18 November 2016

Dear Hellaby Shareholder,

In Summary

In our view, the Grant Samuel Independent Adviser Report that valued Hellaby overstates the "full value" of Hellaby because it incorrectly excludes Hellaby's corporate head office costs from the valuation.

When head office costs are included in the valuation, the revised "full value" range would be reduced to $3.18 to $3.64 per share, a reduction of $0.42 to $0.48 per share.

Bapcor's Offer of $3.30 per share falls well within that reduced range.

On 1 November 2016, you were sent Hellaby Holdings Limited's ("**Hellaby's**") Target Company Statement and Independent Adviser's Report. These documents included the Grant Samuel valuation range for Hellaby shares of between $3.60 to $4.12 per share.[1] The Independent Directors advised shareholders to reject Bapcor's Offer stating that the Offer Price *"is significantly below the Independent Adviser's valuation"*.[2]

We believe this assessment is wrong for two fundamental reasons:

1. **Winding up the corporate head office is NOT an option currently available to Hellaby as a going concern, and this assumption leads to an overstated valuation**

- Hellaby cannot operate under its current structure without incurring corporate head office costs, assessed by Grant Samuel to currently be approximately $6.6 million.[3] As these costs will continue to be incurred by Hellaby under its current structure, our view is that those costs should have been reflected in the valuation of your Hellaby shares.

- Standard market valuation practice is that corporate costs are included in a valuation, as they are costs the business needs to incur to generate its ongoing earnings.

- From our review of independent adviser reports relating to significant change of control takeovers in New Zealand over the last ten years, we have found **no report** that excludes the full value of ongoing corporate costs in the valuation, even where potential savings have been identified as available to the acquirer.

2. **Excluding corporate head office costs has a significant value impact**

- Applying an appropriate valuation multiple that is consistent with Grant Samuel's valuation to the $6.6 million of corporate head office costs reduces Hellaby's value by approximately $41.9 million to $47.0 million, or approximately $0.42 to $0.48 per share. If that value reduction is applied to Grant Samuel's valuation range it would be reduced to $3.18 to $3.64 per share.[4]

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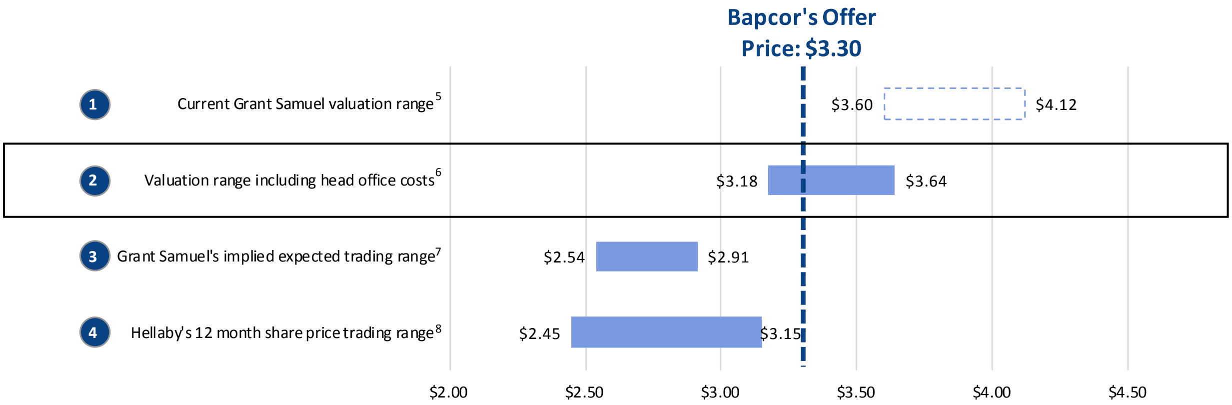
- The chart below presents the following ranges to demonstrate the value impact of Grant Samuel's approach in the context of historical and expected trading ranges:

    1. The current Grant Samuel valuation range[5]

    2. The valuation range <u>including</u> Hellaby's corporate head office costs[6]

    3. Grant Samuel's implied expected trading range for Hellaby shares *in the absence of a takeover offer*[7]

    4. Hellaby's 12 month share price trading range prior to announcement of our Offer[8]



If Grant Samuel had accounted for ongoing corporate head office costs in its valuation of Hellaby, as we believe it should have, its valuation range for Hellaby shares would have been decreased to $3.18 to $3.64 per share, and our Offer of $3.30 per share would be well within that valuation range.

In our view, shareholders should not expect their shares to trade on the NZX in the valuation range stated by Grant Samuel in the near future – which Grant Samuel acknowledges in its report (by noting that shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole).[9]

You may have seen in the media that we raised this matter with the Takeovers Panel. Their view is that there was enough information within the Target Company Statement and the Independent Adviser's Report to enable someone who ***read those documents in full*** to understand that the valuation range excluded the head office costs. In making this decision, the Takeovers Panel did not however consider or comment on the appropriateness of Grant Samuel's valuation methodology and noted that it remained open to Bapcor to communicate its views on valuation in relation to corporate costs directly to Hellaby shareholders should it wish to do so. That is what we are doing in this letter.

We encourage you as Hellaby Shareholders to carefully consider these matters in deciding whether to accept our full cash Offer. It offers certainty, it is within an adjusted valuation range that includes all of Hellaby's costs, and is at a premium to the price at which the shares were trading in the period leading up to our offer first being announced.

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Yours faithfully
Bapcor Finance Pty Ltd

Darryl Abotomey
Chairman
Bapcor Finance Pty Ltd

If you have lost your acceptance form or have any other questions in relation to the Offer, please contact Computershare Investor Services Pty Limited (Australia) on 0800 524 531 (or if calling from outside New Zealand, +61 3 9415 4826) or email bapcoracceptances@computershare.com.au.

[1] Page 34 of Grant Samuel's Independent Adviser's Report.

[2] Page 1 of Hellaby's Target Company Statement.

[3] See the following statement on page 34 of Grant Samuel's Independent Adviser's Report: "*Grand Samuel [sic] has assumed winding up costs of $3.3 million, which is equivalent to approximately 50% of the existing annual head office costs*".

[4] This is based on Hellaby's existing corporate head office costs of approximately $6.6 million (see note 3 above), and a valuation multiple range of 6.847x to 7.614x, representing the weighted average of the multiples applied by Grant Samuel to Hellaby's three trading divisions under its "Low" and "High" scenarios (see pages 36, 40 and 42 of Grant Samuel's Independent Adviser's Report). This valuation multiple range has been applied to Hellaby's corporate head office costs, leading to a valuation of corporate head office costs of $45.2 million to $50.3 million. It is then necessary to remove the $3.3 million of one-off wind-up costs assumed by Grant Samuel (because they would not be incurred in this scenario). This results in a valuation impact of $41.9 million to $47.0 million, which represents $0.42 to $0.48 per share on the basis of 97.7 million shares outstanding.

[5] Page 34 of Grant Samuel's Independent Adviser's Report.

[6] See note 4 above for how the valuation range has been adjusted. Applying the adjustments results in a revised "Low" end of the range of $3.18 (being $3.60, less $0.42), and a revised "High" end of the range of $3.64 (being $4.12, less $0.48).

[7] Grant Samuel's implied expected trading range presented in this letter is based on a 20% discount to the lower and upper end of the adjusted valuation range including corporate head office costs (as described in note 6 above). The 20% discount is based on Grant Samuel's comment on page 35 of its Independent Adviser's Report that "Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole".

[8] Page 18 of Grant Samuel's Independent Adviser's Report.

[9] Page 35 of Grant Samuel's Independent Adviser's Report.

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