

NEWS RELEASE

23 August 2018

K&S Corporation Limited announces Full Year Result

The Directors of K&S Corporation Limited (ASX: "KSC") today announce a statutory profit before tax of \$24.6 million, an increase on the previous corresponding period of 161.7% for the full year ended 30 June 2018.

Operating revenues increased by 13.2% to \$854.6 million.

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 receivable relating to compensation arising out of the closure of Aurizon's intermodal business in December 2017. K&S' claim has not yet been resolved. K&S is confident that it will recover at least \$16.1 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 being 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.

Market activity in the Western Australian resource business has started to gain momentum in the second half of the year. In addition, we were also awarded a contract for Roy Hill. Activity levels are expected to continue to improve following the recent announcement of new mine developments. Trading margins remain under pressure from high levels of competition.

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. We anticipate that South32 coal volumes will increase in 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.

K&S Corporation Limited

ABN 67 007 561 837

591 Boundary Road

Truganina Vic 3029

PO Box 57

Laverton Vic 3028

Australia

Ph (03) 8744 3500

Fax (03) 8744 3599

Website

www.ksgroup.com.au

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 has remained steady at 9.0. Our lost time injury frequency rate in New Zealand has remained at 7.0, consistent with the previous year.

Dividend

The Directors have declared a fully franked final dividend of 2.0 cents per share (2017 2.0 cents per share). This follows 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 final dividend will be paid on 2 November 2018, with the date for determining entitlements being 19 October 2018.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully franked final dividend of 2.0 cents per share payable on 2 November 2018. The last election date for participation in the DRP is 22 October 2018.

The terms of the DRP will remain unchanged, with the issue price under the DRP being the volume weighted average price for K&S shares in the five business days ending on 19 October 2018 (the record date of the final dividend) less a discount of 2.5%.

Outlook

Providing earnings guidance going forward remains a difficult task.

While debt levels increased in FY18, we have maintained a sound balance sheet.

We will continue to focus on organic growth, particularly in market segments that will deliver stronger returns on investment. Opportunities for potential acquisitions will also be closely evaluated within strategic guidelines.

Further Information:

Mr Paul Sarant
Managing Director
Ph: (03) 8744 3528
Paul.Sarant@ksgroup.com.au

Mr Bryan Walsh
Chief Financial Officer
Ph: (08) 8721 1706
Bryan.Walsh@ksgroup.com.au

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