K&S CORPORATION LIMITED

News Release
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K&S Corporation Announces First Half Result

The Directors of K&S Corporation Limited (ASX: "KSC") today announced an after tax loss of $88.4 million for the half year ended 31 December 2015, which included asset impairments of $92 million. The underlying profit after tax was $3.6 million.

The underlying profit after tax result was 56% lower than the previous corresponding period performance, but is better than the guidance provided on 24 November 2015 that the first half of FY16 would be 75% lower than the prior corresponding period. This improvement was driven by stronger December 2015 trading than was anticipated at the time of providing guidance.

Reconciliation of statutory profit after tax to underlying profit after tax:

	$m
Statutory profit after tax	(88.4)
Impairment of intangibles	77.7
Impairment of physical assets	14.3
Underlying profit after tax	3.6

K&S Corporation's profit before tax and significant items for the first half of FY16 was $5.1 million, 44% lower than the prior corresponding period.

Operating cash flow for the half year was $26.9 million, up 8.0% on the previous corresponding period.

K&S Corporation's result for the first half of FY16 is largely due to the severe downturn in economic conditions, particularly in our Western Australian operations which have continued to be adversely impacted by the slowing of the resource sector. With the declining commodity prices, miners have continued to reduce both project and operational expenditure. Our east coast operations were also impacted by the downturn in the resources sector and the continuation of the structural decline in manufacturing.

Operating revenue for the period decreased to $355.1 million, down 1.4% on the prior corresponding period.

Revenues from our resource businesses supporting iron ore and coal also significantly declined. These declines were offset by revenues from the recently acquired businesses of NTFS and Aero Refuellers as well as contract wins, with some of those revenues attracting lower yields.

Cost reduction strategies have continued to be implemented across the business, including the rationalisation and replacement of specified fleet, employee reductions and IT solutions introduced to improve customer service, operational efficiencies and cost reduction initiatives. There have also been significant property lease cost reductions through new transport facilities at Hazelmere, the integration of the NTFS and K&S Freighters facilities at Port Adelaide, and most recently vacating the externally rented DTM Victorian warehouse facility now operating through our Truganina facility.

The recent acquisition of Aero Refuellers has provided the opportunity to expand our current transport and fuel operations into the aviation sector and is complementary to our existing service offering and skill-sets. The integration of the Scott Corporation business has continued to provide synergies and our New Zealand business has sustained a strong performance.

As previously advised on 15 February 2016, K&S Corporation has reviewed the carrying values of both intangible and physical assets as a result of the difficult trading conditions. This review consisted of the standard impairment testing on goodwill and intangibles along with analysis of the carrying values of physical assets based on best value in use scenarios.

The carrying value review resulted in a one-off non-cash write down to the value of intangibles in the Australian Transport CGU of $77.7 million.

Interim Dividend

A fully franked interim dividend of 1.5 cents per share (2014: 3.5 cents per share) has been declared by the Directors.

The interim dividend will be paid on 4 April 2016, with the date for determining entitlements being 21 March 2016.

The Dividend Reinvestment Plan (DRP) will apply to the interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five days ended 21 March 2016, less a discount of 2.5%.

The last election date for participation in the DRP is 22 March 2016. 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 are confident the business is well positioned for growth when economic conditions improve.

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