SUGAR TERMINALS LIMITED

ABN 17 084 059 601

7 March 2017

INTERIM REPORT TO SHAREHOLDERS OF SUGAR TERMINALS LIMITED

On behalf of the Board of Directors of Sugar Terminals Limited (STL), I am pleased to report to shareholders the results of the Company for the six months to 31 December 2016.

Total comprehensive income for the half-year to 31 December 2016 was $12.0 million (after tax), an increase of $0.2 million or 1.9% over the same period to 31 December 2015.

Terminals

The roof replacement program continues to progress well with six of the twelve replacement roofs now completed. In 2016, the roof was replaced on the Mourilyan shed with work on the Cairns - Shed 1 roof replacement to commence in March 2017. Final costs of the Mourilyan shed were within budget.

Planning has commenced for the roof replacement of the Bundaberg sheds, which will be undertaken from 2018. The expenditure will be funded from operational cash flows. We expect to be able to maintain or increase the level of dividends as per previous announcements, even with these roof replacement costs being funded from operational cash flows.

Our ongoing terminal upgrade capital expenditure and maintenance programs continue to be focused on ensuring that all 6 terminals will provide the industry with many more years of useful life.

Sugar Marketing – New Terminal Operating Model

On 13 December 2016, the boards of Sugar Terminals Limited and Queensland Sugar Limited (QSL) announced that they had agreed a term-sheet for an Operating Agreement that will underpin a new bulk sugar terminal operating model for Queensland's sugar industry from July 2017, with key components including:

- QSL will continue to operate the terminals for STL under a long term strategic Operating Agreement, to commence from 1 July 2017;
- The Operating Agreement will have an initial five-year term with a three-year rolling term following that;
- All marketers and terminal users, including QSL, will contract directly with STL for access to the terminals;
- Concerns about conflict of interest and confidentiality are addressed through –
    - QSL splitting its operations into two divisions, Marketing and Logistics,
    - QSL agreeing to "ring fence" provisions in relation to the separate management and operation of these divisions, consistent with those provisions applied to similar structures in other industries, and

- STL contracting directly with terminal users regarding terminal access via Storage and Handling Agreements.
- QSL and STL will continue to work closely and openly to maintain a high level of operational performance and optimal cost outcomes over the life of STL's terminals.

I am pleased to report that the drafting of a final agreement together with transition and implementation planning is progressing satisfactorily, and the board will provide a further update in due course.

It was also announced on 13 December 2016 that STL will appoint two additional independent directors to bolster the Board, subject to shareholder approval to increase the non-executive director fee pool and this matter is being considered at a General Meeting of the Company to be held later today.

Dividends

In accordance with Board policy, dividends are declared bi-annually in March and September. The final dividend for the year ended 30 June 2016 of $11.16 million (3.1 cents per share) fully franked based on tax paid of 30% was paid on 30 September 2016. On 16 February 2017 Directors determined that an interim dividend of $11.52 million (3.2 cents per share) fully franked based on tax paid of 30% will be paid on 31 March 2017. The record date for the interim dividend will be 10 March 2017.

Stuart C Gregory
Chairman