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CHAIRMAN'S REPORT AGM 2018

Good afternoon ladies and gentlemen, I am pleased to welcome you here today and once again report on the Company's performance.

The year has been demanding and challenging on many levels.

Operating revenues increased by 13.2% to $854.6 million.

We achieved a statutory profit before tax of $24.6 million, an increase on the previous corresponding period of 161.7%.

Underlying profit before tax was $11.0 million, an increase on the previous corresponding period of 1.8%.

The underlying profit after tax was $7.7 million, an increase on the previous corresponding period of 2.0%.

Included in our statutory result was a $16.1 million accounting gain relating to claims arising out of the closure of Aurizon's intermodal business in December 2017.

As announced on 13 November 2018, K&S' claims against Aurizon have now been resolved. While the full terms of settlement remain confidential, Aurizon has paid K&S $25 million and transferred the ownership of 65 specialised containers to K&S. As a consequence of the settlement being higher than previously recognised, the 31 December 2018 interim financial statements will include an additional pre-tax benefit of approximately $8.9 million.

Statutory profit also included $1.4 million in returns to creditors paid by the administrators of Arrium following completion of the sale of Arrium to the Liberty Group.

Operating cashflow for the year was $40.8 million which was 17.4% lower than the prior year.

The major variation in operating cash flow was the result of Liberty OneSteel reverting to their pre-Administration payment terms following completion of the sale of Arrium to the Liberty Group.

During the year we were successful in recovering $1.3 million of fuel tax credits that related to the period from 1 July 2014 to 30 June 2017.

Trading margins in Western Australia remain poor.

South32 coal volumes have continued to fluctuate around lower than historical levels as a consequence of on-going mine issues experienced at the Appin colliery and this has resulted in reduced profitability for this contract. While we anticipate that South32 coal volumes will increase in FY19 and some improvements may be seen in the financial contribution of this contract to the group, we will be exiting this work at the end of FY19.

The chemical transport division, Chemtrans, also realised lower returns as a result of reduced market demand.

Both the DTM and New Zealand businesses, which are predominantly aligned to contract logistics, have continued to realise steady improvement with volumes and performance.

Despite reduced agricultural demand, the specialist aviation refuelling business Aero Refuellers has performed well realising further improvement.

Similarly, our fuel trading business, K&S Agencies, has continued to expand and realise solid financial results.

We continue to concentrate on cost reduction strategies, property rationalisation and operational efficiencies. Ongoing cost reduction initiatives have continued to have a positive impact on our results.

Safety

Safety remains a key focus for K&S. Our lost time injury frequency rate increased marginally to nine.

Our lost time injury frequency rate in New Zealand has remained at 7.0, consistent with the previous year.

Dividends

The Company paid a fully franked final dividend of 2.0 cents per share (2017 2.0 cents per share) on 2 November 2018. This followed the interim dividend of 2.0 cents per share paid in April 2018, making a total dividend of 4.0 cents per share for FY18.

The dividend reinvestment plan (DRP) once again applied in respect of the fully franked final dividend of 2.0 cents per share paid on 2 November 2018, with the issue price for shares under the DRP being $1.5806.

Trading Update

Providing earnings guidance of FY19 remains difficult given the seasonality of our business and the strong concentration of revenues and profits to the second quarter of the financial year.

We currently expect statutory first half profit before tax to be approximately double the prior comparative period as a consequence of the Aurizon settlement. We also expect underlying first half profit before tax for FY19 to be approximately 30% to 40% down on the prior corresponding period. The underlying result in the first half of FY19 has been adversely impacted by increased costs sustained in the rail division following the exiting by Aurizon of its intermodal rail business last year.

We continue to review the industry segments in which we operate as well as the ways in which offer our services to the market.

We will continue to evaluate potential acquisitions where they fit our strategic objectives.

Non-executive Director Appointment

In May 2018, we appointed Graham Walters AM FCA to the Board as a non-executive director. Mr. Walters is a former Chairman of Partners South Australia of KPMG and a former Chairman of Westpac South Australia. He brings with him a wealth of experience from his professional background and from acting as a director and financial advisor to numerous public, private and government entities.

Change of CFO

In October 2018, we appointed Wayne Johnston as CFO. Mr Johnston has extensive commercial, ASX listed, capital and restructuring experience encompassing multiple international and domestic jurisdictions.

This followed the decision by our former CFO, Bryan Walsh, to retire after more than 16 years as CFO. We thank Mr Walsh for his dedicated service and wish him well in his retirement.

On behalf of the Board, I thank our customers, suppliers and employees, who have contributed to the continued success of the business.

In particular, I thank the senior management team, led by Paul Sarant, for their ongoing commitment and dedication in difficult times.

I will now hand over to Paul Sarant who will address the operational aspects of the business.

Tony Johnson
Chairman

MANAGING DIRECTOR'S REPORT 2018

Year Overview

The environment in which a number of our divisions operate remains challenging and this was reflected in our results for FY2018.

Our lost time injury frequency rate (LTIFR) across the Group increased marginally to nine.

We have in general realised increased steel volumes from our major customers, servicing infrastructure and commercial construction projects predominantly on the eastern seaboard.

Port Kembla South32 coal volumes were lower than expected in FY2018, with ongoing mining related issues restricting production and reducing the financial contribution of this contract.

The growth of our K&S Energy business, servicing major petroleum and gas providers, has continued throughout the year. Annualised Chemical volumes reduced, albeit activity firmed in the latter half of FY2018.

New Zealand performed strongly across the key industry segments of steel, dairy and timber. DTM and K&S' fuels agency business also performed well in FY2018.

While volumes are growing in Western Australia, we continue to operate in a poor margin environment. South-West Western Australia timber volumes softened.

I will now provide more detail on several components of the Group.

Safety

We have an internal target to reduce our LTIFR by 40% within 12 months and have put in place key measures and process changes to achieve this target.

Preparation for the introduction of the updated Heavy Vehicle National Law (HVNL) which came into effect on 1 October 2018 was a major focus during FY2018.

The amendments to the HVNL see the imposition of general duties upon all parties involved in the transport of goods and deals with mass/dimension/load restraint, fatigue, speed and vehicle standards.

As part of our preparation for the introduction of the updated HVNL, K&S hosted several customer workshops in Sydney and Melbourne. The workshops attracted around 150 representatives of major customers and were held in conjunction with law firm Corrs Chambers Westgarth and risk management experts RiskCom.

K&S has also played a key role in the National Heavy Vehicle Regulator's Safety Industry Operations Group and assisted with input to the development of an industry master code of practice for heavy vehicle safety to underpin compliance with the HVNL.

Workplace drug and alcohol testing was further expanded. During the past two years, the amount of drug and alcohol testing across the Group has more than doubled.

Environment

Ongoing fleet upgrades have enabled K&S to continue its emission improvements.

Despite having a fleet almost 60% larger than that in place in 2003, our NOx and particulate matter emissions are only 71% and 88% respectively of 2003 levels.

Carbon dioxide generation for FY2018 was 190,000 tonnes, up from 162,000 tonnes the previous year. However, the latest figures incorporate a substantially increased fleet following the completion of the merger with Scott's Transport Industries in January 2017.

Compliance

K&S successfully achieved ISO 9001:2015 accreditation standards during the year.

All other relevant accreditations were maintained, including WA Main Roads, NHVAS Mass, Maintenance and Basic Fatigue Management, accreditation for Food Safety/HACCP and TruckSafe accreditation.

Energy and Chemicals

During the year activity in K&S Energy increased. Post the merger with STI we have a large fuel transport fleet operating in all states of Australia, servicing most major brand players.

Chemtrans experienced challenging trading conditions, particularly on the eastern seaboard, with softening revenues driven by reduced chemical transport demand. Activity did improve in the latter half of FY2018.

During the year the consolidation of the Chemtrans Victoria operations into a new purpose-built company owned facility at Truganina was completed. The new facility also provides for Dangerous Goods isotainer storage.

This development has been well received by customers and offers K&S the opportunity to expand its service offering.

We also relocated the Sydney Chemtrans and K&S Energy operations into our company owned Enfield facility.

Both of these initiatives are consistent with our focus to reduce externally leased properties and consolidate operations in key company owned facilities.

Fleet replacements in both the Chemtrans and K&S Energy fleets continued. We continue to introduce safer and more cost-effective fleet.

K&S Freighters

K&S Freighters rail transport operations were adversely impacted during the busy December 2017 to January 2018 period when rail provider Aurizon withdrew its services, exiting its intermodal business.

This resulted in new arrangements being urgently negotiated with Pacific National during the busy Christmas-New Year period. We are incurring increased costs in our rail transport operations under the new arrangements with Pacific National.

As announced on 13 November 2018, we have recovered some compensation from Aurizon in relation to the exit by Aurizon of its intermodal rail business.

While some initial disruptions were experienced in our rail transport operations, by March 2018 capacity across the network had reached satisfactory levels.

Steel volumes from our major customers were strong in FY2018, with that strength related to infrastructure and commercial construction projects predominantly on the eastern seaboard.

We currently anticipate that steel volumes will remain buoyant on the back of the various infrastructure projects that have been announced by state governments.

The K&S Freighters road fleet continued to be upgraded, with further new, predominantly Scania, prime movers added.

Trailer replacements continue to be progressed with increased effective payloads.

Western Australia

Although the State's mining sector is more active, trading margins remain poor.

Heavy Haulage is experiencing some revenue growth as mining companies and suppliers upgrade and refurbish specialist machinery.

Consequent to reduced market activity, K&S South West has down-sized its raw timber transport operations, exiting the cartage of several round wood and chip customers.

Waste transport performed well with extensions to existing contracts being awarded.

We have also recently completed the redevelopment of our company owned property at Welshpool in Perth for a tenant which will occupy this property under a 15 year lease.

New Zealand

New Zealand performed strongly, with new contracts encompassing the key industry segments of steel, paper, dairy and timber.

Steel cartage was strong and volumes continue to grow. Additional specialist vehicles were added to the fleet to satisfy this higher volume.

Key warehousing contracts were extended by an additional three years.

Increased woodchip revenue was realised with new agreements executed and existing contracts extended.

The Company maintained its New Zealand Transport Authority 5-star carrier certification.

DTM

A concerted diversification into the agricultural sector highlighted a solid year of activity.

During FY2018 DTM was awarded contracts in the dairy and poultry sectors.

Warehousing activity nationally remained steady.

DTM’s expertise in the provision of contract logistics continues to provide sound returns.

K&S Fuels

In September 2017, K&S Fuels acquired the Caltex South East business from Caltex Australia, relocating to the larger Mount Gambier Graham Road depot.

Three additional truck stops have been added to the network in the South Australian Green Triangle Region.

Agricultural and fishing diesel sales increased. Retail business also improved.

Aero Refuellers

Early in the year Aero Refuellers activity was adversely impacted by warmer dry winter conditions predominantly in regional New South Wales.

The near drought conditions in some locations resulted in reduced general agricultural aviation work, such as crop dusting and fertilising.

Later in the year this was more than offset by increased demand for refuelling services for helicopters and aircraft fighting bushfires during an extended fire season, particularly in north east Victoria and throughout New South Wales.

Additional road-based refuelling tankers have been added to the Aero Refuellers fleet prior to the forthcoming fire season.

Outlook

We have clear objectives and strategies to grow our business and continue to improve its financial performance, to ultimately provide our shareholders an improved return on their funds.

We have remained consistent with the strategies we put in place several years ago focusing on the creation of customer supply chain value, operational cost reductions, sales growth, market diversification and differentiation using IT support as a key enabler.

We have continued our ongoing business improvement program, with our executives responsible for delivering specific profit improvement initiatives across their operational areas of responsibility.

We continue to review the business in detail to ensure that all activity generates an acceptable rate of return. Our current focus includes the general freight businesses in Western Australia, South Australia and the Northern Territory.

In closing I would like to take this opportunity to express my sincere thanks to all the employees, and supporters of K&S, who have worked exceptionally hard to continue the improvement of our Company.

Paul Sarant
Managing Director and CEO