



SUPPLY NETWORK LIMITED

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18 November 2009

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

Dear Sir

Re: Chairman's Address to Shareholders and Special Dividend Announcement

Please find attached the Chairman's Address to Shareholders at the Annual General Meeting being held at 2.00pm today which including details of a Special Dividend payment.

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 2009 AGM

Welcome to the 2009 Supply Network Annual General Meeting.

I am pleased to advise shareholders that over the first four months of this financial year Supply Network has performed consistently and generally in line with our forecasts.

Based on management accounts for the year-to-date at the end of October, Group sales revenue has increased 7% and EBIT is down 5% when compared with the same period last year. The reduction in EBIT is a result of lower gross margin and increased expenditure on business development activities.

In our Annual Report we forecast a small decline in gross margin "as we emerge from the effects of dramatic decline then partial recovery of the Australian and New Zealand currencies". As at the end of October our average gross margin was down 1% and we expect a similar result over the remainder of this financial year.

Despite the downturn in truck activity and the resulting difficult market conditions, your Directors have pushed ahead with business expansion projects that will significantly strengthen our position over the long term. In our Annual Report we flagged a "transition to a new computer and communications infrastructure". This project, scheduled to be completed in December 2009, will lay a platform for better operating performance in our branch network and low cost E-commerce transactions with major fleet customers.

Our new Illawarra branch is now in its third month of operation. Customer support has been excellent and local business has already increased significantly. Our branch network is a crucial part of our service structure for customers and further investment in this network remains an important consideration in strategic planning.

These types of investment projects are critical elements of our long-term plan for profit growth but in the short term they increase operating costs.

This financial year EBIT is expected to be around \$2.2 million or 10% below last year. Although your Directors would like to see profits improve every year, in the context of the work being undertaken by management we will regard this as a good result for shareholders. Your company will emerge from its current investment strategy stronger and ready to support future growth.

At this time last year there was much uncertainty about the impact of global financial crisis on business activity and profitability. We also faced a substantial increase in gross inventory value had the Australian and New Zealand currencies remained at the bottom of their dramatic devaluing cycle. Although new lines of credit to cover worst case



scenarios were secured through our long term banking partner, under these circumstances your Directors thought it prudent to suspend the payment of a Special Dividend.

Today our circumstances are quite different. Supply Network maintained profitability throughout the downturn and gross inventory value peaked well below worst-case scenarios. As a result our debt to equity ratio remains relatively unchanged at just over 30% and our cash flow from operations is now positive.

In view of this Directors are pleased to announce the payment to shareholders of a 4 cent per share fully franked Special Dividend with a record date of 11 December 2009 to be paid on 22 December 2009.

The Supply Network Dividend Reinvestment Plan will operate in respect of this Special Dividend. Subject to the rules of the DRP shares will be issued at a discount of 5% to the volume weighted average market price (on an ex-dividend basis) of shares traded during the five trading days immediately preceding and inclusive of the Record Date. The DRP will be partially (50%) underwritten, by Taylor Collison Limited, with the issue price capped at 34 cents per share for shareholders and the underwriter. Directors encourage all shareholders to consider participating in this DRP.

The Board would like to thank staff for their efforts to maintain business growth through recent turbulent times. Our strong and consistent results reflect well on the character and depth of staff across all business units. The Board also reminds staff and shareholders of the need for constant process improvement and reinvestment in stock and services to ensure we continue to grow in the intensely competitive markets we supply.

Finally, I take this opportunity to announce to shareholders my intention to retire as Chairman and as a Director of Supply Network at some stage during the second half of this financial year. I have served on your Board for 13 years, the last four as Chairman. Over that time I have had the privilege of participating in the transformation of your company into a progressive, sales-oriented, successful business with strong roots in its industry and broad customer respect.

In my time as Chairman I have overseen the restructure of your Board and I will leave this company in very capable hands. I have commenced discussions with other Directors on the timing of my departure to ensure a smooth transition to my replacement. Shareholders will be advised of decisions as they are made.

The Board thanks shareholders for their continuing support and we look forward to delivering growth in revenue, profitability and dividends over future years.

Garry Lingard

Chairman