Airwork Holdings Limited: Response to RIFA Jair Company Limited Full Takeover Offer

Contents

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12 October 2017

The Shareholders
Airwork Holdings Limited

Dear Shareholder

TAKEOVER OFFER FOR AIRWORK HOLDINGS LIMITED BY RIFA JAIR COMPANY LIMITED

THIS LETTER AND THE ACCOMPANYING DOCUMENTS CONTAIN IMPORTANT INFORMATION. THE TAKEOVER COMMITTEE OF AIRWORK HOLDINGS LIMITED ENCOURAGES YOU TO READ THIS INFORMATION CAREFULLY AND, WHERE YOU DO NOT UNDERSTAND THE INFORMATION, TO SEEK INDEPENDENT ADVICE.

On 12 October 2017, RIFA Jair Company Limited (*RIFA*) made a takeover offer to purchase all of the fully paid ordinary shares (*Shares*) in Airwork Holdings Limited (*Airwork*) that it does not already hold, for an offer price of $5.20 per Share (the *Offer*). You will have received a copy of the offer document directly from RIFA. A copy of the offer document can also be found on the NZX website (www.nzx.com) under the "AWK" symbol.

The Offer closes at 11:59pm on 10 November 2017 and will not be extended.

Airwork's response to the Offer has been managed on behalf of the Airwork board by a committee comprised solely of Airwork independent director Martin Gray (the *Takeover Committee*). Martin Gray does not hold any Airwork shares. Airwork's other independent director, Mike Daniel, has agreed to accept the Offer in respect of the Shares he controls and accordingly he, along with the directors associated with RIFA, have not participated in the work of the Takeover Committee.

In accordance with the Takeovers Code (*Code*), please find **enclosed** a copy of Airwork's target company statement in relation to the Offer.

Under the Code Airwork was also required to appoint an independent adviser to report on the merits of the Offer. The Takeover Committee appointed Grant Samuel Limited as the independent adviser and a copy of Grant Samuel's report is included with the target company statement.

Recommendation of the Takeover Committee

The Takeover Committee on behalf of the Airwork board **recommends that shareholders accept the Offer**.

The reasons for the recommendation are:

(a) The Offer price of $5.20 per Share is above the midpoint of the valuation range of $4.82 to $5.54 per Share specified by Grant Samuel in its independent adviser report. The Takeover Committee is also of the view that the current value of Airwork's Shares is within that range. In making its recommendation the Takeover Committee has also taken into account the fact that Airwork's Shares have, prior to the initial notice of the Offer, traded below the Offer price and the Offer represents a premium of approximately 21% relative to the closing price of $4.30 per share on 26 September 2017, being the day prior to the announcement of the RIFA Offer.

(b) Although the Offer price is below the price of $5.40 per share offered in RIFA's partial takeover offer to acquire 75% of Airwork, since RIFA's partial offer Airwork has also paid shareholders dividends of 17 cents per share cash, or 23.6 cents per share gross including imputation credits. The valuation range specified by Grant Samuel is materially the same as for the partial offer, as Grant Samuel undertook a valuation of all of the equity in the company, including a premium for control. In formulating its valuation Grant Samuel has considered the recent financial performance and prospects of Airwork since its last valuation.

(c) Shareholders who own or control approximately 15.8% of Airwork's Shares have agreed to accept the Offer. As a result of those acceptances RIFA will succeed in achieving a shareholding in Airwork in excess of the compulsory acquisition threshold of 90%, and RIFA has indicated it will proceed to compulsorily acquire remaining shares at the same price offered in its takeover. RIFA will be in a position to commence compulsory acquisition if the regulatory approval condition of its offer is satisfied prior to the closing date.

(d) Given RIFA's controlling shareholding, there is no realistic prospect of a competing offer and no advantage in delaying acceptance of the offer.

Shareholders should seek independent advice

Notwithstanding the recommendation of the Takeover Committee, the decision on whether or not to accept the Offer is a matter for each shareholder. You are encouraged to take independent investment advice about the Offer.

Yours faithfully,

Martin Gray
Sole Member of the Takeover Committee

TAKEOVERS CODE DISCLOSURES

The following information has been prepared by Airwork Holdings Limited (*Airwork*) under Rule 46 of the Takeovers Code in response to a full takeover offer dated 12 October 2017 from RIFA Jair Company Limited (*RIFA*) of Hong Kong. RIFA is wholly owned by Zhejiang RIFA Holding Group Co. Limited of China.

Airwork's response to the takeover offer, and formulation of a recommendation, has been managed on behalf of the Airwork board by a committee comprised solely of Airwork independent director Martin Gray (the *Takeover Committee*), supported by Airwork management and Airwork's corporate legal adviser Chapman Tripp.

Airwork's other independent director, Mike Daniel, has agreed to accept the takeover offer in respect of the shares he controls and accordingly he, along with the directors appointed to represent the interests of RIFA, has not made a recommendation to shareholders or been a member of the Takeover Committee. However, as the Takeovers Code requires this target company statement to be signed by two directors, Mr Daniel has reviewed the document for factual accuracy and he has approved the statement on that basis.

1 **Date**

This Target Company Statement is dated 12 October 2017.

2 **Offer**

(a) The offer is a full takeover offer by RIFA to purchase all fully paid ordinary shares in Airwork (*Shares*) not already held by it for a purchase price of $5.20 per share in cash (the *Offer*).

(b) The terms of the Offer are set out in the offer document dated 12 October 2017, which has been sent to shareholders by RIFA (*Offer Document*).

3 **Target Company**

The name of the target company is Airwork Holdings Limited (NZX: AWK).

4 **Directors of Airwork**

The names of the directors of Airwork are:

- Jie Wu (Chairman);
- Simon Craddock (Non-executive Director);
- Michael Daniel (Independent Director);
- Martin Gray (Independent Director); and
- Mark Pitt (Non-executive Director).

5 **Ownership of equity securities of Airwork**

(a) Schedule 1 to this Target Company Statement sets out the number, designation, and the percentage of any class of equity securities of Airwork held or controlled by each director or senior officer of Airwork and their associates. Except as set out in Schedule 1, no director or senior officer of Airwork or their associates holds or controls any securities of Airwork.

(b) The Takeover Committee has determined that the senior officers of Airwork are:

(i) Christopher John Hart (Chief Executive Officer); and

(ii) Brian Joseph Fouhy (Chief Financial Officer).

(c) Schedule 2 to this Target Company Statement sets out the number, designation, and the percentage of any class of equity securities of Airwork held or controlled by any other person holding or controlling 5% or more of any class of equity securities of Airwork, to the knowledge of Airwork. Except as set out in Schedule 2, no person known by Airwork to hold or control 5% or more of any class of equity securities of Airwork holds or controls any equity securities of Airwork.

(d) No equity securities of Airwork, during the two year period immediately preceding the date of this Target Company Statement, have been issued to the directors and senior officers of Airwork or their associates.

(e) No director or senior officer of Airwork or their associates have, during the two year period immediately preceding the date of this Target Company Statement, obtained a beneficial interest under any employee share scheme or other remuneration arrangement in any Airwork equity securities.

6 Trading in Airwork equity securities

(a) No director or senior officer of Airwork or their associates have acquired or disposed of any of Airwork's equity securities during the 6 month period before 11 October 2017(being the latest practicable date before the date of this Target Company Statement).

(b) No person known to Airwork to hold or control 5% or more of any class of equity securities or Airwork has acquired or disposed of any of Airwork's equity securities during the 6 month period before 11 October 2017 (being the latest practicable date before the date of this Target Company Statement).

7 Acceptance of Offer

(a) By way of lock-up deeds each dated 26 September 2017 in relation to a takeover offer for Airwork between:

(i) RIFA, Hugh Ross Jones and Condor Holdings Limited (*Condor*);

(ii) RIFA and Christopher John Hart;

(iii) RIFA and Brian Joseph Fouhy;

(iv) RIFA and Michael Walter Daniel;

(v) RIFA and Michael Murry Benjamin; and

(vi) RIFA and Wayne John Collins.

(each a *Deed*):

(b) Hugh Ross Jones irrevocably agreed to accept or procure the acceptance of the Offer in respect of 5,097,931 Shares that he and his relevant related trusts or entities own (excluding the restricted Shares held by Condor described in the next paragraph) (being 9.65% of Airwork's total shares as at the date of this Target Company Statement);

(c) Condor irrevocably agreed to treat all 1,713,626 restricted Shares held on behalf of participants in the Condor share scheme, other than shares held for certain former employees of Airwork of which are unallocated shares, as vested solely for the purpose of enabling them to accept the Offer and where participants elect, accept the Offer on behalf of participants in respect of the Shares held by Condor for those participants;

(d) Christopher John Hart irrevocably agreed to accept or procure the acceptance of the Offer in respect of all of the Shares that he and his relevant related trusts or entities own (being 216,653 Shares or 0.41% of Airwork's total shares as at the date of this Target Company Statement), and to direct Condor to accept the offer for the 732,334 Shares Condor holds for his benefit;

(e) Brian Joseph Fouhy irrevocably agreed to accept or procure the acceptance of the Offer in respect of all of the Shares that he and his relevant related trusts or entities own (being 216,657 Shares or 0.41% of Airwork's total shares as at the date of this Target Company Statement), and to direct Condor to accept the offer for the 732,330 Shares Condor holds for his benefit;

(f) Michael Walter Daniel irrevocably agreed to accept or procure the acceptance of the Offer in respect of all of the Shares that he and his relevant related trusts or entities own (being 378,409 Shares or 0.72% of Airwork's total shares as at the date of this Target Company Statement);

(g) Michael Murray Benjamin irrevocably agreed to accept or procure the acceptance of the Offer in respect of all of the Shares that he and his relevant related trusts or entities own (being 450,000 Shares or 0.86% of Airwork's total shares as at the date of this Target Company Statement); and

(h) Wayne John Collins irrevocably agreed to accept or procure the acceptance of the Offer in respect of all of the Shares that he and his relevant related trusts or entities own (being 234,110 Shares or 0.45% of Airwork's total shares as at the date of this Target Company Statement).

(i) The material terms of each Deed are as follows:

  (i) RIFA agreed to make the Offer (being a full takeover offer for all of the Shares not already held by it at an offer price $5.20 per Share) on the terms and conditions set out in the Deed in accordance with the Takeovers Code.

  (ii) Subject to the Offer being made in accordance with the Deed, Hugh Ross Jones agreed to accept or procure the acceptance of the Offer for all of the Shares owned by Hugh Ross Jones or his relevant related trusts or entities by no later than the date which is five Business Days after the date of despatch of the Offer or, if later, then the Business Day on which Hugh Ross Jones receives the Offer.

  (iii) Subject to the Offer being made in accordance with the Deed, Condor agreed to:

(A) confirm to participants by notice in writing given no later than the date which is three Business Days after the date of despatch of the Offer that all AWK shares held for the benefit of each participant will be treated as having vested, solely for the purposes of enabling the participant to direct Condor to accept the Offer in respect of those shares; and

(B) comply with any resulting directions of participants to accept the Offer, noting that under their respective Deeds each of Christopher John Hart and Brian Joseph Fouhy have agreed to accept the Offer in respect of the shares held by Condor for their respective benefits.

(iv) Subject to the Offer being made in accordance with the Deed, Christopher John Hart agreed to accept or procure the acceptance of the Offer for all of the Shares owned by Christopher John Hart or his relevant related trusts by no later than the date which is five Business Days after the date of despatch of the Offer or, if later, then the Business Day on which he receives the Offer.

(v) Subject to the Offer being made in accordance with the Deed, Brian Joseph Fouhy agreed to accept or procure the acceptance of the Offer for all of the Shares owned by his relevant related trusts by no later than the date which is five Business Days after the date of despatch of the Offer or, if later, then the Business Day on which he receives the Offer.

(vi) Subject to the Offer being made in accordance with the Deed, Michael Walter Daniel agreed to accept or procure the acceptance of the Offer for all of the Shares owned by his relevant related trusts by no later than the date which is five Business Days after the date of despatch of the Offer or, if later, then the Business Day on which he receives the Offer.

(vii) Subject to the Offer being made in accordance with the Deed, Michael Murray Benjamin agreed to accept or procure the acceptance of the Offer for all of the Shares owned by Michael Murray Benjamin or his relevant related trusts by no later than the date which is five Business Days after the date of despatch of the Offer or, if later, then the Business Day on which he receives the Offer.

(viii) Subject to the Offer being made in accordance with the Deed, Wayne John Collins agreed to accept or procure the acceptance of the Offer for all of the Shares owned by Wayne John Collins or his relevant related trusts by no later than the date which is five Business Days after the date of despatch of the Offer or, if later, then the Business Day on which he receives the Offer.

8 **Ownership of equity securities of RIFA**

Neither Airwork, nor any director or senior officer of Airwork or any of their associates, holds or controls any class of equity securities of RIFA (*RIFA Shares*) other than Jie Wu (Chairman), who has effective control over the RIFA Shares.

9 **Trading in equity securities of RIFA**

Neither Airwork, nor any director or senior officer of Airwork or any of their associates, has acquired or disposed of any RIFA Shares during the 6 month period before 11 October 2017 (being the latest practicable date before the date of this Target Company Statement).

10 **Arrangements between RIFA and Airwork**

(a) RIFA and Airwork entered into a Confidentiality Deed dated 4 August 2017, pursuant to which each party agreed to disclose certain confidential information to the other.

(b) Except as set out in paragraph 10(a), at the date of this Target Company Statement, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between RIFA or any of its associates and Airwork or any related company of Airwork, in connection with, in anticipation of, or in response to, the Offer.

11 **Relationship between RIFA, and directors and senior officers of Airwork**

No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between RIFA (or any associates of RIFA) and any of the directors or senior officers of Airwork (or any related company of Airwork) in connection with, in anticipation of, or in response to, the Offer, other than:

(i) The Deed between RIFA and Michael Walter Daniel, details of which are set out above at paragraph 7.

(ii) The Deed between RIFA and Christopher Hart, details of which are set out above at paragraph 7.

(iii) The Deed between RIFA and Brian Fouhy, details of which are set out above at paragraph 7.

RIFA has indicated in its Offer that it intends to put a long-term incentive plan for its senior management. No incentive plan has yet been put in place. Apart from Jie Wu (Chairman), none of the directors or senior officers of Airwork are also directors or senior officers of RIFA, or any related company of RIFA.

12 **Agreements between Airwork, and directors and senior officers of Airwork**

No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between Airwork (or any related company of Airwork) and any of the directors or senior officers of Airwork or any related company of Airwork or their associates, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13 **Interests of directors and senior officers of Airwork in material contracts of RIFA (or a related company of RIFA)**

(a) No director or senior officer of Airwork or their associates has any interest in any contract to which RIFA, or any related company of RIFA, is a party, other than the Deeds described above at paragraph 7.

13A **Interests of Airwork's substantial security holders in material contracts of RIFA (or a related company of RIFA)**

No person who, to the knowledge of the directors or the senior officers of Airwork, holds or controls 5% or more of any class of equity securities of Airwork, has an interest in any material contract to which RIFA, or any related company of RIFA, is a party, except pursuant to the Deed to which Hugh Ross Jones is a party.

14 **Additional information**

In the opinion of the directors of Airwork, no additional information, to the knowledge of Airwork, is required to make the information in RIFA's takeover offer document correct or not misleading.

15 **Recommendation**

(a) The recommendation of the Takeover Committee and the reasons for that recommendation are set out in the cover letter accompanying this Target Company Statement.

(b) Directors Jie Wu (Chairman), Simon Craddock, Michael Daniel, and Mark Pitt, each stood aside from the Takeover Committee and have abstained from making any recommendation to you, because Mr Daniel is party to a Deed with RIFA, and has agreed to accept the Offer and procure that his relevant related trusts or entities also accept the Offer, and Messrs Wu, Craddock and Pitt are associates of RIFA.

16 **Actions of Airwork**

(a) Except for the arrangements summarised above at paragraph 10, there are no material agreements or arrangements (whether legally enforceable or not) of Airwork and its related companies entered into as a consequence of, in response to, or in connection with, the Offer.

(b) There are no negotiations underway as a consequence of, or in response to, or in connection with, the Offer that relate to or could result in:

(i) an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving Airwork or any of its related companies; or

(ii) the acquisition or disposition of material assets by Airwork or any of its related companies; or

(iii) an acquisition of equity securities by, or of, Airwork or any related company of Airwork; or

(iv) any material change in the equity securities on issue, or policy relating to distributions, of Airwork.

17 **Equity securities of Airwork**

Airwork Shares

Airwork currently has 52,283,373 fully paid ordinary shares on issue. Subject to the NZX Main Board Listing Rules and Airwork's constitution, the rights of shareholders in respect of capital, distributions and voting are as follows:

(i) the right to an equal share with other shareholders in dividends authorised by the board of Airwork;

(ii) the right to an equal share with other shareholders in the distribution of surplus assets on liquidation of Airwork; and

(iii) the right to cast one vote on a show of hands or the right to cast one vote for each share held on a poll, in each case at a meeting of shareholders on any resolution, including a resolution to:

- appoint or remove a director or auditor;
- alter Airwork's constitution;
- approve a major transaction;
- approve an amalgamation of Airwork; and
- put Airwork into liquidation.

18 **Financial information**

(a) Every person to whom the Offer is made is entitled to obtain from Airwork a copy of Airwork's most recent annual report (being the annual report for the period ended 30 June 2017) by making a written request to Airwork at airworkgroup@airwork.co.nz.

(b) A copy of the annual report is also available from Airwork's website at www.airworkgroup.com/content/investors/annual-interim-reports.aspx.

(c) No half-yearly report or interim report has been issued since the issue of the most recent annual report.

(d) Other than as set out above or as contained in the Grant Samuel Report:

(i) there have been no known material changes in the financial or trading position or prospects of Airwork since the annual report; and

(ii) there is no other information about the assets, liabilities, profitability and financial affairs of Airwork that could reasonably be expected to be material to the making of a decision by shareholders to accept or reject the Offer.

19 **Independent advice on merits of Offer**

(a) Grant Samuel, as independent adviser, has prepared a report on the merits of the Offer as required by Rule 21 of the Takeovers Code. A copy of Grant Samuel's full report is attached to this Target Company Statement.

(b) The Grant Samuel Report includes:

(i) a statement of the qualifications and expertise of Grant Samuel; and

(ii) a statement that Grant Samuel has no conflict of interest that could affect its ability to provide an unbiased report.

20 **Asset valuation**

None of the information provided in this Target Company Statement refers to a valuation of any asset.

21 **Prospective financial information**

(a) None of the information provided in this Target Company Statement refers to prospective financial information of Airwork.

(b) The report provided by Grant Samuel refers to prospective financial information of Airwork. The principal assumptions on which the prospective financial information is based are set out in that report.

(c) While approved by the Board for release to Grant Samuel, Airwork's forecast model for the financial year ending 30 June 2018, and Airwork's long-term financial projections for the financial years ending 30 June 2018 through 2022, were prepared for internal management purposes. While all due care has been taken with their preparation and review, as with all forward looking statements, no assurance can be given that actual performance or results will meet or exceed forecasts or projections.

22 **Sales of unquoted equity securities under Offer**

Not applicable. The Shares that are the subject of the Offer are quoted on the NZX Main Board.

23 **Market prices of quoted equity securities under Offer**

(a) The closing price on the NZX Main Board of Airwork Shares on:

(i) 11 October 2017, being the latest practicable working day before the date on which this Target Company Statement is sent to shareholders, was $5.020; and

(ii) 26 September 2017, being the last day on which the NZX was open for business before the date on which Airwork received RIFA's takeover notice, was $4.30.

(b) The highest and lowest closing market price of Airwork Shares on the NZX Main Board and the relevant dates during the 6 months before the date on which Airwork received RIFA's takeover notice 27 September 2017) were as follows:

(i) highest closing market price was NZ$4.65 (on 3 July 2017); and

(ii) lowest closing market price was NZ$4.02 (on 5, 6 and 7 September 2017).

(d) On 19 September 2017, Airwork paid a final dividend of 9.00 cents per share with 3.50 cents per share imputation credits attached. On 15 May 2017, Airwork paid an interim dividend of 8.00 cents per share with 3.111 cents per share imputation credits attached. Both dividend payments may have affected the market price of Airwork shares referred to in this paragraph 23. There were, in the six month period prior to the date of this Target Company Statement, no issues of equity securities of Airwork or changes in the equity securities on issue that could have affected the market prices referred to in this paragraph 23.

24 **Other information**

In preparing this Target Company Statement, Airwork has relied on the completeness and accuracy of information provided by or on behalf of various persons, including RIFA.

25 **Approval of this Target Company Statement**

The contents of this Target Company Statement have been approved by the independent directors of the board of Airwork although the recommendation for shareholders has been formulated solely by Martin Gray, given that Mr Daniel has already agreed to accept the Offer. The directors of Airwork appointed to represent the interests of RIFA have not been involved in approving this Target Company Statement, given their connection to RIFA.

26 **Certificate**

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Target Company Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Airwork under the Takeovers Code.

Martin Gray
Director

Michael Walter Daniel
Director

Christopher John Hart
Chief Executive Officer

Brian Joseph Fouhy
Chief Financial Officer

Schedule 1 – Ownership of equity securities of Airwork by Directors or Senior Officers and their Associates (Paragraph 5)

Name	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities of class
Directors			
Michael Walter Daniel	378,409	Ordinary shares	0.724%
Senior officers			
Christopher John Hart (CEO)[1]	985,777	Ordinary shares	1.885%
Brian Joseph Fouhy (CFO)[2]	948,987	Ordinary shares	1.815%

Associates of Directors or Senior Officers

Name	Associate relationship	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities of class
Victoria Daniel	Wife of Michael Walter Daniel	7,358	Ordinary shares	0.014%
Rifa Jair Company Limited	Associate of Jie Wu	39,202,284	Ordinary shares	74.98%

[1] Christopher John Hart's holding comprises 216,653 shares held by him, and a beneficial interest in 732,334 Shares held by Condor and 36,790 Shares held by Hugh Ross Jones, Pixie Lynn Jones and Graham Andrew McKenzie as trustees.

[2] Brian Joseph Fouhy's holding comprises 216,657 shares held by his associated family trust and a beneficial interest in 732,330 Shares held by Condor.

Schedule 2 – Holders or controllers of more than 5% of any class of equity securities of Airwork (Paragraph 5)

Name	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities of class
Rifa Jair Company Limited	39,202,284	Ordinary shares	74.98%
Hugh Ross Jones[3]	6,785,969	Ordinary shares	12.98%
Hugh Ross Jones, Pixie Lynn Jones and Graham Andrew McKenzie as trustees of HR Jones Family Trust	2,746,665	Ordinary shares	5.25%

[3] Hugh Ross Jones' holding includes shares held or controlled by Hugh Ross Jones in his personal capacity, as a co-trustee of HR Jones Family Trust, as a co-trustee of Hugh Jones Airwork Trust, as shareholder of Airlift Holdings Limited and as shareholder of Condor Holdings Limited. Further detail is set out in Hugh Ross Jones' most recent substantial product holder notice, dated 27 September 2017.

GRANT SAMUEL

Airwork Holdings Limited

Independent Adviser's Report

On the full takeover offer by Zhejiang RIFA Holding Group Co. Limited

October 2017

Grant Samuel confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the RIFA Offer considered in this report, including any success or contingency fee or remuneration, other than to receive the fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Glossary

Term	Definition
ADAC	The aviation division of Allgemeiner Deutscher Automobil-Club
ACMI	Aircraft, Crew, Maintenance and Insurance
AFO	Airwork Flight Operations
Airwork	Airwork Holdings Limited
BJF	Brian Joseph Fouhy
CAANZ	Civil Aviation Authority of New Zealand
CJH	Christopher John Hart
Condor	Condor Holdings Limited
EASA	European Aviation Safety Authority
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FAA	Federal Aviation Authority of the United States of America
FYXX	The Financial Year to 30 June 20XX
Grant Samuel	Grant Samuel & Associates Limited
HRJ	Hugh Ross Jones
ICAO	International Civil Aviation Organisation
Lock Up Agreements	Lock up agreements between RIFA, Hugh Jones, Condor, Christopher Hart, Brian Fouhy, Michael Daniel and Michael Benjamin in respect of 15.8% of the shares in Airwork Holdings Limited
MRO	Maintenance, Repair and Overhaul
NZX	New Zealand Stock Exchange
OEM	Original Equipment Manufacturers
RIFA	Zhejiang RIFA Holding Group Co. Limited
RIFA Offer	The takeover offer by Zhejiang RIFA Holding Group Co. Limited for all of the fully paid ordinary shares of Airwork Holdings Limited that it does not already own.
VWAP	Volume weighted average share price

1. Terms of the Full Takeover Offer from RIFA

1.1 Background

Airwork Holdings Limited (**Airwork**) is a specialist aviation business that provides full turnkey aviation services from engineering and heavy maintenance, through to operation of aircraft ranging from Boeing 737's to light turbine helicopters, to leasing of aircraft. The company provides services to the global aviation market with customers in New Zealand, Australia, Europe, the Americas and Africa. Airwork is listed on the New Zealand Stock Exchange (**NZX**). In October 2016 Zhejiang RIFA Holdings Co Limited (**RIFA**) launched a partial takeover offer for Airwork seeking 75% of the shares on issue at an offer price of $5.40 per share. The founder of Airwork, Hugh Jones, agreed to accept the offer in respect of his 58.95% shareholding in Airwork through a lock up arrangement. The original RIFA offer closed with acceptances in respect of 94.464% of shares. The acceptances were scaled back (for example Hugh Jones was only able to sell 49.3% of the shares in Airwork into the original RIFA offer).

On 27 September 2017 RIFA gave notice of its intention to make a full takeover offer for the remaining fully paid ordinary shares in Airwork not already held or controlled by RIFA for $5.20 per share in cash (the **RIFA Offer** or the **Offer**). As part of the Offer notice, RIFA disclosed that it had entered into lock up agreements (**Lock Up Agreements**) with:

- Hugh Ross Jones (**HRJ**), who individually and through certain trusts and entities, has an interest in 9.65% of the shares;
- Condor Holdings Limited (**Condor**), which holds 3.32% of the shares of Airwork. Condor is owned by HRJ, but HRJ is not the beneficial owner of the Airwork shares held by Condor. Condor holds those shares as part of a share scheme for a range of shareholders comprising current and former management of Airwork;
- Christopher John Hart (**CJH**) who individually or through trusts owns 0.41% of the shares, and through Condor, has an interest in 1.40% of the shares;
- Brian Joseph Fouhy (**BJF**) who individually or through trusts owns 0.41% of the shares and through Condor, has an interest in 1.40% of the shares;
- Michael Walter Daniel, who individually or through certain related trusts and entities owns 0.72% of the shares;
- Michael Benjamin, who individually or through certain related trusts and entities owns 0.86% of the shares; and
- Wayne Collins, who individually or through certain related trusts and entities owns 0.45% of the shares.

The key terms of the Lock Up Agreements include:

- the lock-up parties (excluding Condor) have each agreed to accept the RIFA Offer when it is made in respect of the shares that they or their relevant related trusts or entities own;
- under the lock up agreements entered into with HRJ and Condor, Condor has agreed to treat all unvested shares held for the benefit of participants in the share scheme operated by Condor (other than certain shares (Condor shares)) as having vested, solely for the purpose of allowing those participants to direct Condor to accept the Offer in respect of those shares; and
- under the lock up deeds entered into with BJF and CJH, BJF and CJH (as operated by Condor) agreed to instruct Condor to accept the Offer in respect of all Condor shares held on behalf of CJH and BJF respectively.

RIFA will pay $5.20 in cash for each Airwork share accepted into the Offer. Payment will be made to accepting shareholders no later than seven days after the later of:

- the date on which RIFA receives the acceptance of the Offer from each shareholder; and
- the date on which the RIFA Offer becomes unconditional.

There are certain circumstances under which accepting shareholders may withdraw their acceptance (specifically if payment for the shares is not received from RIFA during the seven day period referred to above). This is a highly unlikely outcome given that RIFA has demonstrated its desire to own 100% of Airwork.

Collectively the Lock Up Agreements represent 15.82% of the shares in Airwork. Accordingly when the Offer is made, RIFA will become the holder or controller of 90.8% of the shares in Airwork. Having crossed the 90% threshold and as more than half of the remaining shares will have been accepted into the RIFA Offer at $5.20 per share, RIFA and the remaining shareholders will be able to, and in fact must, invoke the compulsory acquisition provisions of the Takeovers Code. Under these provisions RIFA is entitled to acquire all the remaining shares in Airwork at the same price as the RIFA Offer price of $5.20 per share.

1.2 Details of the RIFA Offer

The RIFA Offer is for 100% of the fully paid ordinary shares in Airwork. The material conditions of the RIFA Offer are:

- RIFA having obtained all required approvals, consents or orders necessary from the Administrative Committee of the Shanghai Pilot Free Trade Zone to complete the acquisition of Airwork shares in accordance with the Offer;
- RIFA having obtained all required approvals, consents or orders necessary from the Peoples Bank of China (**PBOC**) and the State Administration of Foreign Exchange (**SAFE**) of the Peoples Republic of China;
- no third party has terminated or breached any sales, supply, distribution, licensing or other similar agreement or arrangement (or has indicated any intention to do so), which termination, breach or non-performance will have, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations or assets or liabilities or prospects of Airwork and its subsidiaries, taken as a whole;
- other than as contemplated by the lock-up deed between HRJ, Condor and RIFA or in respect of shares that have either vested to participants under the Condor arrangements (in accordance with terms existing prior to the date of the RIFA Offer) or which are unallocated shares, Condor does not dispose of any of the shares it owns or, except as permitted under that lock-up deed, make any alteration or adjustment to the arrangements under which those shares are held;
- there is no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction in New Zealand or elsewhere or other legal restraint or prohibition making implementation of the Offer, or any material aspect of it, void or unenforceable or illegal;
- no relevant authority (including any government department, statutory or local body) takes, or indicates that it will take, any action which would have a material adverse effect on any current licences, authorities, warrants, consents, approvals or permits from or issued by any such authority which are material (in the context of Airwork taken as a whole); and
- there has not occurred any event or circumstance (including, without limitation, natural disaster, accident, change of law, regulation or act of terrorism) that has, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations, assets or liabilities or prospects of Airwork, taken as a whole, provided that this will exclude events or circumstances that generally affect any industry in which Airwork operates.

The full list of conditions are set out in the RIFA Offer document sent to Airwork shareholders.

With the exception of the conditions relating to any required approvals from SAFE and PBOC, RIFA may waive any condition of the RIFA Offer at its discretion. As would be expected, most of the conditions are included to protect RIFA against any substantial change in the form and operations of Airwork or the markets it operates in while the RIFA Offer is open for acceptance.

1.3 Requirements of the Takeovers Code

The Takeovers Code seeks to ensure that all shareholders are treated equally and on the basis of proper disclosure are able to make informed decisions on shareholding transactions that may impact on their own holdings.

Airwork is a Code Company for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company; and

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the exceptions to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) ***by an acquisition under a full offer;***

(b) by an acquisition under a partial offer;

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;

(e) if:
(i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company; and

(ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase; and

(f) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for both RIFA and Airwork as Bidder and Target respectively. Airwork's response to the RIFA Offer, known as a Target Company Statement, must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof).

1.4 Summary Profile of RIFA

Headquartered in Hangzhou, China, RIFA is a private company associated with Zhongbao Enterprises and Wanfeng Group, owned by the Wu family. The group operates a diverse range of businesses, with total assets of approximately US$1.6 billion and annual revenues of approximately US$250 million. RIFA operates in seven countries including New Zealand, Hong Kong, Australia and Italy spanning the high tech manufacturing, general aviation, livestock, equestrian and financial investments sectors. Since 2013 the company has completed a range of acquisitions. RIFA's core businesses are:

- ***Textile machinery.*** RIFA owns three production facilities. Its products are primarily distributed within China and to Southeast Asia; and
- ***Electronic precision machinery.*** RIFA produces high-tech computer numeric control machine tools with four manufacturing facilities in Zhejiang Province, Shanghai, Shanxi Province and Italy. Zhejiang RIFA Digital Precision Machinery Company Ltd, a 45% owned subsidiary of RIFA, operates high-speed processing centres for composite materials and produces processing equipment for a number of end uses including high precision air components. It is listed on the Shenzhen stock exchange.

RIFA is also developing its business to cover the agriculture, general aviation, investment and equestrian sectors. It has recently invested in the farming and equestrian sectors in Australia. To-date, RIFA has acquired 45,000 hectares of land with 25,000 cattle and 10,000 sheep, representing a combined investment of over A$120 million.

In 2014, RIFA established Air Xiya, a general aviation business in China. Air Xiya is engaged in public services, agriculture and forestry, air tours, and air charter services. It is targeting an expansion of its fleet to include 30 helicopters and fixed wing aircraft over the next five years, with accelerated development above this level by engaging in selective cross-border acquisitions, including the acquisition of a 75% shareholding in Airwork in New Zealand in early 2017.

2. Scope of the Report

2.1 Purpose of the Report

The Independent Director of Airwork has engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report in respect of the RIFA Offer to comply with the Takeovers Code. Grant Samuel is independent of Airwork and RIFA and has no involvement with, or interest in, the outcome of the RIFA Offer.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on the merits of an offer. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Target Company Statement to be sent to all Airwork shareholders. This report is for the benefit of the shareholders of Airwork. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the RIFA Offer. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix E.

2.2 Basis of Evaluation

Grant Samuel has evaluated the RIFA Offer by reviewing the following factors:

- the estimated value range of Airwork and the price of the RIFA Offer when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Airwork shares in the absence of the RIFA Offer;
- any advantages or disadvantages for Airwork shareholders of accepting or rejecting the RIFA Offer;
- the current trading conditions for Airwork;
- the timing and circumstances surrounding the RIFA Offer; and
- the attractions and risks of Airwork's business.

2.3 Approach to Valuation

Grant Samuel has estimated the value range of Airwork with reference to its full underlying value. In Grant Samuel's opinion the price to be paid under a full takeover should reflect the full underlying value of the company. The support for this opinion is twofold:

- the Takeovers Code's compulsory acquisition provisions apply when the threshold of 90% of voting rights has been reached. In this instance, the Takeovers Code seeks to avoid issues of premiums or discounts for minority holdings by providing that a class of shares is to be valued as a whole with each share then being valued on a pro rata basis. In other words, a minority shareholder is to receive its share of the full underlying value. Grant Samuel believes that the appropriate test for fairness under a full or partial takeover offer where the offeror will gain control is the full underlying value, prorated across all shares. The rationale for this opinion is that it would be inconsistent for one group of minority shareholders, those selling under compulsory acquisition, to receive a different price under the same offer from those who accepted the offer earlier; and
- under the Takeovers Code the acquisition of more than 20% of voting rights in a "code" company can only be made under an offer to all shareholders unless the shareholders otherwise give approval. As a result, a controlling shareholding (generally accepted to be no less than 40% of the voting rights) cannot be transferred without the acquirer making an offer on the same terms and conditions to all shareholders (unless shareholders consent). Prior to the introduction of the Takeovers Code some market commentators held the view that where a major shareholder had a controlling shareholding, any control premium attached only to that shareholding. One of the core foundations of the Takeovers Code is that all shareholders be treated equally. In this context, any control premium is now available to all shareholders under a takeover offer (in a scenario where an offeror will gain control), regardless of the size of their shareholding or the size of the offeror's shareholding at the time the offer is made.

Accordingly, Grant Samuel is of the opinion that not only because shares acquired under a compulsory acquisition scenario will receive a price equivalent to full underlying value, but because the control premium is now available to all shareholders, the share price under either a full or partial takeover offer where the offeror will gain control should be within or exceed the prorated full underlying valuation range of the company.

Airwork has been valued at fair market value, which is defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt, appendices A to E form part of this report.

3. Overview of the Aviation Services Industry

3.1 Introduction

Airwork operates in the following segments of the aviation services industry:

- helicopter maintenance, repair, overhaul and upgrades (**MRO**);
- helicopter leasing, crewing and operation; and
- fixed wing aircraft leasing, crewing, operation and maintenance.

The aviation sector is extensively regulated with separate certification required to operate, maintain and modify aircraft and their key components in each jurisdiction in which a participant operates. An overview of each of the market segments in which Airwork operates is provided below.

3.2 Overview of the Helicopter MRO Sector

The helicopter MRO sector is made up of a number of distinct segments including engine overhaul, component overhaul, airframe heavy maintenance and line maintenance, modifications, and manufacture of aftermarket parts and ancillary equipment (such as avionics and instruments). Airwork's operations cover each of these segments.

Helicopter airframes, parts and components (including engines) are required by original equipment manufacturers (**OEMs**) and government regulators to be serviced and overhauled based on hours flown, cycles or the actual condition of parts. The repair and overhaul process typically includes disassembling, cleaning, inspecting, repairing, reassembling and testing. In addition, in certain circumstances upgraded components, such as engines and avionics, can be fitted to older airframes to improve performance and extend the life of the aircraft.

MRO's are required to obtain certification from government regulatory bodies, typically in both the country where the maintenance is undertaken and the country in which the helicopter is registered. For some specialised activities, MRO's must also have consent from the helicopter manufacturer and/or the relevant component manufacturers to perform those activities. The low cost of transporting helicopter components relative to their value has resulted in the development of a worldwide MRO market. It is standard practice for helicopter MRO companies to secure work from a range of geographies around the globe. Factors that influence competition between MRO's include price, quality, safety, record, and customer service.

The worldwide civilian helicopter fleet is estimated at approximately 35,000 aircraft, of which approximately 24,000 are gas turbine powered aircraft and the remainder are piston engine powered. There are four major OEMs of turbine helicopters globally:

- ***Airbus Helicopters*** (formerly known as Eurocopter Group), the helicopter manufacturing division of Airbus Group. As of 2014, more than 12,000 Airbus helicopters were in service globally;
- ***Bell***, based in Texas, is part of the Textron Group of companies that is listed on the New York Stock Exchange;
- ***Sikorsky***, the helicopter manufacturing division of Lockheed Martin. Sikorsky produces helicopters for both military and commercial purposes; and
- ***AugustaWestland***, a helicopter manufacturing company based in Italy. AugustaWestland is part of the Leonardo Company.

It is estimated that Airbus Helicopters and Bell have a combined 80% of the worldwide turbine helicopter fleet.[1]

There are two primary categories of helicopter MRO service providers:

1) Helicopter manufacturers with in-house MRO capabilities; and
2) Independent suppliers, sometimes with OEM approval.

[1] Source: Flight Global 2015 Fleet Analysis Report.

Each of the major OEM's support their own helicopter models. In Australasia there are a number of independent MRO operators including Airwork, Hawker Pacific and Oceania Aviation.

3.3 Overview of the Helicopter Operating and Leasing Sector

Helicopters are used for a wide range of purposes around the world ranging from heavy transport and military uses to agricultural and private use. Airwork principally operates in the small to medium sized, five to ten passengers, twin engine turbine powered helicopter market. Helicopters are either bought outright by the customer or in many cases, leased. There are two commonly used forms of helicopter leasing:

- ***Wet leases***, where the lessor provides to the lessee any combination of crewing, certification, maintenance and operation along with the helicopter. Wet leases are also known as "ACMI's" which stands for Aircraft, Crew, Maintenance and Insurance; and
- ***Dry leases***, where the lessor provides the helicopter but the lessee takes responsibility for these other functions.

Generally, helicopter leases are based on a monthly and/or an hourly charge rate, sometimes subject to a minimum number of hours, with the operator responsible for fuel and other flight related costs. There are a number of companies servicing the medium to large helicopter leasing market, including CHC Helicopter Corporation, Bristow Group Inc. (**Bristow**) and HNZ Group Inc. (**HNZ**). The smaller helicopter leasing sector is highly fragmented with separate sub-segments based on operator scale, helicopter requirements and the scope of services provided.

3.4 Overview of the Fixed Wing Leasing and Operation Sector

Airwork's fixed wing division provides both dry lease and ACMI services. Airwork dry leases Boeing 737-300 and -400 aircraft to operators in New Zealand, Europe and South Africa. The majority of these aircraft are freighter aircraft, with four aircraft in passenger configuration.

The ACMI services are primarily provided for the express air freight sector in New Zealand and Australia. The major customers of domestic air freight capacity in New Zealand and Australia are express courier companies providing freight services within a definite delivery time (e.g. next day delivery of online shopping). Cargo capacity procurement options comprise a combination of:

- outright ownership of the aircraft;
- use of available belly space on board scheduled passenger aircraft; and
- contracting with other aviation companies to provide the service.

Typically outsourced aircraft are provided via ACMI contracts. Due to the large capital investment involved and the fact that most aircraft are provided on a dedicated basis, ACMI contracts tend to be relatively long-term with a typical contract length of between five and ten years. The largest Australian air freight courier companies are Toll Priority, Qantas Freight and Virgin Air Cargo, while the New Zealand air freight courier market is largely shared between Freightways and New Zealand Post.

Overview of Fleet used by Australian and New Zealand Air Freight Couriers.

Company	Comments
TOLL PRIORITY GLOBAL	▪ Toll Priority is the express delivery business of Toll Holdings. Toll Priority has a substantial fleet of aircraft as well as belly space agreements with commercial airlines. Airwork wet leases 5 aircraft to Toll.
QANTAS FREIGHT	▪ Qantas Freight is responsible for the air cargo operations of the Qantas Group. ▪ Qantas freight currently has 14 aircraft in service or on-order.

Virgin australia cargo	▪ Virgin Australia Cargo operates a dedicated freighter network of British Aerospace 146, Boeing 737 and Convair aircraft, and also utilises belly space capacity on the Virgin Australia passenger network.
Freightways	▪ Freightways provides express package services in New Zealand. Airwork currently leases 3 Boeing 737 aircraft to ParcelAir Limited, which operates a freight network for both Freightways and NZ Post.
New Zealand Post	▪ New Zealand Post is New Zealand's largest express courier business.

3.5 Overview of the Regulatory Environment

The aviation industry is highly regulated with aircraft owners and industry participants subject to significant legislative provisions covering the right to ownership, the right to operate, the right to provide maintenance services, air safety, employee rights, competition, noise levels, pollution and other environmental concerns. The aviation industry is regulated by law in most jurisdictions. To ensure consistency, standards are established by the International Civil Aviation Organisation (**ICAO**). In New Zealand the regulator is the Civil Aviation Authority of New Zealand (**CAANZ**) established under the Civil Aviation Act 1990. Where a New Zealand registered aircraft is leased to an operator in another jurisdiction, it is typically the responsibility of the operator to hold the necessary certification to operate in that jurisdiction. Airwork has a number of international certifications, including Maintenance Organisation certificates issued by the Federal Aviation Authority (**FAA**) and the European Aviation Safety Agency (**EASA**), which between them are recognised in the majority of jurisdictions around the world. The New Zealand transport sector falls under the authority of the Minister of Transport and includes five Crown agencies, three state-owned enterprises and one Crown established trust. An overview of these entities is provided below:

Overview of the New Zealand Crown Agencies involved in the Aviation Sector

Aviation Security Service of New Zealand	▪ The Aviation Security Service provides aviation security services for international and domestic air operations, including airport security, passenger and baggage screening.
Civil Aviation Authority of New Zealand	▪ CAANZ establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety and personal security.
Transport Accident Investigation Commission (Independent Crown Entity)	▪ Investigates significant air, maritime and rail accidents and incidents to determine their cause and circumstances so that similar occurrences are avoided in future.
State-Owned Enterprises with Transport Functions	▪ Airways Corporation of New Zealand Limited provides air traffic management services. ▪ Meteorological Service of New Zealand Limited (Met Service) provides public weather forecasting services and provides meteorological information for international air navigation under contract to the Civil Aviation Authority.
Local Government	▪ Regional councils (and unitary authorities) are required to develop regional land transport strategies to guide the transport decision-making of local councils. They also fund public transport and 'total mobility' schemes, in conjunction with the NZ Transport Agency. In the Auckland region, Auckland Transport carries out these functions. Some local authorities own seaports and airports, or share ownership with the Crown.

Among other things, the regulatory system in New Zealand sets minimum safety and security standards to be met by system participants. The Civil Aviation Rules are made by the Minister of Transport. CAANZ develops, and drafts these standards in consultation with the aviation community. The New Zealand aviation system is aligned with the safety standards set by ICAO. New Zealand is one of 190 countries that adheres to ICAO standards, and is regularly audited by ICAO.

4. Profile of Airwork

4.1 History and Background

Airwork traces its origins to 1936 when the business was established at the Rongotai Airfield near Wellington focusing on aircraft maintenance including contracts to assemble Tiger Moth aeroplanes for the Royal New Zealand Air Force. Airwork's operations were expanded to incorporate commercial topdressing in the late 1940's and in 1957 the company became the second commercial helicopter operator in New Zealand. The following year Airwork was listed on the NZX. In 1984 Airwork was taken private by an investor group including Hugh Jones.

In 1985, Airwork established a helicopter maintenance facility alongside its existing fixed wing workshop and established the first light gas turbine repair and overhaul facility in New Zealand. Shortly thereafter, Airwork began overhauling helicopter components, primarily for Eurocopter (now Airbus Helicopters). Airwork continued to expand its operations through the 1990's and 2000's entering the fixed wing market, initially through a joint venture established in 1989. In 1999 Airwork started operating its first large jet for freight operations. In December 2013 Airwork listed again on the NZX raising $37.5 million, which was applied to repurchase some of the shares owned by Hugh Jones and to reduce borrowings.

In March 2017 RIFA acquired a 75% shareholding in Airwork. A timeline of Airwork's key events since 2005 is outlined below:

Timeline of Key Company Events since 2005

2005	- Airwork enters into a dry lease of a Boeing 737 to a customer in Europe.
2006	- Airwork signs a long-term lease for BK-117 helicopters in Australia.
2007	- Airwork commences operation of Boeing 737 aircraft for Toll in the Australian air freight market.
2008	- Airwork receives Honeywell approved service centre accreditation.
2009	- Airwork wins Australian Government agency contract with Raytheon to provide upgrade and support services for Squirrel helicopters.
2010	- Airwork receives CAANZ Supplementary Type Certification for its BK-117 850 engine upgrade program.
2011	- Airwork receives Eurocopter Service Centre certification.
2010-2012	- Airwork introduces a further four 737 aircraft to expand its operations in Australia, New Zealand and Europe.
2012	- Airwork receives Honeywell Service Center engine Test Cell Certification. - Airwork receives EASA Supplementary Type Certification for its BK-117 850 engine upgrade program
2013	- Airwork receives EASA Maintenance Organisation certificate. - Transport Canada approve Supplementary Type Certification for BK-117 850 engine upgrade program. - Airwork shares listed on the NZX. - Airwork wins a contract to provide support for 14 helicopters for ADAC and to purchase the helicopters as they are replaced.
2014	- Airwork contracts with Air Methods, a US helicopter operator to the emergency medical services sector, for the supply of BK117 helicopters. - Airwork purchases six Boeing 737's from Qantas for conversion to freighters. - Commenced helicopter lease operations in South America for use in oil and gas exploration.

2015	- Airwork extends its Toll ACMI contract to 2022. - Parcelair joint venture entered into for the operation of three Boeing 737 freighter aircraft in New Zealand for Express Couriers and Freightways. - Commenced four Boeing B737- 400F dry leases in Europe.
2016	- FAA Remote Repair Station Certification awarded. - Ardmore building extension competed. - Boeing fleet extended to 19 aircraft. - Leased BK117 helicopters to operator in Spain for fire-fighting and emergency medical services (**EMS**) operations.
2017	- RIFA acquires 75% of the issued shares in Airwork through a partial takeover offer - Bank debt refinanced

4.2 Profile of Airwork's Current Operations

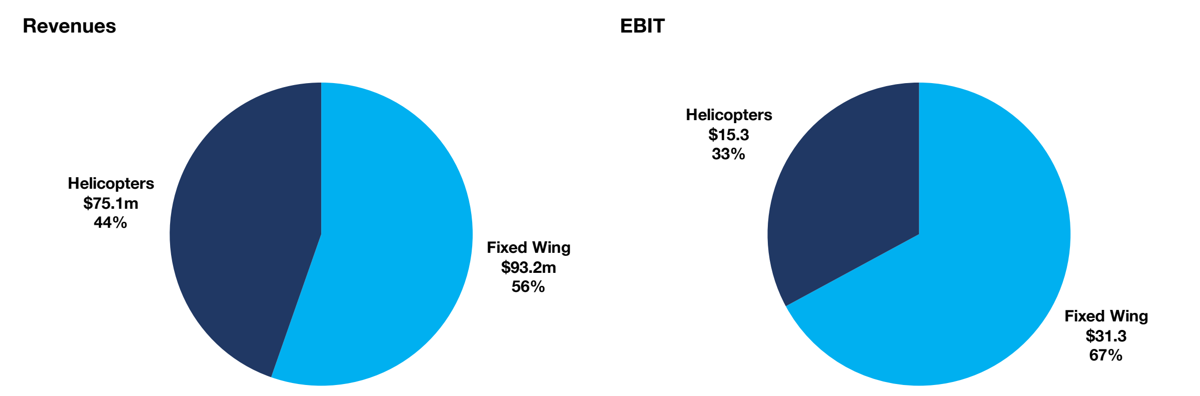
Airwork has two primary business segments:

- ***Helicopter division***. The helicopter division provides:
  - helicopter maintenance, repair and overhaul (**MRO**) services in New Zealand and internationally including turbine engine and dynamic component repair and overhaul;
  - helicopter operation for emergency medical services, police, search and rescue, oil & gas and mineral exploration, and tourism; and
  - Helicopter dry leasing to customers around the world.

  As at 30 June 2017 the helicopter division owned and/or operated a fleet of 45 helicopters comprising 40 Eurocopter (Airbus) helicopters and five helicopters of other brands; and
- ***Fixed wing division***. The fixed wing division provides aircraft dry leasing, ACMI and MRO services, primarily to the air freight sector. As at 30 June 2017 the fixed wing division owned and/or operated 19 fixed wing aircraft.

The relative revenue and EBIT contribution of Airwork's two divisions for the financial year ended 30 June 2017 (**FY17**) is depicted below:

Relative Contribution to Group Revenues and EBIT ($ millions)



The company's head office is in Auckland City while central administration is based at Ardmore Airport in South Auckland. Airwork has operational bases at Mechanics Bay (Auckland), Ardmore Airport (Auckland), Auckland Airport, Wellington, Queenstown, Brisbane, Perth, Adelaide, Melbourne, South Africa, Bolivia and Papua New Guinea.

4.3 Overview of Airwork's Helicopter Division

Airwork's helicopter business comprises two operating divisions which between them offer both wet lease and dry leasing options:

- ***Airwork (NZ)***, which provides helicopter MRO services in New Zealand and internationally; and
- ***Heli Holdings***, which provides helicopter dry leasing, and also operations helicopters for emergency medical services, police, search and rescue, oil & gas and mineral exploration, and tourism.

The MRO services provided by Airwork (NZ) enable Heli Holdings to provide clients with a high level of performance from a competitive cost base. Airwork (NZ) also provides MRO services to third parties. As at 30 June 2017 Heli Holdings operated a fleet of 45 helicopters comprising 39 owned and 6 non-owned aircraft. A profile of the fleet is provided below:

Profile of the Helicopter Fleet as at 30 June 2017[2]

	Number Owned	Number operated	Passenger Capacity	Cruise Speed (kph)	Max Range (km)
Eurocopter AS 355F1	8	-	6	224	627
Eurocopter/ Kawasaki BK-117	27	1	10	231	415
Augsta Westland A109	-	1	5	280	532
Eurocopter AS 350 series	3	-	6	224	600
McDonnell Douglas 500	1	-	4	224	425
Robinson R44	-	2	3	200	560
Eurocopter EC120B	-	1	4	223	710
Bell 427	-	1	7	240	600
Total	**39**	**6**			

Airwork (NZ) is one of the largest helicopter engineering businesses in Australasia, providing routine and heavy helicopter maintenance and support in New Zealand and internationally (including Australia, Papua New Guinea, Africa, Canada, South America, South-East Asia and Europe). These services include helicopter maintenance, turbine engine repair and overhaul, dynamic component repair and overhaul, design and manufacturing, supply and logistics and ancillary services such as avionics, instrumentation and training.

As well as maintaining the Heli Holdings fleet, Airwork (NZ) provides engineering and maintenance services to external customers, including government agencies, rescue trusts and commercial operators. Airwork (NZ) sources helicopters and upgrades them to the latest standards, either for use by Heli Holdings or to be on-sold at a profit to other operators.

As one of the few OEM certified providers of helicopter maintenance services in the Asia Pacific region, Airwork (NZ) has generated significant growth in external revenues, as well as benefiting from increases in the size of Airwork's aircraft fleet. Due to the constant renewal of parts as a result of the maintenance required by aviation authorities and manufacturers, helicopters generally have a long life span, which is demonstrated by approximately 80% of all turbine helicopters produced still being in operation. This creates an active market for second hand helicopters and underpins a recurring stream of revenue for Airwork's maintenance division. Airwork (NZ) has developed its engineering capability over a number of years, and is:

- one of only six Honeywell LTS-101 turbine engine accredited service centres worldwide, and the only one in the Asia-Pacific region servicing third-party providers;
- one of three facilities worldwide approved by the OEMs to repair and overhaul BK-117 dynamic components. The Messerschmitt-Bolkow-Blohm (MBB)/Kawasaki BK117 is a twin engine medium utility transport helicopter. MBB has subsequently become part of Eurocopter. The BK117 is a popular passenger, military transport, air ambulance and search and rescue helicopter. Approximately 440 BK117's were built between 1979 and 2004. The successor to the BK117 was the EC145;

[2] Source: Airwork FY17 Annual Report.

- one of six facilities worldwide (outside of OEM providers) and one of only two in the Asia-Pacific region approved by the OEMs to repair and overhaul Eurocopter AS-350/355 dynamic components; and
- the only helicopter engineering facility in the Asia-Pacific with test cell capability for the engines and components listed above.

Airwork (NZ) also holds a Supplemental Type Certificate for the BK-117-850D2, an engineering modification developed in conjunction with Honeywell, which replaces the engines on the BK-117 helicopter with a more powerful version. This greatly improves the single engine operational performance of the BK-117, particularly in hot and high altitude conditions, and enables the helicopters, once upgraded, to meet 'Category A' performance standards – the highest standard required by regulators. In addition, Airwork (NZ) holds maintenance certifications for its helicopter engine and component services from both EASA and the FAA, which in association with other approvals means that its work is now recognised by a majority of jurisdictions worldwide, significantly more than can be accessed simply by CAANZ certification. These certificates are expected to underpin further engineering and maintenance revenue growth opportunities.

Airwork has a contract with ADAC (the aviation division of the largest automotive club in Germany) to supply parts for its fleet of BK-117 helicopters and to acquire these over the life of the five-year contract. As ADAC replaces them with newer models, this will provide Airwork with the following sources of revenue:

- engineering revenue from maintenance work and parts sales while operated by ADAC, and subsequent upgrading of the helicopters after acquisition, and
- the revenue from leasing them through Heli Holdings, or the revenue from on-selling them.

Overview of the Helicopter Leasing Operation

Heli Holdings owns and operates Airwork's operational helicopter fleet and leases and charters these on a range of terms tailored to each customer's requirements. Lease contracts are usually priced on an hours-of-use basis, often subject to minimum usage requirements, or on a monthly or hourly charge agreed with the customer. These charges generally include maintenance based on an agreed programme to meet prescribed standards.

Airwork's helicopter fleet are used across a range of sectors including emergency medical services, police, search and rescue, oil, gas & mineral exploration and tourism operations. This versatility supports a broad customer base across different industries and geographies.

Major Customers

Heli Holdings has contracts (wet and dry leases) under a range of contract periods ranging up to 5 years. Current major customers include:

- *New Zealand Police*;
- *Inflite Charters*, a provider of point to point and scenic flight services for the tourism market in New Zealand;
- *Rotor-Lift*, for EMS operations in Australia; and
- *Skyplus,* for contracting to the oil and gas industry in Bolivia.

Heli Holdings also provides helicopter charter services on an ad hoc / short-term basis to operators in New Zealand and various other countries which, depending on the nature of work, can generate significant earnings.

Market Position and Growth Strategy

Having built a world-class, highly certified engineering capability, Airwork is seeking to use this platform to leverage new growth initiatives. The EASA and FAA maintenance certifications significantly increase the market that Airwork can target, and certification of Airwork modifications with various regulators (including EASA, FAA and Transport Canada) provide Airwork innovative products to take to those markets.

Airwork's track record of leasing operations in various geographies is also expected to underpin growth in those markets, and Airwork continues to pursue other opportunities across a range of jurisdictions. In particular, the BK-

117-850D2 upgrade meets the 'Category A' single engine performance specifications which is now being required by customers and regulators for specific operations, and the helicopter upgrade and leasing to this sector around the world represents a key focus for Airwork.

4.4 Overview of Airwork's Fixed Wing Division

Airwork's fixed wing division provides ACMI, dry lease and MRO services. ACMI operations are primarily in the specialist air freight sector in both New Zealand and Australia.

Flight hours and earnings have grown over the past three years in the air freight sector and dry leasing, through expansion of the Boeing 737 fleet. As at 30 June 2017 Airwork had a fleet of 19 owned fixed wing aircraft. A profile of the fixed wing fleet is provided below:

Profile of the Fixed Wing Fleet as at 30 June 2017[3]

	Number Owned	Capacity	Cruise Speed (kph)	Max Range (km)
Boeing 737-300	4 Freight	17,000kg	800	6,000
Boeing 737-400	11 Freight 4 Passenger	19,500kg 162 Passengers	800	6,000
Total	**19**			

Express Freight Services

Airwork has provided freight services in New Zealand since 1989. Airwork operates the Parcelair joint venture between Airwork and Freightways, under which Airwork and Freightways have combined their aviation capabilities with the operation of three Boeing 737-400 freighters. Airwork Flight Operations (**AFO**) also performs all maintenance and engineering work on Parcelair aircraft.

In Australia, AFO provides services for Toll Priority which currently wet leases four Boeing 737-400 freighters and one Boeing 737-300 freighter from Airwork. AFO provides the aircraft, the crew and all maintenance, certification and insurance under an ACMI. The contract was originally for three Boeing 737-300s but two further aircraft have been added, and 737-400 aircraft substituted into the network as freight volumes have grown. The aircraft operate multiple services each week around Australia, with additional ad hoc services as required. The company also operates one 737-300 freighter aircraft for another customer in Australia.

Passenger Charter Services

Airwork has a 50% interest in Inflite Charters Limited, a corporate charter joint venture that charters aircraft, some of which (both helicopters and fixed wing) are crewed and operated by Airwork.

Dry Leasing

Airwork leases four Boeing 737-400 passenger aircraft to Blue Air, a low cost airline based in Romania. The relationship with Blue Air has existed since 2005. Airwork also has two 737-300 and four 737-400 freighters on lease to customers in Europe and South Africa. The terms of the leases provide for Airwork to receive standing charges and an hourly rate per flight hour or cycle. In all instances the lessee is responsible for all aspects of operation, line maintenance and insurance of the aircraft. In some leases Airwork has obligations to perform heavy checks and to replace major components when due. The four aircraft leased to Blue Air will over time be converted to freighters.

[3] Source: Airwork FY17 Annual Report.

Maintenance, Repair and Overhaul

Airwork is certified to perform the full range of engineering services on all aircraft in its fleet, including heavy maintenance C checks (Major Aircraft Inspections and Refurbishments) for Boeing 737-300 and 737-400, C and D checks on Fokker F27 aircraft and Phase and SSV checks on Metroliner and J32 aircraft.

Airwork also provides MRO services to third parties from its facility at Auckland airport. This is an important part of Airwork's product offering, enabling the sale of a suite of services from a single provider and allowing Airwork to manage spare part inventories more effectively and to schedule maintenance checks to match resource availability.

Airwork Flight Operations Bases and Fixed Wing Destinations

Airwork holds a full range of certifications from CAANZ as well as being a certified training operation. Certifications are generally issued for a five year period. Airwork has regulatory approval to operate scheduled and non-scheduled passenger and freight operations throughout Australia under the Trans-Tasman Mutual Recognition Agreement. Airwork also has the ability to operate to a number of destinations in Oceania.

Market Position and Growth Strategy

The long-term contracts, which are a feature of the fixed wing market, present a barrier for new entrants. There are other significant barriers to entry inherent in the extensive certification required to operate in the aviation industry, the limited access to infrastructure and facilities at key sites, the training and retention of a highly specialised workforce, and the capital required to own and operate a fleet sufficient to fulfil major contracts.

Airwork's vertically integrated model of aircraft provision, crewing, certification and maintenance enables it to maintain aircraft cost effectively and to manage its fleet to maximise availability. This flexibility also allows Airwork to add capacity or to compete for additional services as the opportunity arises.

In both dry leasing and ACMI contracts Airwork uses a contracting model which protects it from direct exposure to the usual risks facing airlines, such as load factor volatility, yield per passenger or volume of freight carried, and movements in the fuel price. Key growth initiatives for Airwork are to maximize the utilisation of its charter aircraft capacity and to implement cost saving initiatives as it consolidates after a period of fleet and network growth.

4.5 Financial Performance

Airwork's financial performance for the financial years ended 30 June 2015, 2016 and 2017 (**FY15** to **FY17**), together with the forecast for the financial year ended 30 June 2018 (**FY18**), is summarised below:

Airwork Financial Performance (NZ$ millions)

Year end 30 June	2015A	2016A	2017A	2018F
Helicopter revenue	85.4	85.6	75.1	78.0
Fixed wing revenue	59.5	80.4	93.2	94.2
Total revenue	**144.9**	**166.0**	**168.3**	**172.2**
Growth in total revenue %	*15.6%*	*14.5%*	*1.4%*	*2.3%*
Total operating expenses	(97.5)	(98.5)	(95.7)	(100.6)
Share of profits in joint ventures	0.9	1.5	0.6	3.3
EBITDA	**48.3**	**69.0**	**73.2**	**74.9**
EBITDA margin %	*33.3%*	*41.6%*	*43.5%*	*43.5%*
Depreciation and amortisation	(23.6)	(31.7)	(35.2)	(37.9)
EBIT	**24.8**	**37.3**	**38.0**	**37.0**
EBIT margin %	*17.1%*	*22.5%*	*22.5%*	*21.5%*
Other gains & losses	-	1.0	0.3	(0.2)
Net Insurance recovery and write off	-	-	1.7	-
Net interest expense	(3.4)	(5.1)	(6.3)	(7.1)
Tax expense	(5.8)	(8.6)	(8.9)	(8.2)
Profit after tax	**15.5**	**24.6**	**24.8**	**21.5**
Return on Capital Employed	**14.0%**	**14.0%**	**14.2%**	**11.5%**

The following points should be taken into consideration when reviewing the table above:

- the growth in EBIT from FY15 to FY17 was primarily driven by Airwork's fleet expansion programme. During that period the net 737 fleet has increased by 10 aircraft.
- in FY18 EBITDA is forecast to remain unchanged from the previous year due to a higher margin from fixed wing, offset by a slightly low margin from helicopters and increased head office costs;
- revenue in the helicopter division in FY16 benefitted from a number of non-recurring short-term charter contracts, despite a general contraction in the helicopter market globally, mirroring the resources sector; and
- in FY18 helicopter engineering is forecast to produce higher revenues but lower margins due, primarily, to the volume of internal work being undertaken at no margin.

4.6 Segment Performance

Helicopters

The financial performance of Airwork's helicopters division for FY15, FY16 and FY17, together with the forecast for FY18, is outlined below:

Airwork Helicopters Division - Financial Performance (NZ$ millions)

Year end 30 June	2015A	2016A	2017A	2018F
Total revenue	**86.7**	**86.2**	**75.6**	**78.0**
Growth in total revenue %	*34.2%*	*(0.6%)*	*(12.4%)*	*3.2%*
Total expenses	(58.7)	(55.8)	(52.2)	(55.7)
Share of profit/(loss) in joint ventures	0.9	1.3	(0.4)	1.3
EBITDA	**28.9**	**31.7**	**23.0**	**23.6**
EBITDA margin %	*33.3%*	*36.8%*	*30.4%*	*30.3%*
Depreciation and amortisation	(8.4)	(7.9)	(7.6)	(8.3)
EBIT	**20.5**	**23.8**	**15.3**	**15.3**
EBIT margin %	*23.6%*	*27.6%*	*20.3%*	*19.6%*
Closing fleet number	41	44	45	48
Gross capital expenditure	21.3	17.8	7.3	32.5
Capex as a % of depreciation and amortisation	*254%*	*225%*	*95%*	*392%*

The following points should be taken into consideration when reviewing the table above:

- the decline in helicopter earnings in FY17 is due to a number of factors including:
  - the decline in the use of helicopters in the resources sector;
  - the anticipated recovery of lease earnings from Europe and South America did not materialise;
  - a significant reduction in flying hours in Papua New Guinea; and
  - the decline in external engineering revenue due to a general market slowdown and increased internal work undertaken at cost.
- a number of these factors have continued into FY18 with an expected increase in external engineering revenue in the second half and a gradual increase in demand for helicopters in the resources sector.

Fixed Wing

The financial performance of Airwork's fixed wing division for FY15, FY16 and FY17, together with the forecast for FY18 is outlined below:

Airwork Fixed Wing Division - Financial Performance (NZ$ millions)

Year end 30 June	2015A	2016A	2017A	2018F
Revenue	**60.6**	**81.6**	**94.2**	**94.2**
Growth in total revenue %	*(2.1%)*	*34.7%*	*15.4%*	*0.0%*
Total expenses	(35.0)	(37.8)	(38.4)	(36.7)
Share of profits in joint ventures	0.1	0.3	1.0	1.9
EBITDA	**25.7**	**44.1**	**56.8**	**59.4**
EBITDA margin %	*42.4%*	*54.0%*	*60.3%*	*63.1%*
Depreciation and amortisation	(15.0)	(23.5)	(27.2)	(29.2)
Net insurance recovery and write off	-	-	1.7	-
EBIT[4]	**10.6**	**20.6**	**31.3**	**30.2**
EBIT margin %	*17.7%*	*25.2%*	*33.2%*	*32.1%*
Closing fleet number	27	24	19	22
Gross capital expenditure	61.4	71.6	50.0	57.2
Capex as a % of depreciation and amortisation	*409%*	*304%*	*184%*	*196%*

- during FY17 the fixed wing division secured new dry leases in Europe and additional ACMI contracts in Australia, New Zealand and Europe. The expansion of the fixed wing fleet has resulted in an overall reduction in Airwork's customer concentration with only one customer now accounting for more than 10% of group revenues;
- earnings from fixed wing are dependent on the number of aircraft operating dry and ACMI leases. Airwork has been very successful in converting Boeing 737 passenger aircraft into freight carriers. The time and cost of conversion can act as a drag on earnings until the aircraft is leased and generating revenues. The larger increase in revenues in FY17 was in part accounted for through the full year impact of capital expenditure undertaken in prior years;
- in FY18 a Boeing 737-400 passenger aircraft will come back from lease in December 2017, and re-enter service as a freighter nine months later;
- the higher EBITDA margins reflect the increased number of dry leases;
- FY17 EBIT includes insurance proceeds ($14.7 million) from the loss of a Boeing 737-400 freighter which was damaged beyond economic repair, less a write-off of $13 million, being the book value of the asset. The net recovery partly compensated for the loss of leasing revenue from the aircraft for 10 months of the financial year; and
- the EBIT for FY17 and forecast EBIT for FY18 are each unfavourably influenced by a wage settlement with pilots, the cost of which was not able to be fully recovered from clients' aircraft, delivery delays and significant fleet induction costs.

[4] EBIT after asset impairments and insurance recovery.

4.7 Financial Position

The financial position of Airwork as at 30 June 2016 and 2017, together with the forecast as at 30 June 2018, is summarised below:

Summary Financial Position (NZ$ millions)

As at 30 June	2016A	2017A	2018F
Inventories and work in progress	32.1	32.2	36.4
Accounts receivable	20.3	22.4	19.7
Accounts payable	(16.7)	(10.6)	(8.2)
Provision for employee entitlements	(6.3)	(6.1)	(6.0)
Other working capital assets & liabilities balance	(17.3)	(14.8)	(19.1)
Net working capital	**12.1**	**23.1**	**22.8**
Property, plant and equipment	252.0	251.6	309.3
Investments	6.4	6.9	16.8
Intangible assets	2.9	3.0	3.2
Deferred tax asset/liability (net)	0.9	(1.5)	(2.5)
Net operating assets	**274.2**	**283.2**	**349.6**
Net debt (including fair value of derivatives)	(161.7)	(154.1)	(206.3)
Net assets	**112.6**	**129.0**	**143.3**
Net debt / Net operating assets	**59%**	**54%**	**59%**

The following points are relevant when considering the table above:

- the fleet expansion programme has primarily been funded through increased borrowings;
- a breakdown of Airwork's property, plant and equipment assets as at 30 June 2017 is summarised below:

Breakdown of Property, Plant & Equipment Assets as at 30 June 2017 (NZ$ millions)

As at 30 June 2017	Cost	Accumulated depreciation	Book value
Fixed wing aircraft	236.8	(74.2)	162.6
Helicopters	95.3	(27.2)	68.1
Other fixed assets	38.0	(17.1)	20.9
Total	**370.1**	**(118.5)**	**251.6**

- other fixed assets comprise i) rotables and spare parts, ii) plant, equipment and motor vehicles and iii) buildings;
- investments consist of 50% shareholdings in an aviation charter company (Inflite Charters), a helicopter leasing company (Allway Logistics), aviation operating company (Parcelair) and a 33% shareholding in property company Heliport Lease Holdings;
- intangible assets primarily consist of capitalised certification costs and computer software; and
- Airwork's loans consist of US dollar amortising term loans of up to US$89.1 million and multi-currency facilities of up to NZ$25 million and US$25 million. Total debt facilities negotiated in July 2017 comprise a US$195 million syndicated facility.

4.8 Cash Flows

Airwork's cash flows for FY15, FY16 and FY17, together with the forecast for FY18, are summarised below:

Airwork – Cash Flows (NZ$ millions)

Year end 30 June	2015A	2016A	2017A	2018F
Customer receipts	154.9	183.5	182.5	177.9
Payments to suppliers & employees	(105.7)	(123.5)	(118.5)	(105.4)
Income tax paid	(5.8)	(8.7)	(9.9)	(6.9)
Net interest paid	(3.4)	(5.4)	(6.4)	(7.2)
Net cash flow from operating activities	**40.0**	**45.9**	**47.8**	**58.4**
Net purchases of property, plant & equipment	(83.8)	(87.7)	(52.2)	(89.9)
Investment in Joint Venture	-	-	-	(6.6)
Insurance proceeds	-	-	14.7	-
Deposit on aircraft	-	-	(2.8)	-
Purchases of intangible assets	(0.8)	(0.8)	(0.3)	-
Net cash flow from investing activities	**(84.6)**	**(88.5)**	**(40.6)**	**(96.5)**
Net proceeds from borrowings	53.8	52.9	(1.4)	45.4
Dividends paid	(8.0)	(8.5)	(8.2)	(8.4)
Net cash flow from financing activities	**45.7**	**44.3**	**(9.6)**	**37.0**
Net cash flow	**1.2**	**1.8**	**(2.4)**	**(1.1)**
Foreign exchange	(0.4)	0.1	(0.3)	1.7
Opening cash	2.4	3.2	5.1	2.4
Closing cash	**3.2**	**5.1**	**2.4**	**3.0**

The following is relevant when considering the table above:

- Airwork has funded property, plant & equipment purchases in FY15, FY16 and FY17 totalling $223.7 million primarily through a combination of net operating cash flows (totalling $133.7 million during the period) and borrowings (totalling $105.3 million during the period).

4.9 Capital Structure and Ownership

As at 30 September 2017 Airwork had 52,283,373 shares on issue held by approximately 590 shareholders. Airwork is tightly held with the top 10 shareholders holding approximately 93.6% of the shares on issue. The top 10 shareholders are shown below:

Airwork – Top 10 Shareholders as at 31 August 2017

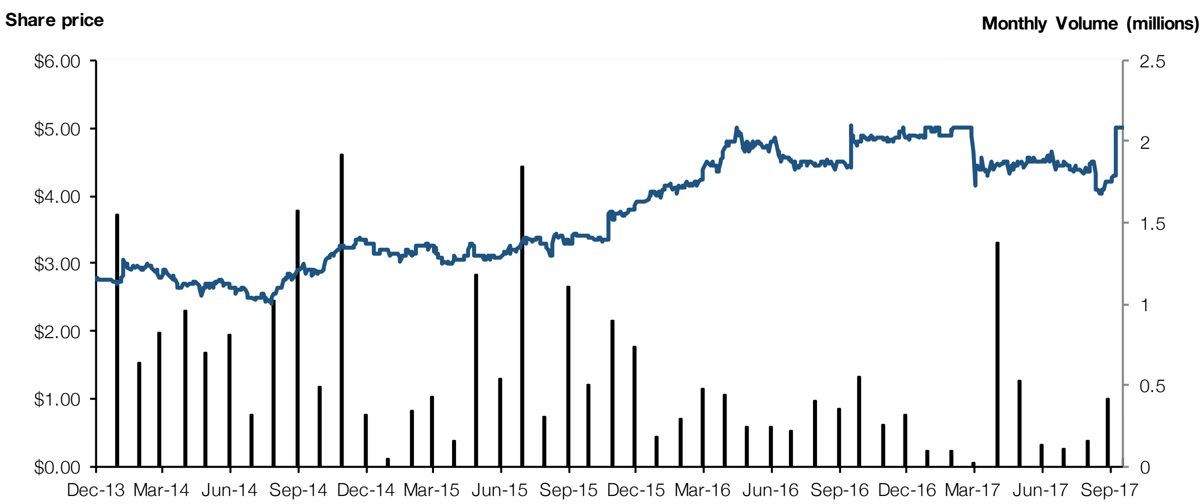
Shareholder	Shares (millions)	%
RIFA JAIR Company Limited	39.2	74.8%
Hugh Ross Jones and related entities (excluding Condor Holdings)	4.9	9.3%
Condor Holdings Limited	1.7	3.3%
BNP Paribas Nominees (NZ) Limited	1.3	2.5%
Michael Benjamin	0.4	0.8%
Michael Daniel & Nigel Burton & Michael Benjamin	0.4	0.7%
FNZ Custodians Limited	0.3	0.5%
New Zealand Permanent Trustees Ltd	0.3	0.5%
Wayne Collins	0.2	0.4%
Brian Fouhy & Julienne Hayward	0.2	0.4%
Top 10 shareholders	**48.9**	**93.6%**
Other shareholders	3.4	6.4%
Total	**52.3**	**100.0%**

Source: NZX Research

4.10 Share Price Performance

The share price and trading volume history of Airwork shares since listed on the NZX in December 2013 is shown below:

Airwork Share Price Performance and Trading Volume since December 2013



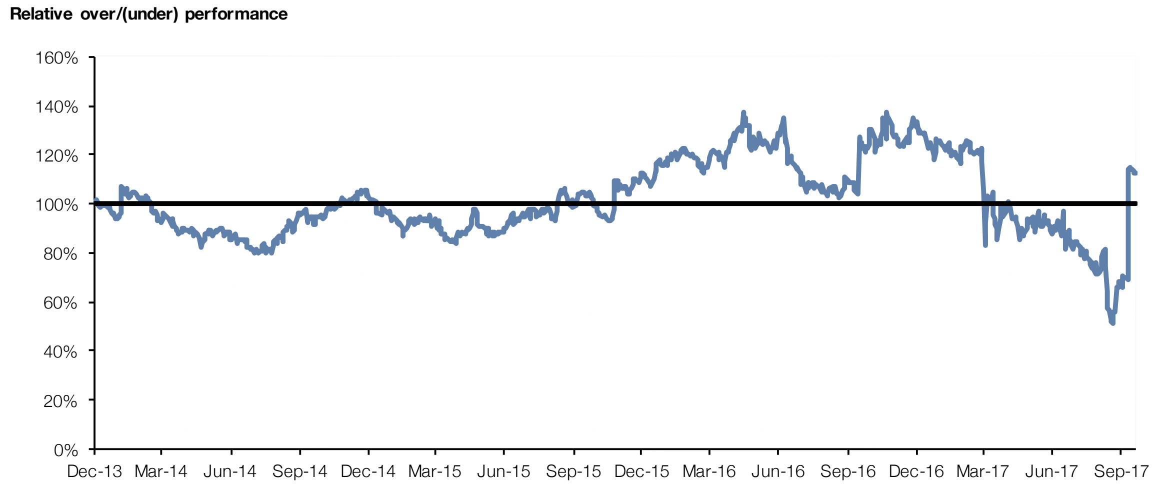
The following table shows the volume of Airwork shares traded over the past 12 months:

Airwork – Share Trading Summary (NZ$)

Time period	Low	High	VWAP	Volume (thousands)
Post Offer announcement	$5.01	$5.02	$5.01	17
Pre takeover announcement				
1 months prior	$4.02	$4.50	$4.19	426
3 months prior	$4.02	$4.65	$4.28	2,679
6 months prior	$4.02	$4.65	$4.42	2,385
12 months prior	$4.02	$5.20	$4.54	3,929

Airwork's share price performance against the NZX50 gross index since the listing date is shown below:

Airwork Share Price Performance relative to the NZX50 Gross Index



5. Valuation of Airwork

5.1 Summary

Grant Samuel has valued Airwork in the range of NZ$252.2 million to NZ$289.7 million, which corresponds to a value of NZ$4.82 to NZ$5.54 per share. The valuation is summarised below:

Airwork Valuation Summary (NZ$ millions)

NZ$ millions except where otherwise stated	Low	High
Enterprise value	**412.5**	**450.0**
Net debt for valuation purposes	(160.3)	(160.3)
Equity value	**252.2**	**289.7**
Fully diluted shares on issue (million)	52.3	52.3
Value per share	**$4.82**	**$5.54**

The valuation represents the estimated full underlying value of Airwork assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Airwork shares to trade on the NZX in the absence of a takeover offer or proposal similar in nature to the RIFA Offer. The valuation reflects the strengths and weaknesses of Airwork and takes into account the following factors:

- the trend in online shopping and the corresponding projected increase in air freight should benefit the fixed wing business in the long term. A significant portion of revenue is contracted;
- Airwork has extensive certifications in the maintenance and upgrading of helicopters. These certificates provide a barrier to entry for new entrants as obtaining these certificates is a costly and lengthy process. Airwork is one of the few operators in the world that is both Honeywell and Eurocopter approved;
- the helicopter engineering business has a large addressable market. The helicopter maintenance business is exposed to the mining and resources sector which is currently subdued as a result of low commodity prices; and
- Airwork has good visibility over future cash flows with the majority of revenue being contracted under wet and dry leasing arrangements.

5.2 Net debt for valuation purposes

Grant Samuel has adopted net debt for valuation purposes of $160.3 million which was Airwork's actual net debt position as at 30 September 2017.

5.3 Preferred Methodology

Overview

Grant Samuel's valuation of Airwork has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Airwork is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Airwork could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;

- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix D.

Preferred Approach

Grant Samuel has placed primary reliance on the capitalisation of earnings approach to value Airwork. The capitalisation of earnings approach is appropriate for valuing Airwork because the company has relatively stable cash flows, especially the helicopter division which has a predictable capital expenditure profile based on the regular replacement of components and servicing based on hours flown. Grant Samuel has also undertaken a discounted cash flow valuation of Airwork as a cross check to the capitalisation of earnings valuation due to the more irregular capital expenditure profile for Airwork's fixed wing division and the significant recent investment in the fixed wing fleet expansion.

5.4 Earnings Multiples Analysis

Grant Samuel has valued Airwork on an un-geared basis in the range of NZ$412 to NZ$450 million. This range implies the following multiples:

Airwork Implied Multiples

	Amount (NZ$ millions)	Valuation Range Low	Valuation Range High
Enterprise Value (NZ$ millions)		**412**	**450**
Multiple of EBITDA – actual for year ended 30 June 2017	74.9[5]	5.5	6.0
Multiple of EBITDA – forecast for year ended 30 June 2018	74.9	5.5	6.0
Multiple of EBIT – actual for year ended 30 June 2017	39.7	10.4	11.3
Multiple of EBIT – forecast for year ended 30 June 2018	37.0	11.1	12.2

The valuation of Airwork has been considered having regard to the earnings multiples implied by the price at which businesses in the aviation services industry have changed hands and the share market ratings of the listed international companies with operations in the aviation services industry.

Grant Samuel has placed reliance on Airwork's forecast for the financial year ending 30 June 2018 (**FY18**) for the purposes of determining the earnings for valuation purposes. Airwork's FY18 forecast incorporates actual results for the 2 months to 31 August 2017. The FY18 forecast assumes:

- ***Fixed wing division***. Earnings from the fixed wing operations reflect the current and planned fleet configuration and includes the full year impact of contracts that commenced in the prior year based on contracted rates and expectations for flying hours and other key inputs;
- ***Helicopter division***. The FY18 forecast reflects the continuation of the global downturn in demand for helicopters impacting on activity levels in engineering and leasing and on operating margins. Helicopter leasing earnings reflect mostly contracted revenues and expectations for flying hours and other key inputs, including assumptions regarding contract terminations, renewals and gains. It has been assumed that no asset write offs or early component failures will occur. Earnings from helicopter engineering reflect a decline in margins from a significant amount of internal work in the first six months at no margin;
- exchange rates of NZD:USD 0.71, NZD:AUD 0.95 and NZD:EUR 0.70 have been assumed for forecast purposes; and
- the forecast assumes no material changes in the economic, political, legislative and regulatory environment, in industry conditions or Airwork's market position. The forecast assumes no unexpected losses of customers, suppliers or key management personnel.

Airwork also provided Grant Samuel with long-term financial projections until 30 June 2022 for the purposes of undertaking a discounted cash flow valuation. The long-term financial projections also assume:

- no material change in foreign exchange rates from current levels;
- four Boeing 737-400 passenger aircraft are converted to freighter aircraft at the end of their current contracts and subsequently placed on dry leases;
- a global recovery in the helicopter industry from FY19 onwards driven by the resources sector. A steady growth rate is applied to helicopter engineering activities from FY19 onwards; and
- cost efficiencies in corporate and overhead functions offset inflation.

[5] for the purposes of comparison, the net of the insurance proceeds and the write-off of the carrying value of the damaged Boeing 737-400 has been included in EBITDA and EBIT.

Transactions involving Aviation Services Businesses

A selection of recent transactions in the international aviation services industry is set out below:

Transactions in the Aviation Services Industry – Australasia and Other International Markets

Date	Target	Acquirer	Implied Enterprise Value (millions)	EBITDA Multiple[6] (times)		EBIT Multiple[7] (times)	
				Historical	Forecast	Historical	Forecast
Helicopter Operators							
Mar 2017	Air Methods	American Securities	US$2,486	8.7	7.9	12.9	11.6
Apr 2011	Helicopter NZ	Canadian Helicopters	NZ$160	5.7	n.a.	n.a.	n.a.
Jun 2011	OF Air	Air Methods	US$200	5.9	n.a.	12.7	n.a.
May 2009	Lider Aviacao	Bristow	US$400	n.a.	8.0	n.a.	11.4
Fixed Wing							
Jan 2016	Southern Air	Atlas Worldwide	US$110	5.9-6.2[8]	n.a.	10-11.1	n.a.
Dec 2013	West Atlantic	ATSG	US$60	6.2	n.a.	9.0	n.a.
Sep 2009	Genesis Lease	AerCap	US$1,343	n.a.	6.7	12.9	12.3
Nov 2007	Cargo Holdings	ABX Air	US$230	4.1	n.a.	7.8	n.a.

Source: Grant Samuel analysis, Capital IQ

The following points are relevant when considering the table above:

- there have been few transactions involving helicopter businesses in recent years as companies in this sector have largely retrenched following the reduction in demand for medium and large sized helicopters due to the global downturn in oil & gas and resource prices impacting on prospecting activities. The most recent transactions where implied multiples were calculable were American Securities' acquisition of Air Methods Corporation (**Air Methods**) for US$2.5 billion (at a multiple of 7.9 times forecast EBITDA), Canadian Helicopters' purchase of Helicopter New Zealand during 2011 for an enterprise value of NZ$160 million (at 5.7 times historical EBITDA) and Air Methods acquisition of OF Air for US$200 million (at 5.9 times historical EBITDA);
- recent transactions involving fixed wing operators include Atlas Air Worldwide Holdings' acquisition of Southern Air, a lessor of Boeing 777 and 737 aircraft for air freight for US$110 million (at an implied multiple of 6.0 times historical EBITDA) and Air Transport Services Group Inc.'s acquisition of a 25% stake in West Atlantic, a cargo airline in Sweden (at an implied multiple of 6.2 times EBITDA); and
- the multiples implied by Grant Samuel's valuation of Airwork are broadly consistent with the multiples implied by recent transactions involving fixed wing and helicopter operators.

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[6] Represents implied enterprise value divided by EBITDA.

[7] Represents implied enterprise value divided by EBIT.

[8] Grant Samuel estimate. For further information, please refer to Appendix A.

Sharemarket Evidence

The share market ratings of listed companies with operations in the global aviation services industry is outlined below. While none of these companies is precisely comparable to Airwork, the share market data provides some framework within which to assess the valuation of the business.

Share Market Ratings of Selected Listed Companies[9]

Company	Market Capitalisation ($ millions)	EBITDA Multiple[10] (times)			EBIT Multiple[11] (times)		
		Hist.	Fore (Yr. 1)	Fore (Yr. 2)	Hist.	Fore (Yr. 1)	Fore (Yr. 2)
Airwork (at Offer price of $5.20)	**NZ$272**	**5.9**	**5.7**	**n.a.**	**11.3**	**11.6**	**n.a.**
Helicopter operators[12]							
Bristow Group Inc.	US$336	21.8*	30.2*	19.1*	n.m.	n.m.	n.m.
ERA Group Inc.	US$249	9.3	11.4	9.0	n.m.	n.m.	n.m.
HNZ Group Inc.	CAD165	6.0	6.9	4.8	23.5*	26.8	10.6
PHI Inc.	US$186	9.2	n.a	n.a.	n.m.	n.a.	n.a.
Average (ex. outliners)		**8.2**	**9.1**	**6.7**	**-**	**-**	**10.6**
Fixed Wing Dry Lease (primary)							
AerCap Holdings N.V.	US$8,472	7.8	8.5	8.3	13.3	15.1	14.2
Aircastle Limited	US$1,813	7.5	8.0	7.7	12.5	15.0	13.1
Air Lease Corporation	US$4,468	10.3	10.1	8.6	15.6	15.9	14.3
Air Transport Services Group Inc.	US$1,473	9.2	7.4	6.1	30.4*	19.3*	14.1
Atlas Air Worldwide Holdings Inc.	US$1,724	9.4	8.3	7.2	15.4	13.5	11.5
Average (ex. outliers)		**8.8**	**8.5**	**7.6**	**14.2**	**14.9**	**13.5**
Fixed Wing Wet Lease (primary)							
Alliance Aviation Services Limited	A$156	4.6	4.0	3.9	9.7	8.1	7.8

Source: Grant Samuel analysis[13]*n.m. means not meaningful. n.a. means not available * denotes outliers*

The following points are relevant when considering the above table:

- to varying extents, listed helicopter operators have been affected by the downturn in oil & gas and resources prices which has reduced demand for their helicopters as prospecting activities have decreased significantly. Helicopter operators with medium and large sized helicopters used in the offshore oil & gas market have been most severely impacted as these helicopters are not able to be easily redeployed to the other industries (i.e. they are specialised). The four listed helicopter operators are all trading at substantial discounts to their book value, reflecting the relatively low levels of utilisation on their medium and large helicopter fleet. The implied EBITDA and EBIT multiples for Bristow Group Inc. (**Bristow**) and ERA Group Inc. (**ERA**) in particular are very high (or not meaningful) as forecast earnings are very low or even negative in some cases. By comparison, Airwork's helicopter division primarily consists of smaller BK-117 helicopters which have been redeployed from oil & gas and mineral prospecting to other sectors such as emergency medical services and tourism;

[9] The companies selected have a variety of year ends. The financial information presented in the Historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

[10] Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

[11] Represents gross capitalisation divided by EBIT.

[12] Grant Samuel also considered Discovery Air Inc., however the company has very high leverage which distorts the enterprise valuation multiples.

[13] Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

- Fixed wing dry lease companies are trading within a range of 11.5 to 14.3 times forecast year 2 EBIT (with an average of 13.5 times);
- Alliance Aviation Services Limited (**Alliance**) provides fly-in, fly-out charter services to the mining industry in Australia with a fleet of approximately 20 Fokker aircraft. Alliance is trading at low multiples (7.3 times forecast year 2 EBIT) reflecting lower forecast demand for charter services as a result of a reduction in fly-in, fly-out activity. The relatively low trading multiples may also be attributable to the age of its fleet;
- the multiples implied by Grant Samuel's valuation of Airwork are slightly lower than the average multiples implied by the listed fixed wing and helicopter operators. However, all the other fixed wing operators are significantly larger than Airwork (with the exception of Alliance). Larger companies tend to trade at higher multiples than smaller companies due to having more diversified revenue and earnings bases. Helicopter operators also tend to trade at lower multiples than fixed wing operators which is likely attributable to the subdued growth outlook for these companies at present and also due to being smaller than the fixed wing operators, on average. As the helicopter division represents approximately half of Airwork's overall business, Grant Samuel considers it appropriate that Airwork's implied multiples are slightly lower than the listed helicopter and fixed wing operators on average; and
- detailed descriptions of the listed companies is provided in Appendix B. The implied multiples have been calculated using closing share prices as at 3 October 2017.

Discounted cash flow crosscheck for Fixed Wing Division

Grant Samuel also undertook a discounted cash flow (**DCF**) valuation of Airwork as a cross check to its capitalisation of earnings valuation for this division. Airwork's long-term financial projections to FY2022 were used as the basis for the DCF analysis. The projected cash flows were discounted at a post-tax weighted average cost of capital range of 9.0% to 10.0%. The valuation outcome of Grant Samuel's discounted cash flow valuation of the fixed wing division was broadly consistent with Grant Samuel's valuation using the capitalisation of earnings approach.

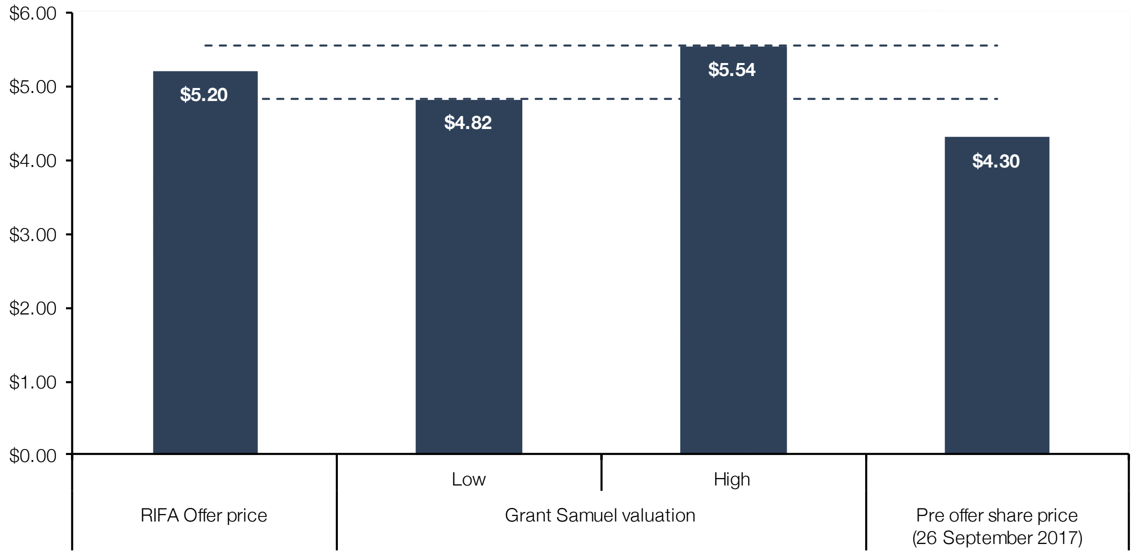
6. Merits of the RIFA Offer

6.1 The Value of the RIFA Offer

The value of the RIFA Offer can be benchmarked against a range of parameters:

- ***Grant Samuel's assessment of the value of Airwork***. In Grant Samuel's opinion the full underlying value of Airwork shares is in the range of NZ$4.82 to NZ$5.54 per share as set out in Section 5. The full underlying value is the price a person or entity would be expected to pay to acquire the company as a whole and accordingly includes a premium for control. In Grant Samuel's opinion the price offered by RIFA should be compared with the full underlying value of Airwork given that if the RIFA Offer is successful, RIFA will own 100% of Airwork and will have control over the business. The value of the RIFA Offer of $5.20 per share is within Grant Samuel's assessed value range for Airwork shares. The diagram below compares the RIFA Offer price with Grant Samuel's assessed value range and the Airwork share price immediately prior to the filing of RIFA's notice of intention to submit a full takeover offer.

Airwork Valuation versus RIFA Offer price and pre offer share price (NZ$ per share)



- ***the premium implied by the RIFA Offer.*** The RIFA Offer represents a premium of approximately 21% relative to the closing price of $4.30 per share on 26 September 2017, being the day prior to the announcement of the RIFA Offer and a premium of approximately 24% over the volume weighted average share price (**VWAP**) over the 30 trading days prior to the announcement of $4.21. The implied premium for control is consistent with the premiums for control generally observed in successful takeovers of other listed companies. Since the announcement of the RIFA Offer, Airwork shares have traded in the range of NZ$5.01 to NZ$5.02 per share.

6.2 Rationale for the RIFA Offer

RIFA is a private company based in Hangzhou, China. While its core operations are in textile machinery and electronic precision machinery, it is very diversified and has invested in a range of sectors. RIFA is very interested in the potential opportunities in the China general aviation market, and it has recently (in 2014) established a general aviation business (Air Xiya), within which it is targeting growth through selected acquisitions in order to create competitive advantages over its competitors. RIFA has already acquired 74.98% of the issued shares in Airwork. At a macro level, the penetration of helicopters within China is very low by world standards – China has approximately 0.6 civilian helicopters per million people versus 30 in the US and 180 in New Zealand.

This is in part accounted for by the fact that the Chinese military restricts the airspace below 3000 feet which is the primary operating zone for helicopters. The Chinese Government has announced the proposed changes and the military is encouraged to embrace the changes as well in the recent years.

At the time of the original RIFA Offer, RIFA stated the following plans for the Airwork business if the offer was successful:

- to support the direction of Airwork's existing business strategy;
- to retain the office of the Chief Executive Officer and the corporate headquarters in New Zealand;
- to support the employment policies of Airwork and to retain its key personnel;
- to retain the existing material businesses of the Airwork Group;
- to maintain open lines of communication, enhance commercial opportunities and improve the working relationship between RIFA and Airwork; and
- to retain and respect the organisational culture, history and achievements of Airwork.

RIFA believed there were growth opportunities for Airwork with RIFA as a major shareholder, including:

- developing Airwork's leading aviation MRO capability and reputation to expand its certification in emerging markets, including Asia and Latin America; and
- growing Airwork's helicopters and leasing presence in China through potential dispatch of existing Airwork helicopters and the acquisition of new helicopters.

RIFA completed the acquisition of 74.98% shareholding in Airwork in March 2017. Since that time RIFA has undertaken the following initiatives within Airwork:

- reflected the stated intention at the time of the partial offer by not making any changes in key personnel or head office location;
- appointment of new chairman/directors;
- reviewed and amended the delegated authorities to increase accountability and responsibility in management;
- increased HR resources and support along with associated investment in Airwork people;
- introduced longer term business planning requirements;
- initiated a review of new market opportunities, including China;
- hosted an Airwork delegation in China, including providing introductions to potential new business partners; and
- introduced the Bank of China, which subsequently joined the debt syndicate.

RIFA has stated in its offer documentation that it intends to delist Airwork from the NZX Main Board if the compulsory acquisition provisions are triggered. RIFA's current intentions for Airwork include:

- supporting the direction of Airwork's existing business strategy;
- enabling Airwork to have better access to further capital to support future growth of the business;

- retaining the office of the Chief Executive Officer and the corporate headquarters in New Zealand;
- retaining the current Board of Directors;
- supporting the employment policies of Airwork and to retain its key personnel, including through Airwork establishing a reasonable and appropriate new long term incentive plan for its senior management;
- retaining the existing material businesses of the Airwork Group;
- maintaining open lines of communication, enhancing commercial opportunities and improving the working relationship between RIFA and Airwork; and
- retaining and respecting the organisational culture, history and achievements of Airwork.

There are certain additional benefits to RIFA of going from 75% to the targeted 100% of Airwork. If RIFA is successful (which is almost certain), it will have access to the cashflows of Airwork and will be in total control of the company. Airwork has expanded its accreditation base worldwide and today is of sufficient credibility and size to warrant a prominent position in selected parts of the global helicopter industry.

6.3 Framework and Outcomes of the RIFA Offer

The RIFA Offer is a full takeover offer to acquire all the shares in Airwork not already owned or controlled by it. RIFA already owns 74.98% of the issued shares in Airwork and through the lock-up agreements RIFA has an entitlement to a further 15.8% of the issued shares in Airwork. When the Offer is made RIFA will collectively own or control in excess of 90% of the shares in Airwork. As a result, RIFA will have the right to (and must), state that it will, compulsorily acquire any remaining shares in Airwork that are not accepted into the RIFA Offer. If and when RIFA exercises its compulsory acquisition right, RIFA will proceed to 100% ownership of Airwork and all Airwork shares will be acquired at $5.20 per share.

The only material conditions to the offer are that RIFA obtains all required approvals, consents or orders from the Administrative Committee of the Shanghai Pilot Free Trade Zone, the PBOC and SAFE. Given RIFA already owns 74.98% of Airwork and received those approvals to acquire that shareholding, Grant Samuel expects that the requisite approvals will be forthcoming. Accordingly, it is highly likely that the RIFA Offer will be declared unconditional. A range of outcomes and the implications for Airwork shareholders is summarised below:

- ***RIFA does not receive any other acceptances into the RIFA Offer***

  In these circumstances (albeit an unlikely and extreme scenario) RIFA will proceed to acquire the additional 15.8% shareholding by virtue of the Lock Up Agreements. The RIFA Offer would then close with RIFA owning 90.8% of the issued shares in Airwork. RIFA would then be required to proceed to effect the compulsory acquisition provisions of the Takeovers Code and in doing so compulsorily acquire all remaining shares in Airwork. The compulsory acquisition notice must be sent by RIFA not later than 30 days after the end of the offer period. As RIFA will have become the dominant owner by reason of acceptances of an offer, the compulsory acquisition consideration will be the same as the consideration under the RIFA Offer - $5.20 per share. Airwork would then be delisted from the NZX and would become a private company 100% owned by RIFA.

- ***RIFA achieves additional acceptances over and above the shares subject to the locked up shares***

  In these circumstances RIFA will proceed to acquire all of the shares that have been accepted into the RIFA Offer. Accepting shareholders will not be subject to scaling or pro-rata adjustment of their acceptances. The Offer will then close and as described above, RIFA must issue a compulsory acquisition notice not later than 30 days after the end of the offer period. All remaining shares would then be compulsorily acquired at $5.20 per share. Airwork would then be delisted from the NZX and would become a private company 100% owned by RIFA.

6.4 Implications for Airwork Shareholders under all scenarios

If the RIFA Offer is declared unconditional then regardless of the level of other acceptances beyond the acceptances already achieved under the Lock Up Agreements, all shareholders in Airwork will have all their shares acquired by RIFA at $5.20 per share.

There is therefore no economic or strategic merit in waiting for the offer to close or not accepting the RIFA Offer. The sooner the RIFA Offer is declared unconditional, the sooner accepting shareholders will be paid for their shares. Shares not accepted into the RIFA Offer may take up to a further two months to be acquired (depending on exactly what date RIFA sends out the compulsory acquisition notice).

6.5 Other Merits of the RIFA Offer

In assessing the other merits of the RIFA Offer Grant Samuel considered the following factors:

- the founder (Hugh Jones) and senior management and Board members of Airwork have already accepted the RIFA Offer for all of their shares in Airwork;
- the RIFA Offer is subject to a number of conditions, which may be waived at RIFA's discretion. These discretionary conditions principally relate to material changes to the Airwork business and capital structure but also include the following specific conditions that:
  - RIFA having obtained all required approvals, consents or orders necessary from the Administrative Committee of the Shanghai Pilot Free Trade Zone for RIFA to complete the acquisition of shares in accordance with the offer; and
  - RIFA having obtained required approvals from SAFE and PBOC.
- RIFA will not increase the offer price as it already has certainty of acquisition of 100% of the shares in Airwork;
- the existing locked up shareholding creates a block to an alternative offer. It is unlikely that an alternative and higher offer would be made for the shares in Airwork while the RIFA Offer is open;
- there will be no further dividends payable to Airwork shareholders;
- the Airwork share price has traded within a range of NZ$5.01 to NZ$5.02 since the RIFA Offer was announced. This trading range (close to the offer price) reflects that the RIFA Offer will be successful and will result in Airwork becoming 100% owned by RIFA. There have been only just over 11,000 shares traded since the announcement of the Offer suggesting that remaining shareholders know that they will almost certainly receive $5.20 per share. The only reason an Airwork shareholder would sell Airwork shares on the market (and likely incur brokerage costs) would be if they required immediate liquidity;
- for those shareholders wishing to have an equity investment in the aviation sector there are other comparable public-market investment opportunities locally and internationally but mostly international airports (such as Sydney or Auckland) or commercial Airlines (such as Air New Zealand or Qantas); and
- Since the announcement of the RIFA Offer there have been no other offers forthcoming for any or all of Airwork. An alternative offer is highly unlikely but would require RIFA to effectively on-sell the 90% shareholding in the company that it has secured.

6.6 Summary

RIFA has made a full takeover offer of NZ$5.20 per share for the remaining shares in Airwork. The RIFA Offer is within Grant Samuel's assessment of the value of Airwork of NZ$4.82 to NZ$5.54 per share. The RIFA Offer will be successful.

6.7 Acceptance or Rejection of the RIFA Offer

Acceptance or rejection of the RIFA Offer is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser. Acceptance or rejection of the RIFA Offer will however not make any difference to the ultimate outcome – RIFA will own 100% of the shares in Airwork.

GRANT SAMUEL & ASSOCIATES LIMITED
October 2017

Grant Samuel + Associates

Fixed Wing Leasing

Southern Air / Atlas Worldwide

On 15 January 2016 Atlas Air Worldwide Holdings Inc. (**Atlas**) entered into an agreement to acquire Southern Air Holdings, Inc. (**Southern Air**) for approximately US$110 million (on an enterprise value basis). Southern Air is a provider of intercontinental and domestic air cargo services based in Kentucky, USA. The purchase was immediately accretive to Atlas' earnings per share. Southern Air had five Boeing 777 and five Boeing 737 aircraft under flight service agreements with courier company DHL Express. Atlas is a leading global provider of outsourced aircraft and aviation operating services. Southern Air was anticipated to add approximately US$100 million in annualised revenues with EBITDA and EBIT margins in line with Atlas. Adopting Atlas' FY15 EBITDA margin of 16.6% and FY15 EBIT margin of 9.5% this implies that Southern Air's EBITDA and EBIT were circa US$16-17 million and US$9-10 million respectively. This results in an implied EBITDA multiple in the range of 5.9-6.2 and an EBIT multiple in the range of 10-11.1.

West Atlantic / Air Transport Services Group Inc.

On 6 December 2013 Air Transport Services Group Inc. (**ATSG**) entered into an agreement to acquire a 25% stake in West Atlantic AB (**West Atlantic**) for US$15 million. West Atlantic operates as a cargo airline for express freight in Sweden. At the date of the acquisition, the company's fleet comprised two Boeing aircraft and one Bombardier aircraft. ATSG provides aircraft leasing, airline operations and aircraft maintenance and other support services, primarily in the USA. The purchase price for the 25% stake implied multiples of approximately 6.2 times historical EBITDA and 9.0 times historical EBIT.

AerCap Holdings / Genesis

On 17 July 2009 AerCap Holdings N.V. (**AerCap**) entered into a draft amalgamation agreement to acquire Genesis Lease Limited (**Genesis**) for approximately US$300 million in stock. Genesis is involved in the leasing of commercial jet aircraft globally. The acquisition price implied multiples of approximately 6.7 times forecast EBITDA and 12.3 times forecast EBIT. Aer Cap is one of the largest aircraft leasing companies in the world with approximately 1,600 aircraft.

Cargo Holdings / ABX Air

On 1 November 2007 ABX Air Inc. (now known as ATSG) signed an agreement to acquire Cargo Holdings International, Inc. (**CHI**) for approximately US$230 million. CHI provides air transportation services, charter airline services, ground services and related logistics services. Key customers included the US Postal Service and the US Air Mobility Command. Including CHI's net debt of approximately US$72 million, the purchase price implied multiples of 4.1 times historical EBITDA and 7.8 times historical EBIT.

Helicopter Leasing and Engineering

Lider Aviacao / Bristow

On 26 May 2009 Bristow Group Inc. (**Bristow**) entered into an agreement to acquire a 42.5% stake in Lider Aviacao Holding SIA (**Lider**) for approximately US$227 million. The consideration involved an up-front cash payment of US$174.25 million plus incremental earn out payments of up to US$53.13 million based on the achievement of EBITDA targets over a three year period following the transaction. For the 2008 year Lider generated EBITDA of approximately US$33 million on revenues of US$305 million. The EBITDA targets under the 2009, 2010 and 2011 earn out were US$60 million, US$65 million and US$70 million respectively. Lider owned and operated 46 helicopters serving the oil & gas industry in Brazil. The company also owned 29 fixed wing charter aircraft and operated from 21 hangers in 20 cities. The purchase price implied an enterprise value of US$400 million which represented a multiple of approximately 8.0 times Lider's annualised adjusted EBITDA of approximately US$50 million. The implied multiple reduces to approximately 7.0 times EBITDA if the full earn outs are achieved.

OF Air Holdings Corporation / Air Methods Corporation

On 1 June 2011 Air Methods Corporation (**Air Methods**) entered into an agreement to acquire OF Air Holdings Corporation (**OF Air**) for US$200 million in cash. OF Air provides air medical services in the US. The purchase price implied multiples of 5.9 times historical EBITDA and 12.7 times historical EBIT. Air Methods is the largest provider of emergency air services in North America with a fleet of approximately 450 helicopters.

Helicopters NZ / Canadian Helicopters

On 12 April 2011 Canadian Helicopters Limited (**CHL**) entered into an agreement to acquire Helicopters (NZ) Limited (**HNZ**) from South Canterbury Finance Limited for an enterprise value of approximately NZ$160 million. HNZ is New Zealand's largest and most diverse helicopter owner and operator with 11 bases to support operations across New Zealand, Australia, Laos and Cambodia. HNZ had a fleet of 33 helicopters and employed approximately 180 people at the time of the acquisition. For the 12 months ended 31 December 2010 HNZ generated EBITDA of NZ$28 million on revenues of NZ$83 million. The purchase price implies multiples of approximately 5.7 times historical EBITDA. HNZ's historical EBIT was not disclosed and therefore the implied EBIT multiple was not calculable. Because HNZ's business is located in the Southern Hemisphere, it was counter seasonal to CHL's operations, which are based in the Northern Hemisphere. At the time of the transaction CHL had 122 helicopters and EBITDA of approximately CAD38 million.

Air Methods Corporation / American Securities

On 14 March 2017 American Securities entered an agreement to acquire Air Methods Corporation (**Air Methods**) for approximately US$1.6 billion. Air Methods provides air medical transport services in the US. The company has more than 300 bases across 48 states and operates eight maintenance centres. Airbus and Bell helicopters make up the majority of Air Methods' fleet of approximately 450 helicopters. For the financial year ended 31 December 2016 Air Methods generated EBITDA of approximately US$286 million on revenues of US$1.17 billion. American Securities specialises in direct and fund of fund investments.

Appendix B – Comparable Listed Companies

A brief description of each of the companies listed in Section 4 is outlined below:

Helicopter Operators

Bristow Group Inc.

Bristow Group Inc. (**Bristow**) is a leading provider of industrial aviation services offering helicopter transportation, search and rescue and aircraft support services, and helicopter maintenance and training. Headquartered in Texas, Bristow has major operations in the North Sea, Nigeria, the US Gulf of Mexico and in most of the other major offshore oil & gas producing regions of the world. As at 30 June 2017 Bristow's helicopter fleet (excluding unconsolidated affiliates) comprised 348 aircraft consisting of 31 small helicopters, 95 medium helicopters, 125 large helicopters, 47 training helicopters and 50 fixed wing aircraft. Bristow's financial performance has been impacted by the downturn in demand for its medium and large sized helicopters from the oil & gas and resource sector. As a result, Bristow's trading multiples appear relatively high as earnings are off a very low base. Forecast EBITDA multiples are very high due to the low level of EBITDA and EBIT multiples are not meaningful as EBIT is negative.

ERA Group Inc.

ERA Group Inc. (**ERA**) provides helicopter transportation services primarily to oil & gas exploration, development and production companies. Its services also include search and rescue services, air medical services and flightseeing tours amongst other related services. As at 31 December 2016 the company owned, leased or managed a total of 136 helicopters comprising 13 heavy helicopters, 49 medium helicopters and 74 small helicopters. For the financial year ended 31 December 2016 ERA generated EBITDA of US$48 million on revenues of US$247 million. ERA's EBITDA is forecast to reduce to approximately US$39 million for the year ending 31 December 2017 due to decreased demand from the oil & gas sector.

HNZ Group Inc.

HNZ Group Inc. (**HNZ**) provides helicopter transportation and related support services in Canada, Australia, New Zealand, Antarctica, the United States, Norway and Southeast Asia. As at 31 December 2016 the company's fleet consists of 104 owned aircrafts and 13 leased aircraft. For the financial year ended 31 December 2016 HNZ generated EBITDA of CAD27.1 million on revenues of CAD212.3 million. HNZ's earnings were depressed in FY16 as a result of decreased demand from the oil & gas sector.

PHI Inc.

PHI Inc. (**PHI**) provides transportation services to, from and among offshore facilities for customers in the oil & gas exploration, development and production industry in the United States. As at 31 December 2016 the company owned or operated 241 aircraft including 131 dedicated to oil & gas operations, 104 dedicated to air medical operations and 6 dedicated to other operations. For the financial year ended 31 December 2016 PHI generated EBITDA of approximately US$63 million on revenues of approximately US$634 million. Forecast multiples are not calculable for PHI as the company is not covered by any brokers.

Fixed Wing Dry Lease (primary)

Aer Cap Holdings N.V.

Aer Cap Holdings N.V. (**Aer Cap**) is a global leader in aircraft leasing. As at 31 December 2016 it had a fleet of 1,022 aircraft. Aer Cap services approximately 200 customers in 80 countries. AerCap's trading multiples are at the top end of the range for fixed wing operators reflecting the overall size of its business relative to the other listed companies.

Aircastle Limited

Aircastle Limited (**Aircastle**) acquires, leases and sells commercial jet aircraft to commercial airlines. The company also invests in other aviation assets including debt investments secured by commercial jet aircraft.

As of 31 December 2016 its aircraft portfolio comprised 206 aircraft leases to 71 lessees in 36 countries. Aircastle is a dry lease provider meaning that the lessee is responsible for crew, fuel, insurance and operation. Aircastle is trading at multiples that are broadly in line with other fixed wing leasing companies.

Air Lease Corporation

Air Lease Corporation (**Air Lease**) engages in the purchase and leasing of commercial jet aircraft to airlines in Asia, the Pacific Rim, Latin America, the Middle East, Europe, Africa and North America. As of 31 December 2016 the company owned a fleet of 2370 aircraft comprising 188 single-aisle narrow body jets, 49 twin-aisle wide body jets. Air Castle is trading at multiples that are consistent with its peers.

Air Transport Services Group Inc.

Air Transport Services Group Inc. (**ATSG**) provides aircraft leasing, airline operations and aircraft maintenance and other support services to the air cargo transportation and package delivery industries in the United States. As at 31 December 2016 the company owned and operated a fleet of 59 cargo aircraft comprising 51 Boeing 767 aircraft and 8 Boeing 757 aircraft. For the financial year ended 31 December 2016 ATSG generated EBIT of approximately US$64 million on revenues of US$769 million.

Atlas Air Worldwide Holdings Inc.

Atlas Air Worldwide Holdings Inc. (**Atlas**) provides outsourced aircraft and aviation operations services in the air freight market. The company operates through three segments: ACMI, Charter and Dry Leasing. For the financial year ended 31 December 2016 Atlas generated EBIT of approximately US$233 million on revenues of US$1.84 billion.

Fixed Wing Wet Lease (primary)

Alliance Aviation Services Limited

Alliance Aviation Services Limited (**Alliance**) is Australia's largest air charter services operator specialising in fly-in, fly-out services. As at 10 August 2017, Alliance operated a fleet of 29 Fokker aircraft and employs approximately 400 people. For the financial year ended 30 June 2017 Alliance generated EBIT of approximately A$23.6 million on revenues of A$203 million. Alliance is trading at relatively low multiples of EBITDA and EBIT reflecting subdued forecast earnings growth due to the downturn in the resource sector in Australia impacting on demand for fly-in fly-out services from mining operators. Alliance's low multiples relative to other fixed wing operators may also be attributable to the age of its aircraft fleet.

Appendix C – Valuation Methodology Descriptions

1. Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the share market. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and share market prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

2. Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

3. Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Airwork’s case.

4. Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a “cross check” of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Airwork. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix D – Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling the interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and share market conditions at the time, and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Appendix E – Qualifications, Declarations and Consents

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The primary persons responsible for preparing this report on behalf of Grant Samuel are Simon Cotter, BCom, MappFin, Peter Jackson, BCom, CA and Jake Sheehan BCom (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Airwork. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Airwork. However, in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of Airwork. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Airwork. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Airwork. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Airwork's business divisions prepared by the management of Airwork's business divisions. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Airwork's business divisions. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Airwork is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Airwork, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Airwork, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the RIFA Offer. Grant Samuel expressly disclaims any liability to any Airwork shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions made by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by Airwork and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Airwork or RIFA that could affect its ability to provide an unbiased opinion in relation to the RIFA Offer. Grant Samuel had no part in the formulation of the RIFA Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the RIFA Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Airwork and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Airwork and contained within this report is sufficient to enable Airwork shareholders to understand all relevant factors and make an informed decision in respect of the RIFA Offer. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- Airwork Annual Reports for the financial years ended 30 June 2012 - 2017;
- Airwork's Annual Results Presentation for the financial year ended 30 June 2017;
- Airwork Group Profile document;
- Various broker's reports on Airwork, RIFA and its competitors;

5.2 Non Public Information

- Business plans for each of Airwork's operating divisions for the financial year ended 30 June 2018 and strategic plans for future years;
- Airwork's forecast model (and associated worksheets) for the financial year ending 30 June 2018;
- Airwork's long-term financial projections for the financial years ending 30 June 2018 through 2022;
- Airwork's management accounts for the financial years ended 30 June 2016 and 2017;
- Information obtained from various meetings with Airwork's senior management personnel; and
- Information regarding the profile and characteristics of Airwork's aircraft fleet.

6. Declarations

Airwork has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Airwork has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Airwork are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Airwork. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to shareholders of Airwork. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.