The Colonial Motor Company Limited

CHAIR'S ADDRESS TO THE 107TH ANNUAL MEETING

Ladies and Gentlemen,

I want to talk to you today about our 30 June 2025 year financial results, address matters of governance, comment on an aspect of our market and cover the all-important 'people' aspects of our business.

Financial Results

Under the prevailing circumstances, your Company performed well over the past year, posting a trading profit after tax of $17.9 million on turnover of just over one billion dollars.

Both turnover and profit after tax were slightly down on the prior year. This reflected the challenging environment for all of our key market segments of light vehicles, heavy trucks, and tractors. On the strength of this result, the Board felt confident in declaring a full year dividend of 35 cents per share, which equated to 64% of that $17.9 million trading profit after tax.

Yes, these results were well short of our stellar performance in the immediate post Covid period, but for good reason. The New Zealand economy inevitably had to pay the bills for that period, the country fell into negative growth and with a high-interest-rate environment, our markets, indeed our business, was not immune to the flow-on effects of that depressed economy.

We indicated at the time that monthly trading was "tough" in an over-supplied vehicle market that came with a very high inventory carry and high interest rates. Make no mistake, our trading world had changed significantly.

Your Management responded well to these challenges. The results of the last two years have proven that having a strong balance sheet and being able to react quickly meant we could address the cost of doing business at a grass roots level. This enabled the Company to weather what will hopefully be the worst of New Zealand's economic storm. In his presentation, Alex will talk more about the road ahead and other initiatives that have underpinned our resilient performance.

Governance

I would like to move on to some important governance matters.

Shareholders will have questions about the level of the proposed increase in the Directors' Fees and the related pool of funds we are asking you to support at this AGM. Outwardly, it is a substantial increase that the requires an appropriately detailed explanation.

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It is very important we have an eye to the future structure of the Board. This requires attention to the skills and experience that sit around the table and the culture of the Board, which in my personal view is one of the best boards I have ever worked with. There are changes coming over the next year or two that will see both myself and Graeme Gibbons retire. The fact is, a very substantial amount of long-term industry experience will transition off the Board by November 2028.

The Board therefore believed that introducing a third, highly experienced independent director at an early stage will significantly assist with that transition. This brings with it the inevitable cost of adding a non-executive director. As we move forward, a decision will need to be made whether the Board stays at seven versus six directors. At this point, we feel this is the right approach to assist in the transition over the next couple of years at least.

From a purely practical aspect, we also have the cost effect of Stuart Gibbons moving out of his management position but remaining as a Director. This has the effect of needing to fund six non-executive directors, rather than only four, from the approved pool of funds. As the now sole executive director, John Hutchinson does not receive a directors' fee.

To put this in perspective, funding the two additional non-executive director costs account for 80% of the increase sought for approval by the resolution. The two-yearly review of fees we traditionally carry out accounts for the balance of the increase.

We have followed the same process the Company has used for many years. We use the independent, external Strategic Pay survey of directors' fees for similar sized companies in terms of number of people, market capitalisation and turnover. CMC usually aligns to the midpoint of that survey and this year our recommendations are approximately 90% of that midpoint, as the market has moved quite considerably.

The Board would appreciate your support for the resolution that will be put before you later in the meeting.

CRD Reporting

The next governance matter I want to address is *Climate Related Disclosures* (**CRD**). Many of you will have read the *Climate Statement* section of the *Annual Report* and asked yourself "what is this all about and why are we producing it?"

Other affected boards have been asking the same question and the subject has recently been in the media as a result of welcome changes to the CRD regime announced by the responsible Minister, Scott Simpson.

First and foremost, we know our Shareholders want the Board and Management to remain focused on the financial strength and performance of the Company. That underpins the return you receive on your investment and is unashamedly our number one priority when acting in the best interests of the Company.

We do however have the responsibility to ensure the Company meets all of its reporting responsibilities in a changing and challenging regulatory and legislative environment.

CMC has executed a comprehensive risk management process for many years. This process has been the home of our considered analysis and view of any potential climate risk, earthquake risk and possible severe weather risk. We have regularly thought through these issues and done so well ahead of the CRD reporting requirements.

The CRD regime was an extensive and mandated requirement for disclosure by specified listed companies and others but it came without reference to providing real value. It also forced potential and unnecessary liability on directors to ensure adherence. It is therefore not surprising it has been revisited after consultation and its requirement removed for many companies like CMC.

On behalf of the Board, I want to thank June Gibbons for the exemplary work she has done in the CRD space. This has been a significant task that required a studied commitment to detail in an evolving reporting environment. She has done the Company a real service in this regard.

Strategic Direction

I will share some thoughts around our strategic market priorities. We have always felt that 'less is more' when it comes to strategic direction. We never 'bet the ranch' on major strategic initiatives, preferring always to build on the proven core capabilities we have as a business. The JAC trucks initiative is a good example of this, where we have used our skill set to enter a category of the market we did not previously compete in (Light electric and diesel trucks).

There has been an interesting new shift in market dynamics going on in the New Zealand vehicle market for some years now and we have joined it in a measured way.

The arrival of many new Chinese sourced brands and products in the light vehicle market is a continuing 'feeding frenzy'. These brands are all looking for property and facility representation and make no mistake, many of these are very good products, are value for money and the best will survive and thrive, but there will be casualties. They cannot all survive in a small vehicle market like New Zealand.

We do have the JAC brand and a BYD dealership in New Plymouth but our exposure is somewhat limited. The next five years are going to be very interesting in this space and will continue to bring challenges to the industry. There is an air of certainty that we will need to occupy a place in the Chinese sourced market. A second outcome would be our existing brand partners continue to adapt, evolve and rise up to meet the market's evolution and the opportunities new technologies bring. Most likely both scenarios will play out.

Our People

It is important to recognise the Dealer Principals who have left or are leaving us this year. We often and quite rightly talk about our DPs as being the most important cog in our organisational design.

The DP walks that challenging line of meeting the market share aspirations of the brands they represent, the customer care requirements of those brands and the need to return to CMC a necessary return on shareholder funds.

Over and above those three essentials, they lead our dealership teams in their local communities in a public facing role.

We have been well served by many professional and successful DPs over a very long period of time. Right now, we are going through a significant period of change, as some of our long serving DPs move on to their well-deserved retirements.

In no particular order, I would like to thank Keith Allen, who worked his way up from the parts department as a 'junior' to become the DP of Fagan Motors in Masterton. Keith joined CMC in 1982 and enjoyed many years as a top performing dealer, winning many annual performance awards for his rural dealership.

Another very successful rural dealer to retire this year was David Wills from Ruahine Motors in Waipukurau. David has had a very long 32-year career in the industry, spending 13 of those years at Ruahine Motors and he is another annual award winner on many occasions. David continues to assist us by mentoring some of our new DPs.

In the Dealer world they don't come much bigger in personality than the next one I want to thank, John Luxton from Avon City Motors in Christchurch. John, or more correctly Lux, seems to know everyone in New Zealand. At one of his farewell functions (and he's had a few) the story was told that he and John Hutchinson were in Wellington at a meeting when the first Christchurch earthquake struck - they were stranded but not for long. After a quick phone call from Lux, the two Johns were on a private jet with the directors of Fulton Hogan bound for Christchurch.

John served CMC over 35 years, beginning in 1989 as Fleet Sales Manager at Hutchinson Motors in Christchurch, then becoming the DP at Te Awamutu, then at Invercargill and finally back to Christchurch - a significant contribution to our Group.

I mentioned earlier that Stuart Gibbons decided to step away from his management role at the Group Office and remain a Director of the Company. Stu began his career at CMC in Morrinsville as an apprentice technician and more recently was the DP at Lower Hutt, then called Stevens Motors. Stu led the strategy and design phase of our Wellington Region hub and spoke representation plan that saw Capital City Motors established in Lower Hutt, with branches and service facilities now throughout Wellington and the Kapiti Coast.

And finally, someone who is the quiet achiever who never seeks the limelight but has done and continues to do a fantastic and highly professional job for CMC. Our GM Finance, Paul Stevenson, will retire at the end of the year. Mr "never wrong with the numbers" has been one of those hugely reliable and vitally important employees the Company is fortunate to have had. On the Board's behalf, I want to wish him well in his retirement.

Outlook

To finish my address today, I want to provide a qualified comment on where the current half year looks to be heading. I will then leave it to Alex to talk about our forward view of the market generally, our related expectations for the Company in the next year and the initiatives he is leading with his team to take the Company forward.

Suffice to say the Board is pleased with the results the Company posted in tough times. In the event we may be starting to enjoy improving market conditions and economic growth, we are well placed to capitalise on these.

The half year to date has been encouraging by starting on a positive note. What looks to be an improving market will play out one way or other in the remaining two months still to run of this first half of the financial year. It is too early to make a prediction or provide an update that carries certainty, but unlike my address to last year's annual meeting, there do appear to be 'green shoots'.

Ashley Waugh
Chair
The Colonial Motor Company Limited

7 November 2025