



SUPPLY NETWORK LIMITED

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20 November 2013

The Manager
Companies 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

A handwritten signature in black ink, appearing to read 'Peter Gill', with a large, stylized flourish at the end.

Peter Gill
Company Secretary

Chairman's Address 2013 Annual General Meeting

The 2013 Financial Year was once again one of which our management and staff can be proud of.

We experienced increased sales and profit while executing a number of major projects to continue to support our organic growth strategy.

Sales revenue of \$67.8m was up 11.6% on the prior year and on track with our current 3 year plan. Earnings growth of 14.8% was a little ahead of expectations. This was an excellent outcome after absorbing the higher cost base needed to contend with the growth in volume we have experienced. To put this into perspective, our sales have grown by almost 70% in 5 years. A gradual change in product mix has however resulted in an increase in the physical size of the average sale so our increase in volume is even higher than revenue growth would suggest.

This growth is a credit to our sales team but has also created operational challenges that our people have had to contend with, resulting in innovative ideas and some important long term changes to keep our supply chain working efficiently.

Operating cash flow of \$3.4 million was solid considering the growth in inventory. Despite the inventory growth and a year of significant capital expenditure on various initiatives, gearing remains below 20%.

A total of 8 cents in fully franked dividends were declared for the year with our payout ratio remaining steady at around 60% of after tax profit.

Recently the Board travelled to New Zealand to review completed investments in new relocated facilities in Auckland and Wellington as well as other market opportunities. The senior NZ management team has been strengthened and we are already seeing the benefits of broader support and leadership for our plans to increase NZ sales.

The two new Australian branches that opened during the 2013 financial year at Kwinana and Smeaton Grange have extended our sales network and will also operate as regional distribution hubs. This regional distribution strategy is being developed with other supply chain concepts to alleviate pressure on current warehousing and distribution facilities and to drive efficiency improvements over the long term.

Our strategy for the year ahead remains consistent. It will involve further extensions to our sales network and an expanded product range, particularly in the truck market, to support continued organic growth. We now have fifteen branches throughout Australia and New Zealand with plans in place towards the end of the current year for two new branches. We are also well advanced in the relocation of our existing Brisbane branch to a larger, purpose built facility that will provide distribution opportunities for the northern regions.

We have invested in growth projects during uncertain times and will continue to do so where we see it adding value over time for our shareholders.

2014 will again present its challenges, however, your Board remains confident that the plans we have put in place form the foundations for further growth. The first quarter has seen a continuation of the 2013 performance and, subject to external influences, we expect similar growth in sales and earnings for the year to June 2014.

In closing I would again like to thank our employees, my fellow Board members and our shareholders for their long term support.

Thank you for your attendance at the meeting today.