SUPPLY NETWORK LIMITED
ABN 12 003 135 680
1 Turnbull Close Pemulwuy NSW 2145
PO Box 3405 Wetherill Park NSW 2164
Telephone: 02 8624 8077

15 November 2016

The Manager
ASX Market Announcement Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: Chairman's Address to Shareholders

Please find attached the Chairman's Address to Shareholders being delivered to the Annual General Meeting today at 2.00pm.

Yours faithfully

Peter Gill
Company Secretary

Chairman's Address 2016 Annual General Meeting

Sales growth in 2016 of 2% to $87.2m was below expectations, driven by some geographic weakness particularly in Australia and continued competitive pressure especially in the bus market. However, the headline figure masks solid growth in targeted areas of the truck market.

EBIT of $7.1m was down by 15% and mainly impacted by one-off costs associated with the relocation of our main Distribution Centre (DC) and Branch in Sydney and ongoing costs associated with operating these new facilities. Lower than expected revenue growth was the other main contributor to the weakness.

Earnings Per Share of 11.88 cents were down, reflecting the full effect of the increase in issued capital from the well supported operation of the Dividend Reinvestment Plan during the 2015 financial year.

Gearing continued to fall as a result of solid cashflow from operations over the year. This enabled us to flex the payout ratio during a period of softer profitability and maintain dividends steady at 9 cents per share on a higher capital base.

Australia's main focus over the year has been the massive task of relocating our main Distribution Centre and Sydney Branch. The job was completed with minimal disruption for customers but created challenges over the entire network and was a greater distraction from core sales activities than we had hoped.

We are glad to have the job completed and the infrastructure in place so as to refocus our efforts on driving our organic growth strategy.

A third Melbourne branch in Somerton was opened on 1st July 2016 and early indications are showing a positive impact on the Victorian branch network.

The secondary distribution that has been operating from our Smeaton Grange Branch over the past 3 years will now be progressively wound back with all replacement stock being shipped directly to the new DC. This will improve distribution efficiency and remove a significant distraction from a Branch with strong growth potential.

With the required infrastructure in place in Australia we now plan to extract the benefits of growth, internal efficiencies and improved service to our customers.

New Zealand sales growth of 5% compared favorably to the Australian performance but was also below forecast levels.

The New Zealand operations are now facing a similar situation to that which existed in Australia prior to the DC relocation. Our Auckland based DC is at capacity and arguably constraining growth. The Board has approved a new DC in Hamilton and this is expected to be operational by early next financial year. The Board has also approved a new Hamilton Branch that will operate from the DC to improve service levels and sales in Hamilton and the surrounding region.

As we enter the final year of our current 3-year plan we can reflect on the completion or near completion of all significant infrastructure projects as well as key strategic initiatives around products & markets but we also acknowledge our sales growth and EBIT are below the targets we set. We have entered the new financial year in good shape and have commenced work with senior management on a new 3-year plan out to 2020.

The year to date has shown improved sales momentum and we reconfirm previous guidance that we expect to see revenue above $92m and EBIT above $7.5m for the Group in the 2017 financial year. Based on this the Board expects to maintain dividends at 9 cents per share over the coming year.

I'd like to express appreciation to my fellow directors, our executives & all staff for an excellent effort and some great achievements over the course of an extremely busy and challenging year.

Thank you to our shareholders for your continued support and attendance today.