

**NEWS RELEASE****26 February 2019****KSC Announces First Half Result 2019**

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The Directors of K&S Corporation Limited (ASX: "KSC") today announce a statutory profit before tax of \$13.8 million for the half year ended 31 December 2018. The result is 105.8% higher than the prior corresponding period.

Statutory profit after tax was \$9.6 million, up 108.4% on the previous year first half statutory profit after tax of \$4.6 million.

Operating revenue for the period was \$471.5 million, 12.9% higher than the prior corresponding period.

Included in the statutory profit before tax for the half year ended 31 December 2018 is a \$9.5 million (pre-tax) accounting gain relating to the settlement of claims arising out of the closure of Aurizon's intermodal business in December 2017.

The underlying profit before tax<sup>1</sup> of \$4.3 million was 19.2% lower than the prior corresponding period.

The underlying profit after tax<sup>1</sup> of \$3.0 million was 17.9% lower than the prior corresponding period.

Operating cash flow for the first half was \$26.9 million, up 97.7% on the prior corresponding period. The increase in first half operating cash flow was driven by the receipt of \$25 million in settlement proceeds from Aurizon.

Steel volumes from our major customers remain buoyant on the back of various infrastructure projects that have been announced by state governments. This has contributed positively to the performance of our K&S Freighters business on the eastern seaboard.

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

Our specialised aviation refuelling business, Aero Refuellers has performed solidly in the first half of FY19. Similarly, our fuel trading business, K&S Fuels, has continued to provide sound financial results.

Trading margins in Western Australia remain poor. K&S South West also down-sized its raw timber transport operations, exiting the cartage of several timber based customers.

The chemical transport division, Chemtrans, continues to experience reduced market demand. Our fuel cartage division, K&S Energy, has also experienced reduced market demand and performance in the first half of FY19.

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We continue to incur increased costs in our rail transport operations under new arrangements with Pacific National following the closure of Aurizon's intermodal business. The Adelaide – Darwin corridor has also experienced subdued market demand.

South32 coal volumes have strengthened in FY19, with improved financial results being realised from this operation. However, we will be exiting the South32 coal contract at the end of FY19.

In October 2018, we completed the redevelopment of our company owned property at Welshpool in Perth for a tenant who will occupy this property under a 15 year lease.

Cost reduction strategies have continued to be implemented across the business, in particular, operational efficiencies, supplier re-negotiations, and the rationalisation and replacement of specific fleet. Ongoing cost reduction initiatives have continued to have a positive impact on the result for the first half of FY19.

### Interim Dividend

A fully franked Interim Dividend of 2.0 cents per share (2018, 2.0 cents per share) has been declared by the Directors. The interim dividend will be paid on 4 April 2019, with the date for determining entitlements being 21 March 2019.

The dividend reinvestment plan (DRP) will apply to the interim dividend. The issue price for shares under the DRP will be based on the volume weighted average price of the Company's shares in the 5 trading days ended 21 March 2019, with a discount of 2.5%.

The last election date for participation in the DRP is 22 March 2019. Shares issued under the DRP will rank equally with the Company's ordinary fully paid securities.

### Outlook

Providing earnings guidance for the second half remains difficult.

We continue to review the industry segments in which we operate as well as the ways in which we offer our services to the market. Our current focus includes the general freight businesses in Western Australia, South Australia and the Northern Territory.

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### Further Information:

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1. Underlying profits are categorized as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. The adjustment in the current period relates to the settlement of a claim made by the Group against its former rail provider. The prior period adjustment relates to a dividend received from the Arrium administrator. The exclusion of these items provides a result which, in the Directors view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has not been subject to review by the auditor.

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