K&S CORPORATION LIMITED

NEWS RELEASE
24 November 2020

K&S Corporation Limited
Annual General Meeting

The K&S Corporation Limited (ASX: KSC) annual general meeting ("AGM") commences at 2:00pm AEDST on 24 November 2020.

Please find attached for immediate release to the market:

- Chairman's AGM address;
- Managing Director's AGM address; and
- AGM slide show.

By authority of the Board of Directors
K&S Corporation Limited

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Chairman's Address – 2020 AGM

Good afternoon ladies and gentlemen, I am pleased to report on the performance of K&S Corporation Limited (ASX: KSC) and its subsidiaries (the "Group") for the year ended 30 June 2020.

Safety

Safety remains a key focus for the Group. The Group's lost time injury rate improved, reducing from 10.0 at the end of last year to 6.6 at the end of FY20.

While the improvement in the Group's safety performance in FY20 was significant, sadly we experienced a work related employee fatality earlier this month. Prior to this incident, the Group had only experienced one work related fatality in the past decade.

Any fatality is extremely concerning and this incident has been upsetting for our entire workforce.

I extend our sincere condolences to the family of this employee, as well as to the members of his work group.

Trading Performance

Trading conditions in the transport and logistics segments and regions that the Company operates in remain challenging.

Operating revenues for the period were $790.6 million, 12.7% lower than the prior corresponding period.

The Group reported a statutory profit after tax of $11.2 million, up 384.1% on the previous year's statutory profit after tax of $2.3 million.

Included in the Group statutory result for FY20 was $12.4 million (before tax) attributable to JobKeeper and $1.3 million (before tax) in New Zealand wage subsidy, both of which were received in the June 2020 quarter. Offsetting these were a number of other significant items relating to debt refinancing, restructuring and the sale of the WA Regal General Freight business. These items totalled $8.4 million.

After adjusting for the above significant items including government wage subsidies, the FY20 underlying profit before tax was $12.0 million, an increase of 270.1% on the prior corresponding period. The underlying profit after tax was $8.4 million, up on the prior corresponding period by $6.1 million.

Operating cashflow for the year was $83.1 million, 34.4% higher than for the previous year, which included benefits derived through continued and improved working capital management as well as government wage subsidies.

The Australian Transport business delivered a strong improvement in results compared to the last year. Full year revenue declined due to a combination of the cessation of contracts, divestment of underperforming business units and customer activity reduction consequent to COVID-19.

The New Zealand business produced a sound result in FY20, despite the Stage 4 COVID-19 lockdowns in place from 23 March 2020 to 26 April 2020. The New Zealand business continues to realise growth through the provision of its integrated and value adding service offering, with further business diversification also being achieved.

The fuel trading business has again provided sound financial results, despite demand softening in the June 2020 quarter consequent to COVID-19. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

COVID-19

In the June 2020 quarter, the Group experienced reduced revenues in a number of business units in Australia and New Zealand as a result of COVID-19. Revenues for some business units have continued to be adversely impacted by COVID-19 in the first half of FY21.

With the exception of the Stage 4 lockdown imposed in New Zealand between 23 March 2020 and 26 April 2020, the Group's operations have not been subject to any Government mandated shut-downs or state border closures.

The Group enacted its existing well-structured pandemic protocols to assist manage the safety of employees. The Group has also implemented measures to mitigate potential impacts of COVID-19 upon its continued ability to fulfil core managerial, administrative, operational and customer service functions.

I am pleased to say that to date the Group has remained free of any COVID cases.

Balance Sheet and Funding

The Group successfully completed the refinance of its debt facilities in April 2020. The Group secured a new $200 million debt facility that completely re-financed the previous debt arrangements that included a significant number of hire-purchase lease contracts. Leveraging the Group's sound balance sheet, the new debt package provides improved terms, liquidity, pricing and debt covenant headroom and does not require any mandatory amortisation in FY21.

The debt facility comprises funding in three year tranches totalling A$150 million and five year tranches totalling A$50 million, and will be utilised for fleet capex, working capital and general corporate purposes. The debt facility was provided by two of the Group's existing lenders, Westpac and NAB, with the addition of a new lender, Bank of China.

The Group's net asset position increased by 6.3% to $255.4 million in FY20.

The Group's gearing ratio (excluding lease liabilities) reduced to 21.4% at 30 June 2020, compared to 35.4% in the prior year.

Dividend

The Directors are cognisant of the fact that whilst the statutory earnings for FY20 included significant contributions from government wage subsidies, the Group's underlying earnings also improved significantly compared to the prior year. The final dividend declared was determined with reference to the underlying net profit after tax, as opposed to the statutory profit after tax, and specifically excluded any impact of government wage subsidies from the dividend calculation.

The Group paid a fully franked final dividend of 3.0 cents per share (2019: 0.0 cents per share) in November 2020. This followed the fully franked interim dividend of 2.0 cents per share paid in April 2020, making the total fully franked dividend 5.0 cents per share in respect of FY20.

Directors elected to suspend the dividend reinvestment plan (DRP) in respect of the final dividend as they believed that it was in the best interests of Shareholders to suspend the DRP as the Group's shares were trading at too great a discount to the net tangible asset backing of $1.74 per share and the issuing of shares under the dividend reinvestment plan would be dilutionary to existing shareholders.

Management Changes

Wayne Johnston ceased as Chief Financial Officer on 16 December 2019 and Raunak Parikh was appointed to the position of Chief Financial Officer on 1 April 2020.

Trading Update

Providing earnings guidance for FY21 remains difficult given the seasonality of our business and the strong concentration of revenues and profits to the second quarter of the financial year. This has been exacerbated by the uncertainties created by COVID-19.

We currently expect first half underlying profit before tax for FY21 to be in line with or exceed the prior corresponding period.

The Group has also received $16.6 million in JobKeeper subsidies in the first half of FY21. While not forming part of the Group's underlying result, the JobKeeper subsidies will be included in the Group's statutory result for the first half of FY21.

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 Directors AGM Address - 2020

Thankyou Mr Chairman,

Following on from previous years we have continued to focus on initiatives that improve all facets of K&S Corporation Limited (ASX: KSC) and its subsidiaries (the "Group"), and in doing so provide increased shareholder and customer value.

The markets within which our divisions operate remain competitive, with COVID-19 providing additional challenges in the latter part of the year.

Our safety performance has continued to improve, illustrated though a significant reduction in our lost time injury frequency rate.

Whilst Group revenue has decreased from the prior corresponding period by 12.7% to $790.6 million, this was generally as a result of specific actions that provided accretive outcomes and flowed through to our improved underlying profit before tax, noting that several of the profit improvement initiatives that were completed in the current year were commenced in prior periods.

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

Safety

The Lost Time Injury Frequency Rate across the Group decreased from 10.0 in the previous year to 6.6 in the current year.

In addition, the total reportable injury frequency rate reduced by approximately 20% compared to the previous year.

The Group has continued to invest heavily and proactively in load restraint training. In September 2019, this investment was recognised at the 30th Australian Freight Industry Awards where the group was provided the Investment in People Award.

The application of our revised load restraint training methods provided immediate benefits, with manual handling injury rates declining by approximately 25% during the year.

The improvement of all facets of our safety performance remains a high priority.

COVID-19

The global COVID-19 pandemic has presented the business with a new series of challenges concerning the ongoing safety our employees, contractors, sub-contractors and those who we interact with every day to provide transport and logistics services for our customers and communities.

Our New Zealand operation experienced a quick move into a Stage 4 lockdown imposed by the New Zealand Government between 23 March 2020 and 26 April 2020. Transport volume reduced during this period to approximately one third of its normal demand.

From March 2020 onwards, the Australian operations experienced increased operational constraints with both Federal and State based COVID-19 lockdown restrictions in place. The Group's operations

were not subject to any Government mandated shut-downs or state border closures. We did, and continue in some instances to, experience some significant reductions of demand.

We quickly enacted pandemic protocols to assist manage the safety of our employees, and implemented measures to mitigate any potential impacts of COVID-19 upon our capability to fulfil core managerial, administrative, operational and customer service functions.

The engagement, commitment and leadership displayed by all our workers to ensure our workplace remained safe during this pandemic has been of the highest order.

As an essential service provider, we have continued to operate throughout the pandemic, albeit with alterations to state and territory border crossing controls, ensuring supply chains remain in place for our customers and the broader community.

In the year the Group had nil reported COVID-19 cases.

We continue to operate with strict control regimes in place.

As we exit COVID-19 state based restrictions, our primary concern will remain the welfare of our employees and their extended families.

The concerted efforts and dedication of our employees, and their proactive engagement, must be acknowledged as a major contributor to our success, and as such I wish to again praise and thank everyone.

Australian Transport

Intermodal and Import/Export

Intermodal operations performed well, particularly on the eastern seaboard. Asset utilisation further improved in both linehaul road and rail operations.

Intermodal steel and timber volume from our major customers was strong. Major infrastructure projects undertaken by the various State and Federal governments underpinned these activity levels, and despite the recent decline in domestic housing and apartment construction, are forecast to remain the same in the immediate future.

Full year revenue declined due to a combination of the cessation of contracts, divestment of underperforming business units and customer activity reduction consequent to COVID-19. The implementation of cost reduction strategies continued across the business, contributing strongly to improved underlying profit.

Contract & Specialist Logistics

Our contract logistics business has continued the previous trend of year on year growth, with another strong performance.

Diversification and expansion into non-traditional sectors continued, with new contracts being awarded and commenced during the year across the country.

A strong focus on safety, service excellence and differentiation remain core to the business, underpinning the value proposition to customers and establishing long term sustainable partnerships. The core business provides consistent volume activity and financial returns, underpinned by focussed cost management and fleet utilisation.

Heavy Haulage demand was firm throughout the financial year. Fleet upgrades were progressed, with additional assets being added early in FY2021.

Whilst not shielded from the impact of the COVID19 pandemic, the diversified customer base and industry segments did assist in limiting the direct impact the pandemic has had on the business.

Chemical and Fuel Transport

There has been steady improvement in our chemical and energy transportation businesses in FY2020, with a range of restructuring initiatives having a positive impact over the course of the year.

The improvements were offset by a fall in volumes, especially in the energy business during the COVID-19 period as fuel demand declined significantly in the June 2020 quarter.

Aviation Services

Our specialised aviation refuelling business performed well with strong activity levels in support of regional firefighting efforts. With better than previous year's rainfall, agricultural support also increased.

Consequent to COVID-19, significant volume reductions were experienced in the June 2020 quarter with traffic through many regional airports that we support materially declining.

A new refuelling installation was commissioned at Bathurst Airport in March 2020. Construction of our largest and most recent installation at Port Hedland International Airport (WA) was commenced, with commissioning currently underway.

The fleet upgrade and expansion program has continued with our firefighting capacity increased further.

New Zealand

Despite the Stage 4 COVID-19 lockdowns put in place from 23 March 2020 to 26 April 2020, which materially impacted our fleet utilisation, our New Zealand operation has realised a solid result in FY2020. Industry segments such as dairy, steel and timber performed strongly this year, underpinning the overall performance.

Operating cashflows remain strong and debt has reduced to record low levels. Further growth and diversification of the revenue base remain key priorities, leveraging the strong and expandable infrastructure that has been put in place over the past 5 years.

Fuel Agency

In an exceptionally competitive market, the fuel trading business provided sound financial results. A softening of demand was experienced in the June 2020 quarter consequent to COVID-19.

The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition.

Our South Australian regional network was marginally increased with the addition of a new retail shop and service station at Kingston SA.

Human Resources

Employee engagement and communications programs remain a high priority and area of focus across the business.

Further development of our employee smartphone App was completed to support our training and engagement programs aligned to our core values.

We continue to align the operational and management structures to service the needs of business units and customers, whilst maintaining our strong focus on the retention and development of skilled and qualified employees as K&S' most valuable asset.

Environment

Ongoing fleet upgrades have enabled the Group to continue its emission improvements. During the year vehicle emissions reduction reached 76% of 2003 levels for NOx, up from 74%, and 93% for particulate matter compared with 91% last year.

Carbon dioxide generation for 2018-19 was 180,886 tonnes, down from 199,000 tonnes from the previous year.

Compliance

K&S has maintained ISO 9001:2015 accreditation standards, including other relevant accreditations which included: WA Main Roads, NHVAS Mass, Maintenance and Basic Fatigue Management, accreditation for Food Safety/HACCP and TruckSafe accreditation.

Other Items

While the improvement in the Group's safety performance in FY2020 was significant, sadly we experienced a work related employee fatality earlier this month in a single vehicle accident. Prior to this incident, the Group had only experienced one work related fatality in the past decade.

Any fatality is extremely concerning and this incident has been upsetting for our entire workforce.

We extend our sincere condolences to the family of this employee, as well as to the members of his work group.

A Group stop for safety mandate was actioned to reinforce our proactive vigilance at all times with regards to on road safety.

The implementation and realisation of profit and cash improvement and debt reduction strategies has successfully continued across the business, contributing strongly to improved underlying profit in the current year.

Major components of this process included the exiting of eleven externally leased sites, the divestment in August 2019 of our Western Australian general freight business (Regal), the release of significant working capital and the sale of a significant portion of the surplus operating fleet. We also ceased providing support to the South32 Coal operations, terminated several underperforming fuel transport contracts and closed the Hyde Park tank washing services business

We also remain focused on improving operational efficiencies and achieving increased benefits through supplier renegotiations. As such we have also recently commenced a competitive market tender of our fuel, oil and lubricants requirements. All major cost inputs will be subject to this ongoing process.

We have recently completed negotiations for the purchase of a large parcel of industrial land and the construction of a modern transport facility in High Wycombe, Perth. This new key site will support our contract logistics, chemical and heavy haulage operations. It will also include a new maintenance facility. The construction of the new facility will provide us the ability to exit a further two externally leased properties, which combined with improved operational efficiencies will realise an accretive benefit.

Ongoing cost reductions are expected to continue to be accretive in FY2021, although as we commence the new period in softer market conditions adversely impacted by COVID-19, these may be offset by other items.

I would like to take this opportunity to thank our senior management team, all employees, and supporters of and providers to K&S, who have collectively worked exceptionally hard to continue to improve our Group.

I also wish to thank all customers for their support though this challenging year.

www.ksgroup.com.au

K&S CORPORATION LIMITED

Everybody Safe Everyday

K&S Corporation Limited Annual General Meeting

- Welcome and open the meeting
- Virtual AGM as result of COVID-19

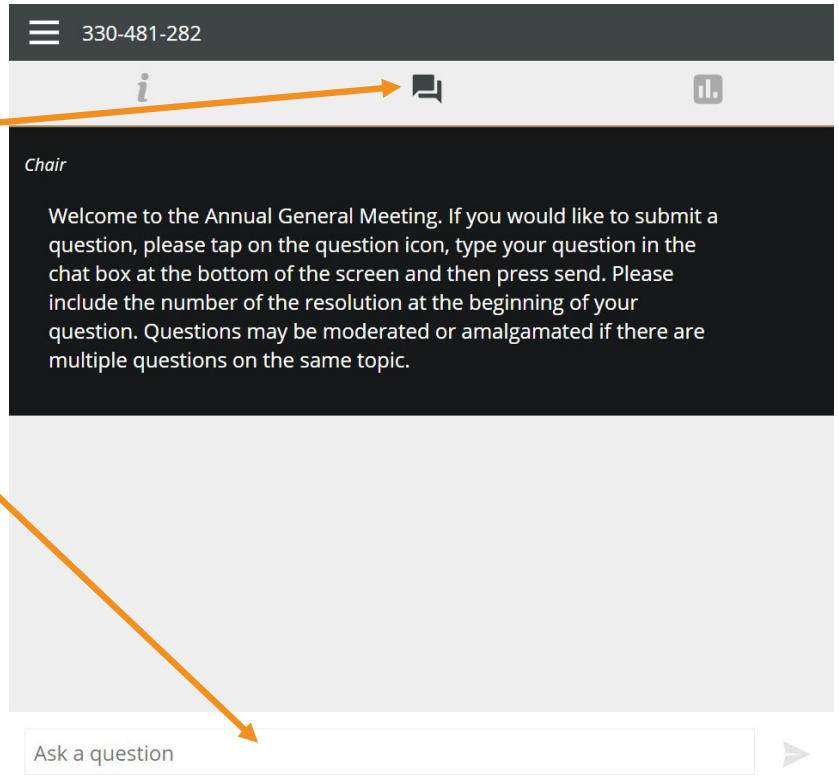
Online Attendees – Question Process

When the Question function is available, the Q&A icon will appear at the top of the app

To send in a question, click in the 'Ask a question' box, type your question and press the send arrow

Your question will be sent immediately for review

Received



K&S CORPORATION LIMITED

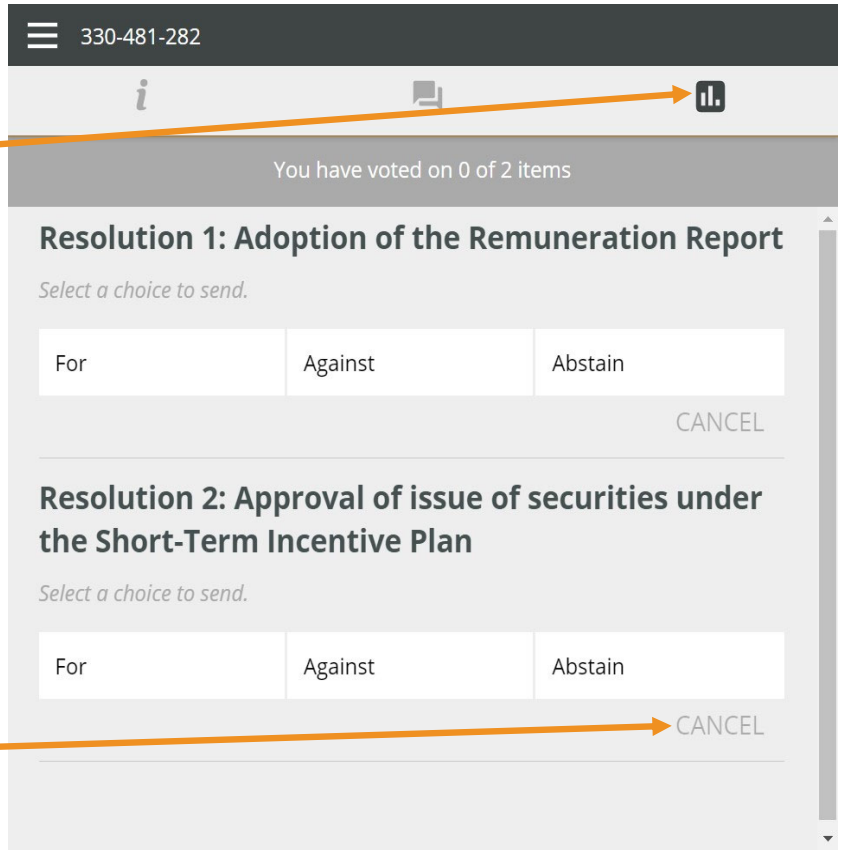
Online Attendees – Voting Process

When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen

To vote simply select the direction in which you would like to cast your vote. The selected option will change colour

For	Against	Abstain

There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed



LUMI

K&S CORPORATION LIMITED

Chairman's Report

- LTIFR falls from 10.0 to 6.6 (-34.0%)
- Operating revenues $790.6 m (-12.7%)
- Statutory PAT $11.2 m (+384.1%)
- Underlying PAT $8.4 m (+257.1%)
- JobKeeper and NZ wage subsidies $12.4 m
- Refinancing, restructuring and other significant items (-$8.4 m)
- Statutory PBT $16.1 m (+403.3%)
- Underlying PBT $12.0 m (+270.1%)
- Operating cashflow $83.1 m (+34.4%)

Chairman's Report cont'd

- Australian Transport CGU delivered strong improvement on pcp
- Regal Transport divested and cessation of under-performing contracts
- New Zealand CGU maintained good performance with growth and diversification
- Fuel CGU maintained sound performance despite strong competition
- COVID-19 impacted some divisional revenues
- COVID-19 pandemic controls implemented
- No positive COVID-19 cases

K&S CORPORATION LIMITED

Chairman's Report cont'd

- $200 m debt refinance completed
- Improved terms, liquidity, pricing and debt covenant headroom
- Westpac, NAB and Bank of China
- Net assets $255.4 m (+6.3%)
- Gearing (excl lease liabilities) 21.4% (-39.6%)
- FY20 fully franked dividend 5.0cps (+150%)
- JobKeeper subsidy excluded from dividend calculations
- DRP suspended for final dividend

Chairman's Report cont'd

- New CFO – Raunak Parikh
- Currently expect 1HFY21 underlying PBT to be in line with or exceed pcp
- 1HFY21 statutory PBT to include $16.6 m of JobKeeper subsidies
- Thank you to our customers, suppliers and employees

Managing Director's Report

Overview:

- Operating environment remains competitive, with COVID-19 providing additional challenges
- Improved underlying result on the back of reduced revenue

Safety:

- LTIFR reduced from 10.0 to 6.6 and TRIFR reduced ≈ 20%
- Manual handling injuries down ≈ 25%

COVID-19:

- Pandemic protocols for COVID-19
- Nil COVID-19 cases
- NZ COVID shut down: 23/03/20 – 26/04/20
- No Australian shut downs, but state border controls
- Some COVID-19 related revenue impacts

Managing Director's Report cont'd

Australian Transport CGU:

Intermodal:

- Good performance from intermodal
- Improved asset utilisation
- Intermodal steel and timber strong, supported by major infrastructure projects
- Revenue declined with contract cessations, divestment, and COVID-19 impacts
- Ongoing cost reduction strategies

Contract Logistics:

- Contract logistics delivered yoy growth
- New contracts and diversification

Managing Director's Report cont'd

- Differentiation and strong value proposition
- Consistent volumes and financial returns
- Heavy Haulage steady with fleet upgrades

Chemical and Fuel Transport:

- Steady improvement with restructuring
- June 2020Q COVID-19 volume impacts

Aviation Services:

- Good performance
- Strong fire season, plus good ag season
- June 2020Q COVID-19 volume impacts
- New airport facilities at Bathurst and Pt Hedland
- Fleet upgrades and expansion

Managing Director's Report cont'd

New Zealand CGU:

- Solid FY20 result
- Dairy, steel and timber strong
- Good operating cashflows and paying down debt
- Growth and diversification targeted

Fuel CGU:

- Sound FY20 result
- High levels of competition
- New service station at Kingston SE

HR:

- Employee engagement focus
- Employee smartphone App - KasCom

Managing Director's Report cont'd

Compliance:

- Accreditations maintained

Other Items:

- Recent work related fatality – national 'stop for safety' meeting
- Profit and cash and debt reduction strategies delivered
- Exited 11 externally rented sites
- Divested Regal and closed S32 and Hyde Park Tank Depot
- Exited under-performing contracts
- Procurement savings
- High Wycombe, WA, development
- Thank you to our customers, suppliers and employees

K&S CORPORATION LIMITED

FY20 Financial Report

FINANCIAL STATEMENTS AND REPORTS FOR FY20 TABLED BEFORE THE MEETING

QUESTIONS FOR THE AUDITORS OR DIRECTORS

K&S CORPORATION LIMITED

Remuneration Report

- Remuneration to attract and retain quality people to grow shareholder value
- Advisory vote, but directors will have regard to the views of shareholders and the 'Two Strikes' rule applies
- Key management personnel and closely related parties excluded from voting

"That the Remuneration Report for the year ended 30 June 2020 as distributed to Shareholders and submitted to the meeting be adopted."

Election of Directors

- Tony Johnson:

  "That Mr Anthony Francis Johnson, being a director of the Company who retires by rotation pursuant to rule 84(a) of the Constitution of the Company, and being eligible, is re-elected as a director of the Company."

- Graham Walters AM:

  "That Mr Graham Douglas Walters AM, being a director of the Company who retires by rotation pursuant to rule 84(a) of the Constitution of the Company, and being eligible, is re-elected as a director of the Company."

Close of Voting

- Voting will close in 2 minutes
- Votes to be scrutinised by Computershare
- Results released to ASX after the meeting

General Business

- No items of general business
- Questions?
- Meeting closed