

The Colonial Motor Company Limited

3 June 2020

Dear CMC Shareholder

The country went into Level 4 lockdown on Thursday, 26 March. Revenue for the month was down 37% compared to March 2019, matching the 37% decline in the new vehicle industry.

In April, during the Level 4 lockdown, the Company effectively went into hibernation, with very little revenue. Total new vehicle industry registrations were down 90% for the month. Company revenue was down 82% on April 2019. There were variations. The car dealerships were fully closed with only a very small amount of essential service work carried out. Heavy trucks and tractors on the other hand had more customers who were an essential service, with some replacement sales as well as service business, managed with stringent procedures to maintain customer and employee safety.

The main emphasis was on preserving cash. The Company went into Level 4 lockdown with a buffer of credit available. 'Cash burn' during lockdown required strong control of expenses and inventory. Both were well managed. The Government wage subsidy assisted, contributing approximately one-third of the normal payroll. Most employees were paid 80% of their average wages, including commission earnings, with the option to increase this to 100% by drawing down on annual leave. Directors' fees were also paid at 80%. Inventory control was assisted by proactive supporting policies from our major franchisors, notably Paccar and Ford.

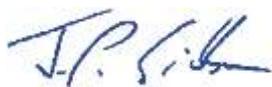
Lockdown changed to Level 3 on 28 April. This allowed all of the dealerships to open for service, but with material restrictions. It was high cost, low volume activity. Lockdown changed again to Level 2 on 14 May. The return to 'almost normal' trading with Level 2 has quickly gathered momentum, but with considerable variations between dealerships. Provincial locations were generally stronger than cities. The May total new vehicles industry was down 32% on last year, however, the immediate current activity is not necessarily a guide to the mid-term future. Nor is it possible to predict the results for the year ending 30 June 2020. There are expected to be some asset revaluations to property, inventory and receivables.

The Company has come through the lockdown with the financial resources and people organisation to adapt to the new level of activity. From this point on, the real issue is consumer confidence.

A dividend decision will be considered as part of the Preliminary results announcement in late August.

Yours faithfully

THE COLONIAL MOTOR COMPANY LIMITED



Jim Gibbons
CHAIRMAN