

News Release
21st February 2017

KSC Announces First Half Result 2017

The Directors of K&S Corporation Limited (ASX: "KSC") today announced a profit before tax of \$5.8 million for the half year period ended 31 December 2016.

The result is 13.6% higher than the previous corresponding period underlying performance.

Profit after tax was \$4.0 million compared to previous years underlying profit after tax of \$3.6 million.

We have maintained our strong commitment to safety with the Lost Time Injury Frequency Rate (LTIFR) reducing 16.8% over the previous corresponding period.

Operating revenue for the period was \$352.0 million, down 0.9% on the previous corresponding period.

Revenue from our resource based businesses, supporting iron ore and coal, continued to decline. This decline was partly offset by increased revenue from fuel and aviation transport realised through the operating divisions of K&S Energy and Aero Refuellers.

Commodity prices have improved significantly during the last quarter of 2016. To date we have not realised any material increase in associated activity.

The performance of our east coast operations during the first half year period has improved; this includes both intermodal and contract logistics operations. New Zealand performance continues to be strong.

Cost reduction strategies have continued to be implemented across the business, including the rationalisation and replacement of specific fleet, employee reductions and IT solutions introduced to improve customer service, operational efficiencies and cost reduction initiatives. The cost reduction strategies have had a positive impact on the result for the first half year period.

Operating cash flow for the half year was \$19.1 million, down 29.0% on the previous corresponding period. The reduction is predominantly as a result of the timing of some large debtor receipts, which have subsequently been collected.

Scott's Transport Industries

The merger of the business of STI into K&S Corporation, through its subsidiary K&S Freighters Pty Ltd, via the transfer to K&S Freighters of certain assets of STI, was completed on 30 January 2017. The integration process is advanced and progressing well.

STI was established by the late Allan Scott AO more than 60 years ago and is one of Australia's largest privately owned transport companies. STI operates a general freight division and a fuel cartage division and has a number of blue chip customers in the manufacturing, FMCG, and fuel sectors. It operates a national footprint.

K&S Corporation regards the transaction as an excellent opportunity to further expand our K&S Energy division through the addition of significant fuel cartage operations. The transaction will also provide additional volume to K&S Corporation's existing intermodal and contract logistics divisions. The transaction will lead to a more competitive and stronger combined business in an increasingly challenging environment.

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Interim Dividend

A fully franked interim dividend of 1.5 cents per share (2016: 1.5 cents per share) has today been declared by the Directors of K&S Corporation.

The interim dividend will be paid on 4 April 2017, with the date for determining entitlements being 21 March 2017. The last election date for participation in the Dividend Reinvestment Plan (DRP) is 22 March 2017. Shares issued under the DRP will rank equally with the Company's ordinary fully paid securities.

The DRP will apply to the interim dividend and the issue price for the shares under the DRP will be based on the volume weighted average price of K&S shares in the five trading days ended 21 March 2017, with a discount of 2.5%

Outlook

Providing earnings guidance for the second half remains difficult.

Our new contracts that have recently commenced will provide additional revenues.

We currently anticipate FY17 second half earnings will be lower than the FY17 first half, but higher than the previous corresponding period.

We are confident the business is well positioned for growth as economic conditions improve.

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