

NEWS RELEASE

9 December 2016

K&S Corporation Limited reaches binding agreement with Scott's Transport Industries Pty Ltd

As previously advised to the ASX on 1 November 2016, K&S Corporation Limited (ASX: KSC) (**K&S Corporation**) has been in discussions with Scott's Transport Industries Pty Ltd (**STI**) to explore whether a binding agreement could be finalised for the possible merger of the business of STI into K&S Corporation, through its subsidiary K&S Freighters Pty Ltd (**K&S Freighters**), via the transfer to K&S Freighters of certain assets of STI.

K&S Corporation is pleased to advise that a binding agreement has now been reached between the parties.

Under the agreement, STI will transfer to K&S Freighters its rights and entitlements under its customer contracts and K&S Freighters will make offers of employment to the current employees of STI and employees of a related entity working in the STI business. K&S Freighters will recognise prior periods of service of transferring employees and STI will transfer to K&S Freighters the value of accrued leave entitlements of those transferring employees.

Background on STI

STI was established by the late Allan Scott AO more than 60 years ago and is one of Australia's largest privately owned transport companies. STI operates a general freight division and a fuel cartage division and has a number of blue chip customers in the manufacturing, FMCG, and fuel sectors. It operates a national footprint.

Strategic rationale

K&S Corporation regards the proposed transaction as an excellent opportunity to further expand its K&S Energy division through the addition of significant fuel cartage operations. The transaction will also provide additional volume to K&S Corporation's existing intermodal and contract logistics divisions. The transaction will lead to a more competitive and stronger combined business in an increasingly challenging environment.

Description of transaction

On the part of K&S Corporation, negotiations for the transaction have been conducted by an independent subcommittee of the board of directors of K&S Corporation. The independent subcommittee of K&S Corporation believes that the terms of the transaction are fair and reasonable in all the circumstances and are otherwise on arms' length terms.

K&S Corporation has received written confirmation from the ASX pursuant to Listing Rule 10.8 that shareholder approval for the transaction is not required under Listing Rule 10.1.

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Having regard to the strict governance criteria required to be satisfied given that STI and K&S Corporation are related parties, STI has agreed (amongst other things) to:

- a nominal purchase price for the assets of STI (largely customer contracts and intangible assets) to be acquired under the agreement;
- rent to K&S Freighters, at market rates, a number of its motor vehicles to support the customer contracts for a period of up to five years;
- provide an option to K&S Freighters (but not the obligation) to purchase any of the rented motor vehicles at market value;
- warrant the financial performance of the business of STI being transferred to K&S; and
- procure the grant to K&S Freighters of licence or lease agreements by land owners who are related parties of STI for the remainder of the transport terminals currently occupied by STI.

As expected with any acquisition, K&S Corporation will undertake a strategic review of operations currently undertaken by STI to maximise the benefits of this transaction for all K&S Corporation shareholders. There will be rationalisation of infrastructure to reduce operational costs.

Timing of transaction

The parties are targeting 30 January 2017 for completion of the transaction.

Further Information:

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