HUGH GREEN GROUP

25 November 2016

RE: TAKEOVER OFFER BY BAPCOR FINANCE PTY LIMITED

Dear fellow Hellaby Shareholders

We are writing to you on behalf of Castle Investments Limited (**Castle Investments**) as Trustees and beneficiaries of the Hugh Green Trust, the ultimate owner of Castle Investments. Castle Investments, a member of the Hugh Green Group of companies, is the largest single shareholder in Hellaby Holdings Limited (**Hellaby**) with a 27.2% holding, and has held its investment in Hellaby for more than 20 years.

The reason for making contact is to provide context around our acceptance of the Bapcor Finance Pty Limited (**Bapcor**) Takeover Offer (**Offer)** and to express our strong concerns with elements of the approach being taken by the Hellaby Board which could see this Offer fail. We also want to provide some guidance to the many Hellaby shareholders who have invested alongside the Hugh Green Group's founder Hugh Green.

Castle Investments was approached by Bapcor regarding its intention to make an offer for Hellaby. We carefully evaluated Bapcor's Offer and determined that the price offered was compelling, above our view of fair value of Hellaby shares, and that acceptance would deliver the highest value for Castle Investments. We subsequently entered into a pre-bid lock up agreement and accepted into the Offer on 26 October 2016. Salt Funds Management (full holding) and Accident Compensation Corporation (partial holding), two leading New Zealand investment fund managers, have also accepted the Offer.

Our reasons for accepting the Offer (NZ$3.30 per Hellaby share) include:

- We believe there is a high degree of risk and uncertainty associated with Hellaby's ability to deliver on its growth aspirations. In particular, we see significant risk around the threat of increased domestic competition and disruptive technologies in the Automotive industry – Hellaby's largest income generator;

- We agree with a comment in Hellaby's Target Company Statement, "there is a risk that the share price may retreat to levels more closely in line with the historical prices before Bapcor gave notice of its intention to make the Offer." The 1-month volume weighted average price prior to the Offer launching was NZ$2.90; and

- Market uncertainty: Since Bapcor announced its intention to buy Hellaby shares at NZ$3.30 on 27 September, the NZX50 Index has declined by 6.2%[1]. This suggests Hellaby's share price may have fallen absent the Offer.

[1] Source, IRESS. Data current as at 22 November 2016

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The following are the concerns we have with Hellaby's response to date and the valuation methodology of the Independent Adviser:

1. **We believe some of the comments that have been released to the media regarding the future performance of the business are unrealistic and overly optimistic in nature:**

    - We note Hellaby's comment: "We are well resourced and believe our new strategy and focus will allow us to achieve NZ$1 billion in annual revenues with NZ$100 million EBIT[2] in five years' time." – *Hellaby 2016 AGM*

    - To achieve this, Hellaby would have to grow FY2016 revenue of NZ$570.1m[3] and EBIT of NZ$20.6m[3] by a compound rate of 11.9% per annum and 37.2% respectively.

    Given Hellaby's track record, we believe these targets are highly aspirational, particularly given the considerable execution risk around purchasing and integrating new businesses in an increasingly competitive and uncertain market.

2. **We are concerned by reports that Hellaby has characterised our acceptance of the Offer as being influenced by family matters:**

    - We feel that the strong implication to be taken from the various Hellaby public statements is that Castle Investments has only accepted the Offer because of matters involving the Green family. This is wrong and misleading. As mentioned above, we accepted on the basis that the Offer price is above our view of fair value of Hellaby shares; and

    - Castle Investments did not initiate the Takeover Offer, and while the shares are viewed as a non-core asset, the Trustees and Green family members are united in the belief that the Offer represents fair value.

3. **We believe the Independent Adviser's valuation range of $3.60 to $4.12 overstates value from the current shareholders' perspective:**

    - We agree with Bapcor's letter dated 18 November (and would encourage other shareholders to read it) which highlights what we believe to be an incomplete valuation methodology: *"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."*

    - Bapcor have estimated the reduction in the Independent Adviser's valuation range would be $0.42 to $0.48 if head office costs were included, implying a valuation range of $3.18 to $3.64. Given head office costs were $8.1m in FY16, and Hellaby's head office will cost a similar amount each year in the future, we believe this is a reasonable assessment.

    - In the absence of the Offer, Hellaby's shareholders ultimately continue to bear these costs and this would be reflected in the share price. We believe it is appropriate (and customary) for the Adviser to recognise the ongoing nature of head office costs in the valuation, because Hellaby's shareholders are being asked to compare Bapcor's offer against the value of continuing to hold Hellaby's shares.

    - Given the valuation approach taken by the Adviser, shareholders might not fully appreciate the potential downside risk in the share price should the Offer fail. Not fully disclosing this

[2] EBIT: Earnings before interest and taxation expense
[3] Table 3.4, page 15 of Grant Samuel's Independent Adviser's Report

impact could create a false sense of value for shareholders and in doing so increase the risk of the Offer not succeeding.

- Moreover, the valuation is only based on a full takeover of Hellaby. However, under the conditions of the Offer, Bapcor could end up owning between 50% and 90% of Hellaby with the company remaining listed and continuing to incur full head office costs.

- We repeat our opening comment. In our view the price offered by Bapcor is compelling. It is above what we consider is the fair value of the Hellaby shares.

Subsequent to Bapcor making its Offer there has been media speculation about the potential to just sell the Automotive Group to Bapcor. This would involve an entirely new process, and there appears to be a significant gulf between Bapcor's view of value and Hellaby's stated value for the Automotive Group, which exceeds the current value of Bapcor's Offer for the entire Hellaby business. At this point the only offer on the table is the one before us.

Whilst Castle Investments would welcome an increase in the Offer price, **we would be most disappointed if Bapcor walked away from the Offer**. We urge our fellow shareholders, provided you share our view, to join us in accepting this Offer as soon as possible. If you do accept into the Offer, and Bapcor subsequently increases the Offer price (i.e. above $3.30 per share), you will automatically receive the higher amount if the Offer is successful. We sincerely believe that accepting the Offer is an action that will deliver the highest value outcome for all Hellaby shareholders.

Yours sincerely,

Chris Darlow

David Randell

Trustees of the Hugh Green Trust

John Green

Maryanne Green

Hugh Green Family Representatives and beneficiaries