Offer Shares.

If the Offer is oversubscribed, your Application for Offer Shares in the Broker Firm Offer may be scaled back. This means that the number of Offer Shares you receive may be lower than the number of Offer Shares for which you apply. The NZX Firm will determine whether your Application will be scaled back. Fliway and the Selling Shareholders retain discretion to accept oversubscriptions.

Acceptance of Applications

Applicants must apply for a specific number of Offer Shares and pay upon Application the full amount for the Offer Shares applied for in the Application Form based on the Offer Price.

An Application in the Broker Firm Offer is an offer by the Applicant to Fliway and the Selling Shareholders to subscribe for all or any of the number of the Offer Shares specified in the Application Form, at the Offer Price and on the terms and conditions set out in the Prospectus (including any supplementary or replacement prospectus), this Investment Statement and the Application Form (including the conditions regarding quotation on the NZX Main Board). To the extent permitted by law, the offer by an Applicant is irrevocable. By submitting an Application Form, the Applicant agrees to be bound by these terms and conditions and the Constitution.

An Application may be accepted by Fliway and the Selling Shareholders in respect of the full number of Offer Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

10.5 INSTITUTIONAL OFFER

Fliway, through the Arranger and Lead Manager, will invite certain Institutional Investors in New Zealand and Australia, along with NZX Firms, to bid for Offer Shares in the Institutional Offer.

The Institutional Offer will be conducted under the Bookbuild as described more fully at Section 10.1 *The Offer* under the heading "Pricing of the Offer". Full details of how to participate, including bidding instructions, will be provided by the Arranger and Lead Manager to invited participants in due course.

The Arranger and Lead Manager has separately advised Institutional Investors of the bidding and settlement procedures for the Bookbuild.

Allocation under the Institutional Offer

The number of Offer Shares to be offered under the Institutional Offer, and the allocation of Offer Shares among Applicants in the Institutional Offer, will be determined by Fliway and the Selling Shareholders in their sole discretion, having consulted with the Arranger and Lead Manager. Fliway and the Selling Shareholders will have absolute discretion regarding the basis of allocation of Offer Shares among Institutional Investors. There is no assurance that any Applicant under the Institutional Offer or NZX Firm will be allocated any Offer Shares, or the number of Offer Shares for which it has bid. Fliway and the Selling Shareholders will retain the ability to scale back allocations to NZX Firms and Brokers following the close of the Offer.

The allocation policy will be influenced by a number of factors, which may include:

- the price for Offer Shares bid by particular bidders;
- the number of Offer Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- Fliway's and the Selling Shareholders' desire for an informed and active trading market following Listing on the NZX Main Board;
- Fliway's and the Selling Shareholders' desire to establish a wide spread of institutional Shareholders;
- the overall level of demand, including across the Broker Firm Offer;
- the size and type of funds under management of particular bidders;
- an assessment of whether particular bidders will be long term Shareholders; and
- any other factors that Fliway and /or the Selling Shareholders consider appropriate.

All successful Applicants will pay the Offer Price for each Offer Share allocated to them under the Institutional Offer.

10.6 ABOUT THE SHARES

Each Share confers an equal right on the holder to:

- attend and vote at a meeting of Shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
 - appoint or remove a Director;
 - adopt, revoke or alter the Constitution;
 - approve a major transaction (as that term is defined in the Companies Act);
 - approve the amalgamation of Fliway under section 221 of the Companies Act; or
 - place Fliway in liquidation;
- receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by Fliway in respect of that Share;
- receive an equal share with other Shareholders in the distribution of surplus assets in any liquidation of Fliway;
- be sent certain information, including notices of meeting and company reports sent to Shareholders generally; and
- exercise the other rights conferred upon a Shareholder by the Companies Act and the Constitution.

A Shareholder's ability to exercise these rights is subject to restrictions contained in the Constitution and the NZX Main Board Listing Rules.

Once the Shares are trading, further information about Fliway will be available at www.nzx.com.

What returns will I get?

Your returns on Shares may be:

- dividends paid, and other distributions, which may be made in respect of your Shares; and /or
- any gains you make if you sell or dispose of your Shares for a net price that is greater than the price you paid for them (although the market price of your Shares may also decline, making them worth less than what you paid for them).

No amount of returns is promised in respect of the Shares. The key factors that will determine your returns (if any) are the market price for Shares and the Board's decision in relation to dividends or other distributions. If you sell your Shares, you may be required to pay brokerage or other sale expenses. Tax will also affect your returns from the Shares. You should seek your own tax advice in relation to your Shares.

Fliway is legally liable to pay you any dividends or other distributions declared on your Shares.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price.

You may cash in your investment by selling your Shares. Any sale of Shares must be made in accordance with the requirements of

the Constitution, the NZX Main Board Listing Rules and any other applicable laws.

Dividend policy

Dividends and other distributions with respect to the Shares are made at the discretion of the Board of Fliway. The payment of dividends is not guaranteed and Fliway's dividend policy may change. The Board's decisions in relation to the level of reserves and retentions may affect any dividends or distribution you receive from the Shares.

For more information on Fliway's dividend policy, refer to paragraph 10 of the Appendix *Prospective Financial Information* under the heading "Specific Assumptions".

Can my investment be altered?

The full terms of the Offer, including the Offer Price and the amounts payable on Application, are set out in this Investment Statement and the Prospectus. Those terms may be altered by Fliway and the Selling Shareholders by lodging an amendment to the Prospectus with the Registrar of Financial Service Providers. However, those terms cannot be altered without an Applicant's consent after an Application has been accepted and Offer Shares allotted to the Applicant.

As at the date of this Investment Statement, the Offer Price has not yet been set. The Offer Price will be set by Fliway and the Selling Shareholders. Once set, the Offer Price cannot be altered. How the Offer Price will be determined is more fully described at Section 10.1 *The Offer* under the heading "Pricing of the Offer".

The rights attaching to Shares are governed by the Constitution, the Companies Act and the NZX Main Board Listing Rules. Fliway may only amend its Constitution with approval by a special resolution of Shareholders.

The Companies Act and NZX Main Board Listing Rules restrict Fliway from taking any action that affects the rights of any interest group of Shareholders without approval by a special resolution of that affected interest group.

A special resolution must be approved by at least 75% of the votes of those Shareholders entitled to vote and who actually vote on that resolution. Under certain circumstances, if your rights are affected by an action approved by a special resolution, you may require Fliway to purchase your Shares.

What do I need to do to sell my investment?

If you wish to sell your Shares on the NZX Main Board after confirming your allocation, you must contact an NZX Firm and have a CSN and an Authorisation Code (**FIN**). Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will:

- be assigned one when you set up an account with an NZX Firm; or
- receive one by mail from the Share Registrar when your Shares are allotted to you.

If you have a broker and have not received a FIN by the date you want to trade your Shares, your broker can arrange to obtain your FIN from the Share Registrar.

You should not attempt to sell any Shares until you know whether any, and how many, Offer Shares you have been allocated. Applicants who sell Shares before they receive an allotment notice or initial statement of holding do so at their own risk. None of Fliway, the Arranger and Lead Manager, the Share Registrar or any of their respective directors, officers or employees, or the Selling Shareholders, accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares before the statements confirming allotments of Shares are received by you or the successful bidders under the Offer (as applicable).

Who do I contact with inquiries about my investment?

Inquiries about the Shares may be directed to the Share Registrar. The contact details of the Share Registrar are set out in the Directory.

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about the investment may be made to the Share Registrar. The contact details of the Share Registrar are set out in the Directory. There is no ombudsman or approved dispute resolution scheme to whom complaints can be made about this investment.

10.7 NZX MAIN BOARD LISTING

Fliway has applied to NZX for permission to list Fliway and to quote the Shares on the NZX Main Board and all the requirements of NZX relating to the application that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement or the Prospectus. NZX has authorised NZX Firms to act on the Offer. The NZX Main Board is a licensed market operated by NZX, which is a licensed market operator regulated under the Financial Markets Conduct Act 2013.

Initial quotation of the Shares on the NZX Main Board is expected to occur on 9 April 2015 under the ticker code "FLI".

10.8 FAILURE TO ACHIEVE LISTING

In the event that admission to list the Shares on the NZX Main Board is denied or the Offer does not proceed for any other reason, all Application Monies will be refunded in full without interest no later than five Business Days after the announcement of the decision not to proceed.

10.9 ESCROW ARRANGEMENTS

Shares held by the Selling Shareholders and subject to the escrow undertakings described below, will represent between 30% and 50% of the Shares on issue immediately following the Offer.

Under the terms of the Escrow Deed, the Selling Shareholders have agreed not to sell, transfer or otherwise dispose of any of their Shares which are not sold or transferred prior to or as part of the Offer, until at least the first day after the date on which Fliway releases to NZX its preliminary announcement of its financial results for the six month period ending 31 December 2015 (the **Escrow Arrangements**).

The restrictions set out in the Escrow Arrangements do not apply in the following circumstances:

- if a full or partial offer is made under the Takeovers Code for Shares or if a scheme of arrangement (or other arrangement having a substantially similar effect to a Takeover Offer) with respect to the Shares is proposed;
- the Selling Shareholders may grant a security interest over all or any of their Shares that are subject to the Escrow Arrangements in favour of a registered bank or other similar recognised lending institution, provided that the bank or institution has agreed to be bound by the Escrow Arrangements;
- the Selling Shareholders may transfer any of their Shares that are subject to the Escrow Arrangements to a new or replacement trustee of The D & G Hawkesby Trust, provided that the new or replacement trustee accedes to the Escrow Arrangements on the same terms; and
- the Selling Shareholders may transfer any of their Shares that are subject to the Escrow Arrangements to an Associated Person with the prior written approval of the non-interested Directors (as that term is defined in the Companies Act), provided that the Associated Person accedes to the Escrow Arrangements on the same terms and agrees to transfer back any Shares if they cease to be an Associated Person of the Selling Shareholders.

The Selling Shareholders do not guarantee, or undertake any liability in respect of, the Offer Shares or the Shares.

10.10 BROKERAGE

You are not required to pay any brokerage or commission for Offer Shares under the Offer. See Section 12.19 *Preliminary and issue expenses* of the Prospectus for details of the brokerage fees payable by Fliway to brokers.

10.11 SELLING RESTRICTIONS

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside New Zealand or Australia.

Unless otherwise agreed with Fliway, any person or entity applying for Offer Shares under the Offer will be deemed to represent that he, she or it is not in a jurisdiction that does not permit the making of the Offer or an invitation of the kind contained in this Investment Statement and is not acting for the account or benefit of a person within such a jurisdiction. Neither Fliway, the Selling Shareholders, the Arranger and Lead Manager nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

General foreign selling restrictions

The offer of Offer Shares under this Investment Statement does not constitute a public offer in any jurisdiction outside New Zealand. This Investment Statement does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Offer Shares, the Offer, this Investment Statement or the Prospectus, or to permit otherwise a public offering of the Offer Shares in any jurisdiction outside New Zealand. The distribution of this Investment Statement outside New Zealand may be restricted by law. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

10.12 TAKEOVERS CODE

The Takeovers Code prohibits, amongst other things, any person (together with their "associates" (as defined in the Takeovers Code)) from becoming the holder or controller of 20% or more of the voting rights in Fliway other than in compliance with the requirements of the Takeovers Code. Investors are advised to seek legal advice in relation to any act, omission or circumstance which may result in that investor breaching any provision of the Takeovers Code. Fliway will not be a code company prior to the Offer but will be a code company after completion of the Offer.



ELEVEN GLOSSARY

1H	Is a reference to the first half of Fliway's financial year (i.e., the six month period ended or ending on 31 December). For example, "1H15" means the six month period ending on 31 December 2014.
Allotment Date	8 April 2015, unless brought forward or extended by Fliway.
Applicant	An investor who makes an Application for Offer Shares under the Offer.
Application	An application to subscribe for Offer Shares offered under the Offer.
Application Form	An application form to subscribe for Offer Shares under the Broker Firm Offer included in or accompanying this Investment Statement.
Application Monies	The amount payable on Application.
Arranger and Lead Manager	Forsyth Barr Limited.
Associated Person	As that term is defined in the NZX Main Board Listing Rules.
Auditor	Deloitte.
Banking Facilities	The multi-company facility agreement dated 5 December 2014 between ANZ Bank New Zealand Limited, as lender, Fliway Group Limited and Fliway Transport Limited, as borrowers, and Fliway International Limited and Fliway Holdings Limited, as covenantors.
Board or Board of Directors	The board of Directors of Fliway.
Bookbuild	The process to determine the price at which Offer Shares will be offered under the Offer based on the demand for Offer Shares by Institutional Investors.
Broker	Any company, firm, organisation or corporation designated as a market participant by NZX.
Broker Firm Offer	The offer of Offer Shares under this Investment Statement to New Zealand resident Retail Investors to apply for an allocation of Offer Shares from an NZX Firm that has received a Firm Allocation.
Business Day	A day on which the NZX Main Board is open for trading.
CAGR	The compound annual growth rate, which is the rate at which something (for example, revenue) grows over a period of years, taking into account the effect of annual compounding. Unless otherwise stated, CAGR calculations are based on nominal values.
Closing Date	1 April 2015.
Company	Fliway Group Limited.
Consignment	The delivery of goods from a consignor (the sender who is supplying the goods) to a consignee (the receiver who is taking delivery of the goods).
Constitution	The constitution of the Company.
CSN	Common Shareholder Number.
Customs	The government authorities designated to collect duties levied by a country on imports and exports.
DH Loan	The unsecured loan of \$2.236 million given by Duncan John Hawkesby to Fliway Group pursuant to a loan agreement dated 6 October 2006.
Director	A director of the Company.
Directory	The directory set out on the final page of this Investment Statement.
EBIT	Earnings before net finance expense and tax, and includes contribution from UPS-Fliway.
EBITDA	Earnings before net finance expense, tax, depreciation of tangible assets and amortisation of intangibles, and includes contribution from UPS-Fliway.
Escrow Deed	The Escrow Deed between Selling Shareholders and Fliway dated 5 March 2015 as more fully described under the heading Material Contracts in Section 12 <i>Statutory Information</i> of the Prospectus.
Existing Shares	The 102 Shares legally and beneficially owned by the Selling Shareholders as at the date of this Investment Statement, which will be subdivided into a higher number of Shares pursuant to the Share split after the Bookbuild described in Section 10.2 <i>Shareholding structure - before and after the Offer</i> .
F	The inclusion of F after a reference to a financial period is an indication that it is a forecast period. For example, "FY15F" means the financial year ending on 30 June 2015, which is a forecast period.
Firm Allocation	Offer Shares reserved for subscription by clients of the Arranger and Lead Manager, NZX Firms, Brokers and Institutional Investors as determined by Fliway.

Fliway	As the context requires, either Fliway Group Limited or the business carried on by the Group Companies.
Fliway Domestic or Domestic	A business division of Fliway which contains the Fliway Transport and Fliway Logistics business units.
Fliway Holdings	Fliway Holdings Limited.
Fliway International or International	A business division of Fliway which provides transportation and border clearance for international freight.
Fliway Logistics	A business unit of Fliway's domestic division which provides warehousing and distribution services.
Fliway Transport	A business unit of Fliway's domestic division which transports freight nationwide.
Freight Forwarding	Facilitating international or domestic transport of goods for compensation. At the request of the shipper, a freight forwarder makes the arrangements and provides services for transporting the goods to their destination.
FY	Refers to "financial year". Fliway's balance date is 30 June so, for example, "FY12" or "FY2012" means the financial year ended on 30 June 2012.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product as defined by Statistics New Zealand.
Group Companies	Fliway Group Limited, Fliway Holdings Limited, Fliway Transport Limited, Fliway International Limited, Fliway Logistics Limited and Group means all of them.
GST	Goods and Services Tax.
Indicative Price Range	\$1.20 to \$1.40 per Offer Share.
Institutional Investor	An investor to whom offers in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which Fliway is willing to comply with), including in New Zealand a person to whom offers or invitations can be made without those offers or invitations being a "regulated offer" under the Financial Markets Conduct Act.
Institutional Offer	The invitation to Institutional Investors under this Investment Statement, as described in Section 10 <i>Details of the Offer</i> .
Integrated platform	The way in which the Company describes the correlation between the various facets of the business.
Investigating Accountant	Deloitte.
Investment Statement	This Investment Statement prepared in connection with the Offer dated 6 March 2015.
Joint Venture Agreement	The joint venture contract between Fliway Transport Limited and United Parcel Service International Forwarding Inc. dated 22 January 1998.
Just in time	Just in time (JIT) inventory management system in which materials or products are procured or acquired as demand requires.
Line-Haul	Refers to the transport of domestic freight inter-city.
Listing Date and Listing	The date on which Fliway is listed, and the Shares quoted, on the NZX Main Board (or on market in substitution for that market) in force from time to time.
Metro	Refers to Fliway's fleet of smaller vehicles which typically deliver smaller consignments.
New Shares	The 6.5 million to 7.5 million new Shares being offered by Fliway under the Offer.
NZD, NZ\$ or \$	New Zealand Dollars.
NZX	NZX Limited.
NZX Firm	Any company, firm, organisation or corporation designated or approved as a Primary Market Participant from time to time by NZX, see www.nzx.com/investing/find_a_participant for a current list of such participants.
NZX Main Board	The main board equity security market operated by NZX.
Offer	The offer of Offer Shares under this Investment Statement to Retail Investors in New Zealand and Institutional Investors in New Zealand and Australia.
Offer Price	The price per Share at which the Offer Shares will be issued and sold under the Offer, to be determined on or about 17 March 2015.
Offer Shares	The New Shares and up to 25.3 million Existing Shares being offered under the Offer.

PFI	Means the forecast financial information prepared in respect of the period from 1 January 2015 to 31 December 2015.
Pro Forma	Refers to financial information being presented on a pro forma basis. An explanation of Fliway's use of pro forma financial information is set out in Section 2 <i>Offer at a Glance</i> under the heading "Fliway's financial information" and in Section 9.3 <i>Reconciliation of non-GAAP financial information</i> under the heading "Explanations of Pro Forma adjustments".
Prospectus	The prospectus prepared in connection with the Offer dated 6 March 2015.
Retail Investors	Applicants who are not Institutional Investors.
Selling Shareholders	Duncan John Hawkesby and Gretchen Sarah Hawkesby (as trustees of The D & G Hawkesby Trust).
Selling Shareholder Loan	The unsecured loan of \$0.533 million given by the Selling Shareholders to Fliway Group.
Share	A fully paid ordinary share in the Company.
Shareholder	A holder of one or more Shares.
Shareholder Loans	The DH Loan and the Selling Shareholder Loan.
Share Registrar	Link Market Services.
UPS	United Parcel Services.
UPS-Fliway	United Parcel Service - Fliway (NZ) Limited, the 50/50 joint venture between Fliway and UPS.

ADDITIONAL DEFINITIONS FOR THE KEY OFFER STATISTICS AND KEY INVESTMENT METRICS

Indicative market capitalisation

The number of Shares on issue following the Offer multiplied by the Offer Price.

Net debt on completion of the Offer

The forecast value of cash and cash equivalents less current and non-current borrowings at Allotment Date.

Indicative enterprise value (EV)

The implied market capitalisation plus Prospective Net Debt as at completion of the Offer.

EV / EBITDA

EV divided by EBITDA for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

EV / EBIT

EV divided by EBIT for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

Market capitalisation / NPAT

Market capitalisation divided by NPAT for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

Cash dividend yield

Dividends per Share for the respective prospective financial year divided by the Offer Price. Based on the cash cost to Fliway, not necessarily the cash received by investors which will depend on individual investor tax rates and the assumption that the investor holds Shares over the full year.

Gross dividend yield

Dividends per Share for the respective prospective financial year, grossed up for imputation credits expected to be attached to the dividend (calculated at a tax rate of 28%) divided by the Offer Price. This metric is used to approximate the return to the average investor on a pre-tax basis.



APPENDIX: PROSPECTIVE FINANCIAL INFORMATION

The prospective financial statements included in this section (including information required by clause 11(1)(c) of Schedule 1 of the Securities Regulations) are the consolidated group position of Fliway Group Limited and subsidiaries and include:

- the basis of preparation for the PFI for Fliway;
- prospective consolidated statements of comprehensive income;
- prospective consolidated statements of financial position;
- prospective consolidated statements of changes in equity;
- prospective consolidated statements of cash flows; and
- a description of the general and specific assumptions that underpin the PFI contained in this Investment Statement, including the significant accounting policies applied.

Basis of preparation

The prospective financial statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by management and approved by the Directors and are based on events and conditions existing as at the date of this Investment Statement. The Directors have given due care and attention to the preparation of the prospective financial statements, including the underlying assumptions set out under the heading "Notes to the prospective financial information" below. These assumptions should be read in conjunction with the sensitivity analysis further below, the risk factors set out in Section 8 *What Are My Risks?* and Fliway's accounting policies, which are set out in Appendix 2 *Audited financial statements for the year ended 30 June 2014* of the Prospectus.

Forecasts by their nature are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties, many of which are beyond the control of Fliway. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management of those risks may influence the success of Fliway's business. Accordingly, actual results are likely to vary from the PFI, and these variations may be significantly more or less favourable to Fliway. Therefore, the Directors cannot and do not, guarantee the achievement of these financial forecasts and investors are cautioned not to place undue reliance on the PFI.

The prospective financial statements were prepared by management and authorised by the Directors as at 5 March 2015 for use in this Investment Statement and not for any other purpose. The Pro Forma PFI for the 12 months ending 30 June 2015 comprises six months of actual trading results for the Fliway Group (July to December 2014) and six months forecast operating results for Fliway. While the forecast does not include the actual trading results for January 2015, the results for January 2015 are known and were consistent with the forecast for the month. The prospective statements of comprehensive income, prospective statements of changes in equity and prospective statements of cash flows cover the 12 month period from 1 July 2014 to 30 June 2015 and the six month period from 1 July 2015 to 31 December 2015.

The prospective statements of financial position are presented as at 30 June 2015 and 31 December 2015. The period from 1 July 2014 to 31 December 2015 is referred to as the Prospective Period.

There is no present intention to update the prospective financial statements or to publish prospective financial statements in the future. Investors must consider the assumptions on which the prospective financial statements have been prepared and the sensitivity analysis in order to fully understand the prospective financial statements. Fliway will report actual financial results against the prospective financial statements in accordance with NZ GAAP in the 30 June 2015 financial statements and 31 December 2015 interim financial statements, and will provide that information to Shareholders on request under section 54B of the Securities Act and regulation 44 of the Securities Regulations.

Prospective Consolidated Statements of Comprehensive Income

\$'000	FY15F 12 months ending 30 June 2015	1H16F 6 months ending 31 December 2015
Revenue from operating activities	85,265	44,749
Total operating revenue	85,265	44,749
Disbursement costs	(23,013)	(12,233)
Freight costs	(4,843)	(2,382)
Depreciation and amortisation	(2,055)	(1,199)
Operating and leasing charges	(7,054)	(3,368)
Share of UPS-Fliway net surplus (50%)	1,013	515
Personnel costs	(29,053)	(15,193)
Vehicle expenses	(6,893)	(3,492)
Net loss on fair value of derivative instruments	(182)	(23)
Other operating expenses	(9,345)	(3,264)
Operating profit before financing costs	3,838	4,109
Interest received	69	-
Interest paid	(976)	(329)
Net financing costs	(907)	(329)
Profit before taxation	2,931	3,779
Taxation expense	(1,285)	(914)
Net profit and total comprehensive income for the period	1,646	2,865

Note: The financial information presented for the periods ending 30 June 2015 and 31 December 2015 represents statutory prospective financial information, and therefore the balances do not include any Pro Forma adjustments.

Prospective Consolidated Statements of Financial Position

\$'000	As at 30 June 2015	As at 31 December 2015
Assets		
Current assets		
Cash at bank and on hand	1,773	3,607
Accounts receivable	11,216	11,356
Related party receivables	520	520
Prepaid expenses and other current assets	421	721
Derivative financial instruments	-	-
Total current assets	13,930	16,204
Non-current assets		
Deferred taxation asset	379	379
Property, plant and equipment	10,133	10,164
Intangibles	353	323
Investment in UPS-Fliway	1,574	1,639
Goodwill	23,046	23,046
Total non-current assets	35,484	35,551
Total assets	49,414	51,755
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	5,478	5,611
Provisions	480	480
Employee benefits	1,078	1,208
Related party payables	40	40
Taxation payable	388	464
Derivative financial instruments	108	108
Total current liabilities	7,573	7,911
Non-current liabilities		
Interest-bearing loans	12,500	12,500
Total non-current liabilities	12,500	12,500
Total liabilities	20,073	20,411
Net assets	29,341	31,344
Equity		
Issued capital	8,904	8,904
Retained earnings	20,437	22,440
Total equity	29,341	31,344

Notes: The financial information presented as at 30 June 2015 and 31 December 2015 represents statutory prospective financial information, and therefore the balances do not include any Pro Forma adjustments.

Goodwill primarily relates to the acquisition of Fliway by The D & G Hawkesby Trust in 2006, in addition to goodwill recognised on the acquisition of DTC Holdings Transport in 2007.

Prospective Consolidated Statements of Changes in Equity

\$'000	Issued capital	Retained earnings	Total
Balance as at 1 July 2014	5,000	18,790	23,790
Repayment of redeemable preference shares	(5,000)	-	(5,000)
Equity raised from IPO	9,300	-	9,300
Issue costs associated with new shares	(396)	-	(396)
Total comprehensive income	-	1,646	1,646
Dividends paid	-	-	-
Balance as at 30 June 2015	8,904	20,436	29,341
Balance as at 1 July 2015	8,904	20,436	29,341
Total comprehensive income	-	2,865	2,865
Dividends paid	-	(863)	(863)
Balance as at 31 December 2015	8,904	22,439	31,344

Notes: The financial information presented for the periods ending 30 June 2015 and 31 December 2015 represents statutory prospective financial information, and therefore the balances do not include any Pro Forma adjustments.

Fliway redeemed 5 million redeemable preference shares on 6 October 2014. Each redeemable preference share was redeemed for its issue price of \$1.

Prospective Consolidated Statements of Cash Flows

\$'000	FY15F 12 months ending 30 June 2015	1H16F 6 months ending 31 December 2015
Cash flows from operating activities		
Receipts from customers	86,751	45,566
Interest received	69	-
Receipts from UPS-Fliway	5,894	2,958
Payments to suppliers and employees	(87,792)	(43,910)
Interest paid	(976)	(329)
Income taxes paid	(1,272)	(838)
Net cash inflow/(outflow) from operating activities	2,675	3,447
Cash flows from investing activities		
Dividend received from UPS-Fliway	869	450
Payments for property, plant and equipment	(3,996)	(1,200)
Net cash inflow/(outflow) from investing activities	(3,128)	(750)
Cash flows from financing activities		
Dividends paid	-	(863)
Repayment of redeemable preference shares	(5,000)	-
Equity raised from IPO	9,300	-
Issue costs associated with new shares	(396)	-
Repayment of borrowings	(9,769)	-
Net cash inflow/(outflow) from financing activities	(5,865)	(863)
Net increase/(decrease) in cash and cash equivalents	(6,318)	1,834
Cash and cash equivalents at the beginning of the year	8,090	1,772
Cash and cash equivalents at end of the year	1,773	3,607

Note: The financial information presented for the periods ending 30 June 2015 and 31 December 2015 represents statutory prospective financial information, and therefore the balances do not include any Pro Forma adjustments.

Prospective financial performance by segment

Fliway comprises the following segments:

- Domestic;
- International;
- UPS-Fliway joint venture; and
- Head Office.

The table below sets out the Historical and Prospective revenue, segment profit and EBITDA for Fliway on a segmental basis for FY14, FY15F and 1H16F. Equivalent information for FY12 and FY13 is presented below in this Appendix *Prospective Financial Information* under the heading "Segmental assumptions".

Financial Performance by Segment

\$'000	Domestic	International	Joint Venture	Head Office	Inter-Segment	Group
FY13						
Total revenue	49,031	25,573	-	-	(213)	74,391
Segment Profit	7,464	2,806	1,348	(3,569)	-	8,049
Less:						
Depreciation and amortisation	1,186	69	-	47	-	1,302
Gross up 50% joint venture interest, tax, depreciation	-	-	374	-	-	374
Non-recurring costs	-	-	-	889	-	889
Other	56	-	-	247	-	303
Operating profit before financing costs	6,222	2,737	974	(4,752)	-	5,180
FY14						
Total revenue	52,806	28,918	-	-	(212)	81,512
Segment Profit	8,007	3,765	1,282	(4,153)	-	8,901
Less:						
Depreciation and amortisation	1,254	129	-	62	-	1,445
Gross up 50% joint venture interest, tax, depreciation	-	-	357	-	-	357
Non-recurring costs	-	-	-	20	-	20
Other	88	-	-	(56)	-	32
Operating profit before financing costs	6,665	3,636	925	(4,179)	-	7,047
FY15F						
Total revenue	56,534	28,822	-	-	(91)	85,265
Segment Profit	7,907	3,946	1,416	(6,762)	-	6,507
Less:						
Depreciation and amortisation	1,764	121	-	170	-	2,055
Gross up 50% joint venture interest, tax, depreciation	-	-	403	-	-	403
Other	(39)	-	-	250	-	211
Operating profit before financing costs	6,182	3,825	1,013	(7,182)	-	3,838
1H16F						
Total revenue	29,547	15,302	-	-	(100)	44,749
Segment Profit	5,167	2,011	726	(2,363)	-	5,541
Less:						
Depreciation and amortisation	1,021	73	-	104	-	1,199
Gross up 50% joint venture interest, tax, depreciation	-	-	211	-	-	211
Other	-	-	-	23	-	23
Operating profit before financing costs	4,146	1,938	515	(2,490)	-	4,109

Note: The UPS-Fliway attributed EBITDA represents Fliway's share based on its 50% interest in UPS-Fliway.

Notes to the prospective financial information

The principal assumptions on which the prospective financial statements have been prepared are set out below. These assumptions should be read in conjunction with the risk factors set out in Section 8 *What Are My Risks?* and the sensitivity analysis below. The prospective financial statements comply with FRS-42. The general and specific assumptions to the prospective financial statements are set out below.

General Assumptions

1. **Economic environment** – there will be no material change in the general economic environment in which Fliway operates or provides its services.
2. **Political, legislative and regulatory environment** – there will be no material change to the political, legal or regulatory environments in which Fliway operates or changes in Road User Charges.
3. **Competitive environment** – there will be no material change in the competitive dynamics of the market in which Fliway operates, including any material change in competitor activity. No new entrants will materially change the competitive environment.
4. **Industry conditions** – there will be no material change in the general industry structure, third party relationships or employee environments.
5. **Key customers and suppliers** – there will be no material loss of key customers or suppliers.
6. **Disruption to operations** – there will be no material disruption to operations, including through natural disasters, marine or industrial accidents, fires or explosions, product supply or quality issues or through normal hazards

4. Segmental assumptions

DOMESTIC -The Domestic segment consists of two business units: Transport, the transport arm of the business, and Logistics, the warehousing business. Each of the business units has been forecast individually based on the assumptions outlined below.

\$'000 Domestic	FY13	FY14	FY15F	1H16F
Total revenue	49,031	52,806	56,534	29,547
Segment Profit	7,464	8,007	7,907	5,167
Operating profit before financing costs	6,222	6,665	6,182	4,146

Transport

Revenue: Transport revenue has been forecast based on management's expectations of existing customer demand and new customer acquisitions.

- Existing customers:

Demand is assumed to be consistent with FY14 and 1H15, but for general or contractual rate increases implemented in 1H15 and the annualisation of revenue generated from new customers acquired part way through FY14 or in 1H15.

Specific customer areas or volume reductions have been factored in based on historical experience and discussions held with specific customers.

Transport revenue has been forecast on the assumption that Fliway retains contracts that are scheduled to expire during FY15F and 1H16F at a rate consistent with historical experiences.

associated with Fliway's activities (including disruptions to or affecting any of Fliway's key customers).

7. **Operating environment** – there will be no material costs incurred through either industrial or contractual disputes.
8. **Business acquisitions or disposals** – there will be no material business acquisitions or disposals made by Fliway.
9. **Management of Fliway** – no directors, key personnel or consultants will leave Fliway, and management resources will be sufficient for Fliway's requirements.
10. **Taxation** – there will be no material change to the income tax, excise tax or goods and services tax regime in New Zealand, including no change to the corporate tax rate.

Specific Assumptions

1. **Accounting policies** – It is assumed that Fliway's accounting policies will be the same as the current accounting policies and will remain consistent throughout the period covered by the prospective financial statements. It is also assumed there will be no material change in NZ IFRS or otherwise in NZ GAAP. The Company's existing accounting policies are set out in the historical financial statements for the year ended 30 June 2014 in Appendix 2 *Audited financial statements for the year ended 30 June 2014* of the Prospectus, and can also be obtained from the Company.
2. **Offer Proceeds** – As part of this Offer process, additional Shareholder equity will equal \$8.9 million, representing the issue of share capital (\$9.3 million), offset by the costs relating to the issue of new equity (\$0.4 million).
3. **Inflation** - The forecast has been based on an assumption that general inflation will be 2.0% in FY15F and 2.0% per annum in 1H16F. Wages are assumed to increase in line with anticipated inflation.

- New customers:

Revenue from new customers during FY15F and 1H16F has been estimated based on historical experience and additional business development resource.

Operating expenses:

- Personnel costs:

Personnel costs comprise both a fixed and variable component.

Direct salaries are variable and are assumed to grow in line with revenue.

An increase in fixed personnel costs of \$0.4 million reflects the addition of a national key account manager, operations managers and a customer service representative in FY15F, as well as the full year impact of staffing increases implemented part way through FY14.

- Vehicle costs:

Vehicle costs relate predominantly to fuel and oil, repairs and maintenance, and Road User Charges. Efficiencies have been assumed in vehicle operating costs from the replacement of a portion of the fleet (in June 2014 and November 2014) with new higher capacity Line-Haul trucks.

- Subcontractor costs:

Due to fluctuating freight volumes, Fliway expects to continue to use subcontracting arrangements. The use of these subcontracting arrangements is forecast to reduce with new increased capacity trucks and trailers.

- Other operating expenses:

Premises costs are forecast to remain constant based on expected rent reviews in FY15F and 1H16F. Administration and other costs have been forecast to remain relatively consistent with FY14 and 1H15.

Logistics

Revenue: FY15F and 1H16F revenue is forecast to remain consistent with FY14 and 1H15 on the basis that the Logistics business unit will keep operating at similar levels (i.e., close to full capacity) and that it will not reach the point where additional capacity will be required.

Operating expenses:

- Personnel expenses:

Additional Auckland storage requirements, over and above Fliway's available capacity, resulted in the use of a temporary overflow warehouse in FY14. As demand sustained, Fliway entered a new lease for a Mangere, Auckland warehouse at the end of FY14. This resulted in an increase in staffing costs from shifting inventory between warehouses. This is not expected to re-occur in FY15F and as such, personnel costs have been forecast to decline slightly as a percentage of sales.

- Premises costs:

A \$0.3 million increase in premises costs has been assumed in the forecast period which relates to the lease costs associated with the new Mangere, Auckland warehouse.

- Other operating expenses:

Other operating expenses have been forecast to remain consistent with FY14 and 1H15, with variable costs increasing in line with revenue.

INTERNATIONAL

The International segment is responsible for the international transport and brokerage services provided for air and sea freight in and out of New Zealand, as well as cross trade arrangements where freight is moved from one foreign destination to another without transiting through New Zealand. The segment has been forecast based on the assumptions outlined below.

\$'000 International	FY13	FY14	FY15F	1H16F
Total revenue	25,573	28,918	28,822	15,302
Segment Profit	2,806	3,765	3,946	2,011
Operating profit before financing costs	2,737	3,636	3,825	1,938

Revenue: International revenue is forecast to remain broadly consistent (0.3% decline) in FY15F and increase 2.4% to 1H16F as a result of increased sales resources added in FY14 as well as Fliway's expectation that trade volumes will increase.

Operating expenses: Variable costs include costs relating to freight, agency, cartage and brokerage. For the most part, International revenue is based on a "cost + margin" model and as such, variable costs are forecast to increase in line with revenue.

The International division experienced an increase in margins in FY14 as a result of improved sales mix and increased brokerage work. The PFI assumes that margin will remain at the FY14 and 1H15 level over the forecast period, reflecting management's expectation that the favourable mix and strong clearance volumes will remain.

Overhead costs are relatively fixed in nature and primarily relate to International employees' salaries. They also include costs attributed to premises and other administration expenses which are assumed to remain constant.

Salaries are forecast based on management's expectation of employee numbers and annual salary increases.

UPS-FLIWAY

The financial performance of UPS-Fliway over the PFI period is expected to remain consistent with FY14 and 1H15 with respect to revenue and EBITDA.

\$'000 Joint Venture	FY13	FY14	FY15F	1H16F
Total revenue	-	-	-	-
Segment Profit	1,348	1,282	1,416	726
Operating profit before financial costs	974	925	1,013	515

HEAD OFFICE

The Head Office provides support to the divisions through the provision of a number of shared services in relation to IT, finance, accounts payable, accounts receivable and payroll. The Head Office consists of two cost centres; Finance and Administration and IT. Through these cost centres, the Head Office performs a number of key functions to assist the Fliway business segments with their day to day operations.

\$'000 Head Office	FY13	FY14	FY15F	1H16F
Total revenue	-	-	-	-
Segment Profit	(3,569)	(4,153)	(6,762)	(2,363)
Operating profit before financial costs	(4,752)	(4,179)	(7,182)	(2,490)

Overheads: Overhead costs predominantly relate to salaries for Head Office employees. Salaries are forecast to increase as a result of the full year impact of the expansion of the IT department in FY14 and annual salary increases.

In addition, FY15 Head Office includes \$2.5 million of listing costs. Listing costs have been forecast based on the assumption that the Offer Price is set at the top of the Indicative Price Range and the Selling Shareholders retaining a stake of 30%.

5. Depreciation

Depreciation has been forecast based on historical and prospective capital expenditure (refer capital expenditure programme described later in this section), using depreciation rates which reflect the expected useful lives of the assets.

6. Taxation

An income tax rate of 28% on taxable profit is assumed for the PFI, being the current corporate tax rate in New Zealand.

7. Current assets and liabilities

\$'000	As at 30 June 2014	As at 30 June 2015	As at 31 December 2015
Accounts receivable	10,734	11,216	11,356
Related party receivables	492	520	520
Prepaid expenses and other current assets	362	421	721
Accounts payable and accrued expenses	5,078	5,478	5,611
Related party payables	35	40	40
Provisions	554	480	480
Net working capital	5,921	6,159	6,465
Average net working capital days			
Receivables days	41	41	40

Net working capital primarily relates to accounts receivable, accounts payable and accrued expenses.

- **Accounts receivable:**
Relates to trade receivables (net of allowance for doubtful debts). Trade receivables are forecast using a receivables days approach. Receivables days are expected to remain at levels consistent with historical experience.
- **Accounts payable and accrued expenses:**
Includes trade payables, accruals and any goods and services tax payable. These balances are forecast using a creditor days approach assuming creditor days remain at levels consistent with historical experience.
- **Other net working capital items:**
Related party receivables relate to amounts owing to Fliway from UPS-Fliway for rent and outgoings. Outgoings are forecast to remain consistent with FY14 and 1H15 levels and rent is forecast to increase in line with contractual rent reviews. Prepayments relate to insurance and ACC, which represent a cost of around \$0.6 million per annum. Provisions are forecast to remain consistent with FY14 and 1H15 with the exception of one-off claims expected to be resolved prior to the end of FY15F.

8. Capital expenditure

\$'000	FY14 12 months ended 30 June 2014	FY15F 12 months ending 30 June 2015	1H16F 6 months ending 31 December 2015
Vehicles			
Trucks and vans	1,459	1,708	750
Truck and trailer	1,378	2,251	-
Non-Vehicles			
IT	527	317	450
Other	276	106	-
Total capital expenditure	3,639	4,382	1,200

Notes: Capital expenditure in the FY14 and FY15F Statement of Cash Flows differs. The difference primarily relates to the timing of payment of capital expenditure.

Capital expenditure for FY15F is expected to be \$4.4 million, the majority (\$4.2 million) of which is expected to be spent by the end of March 2015. This step-change investment in capital expenditure is over and above current maintenance capex levels and is expected to return to normal levels over the remainder of the Prospective Period.

FY15F capital expenditure primarily relates to fleet, with over half (\$2.6 million) of the fleet capital expenditure relating to increased capacity Line-Haul trucks and trailers, and the remainder relating to the replacement of trucks and vans for the Metro fleet.

In addition, capital expenditure of \$0.6 million is forecast to be spent on IT, the majority of which relates to an upgrade of a software system occurring over the next 18-24 months (total project spend of \$1.2 million).

Fleet upgrade

Following a regulation change in 2010 that increased the maximum truck capacity allowed from 100m³ to 150m³, Fliway started investing in increased capacity trucks in FY14, where it purchased four 150m³ Line-Haul trucks and five trailers which started operating in June 2014.

Fliway purchased a further four 150m³ Line-Haul trucks and trailers which were delivered in November 2014 and started operating in December 2014.

Fliway has forecast cost efficiencies from the higher capacity trucks in the form of a reduction in subcontractor costs (as more permanent capacity becomes available), repairs and maintenance costs (as older fleet is replaced by new trucks), as well as labour (as fewer trucks are required) and other costs. This is forecast to be largely offset by an increased depreciation charge.

9. Financing

Fliway, Fliway Transport, Fliway Logistics, Fliway International, Fliway Holdings and ANZ Bank New Zealand Limited (ANZ) have entered into an agreement for the provision of certain banking facilities (Banking Facilities). Funding to be provided under the Banking Facilities will be utilised to repay existing debt facilities and assist with ongoing working capital requirements and general corporate purposes (including the issue of bank guarantees and letters of credit).

The bank facility is secured by way of a general security interest in favour of ANZ over all present and future property of each Group Company.

The Banking Facilities comprise:

- a \$5,000,000 term loan facility (the **New Term Loan Facility**);
- a \$12,800,000 term loan facility (the **Existing Term Loan Facility**);
- a \$1,500,000 flexible credit facility (the **Flexible Credit Facility**);
- a \$300,000 commercial credit card facility (the **Commercial Credit Card Facility**);
- a \$1,500,000 BBIR overdraft facility (the **Overdraft Facility**);
- a \$1,400,000 trade and supply chain facility (the **Trade and Supply Chain Facility**);
- a \$250,000 clean credit card facility (the **Clean Credit Facility**); and
- a \$75,000 financial guarantee facility (the **Financial Guarantee Facility**).

The New Term Loan Facility and the Existing Term Loan Facility both mature on 3 November 2017. The Flexible Credit Facility, Commercial Credit Card Facility, the Overdraft Facility and the

Clean Credit Facility are all repayable on demand. The Trade and Supply Chain Facility and the Financial Guarantee Facility are reviewable annually.

On Listing, the intention of the business is to have \$12.5 million of net debt drawn under the Existing Term Loan Facility.

Amounts drawn under the Banking Facilities are subject to a range of interest rates, being fixed and /or variable interest rates based on the average New Zealand Bank Bill Bid Rate "BKBM", ANZ's Corporate Indicator Rate and ANZ's business bank indicator rate (BBIR), in each case plus an applicable margin. Certain fees are payable by the applicable borrower in connection with the Banking Facilities from time to time, including excess fees, line fees, administration fees, establishment fees, issuing fees and renewal fees. The interest forecast to be payable is the sum of the expected interest rate payable on amounts forecast to be drawn down under each of the New Term Loan Facility, the Existing Term Loan Facility, the Flexible Credit Facility and the Overdraft Facility.

Under the terms of the Banking Facilities, Fliway is obliged (amongst other things) to immediately apply a minimum amount of \$2,800,000 to the permanent reduction of Fliway's debt to ANZ if Fliway completes the Offer.

Hedging

Fliway's current policy is to review whether to hedge its interest rate risk on a regular basis. Fliway currently has two interest rate hedges in place using derivative interest rate products. The principal covered by these two hedges is \$5 million in each case, totalling \$10 million. One hedge is an interest rate swap while the other is an interest rate cap and collar. The PFI has been prepared on the basis that these hedges remain in place, with the average forecast interest rate across the two hedges being 4.0% during the PFI period.

Other financing considerations

The Banking Facilities contain certain representations, undertakings, events of default and review events which are standard for facilities of this nature and in some cases are subject to certain agreed qualifiers such as materiality and threshold amounts. If an event of default occurs, ANZ may (among other things) require repayment of the Banking Facilities or enforce the security held by ANZ.

The Banking Facilities contain the following financial ratios:

- the adjusted interest cover ratio (Charging Group EBITDA to Charging Group Interest Costs (each as defined in the relevant Banking Facilities)) shall not be less than 3.50:1 at all times; and
- the leverage ratio (Net Bank Debt to Charging Group EBITDA (each as defined in the relevant Banking Facilities)) shall be no greater than 3.00:1 at all times.

10. Equity and dividends

The payment of dividends and other distributions by Fliway is solely at the Board's discretion and depends on a number of factors. The payment of dividends is not guaranteed and Fliway's dividend policy may change in the future.

Factors expected to influence or affect the Board's decision to pay dividends over time include:

- any statutory or regulatory requirements;
- the financial performance of Fliway;
- one-off or non-recurring events;
- Fliway's capital expenditure requirements;
- the availability of imputation credits;
- prevailing business and economic conditions;
- the outlook for all of the above; and
- any other factors deemed relevant by the Board.

Except as explained below in relation to FY15F and subject to the above, Fliway intends to make dividend payments to Shareholders twice each year, in respect of half years ending 31 December and full years ending 30 June. The dividends for these periods are expected to be paid to Shareholders in March and September respectively.

The dividend is currently expected to be approximately 50% to 70% of NPAT. However, the actual ratio of dividends paid to NPAT is expected to vary over time reflecting the above factors. Fliway intends to weight dividends to the second half, with the first half targeting 30% to 40% of the total expected dividend for the year. However, the split will vary according to actual and forecast NPAT and the factors described above.

The first dividend payment is expected to be paid in September 2015 for the three month period from the Allotment Date to 30 June 2015 and is based on the forecast NPAT for the three month period assuming a payout ratio of 70%.

It is the Board's intention to attach imputation credits to dividends to the extent they are available. Dividends are expected to be fully imputed for New Zealand tax purposes.

11. Sensitivity analysis

PFI is inherently subject to uncertainty and, therefore, actual results are likely to vary from the PFI and this variation could be material. You can find a full description of the assumptions relevant to the PFI for FY15F and 1H16F above, along with a description of risks in Section 8 *What Are My Risks?*.

The sensitivity analysis below is provided to assist you with assessing the potential effects of variations in certain key assumptions (defined as those most likely to materially affect results). The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow potential investors to gain an understanding of the sensitivities of financial outcomes to changes in these key assumptions.

Care should be taken in interpreting the information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the impact of which is not reflected in the PFI. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are not reflected in the PFI.

As capacity management is very important to Fliway's business, the key assumption that is considered to have significant potential impact on the prospective financial performance is volume (i.e., revenue). In addition, sensitivities have been considered in relation to fuel costs and foreign exchange, which could ordinarily be assumed to have a potential NPAT impact on Fliway's earnings.

Revenue

- **Domestic**
 - **Transport**

The impact of a change in capacity requirements from customers (whether through uptrade or downtrade, or whether through customer wins or losses) can significantly vary depending on the size of the volume change, whether it is considered temporary or permanent (i.e., whether management take mitigating actions), and whether (in the case of uptrade or new wins) it fits within the capacity of the existing network or whether it requires the addition of further capacity to the existing network.

The impact on NPAT of an increase in revenue by one dollar could be positive, neutral or even negative, depending on these circumstances. The impact on NPAT of a decrease in revenue can be similarly variable. As a result, it is not practical to accurately show the NPAT impact of any particular volume change without making some assumptions in relation to these factors.

- **Logistics**

The revenue impact of a change in demand for Logistics depends on whether the change relates to storage or activity-based services.

With regards to storage related revenue, the impact of a change in storage capacity requirements from customers can vary significantly depending on whether the volume fits within the existing capacity or whether it requires to be stored in non-Fliway premises. As such, the impact on NPAT of an increase in storage revenue by a dollar could be positive, neutral or even negative depending on the circumstances. The impact on NPAT of a decrease in revenue can be similarly variable. As a result, it is therefore not practical to accurately show the NPAT impact of a revenue change.

With regards to activity based services, the impact of an increase or a decrease in revenue by a dollar would result in an average \$0.13 movement in NPAT.

- **International**

International revenue can be generated through either brokerage or forwarding activity. On average, the impact of an increase or decrease in International revenue would be a \$0.19 movement in NPAT. However, it could fluctuate between \$0.06 and \$0.33 depending on the nature of the revenue.

As demand fluctuates and new demand levels become more permanent, step changes can be implemented within the business to increase or decrease capacity accordingly (such as the leasing of additional warehousing premises or capital expenditure in relation to additional fleet). The above sensitivities do not assume that any of these step changes would occur.

The above sensitivities also do not take into account any mitigating measure that Fliway may take. In the case of a reduction in capacity, Fliway would endeavour to reduce operating costs.

Costs

- **Fuel costs**

Fuel is recharged to customers through a fuel adjustment factor that is factored into customer rates. For the majority of customers, fuel can trade within a 10 cents per litre (diesel) band without any adjustment being made to the fuel adjustment factor recharged to customers. Should the cost of fuel move out of this band, an adjustment of 1% of revenue is made through the fuel adjustment factor

Given the "no adjustment" band of 10 cents per litre, Fliway's exposure is limited to 1% of Fliway Transport revenue. Outside of this range, the impact is passed through to customers.

- **Foreign exchange**

Fliway has some exposure within its International division to fluctuations in foreign exchange rates. However, because costs are incurred in the same currency as income is received, this exposure has a relatively natural hedge and any direct impact from a movement in foreign exchange is likely to be immaterial to Fliway's NPAT.

Air Ride



Climate Controlled

Maxi-CUBE

EXHIBIT

CIALIST VEHICLE

**HOW DO I
APPLY**

TSL 07

FB

Instructions

You should read this Investment Statement carefully before completing the Application Form. Applications for Shares must be made on the Application Form.

General

Applications for Shares may be lodged from the opening date of the Offer. The Offer will remain open until 5:00pm (NZT) on 1 April 2015 or such other date as Fliway may determine in its sole discretion. The Application Form must be completed in accordance with the instructions set out in this section and on the Application Form itself.

Applications must be for a minimum of 2,000 Shares. An Application must be completed in full and may be rejected if any details are not entered or it is otherwise incorrectly completed. Fliway reserves the right to treat any Application as valid or to decline any Application, in whole or in part, in its sole discretion and without giving any reasons. Fliway's decision as to whether to reject the Application, or to treat it as valid (and then how to construe, amend or complete the Application Form) will be final.

An Application constitutes an irrevocable offer by the Applicant to subscribe for and acquire the number of Shares specified on the Application Form on the terms and conditions set out in this Investment Statement, the Prospectus and on the Application Form. An Application cannot be withdrawn or revoked.

By submitting an Application Form, you agree to be bound by these terms and conditions and Fliway's Constitution. No person accepts any liability or responsibility should any person attempt to sell or otherwise deal with the Shares before the statements confirming allotments are received by the Applicants for the Shares.

The Application Form

A - Investor Details

Insert your full name(s), address and telephone numbers.

Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per Application. Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).

More than one Applicant name may be required, depending on the terms of any governing documents for the body (for example, the trust deed or charter).

If, for your own purposes, you want to record that the Applicants hold their Shares on a particular account or for a particular purpose, you can record that as the "Corporate Name or On Account".

Use the table below to see how to write your name correctly.

Type of Investor	Correct way to write Name	Incorrect way to write Name
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

By supplying your mobile number you consent that the Share Registrar, Link Market Services Limited, advise you by TXT Alerts (post-allotment) of any changes on your holding balance, or if your bank account details or address on register change, or if a new / replacement FIN has been requested. This feature provides additional security to you as an investor.

B - Application Payment

Applications in the Broker Firm Offer must be accompanied by payment in full for the number of Offer Shares applied for. Your payment must be made in accordance with the directions of the NZX Firm from whom you received an allocation.

Complete the Application amount applied for. Note the Application minimum stated in the Application Form. Please advise payment method and bank account details for future dividend payments.

Payment must be made in New Zealand dollars for immediate value, by bank draft in New Zealand dollars, or a cheque drawn on a New Zealand bank account (or, if the Application is for Offer Shares of an aggregate subscription amount of \$500,000 or more, by bank cheque), or direct debit.

If the NZX Firm from whom you received your allocation has given directions as to another method of payment, other than payment by cheque or direct debit, you should follow those instructions.

Option 1: One-time direct debit

If you choose the direct debit option, you must tick the box authorising the Share Registrar to direct debit the bank account nominated on the Application Form, on the day the Application Form is received by the Share Registrar, for the Application amount applied for on the Application Form. The bank account

must be with a New Zealand registered bank. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the Application funds in the bank account for direct debit are available on the day the Share Registrar receives the Application Form;
- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly; and
- the bank account you nominated is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank.

Should your direct debit fail, your Application will be rejected. If requested, a direct debit authority form will be provided to you by the Share Registrar. Refer to the contact details on the Application Form.

Option 2: Cheque or bank draft

If you choose to pay by cheque or bank draft your cheque should be made payable to "Fliway Share Offer", be crossed "Not Transferable" and not be post-dated.

Your cheque will be banked on the Business Day it is received. If your cheque is post-dated or dishonoured, your Application may be rejected.

C - Holder Number Details

A Common Shareholder Number (CSN) is required to trade the Shares on the NZX Main Board once the Offer has closed and Shares have been allotted.

If you have other investments registered under a CSN you must supply your CSN in the space provided on the Application Form. A CSN is a nine digit number. The name and address details on your Application Form must correspond with the registration details under that CSN. If the name(s) do not match, you will be allocated a new CSN under the name(s) provided on this Application Form.

If you do not provide a CSN it will be deemed that you do not have a current CSN and a new CSN and Authorisation Code (FIN) will be allocated to you at allotment of the Offer Shares.

D - Electronic Investor Correspondence

By supplying your email address, Fliway will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost-effective and timely option than paper based investor mail outs.

E - IRD number

Resident withholding tax (RWT) will be deducted from any dividends paid to you unless you provide a valid RWT exemption certificate. If you are exempt from RWT, please tick the exempt box and attach a **copy** of your RWT exemption certificate. Only one IRD number is required per holding. If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number.

If the Applicant is a trust, company, partnership or other entity, use that entity's IRD number.

F - Signing And Dating

Read this Investment Statement and the Application Form carefully and sign and date the Application Form.

The Application Form must be signed by you personally, or if a company by two directors of that company (or one director if there is only one director), or in either case by a duly authorised attorney or agent (if relevant). Joint Applicants must each sign the Application Form.

G - Submitting Your Application

Applications are irrevocable after they have been submitted. By submitting an Application you agree to purchase and subscribe for the number of Offer Shares you specify in your Application Form on the terms and conditions set out in this Investment Statement (including the Application Form) and the Prospectus.

You should remember that the Closing Date may be changed at the sole discretion of Fliway. Changes will be advised by NZX announcement. Fliway reserves the right to refuse to accept Applications received by the Share Registrar after the Closing Date. Your Application Form should be delivered in accordance with the instructions contained in the Application Form.

H & I - Power Of Attorney / Agent

If the Application Form is signed by an attorney, a copy of the power of attorney document must be attached to your Application. If you have previously provided the Share Registrar with the power of attorney document relating to the applicable CSN on your Application, you do not need to attach this document again, but the attorney must complete the certificate of non-revocation of power of attorney on the Application Form. If an Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent on the Application Form.

Treatment of Application

The return of an Application Form with your payment for the Application Monies will constitute your offer to purchase or subscribe for Offer Shares and once lodged your Application is irrevocable and cannot be withdrawn. If your Application Form is not completed correctly, or if the accompanying payment is the wrong amount, it may still be treated as valid.

The decision of Fliway as to whether to treat your Application Form as valid, and how to construe, amend or complete it, will be final. The decision on the number of Offer Shares to be allocated or transferred to you will also be final. You will not, however, be treated as having agreed to purchase a greater number of Offer Shares than that for which payment has been made.

Investors applying whose Applications are not accepted, or are accepted in respect of a lesser value of Offer Shares than the amount for which they applied, will receive a refund of all or part of their Application Monies without interest, as applicable.

Privacy Policy

If you apply for Offer Shares, you will be asked to provide personal information to Fliway, the Selling Shareholders, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application. Your personal information will be used for considering, processing and corresponding with you about your Application and in connection with your holding of Shares, including sending you information concerning Fliway, your Shares and other matters Fliway considers may be of interest to you by virtue of your holding of Shares. To do these things, Fliway, the Selling Shareholders or the Share Registrar may disclose your personal information to each other, their respective related companies and agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions.

In addition, if you elect to pay by one-time direct debit, the Share Registrar will communicate with your nominated bank (including providing your personal information) for the purposes of processing your payment.

Failure to provide the required personal information may mean that your Application Form is not able to be processed efficiently, if at all.

Where Fliway, the Selling Shareholders and the Share Registrar hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from Fliway, the Selling Shareholders and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officers of Fliway, the Selling Shareholders and the Share Registrar at their respective addresses shown in the Directory. You can also access your information on the Share Registrar's website: www.linkmarketservices.co.nz (you will be required to enter your CSN and FIN for secure access).

Terms and Conditions

General:

By signing the Application Form:

- a. You agree to subscribe for Offer Shares upon and subject to the terms and conditions of this Investment Statement, the Prospectus and the Application Form and you agree to be bound by the provisions thereof.
- b. You confirm that you have received, read and understood this Investment Statement.
- c. You declare that all details and statements made by you in the Application Form are complete and accurate.
- d. You certify that, where information is provided by you in the Application Form about another person, you are authorised by such person to disclose the information provided to you and to give authorisation.
- e. You acknowledge that an Application cannot be withdrawn or revoked by you once it has been submitted.
- f. You acknowledge that the Broker Firm Offer is only made in New Zealand, and by applying for Offer Shares, you agree to indemnify Fliway, its respective directors, officers, employees and agents and the Selling Shareholders in respect of any liability incurred by Fliway or the Selling Shareholders as a result of your breaching the selling restrictions described in the Prospectus.

APPLICATION FORM

Advisor code

Broker Stamp

FLIWAY SHARE OFFER

This Application Form is issued with the Investment Statement dated and prepared as at 6 March 2015 for the Offer of fully paid ordinary shares in Fliway Group Limited. This Application Form represents an offer to purchase the Offer Shares described in the Investment Statement and the Prospectus. Any capitalised terms used in this Application Form but not defined have the same meaning as given to those terms in the Investment Statement. If you require assistance filling in this Application Form, please call the Share Registrar.

A. APPLICATION DETAILS

First name (s):		Surname:	
First name (s):		Surname:	
First name (s):		Surname:	
Company / Trust / Account Designation:			
Postal address:			
City:	Postcode:	Country:	
Telephone:	Mobile:	Daytime:	

B. APPLICATION PAYMENT

Applications must be accompanied by payment. This Application Form and your payment must be sent to your broker so as to enable forwarding to the Share Registrar by 5.00pm (New Zealand time) on 1 April 2015.

The minimum you can apply for is 2,000 Offer Shares. The Offer Price will be determined on or about 17 March 2015 and will be available by contacting an NZX Firm. The Offer Price must be used to calculate your payment amount.

Number of Shares applied for:		X	Offer Price	\$	=	Total Application amount	\$

Choose ONE of the PAYMENT options below. Please tick the box next to your selected option.

Option 1: Please make a one-time direct debit from my bank account stated below.

By ticking this box and submitting this Application Form, I agree that the Share Registrar is authorised to withdraw from this account the full dollar amount of Offer Shares applied for on the terms and conditions for one-time direct debit. **Please confirm with your bank that payments can be direct debited from this account.**

Option 2: Please find attached my payment by cheque for the dollar amount of Offer Shares applied for above made payable to "Fliway Share Offer" and crossed "Not Transferable".

Please provide New Zealand dollar bank account details for one-time direct debit (if you selected Option 1) and/or direct credit of future dividend payments. If you wish to have your dividends paid into a different bank account than the one provided below for direct debit purposes, you need to advise Link Market Services of the account details in writing.

Name of Bank:				Name of Account:				
Bank	Branch			Account Number				Suffix

For the purpose of dividend payments only: Direct credit to my Cash Management Account:

Name of NZX Firm where Cash Management Account is held:

Cash Management Account Number:

C. COMMON SHAREHOLDER NUMBER (CSN)

If you have a CSN, please enter it here:

If you do not have a CSN, leave this section blank and you will be allocated a CSN and Authorisation Code (FIN) when your Shares are allotted.

D. ELECTRONIC SHAREHOLDER COMMUNICATIONS

I agree to receive all my Shareholder Communications via email at my email address provided below (please print):

E. IRD NUMBER

Only one IRD number is required in respect of a joint application

Please tick this box if you hold an **RWT exemption certificate** from the IRD and attach a **copy** of your RWT exemption certificate.

Please tick this box if you are a non-resident for NZ tax purposes; under the Income Tax Act 2007. You will be treated as a NZ tax resident unless this box is ticked.

Country of residence for tax purposes:

F. SIGNATURE(S) OF APPLICANTS

I/we hereby acknowledge that I/we have received and read the Investment Statement, including the application instructions, and apply for the number of fully paid ordinary shares as set out above and agree to accept such Offer Shares (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the Investment Statement and application instructions.

The Application Form must be signed by, or on behalf of, each Applicant. If the Applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document.

If the Applicant is a minor (under the age of 18) the parent or legal guardian should sign the Application Form on the Applicant's behalf.

If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

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Date: 2015

If you have any questions on how to complete the Application Form please contact your NZX Firm or Link Market Services Limited:

PHONE: +64 9 375 5998
FAX: +64 9 375 5990
MAIL: PO Box 91976, Auckland, 1142
DELIVERY: Level 7, Zurich House, 21 Queen Street, Auckland
EMAIL: applications@linkmarketservices.co.nz

G. RETURN YOUR COMPLETED APPLICATION FORM AND PAYMENT TO YOUR NZX FIRM OR FINANCIAL ADVISOR FROM WHO YOU RECEIVED YOUR ALLOCATION AS PER THE INSTRUCTIONS RECEIVED FROM YOUR ADVISOR. YOUR APPLICATION MUST BE RECEIVED BY THE SHARE REGISTRAR, LINK MARKET SERVICES, BY NO LATER THAN 5.00 PM ON 1 APRIL 2015.

H. CERTIFICATE OF NON-REVOCAION OF POWER OF ATTORNEY

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I,						
Of,						
Hereby Certify:						
1. THAT by a Power of Attorney dated the			day of			
	The Donor,					
	Of,					
	appointed me his/her/its Attorney on the terms and conditions set out in the Power of Attorney.					
2. THAT I have executed the application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me.						
3. THAT at the date of this certificate I have not received notice of any event revoking that Power of Attorney.						
Signed at:		This		day of		2015
Signature of Attorney:						

I. CERTIFICATE OF NON-REVOCAION OF AGENT

(Complete this section if you are acting as Agent on behalf of the Applicant on this Application Form)

I,						
Of,						
Hereby Certify:						
1. THAT by the Agency Agreement dated the			day of			
	The Donor,					
	Of,					
	appointed me his/her/its Agent on the terms and conditions set out in the Agreement.					
2. THAT I have executed the application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me.						
3. THAT at the date of this certificate I have not received any notice or information of the revocation of my Appointment as Agent.						
Signed at:		This		day of		2015
Signature of Agent:						

DIRECTORY

Issuer

Fliway Group Limited

66 Westney Road
Mangere
Manukau City
New Zealand
Phone: +64 9 255 4600

Directors of the Issuer

The Directors can be contacted at Fliway Group Limited's registered office (as set out above).

Legal Advisers to the Issuer

Bell Gully

Vero Centre
48 Shortland Street
Auckland 1140
New Zealand
Phone: +64 9 916 8800

Share Registrar

Link Market Services Limited

Level 7, Zurich House
21 Queen Street
Auckland 1010
PO Box 91976, Auckland 1142
Phone: +64 9 375 5999
Investor line: +64 9 375 5998
Facsimile: +64 9 375 5990

Email: enquiries@linkmarketservices.co.nz

Website: www.linkmarketservices.co.nz

Arranger and Lead Manager

Forsyth Barr Limited

Level 13, Forsyth Barr Tower
55 Shortland Street
Auckland 1140
New Zealand
Phone: +64 9 368 0068

Auditor and Investigating Accountants

Deloitte

Deloitte Centre
80 Queen Street
Auckland 1140
New Zealand
Phone: +64 9 303 0700

Selling Shareholders

c/o Fliway Group Limited
66 Westney Road
Mangere
Manukau City
New Zealand
Phone: +64 9 255 4600

FLIWAY
DELIVERING TRANSPORT SOLUTIONS

SCANIA





