

MERCANTILE NZ LIMITED

26 April 2016

Dear Kirkcaldie & Stains shareholder

NOTICE OF VARIATION IN RELATION TO TAKEOVER OFFER FOR KIRKCALDIE & STAINS LIMITED – INCREASE OF CONSIDERATION AND EXTENSION OF OFFER PERIOD AND CONDITION DATE

We refer to the takeover offer by Mercantile NZ Limited (**Mercantile**) to purchase all of the ordinary shares in Kirkcaldie & Stains Limited (**K & S**) it does not already own (**Offer**). You will have received a takeover offer document dated 15 March 2016 (**Offer Document**).

Mercantile advises that it has varied the Offer:

- to increase the consideration offered for each K & S share from \$2.75 to \$3.00;
- to extend the Closing Date for the Offer from 13 May 2016 to 12 June 2016; and
- to extend the Condition Date (the latest date by which the Offer can be declared unconditional) from 27 May 2016 to 26 June 2016.

These changes are made in accordance with Rules 27(a), 27(d) and 27(e) of the Takeovers Code, respectively.

All K & S shareholders who have already accepted the Offer will, if the Offer is successful, receive \$3.00 per K & S share. There is no need for any K & S shareholder who has already accepted the Offer to resubmit their acceptance.

All other terms of the Offer remain as set out in the Offer Document and Mercantile reserves the right to make such further variations as are permitted under the terms of the Offer and the Takeovers Code.

If you wish to accept the Offer, please return the acceptance form sent to you with the Offer Document before the Closing Date of 12 June 2016.

Yours faithfully

Mercantile NZ Limited



Ron Brierley
CHAIRMAN

cc Kirkcaldie & Stains Limited
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MERCANTILE NZ LIMITED

26 April 2016

Dear Shareholder,

TAKEOVER OFFER INCREASED TO \$3.00 PER SHARE

We refer to Kirkcaldie & Stains (Kirks) letter of April 1.

As a consequence of the additional information disclosed we have increased our offer to \$3.00 per share. We have also extended the offer to June 12. We attach a formal notice of variation.

This increase will also apply to those shareholders who have already accepted our earlier offer.

The new offer is marginally above the Directors' low estimate of \$2.99 per share.

That estimate is now very relevant as a result of the Petone lease deal falling over and Kirks being on the hook for a payout of nearly \$1.5 million over the next 7 years.

Liquidation is more than a year away and, if it becomes controversial, costs could skyrocket above the \$100,000 provided.

We sympathise with those shareholders who have a warm affection for this fine old iconic Wellington company, which would be severely disrupted if Kirks was forced into liquidation.

In the absence of a higher offer, our recommendation is to accept our offer before it closes (unless extended) on 12 June 2016.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ron Brierley', with a stylized flourish at the end.

Ron Brierley
CHAIRMAN