



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

141 - 151 Fairfield Road Guildford NSW 2161

PO Box 460 Fairfield NSW 2165

Telephone: 02 9892 3888 Facsimile: 02 9892 2399

16 November 2006

The Manager
Companies Announcement Office
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: Chairman's Address to Shareholders

Please find attached the Chairman's Address to Shareholders at the Annual General Meeting being held today at 3.00pm.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Gill', written in a cursive style.

Peter Gill
Company Secretary

CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING

16 NOVEMBER 2006

Welcome to the 2006 Supply Network AGM our 20th since listing and my 1st as Chairman.

I welcome our new two directors, Greg Forsyth and Peter McKenzie to their first AGM.

Market conditions over the last 18 months have been the most challenging in a long time and there is no immediate sign of change.

All Supply Network companies sell predominantly non-genuine parts and we operate at the high quality end of the market. There have been trends towards longer warranty periods on vehicles and also improved service life from parts, which have impacted sales marginally. These two issues combined with product price deflation have made growth challenging. The strategies we have been reporting to shareholders over recent times are designed to overcome these challenges and establish a stronger company with improved long-term earnings potential. The market downturn over the past 18 months has been driven largely by short term, arguably cyclical factors.

Many of our truck customers have been hurt by higher diesel prices and despite recent falls diesel prices remain well above January 2005 levels. Over the past two months the impact of drought on regional Australia has become more severe. Crop yield estimates have been reduced and in many of our regional markets mechanical work on seasonal trucks and equipment is dramatically less than would normally be expected at this time of year. Ironically in many parts of New Zealand agricultural activity has been delayed by a long and wet winter.

Supply Network's growth strategy remains as important today as at any time in recent years. These strategies have been built around three principles.

The first principle is to develop our ability to offer a total parts service to large customers where the customer's size and therefore parts spend justifies a significant investment in dedicated support. This investment is used to deliver a rationalisation of business process for customers and significant overall cost reduction. The concept was developed in Perth and has been adopted in operations in Sydney and Brisbane. More recently we modified this concept to suit the operations of the largest private bus fleet in Sydney and management is currently working on further opportunities in this sector.

Total parts service arrangements are a crucial part of our business strategy providing us with critical volumes. But they are inherently low margin and have to be part of a broader strategy to deliver material benefits for shareholders.

The second principle of our growth strategy is improved branch support for smaller customers. Multispares has thousands of customers many of whom consider us as their preferred supplier. Most of these customers want just two things when they are in need of parts; stock availability and reasonable access to products. For a long time we have serviced most of Australia either same day or overnight, however customers in the larger metropolitan markets expect more. In a competitive market most customers have alternatives and a major factor in their choice of supplier is location. Many of the parts we

sell are for unplanned maintenance and many other requirements for parts are only identified (or clarified) during the course of maintenance. This is why we have placed so much emphasis on the extension of our branch network and more recently we have been improving our support for independent businesses operating away from our local presence.

Our stocks and our branch infrastructure require substantial investment in time and money. Over the past two years we have opened two new branches, in Canberra and South East Melbourne. Canberra has performed above expectations. Canberra is a small market but has proved to be a good decision. South East Melbourne is a larger market and one where more competitors were already operating. In this market we expected it to take time to reestablish our customer base but progress has been slower than planned, particularly over the last 12 months as market conditions tightened.

The third principle of our growth strategy is the establishment of wholesale companies operating as product specialists selling to various retail distribution channels. Globac has now been operating for 4 years and is at last starting to gain traction as a strong competitor in the heavy vehicle brake market.

Globac's own brand of mostly American trailer brake products "hvb", has established an excellent reputation as a high quality, competitive range and is now complimented by special purpose products from other leading global suppliers. Globac also has been appointed as one of four Australian distributors for Wabco, the leading European supplier of heavy vehicle brake controls.

We are currently facing a very difficult market and there have been some long-term changes to demand patterns. However the basic business opportunity for independent distribution of aftermarket parts remains unchanged. It is our intention to continue investing in the above three strategic principles in order to strengthen our position over the long term. Some internal management changes have been made and new staff employed. These moves together with further investment in training will help ensure we are focused on sales and improved market share.

The management accounts for the first four months of this financial year indicate that SNL revenue is flat and profitability is below last year. However within this result there are areas of strong performance. Multispares has delivered strong double-digit sales growth in a number of key product groups and Globac revenue is up 65% compared with the same time last year.

Directors are confident of future opportunities and reiterate the forecast made in our Annual Report of strong profit growth over a 2-3 year time frame. It is your Director's preference to maintain dividends at the highest possible rate during the current downturn however this will have to be reviewed at half year depending on cash demands. Opportunities to improve capital management are being considered.

We would like to thank shareholders for their continuing support and Executives and staff for their dedication, loyalty and effort. You may be assured directors and management are working hard to deliver more positive news at future shareholder meetings.