



## NSX Announcement

## Chairman's Address, 2017 Annual General Meeting

Release Date: 25 October 2017



Ladies and gentlemen,

It gives me great pleasure to welcome you all to the 17<sup>th</sup> Annual General Meeting of Sugar Terminals Limited (STL). It is my first as Chairman of the Company. And, in many respects, this is the first year of a new era for all of us.

Your Company has been through a period of significant change in the last 12 months, in response to the changing dynamics of Queensland's sugar industry. I am pleased to report that STL has managed the transition well and continues to provide world-class service to our customers and our shareholders in this new operating environment of increased competition.

## Year in review



- Excellent safety performance
- New business model implemented
- Board and management strengthened
- Operating Agreement in place with QSL
- Storage and handling terms agreed with customers
- Roof replacement program on track and on budget
- Solid financial results with 3.2% dividend increase



## A new era for Sugar Terminals Limited

The 2017 financial year was a defining year for STL. The decision by major millers to market export sugar independently and the introduction of Grower Choice legislation required STL to re-evaluate our business model and our role in the sugar industry.

As a result, your Company made fundamental changes to the business over the last 12 months.

Before discussing our achievements, I would like to acknowledge the excellent work of QSL in the safe operation of our bulk storage terminals. To date, QSL has logged 693 days without a lost time or medical treatment incident. That is an enviable record and I want to affirm STL's ongoing commitment to safety under our revised arrangements.

STL achieved a significant number of milestones in the last year. STL has:

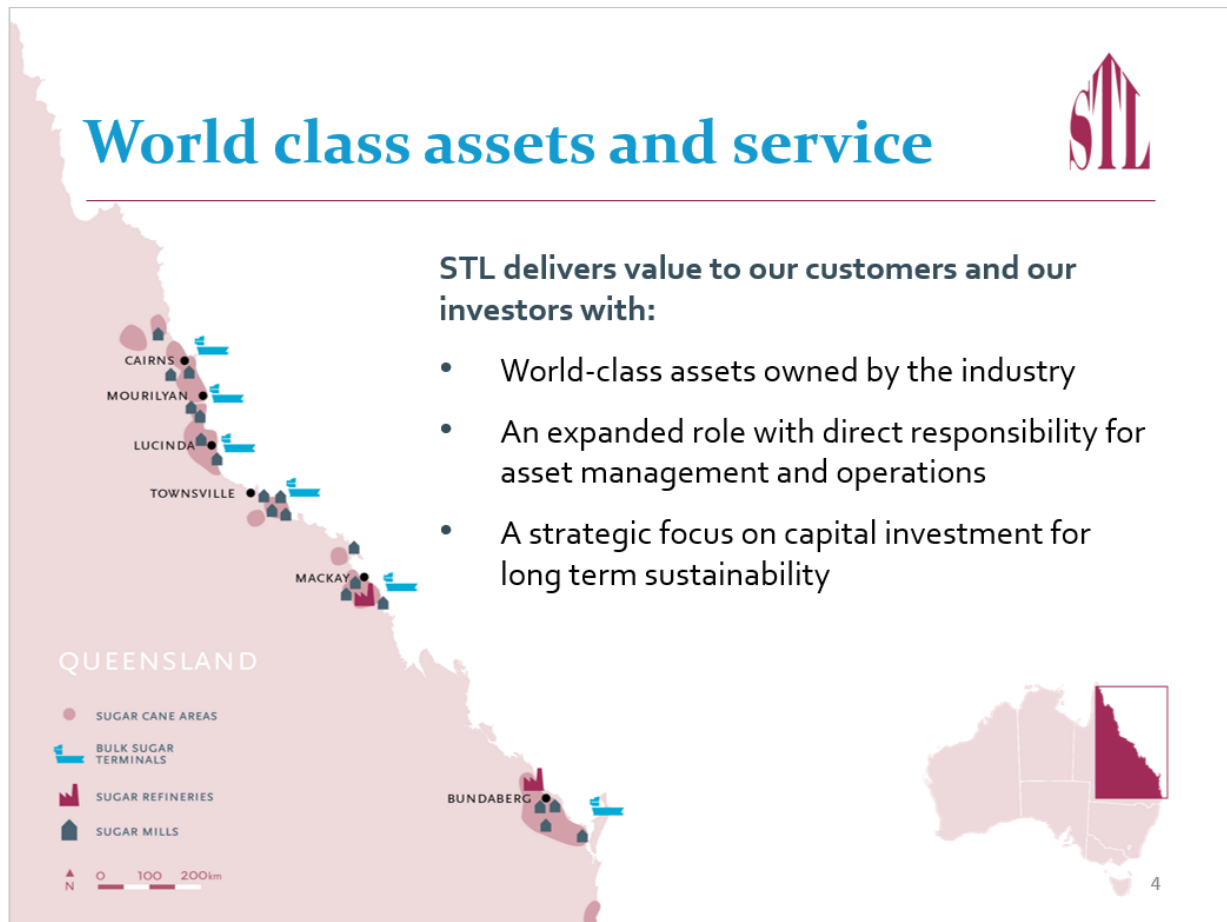
- Reshaped its business model
- Strengthened its Board and management team
- Negotiated a new 5-year Operating Agreement with QSL
- Agreed initial Storage & Handling agreements with all customers, in the context of the new multi-user environment of the terminals
- Continued the \$100 million roof replacement program – keeping it on schedule and on budget
- Delivered solid financial results – with dividends paid to shareholders increasing by 3.2%

# World class assets and service



## STL delivers value to our customers and our investors with:

- World-class assets owned by the industry
- An expanded role with direct responsibility for asset management and operations
- A strategic focus on capital investment for long term sustainability



## Who is STL today?

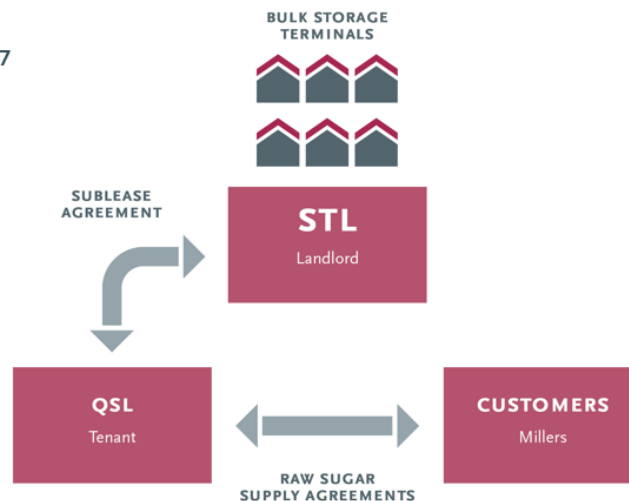
STL is a key part of Queensland's sugar industry. We have world-class assets owned by the industry, providing an essential service for the benefit of the industry.

The main change is that STL now has taken on direct responsibility for the management and operation of these assets. As a consequence, we will take a more active and strategic approach to capital investment for the long-term sustainability of the assets. In short: STL is more sharply focused on using our portfolio of assets to deliver value for our customers and our investors.

# An expanded role for STL



**OLD MODEL**  
Before 1 July 2017



## From landlord to service provider

So how has STL changed?

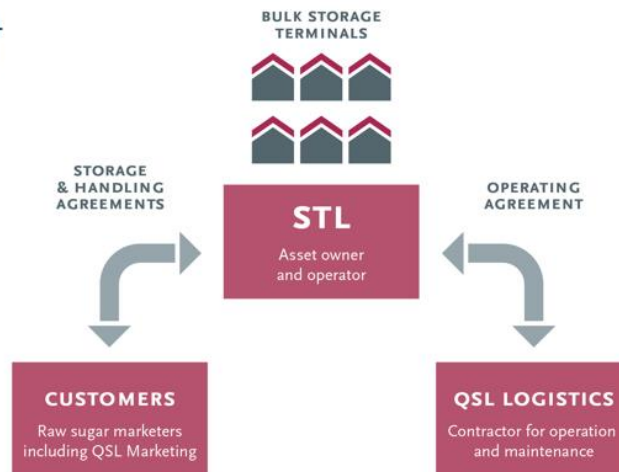
These graphics help to illustrate STL's new business model and its relationship to its key stakeholders.

Under the previous arrangements, STL acted solely as a landlord, collecting rent from QSL via a Sublease Agreement, with no direct relationship with the customers who use our terminals, and no direct responsibility for operational issues, such as workplace safety, health and environment matters.

# An expanded role for STL



**NEW MODEL**  
From 1 July 2017



## From landlord to service provider

Under the revised arrangements, STL now exercises its full responsibilities as an infrastructure owner and service provider. Your Company has overarching responsibility for the operation and maintenance of STL's portfolio of assets and all of the risks and opportunities that go along with that.

We also have direct relationships with customers in the form of Storage & Handling Agreements which, for the first time, make transparent the costs and pricing for the use of our terminals.

## Five guiding principles



1. Open access that is transparent and conflict-free
2. Equitable and compliant pricing and access terms
3. Excellent service and cost control
4. Long term asset preservation
5. Responsiveness to risks and opportunities

## Catering for a dynamic environment

As part of building for the future, the Board consulted widely with our industry stakeholders and established five fundamental principles to make sure the new business model catered for the needs of a dynamic, multi-user marketing environment.

STL's new model provides Queensland's sugar industry with open access to the terminals that is transparent and provides equitable access to all customers. Customers deal direct with STL – an independent party – to agree pricing and access terms.

STL now has ultimate responsibility for the operation and maintenance of our terminals, and ultimate responsibility for providing excellent service and cost control for our customers.

QSL will continue to be a valued partner – operating and maintaining our terminals on our behalf under the new Operating Agreement, drawing on decades of experience to continue providing reliable service at a competitive cost.

With our expanded role, we are in a much better position to preserve our assets for the long-term and to respond to emerging market risks, opportunities or threats.

We are confident that this new model fully embraces our 5 guiding principles, which we will continue to apply assiduously.



# Stronger & more independent



## BOARD EXPANDED

### Three independents



Mark Gray



Sam Bonanno



Recruitment underway

### Two grower-elected



Con Christofides



Drew Watson

### Two miller-elected



Ian Davies



Shayne Rutherford

## FULL TIME EXECUTIVES APPOINTED

### CEO



John Warda

### CFO



Peter Bolton

STL is in safe hands. Your Company is stronger and more capable than ever, with a revised structure that provides for three independent, non-executive Directors on the Board, two grower appointed Directors and two miller appointed Directors.

I was pleased to be appointed as your new Chairman on 7 March this year, and was delighted to be joined by another new independent non-executive Director, Sam Bonanno, who has a deep heritage in the sugar industry, but also brings to the table excellent supply chain and logistics experience from many years in the mining sector.

As you know, Stuart Gregory resigned from the Board in September after seven years with STL and six years as its Chairman. On behalf of my fellow Directors, I would to thank Stuart for his years of service and leadership, particularly during the heightened activity of recent years.

We are in the process of recruiting a replacement independent, non-executive Director and will advise shareholders as soon as a suitable candidate is appointed.

Independence is very important to STL. Industry views are equally represented on the Board and balanced with the skills and experience of non-industry professionals.

Under our new business model, stakeholder consultation is now more important to STL. Your Board is now more engaged with customers and investors.

All of our new Directors have visited all of our terminals and taken the opportunity to meet the growers, millers, representative bodies and other stakeholders who influence or are affected by our operations.

To support the Board with its expanded role and responsibilities, we recruited two full-time executives in April this year to lead STL through this crucial transition phase:

- John Warda has more than 40 years of experience in logistics and supply chain strategy as well as hands-on experience in managing and operating

bulk storage terminals.

- John's right hand man is Peter Bolton, a finance professional with 20 years of experience with large-scale commercial enterprises.

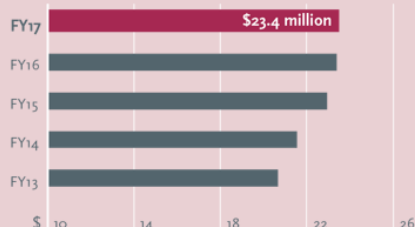
John and Peter have taken over the excellent groundwork of our former General Manager and Company Secretary, Peter Trimble. It's fair to say that Peter bore the lion's share of the work in developing our new business model and we are very grateful to him for his outstanding contribution over the last two years.

Looking forward, your Company is in the hands of a capable and experienced executive team with the expertise needed to perform our expanded role.

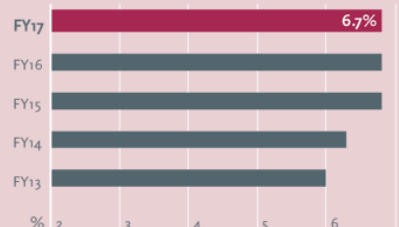
# Solid financial results



NET PROFIT AFTER TAX (\$ millions)



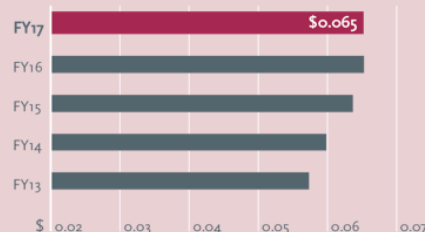
RETURN ON ASSETS (%)



SHARE PRICE (\$)



EARNINGS PER SHARE (\$)



Our solid financial results for the year stand testimony to the hard work and dedication of our people through a period of heightened activity.

STL delivered a net profit after tax of \$23.4 million for the year; a slight improvement on our previous year's performance. Profit for the year was impacted by one-off costs associated with the design and implementation of our new business model.

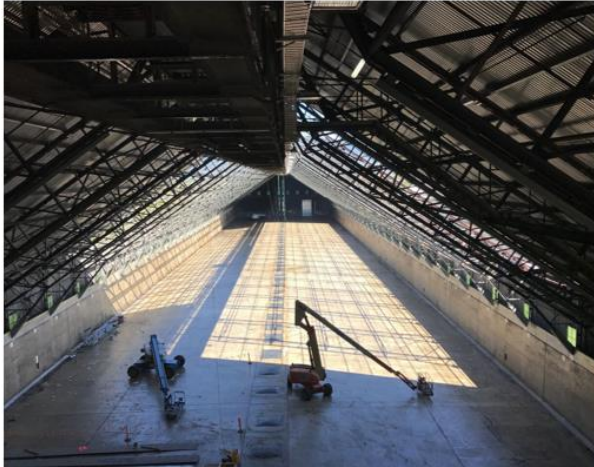
Our return on assets for the year was 6.7%, consistent with the previous year, as was earnings per share. The share price improvement to 86 cents at 30 June 2017 reflects an 8.9% increase on the prior 12 months. This is

a recognition that STL is an essential business that delivers real value to the sugar industry.

Directors increased the interim dividend from 3.1 to 3.2 cents per share fully franked on 31 March 2017 and paid a final dividend of 3.2 cents per share fully franked on 29 September 2017. That makes a total distribution of 6.4 cents per share for the year – a 3.2% increase on the prior year.

We will work hard to balance the competing interests of customers and investors, with a pricing regime which is fair to both. Our aim going forward is to achieve stable, reliable and sustainable returns, whilst ensuring we remain debt free and can continue to fund future capex internally.

## Investing for the future



- \$100 million roof replacement
- Addressing challenges from new competitive, multi-user environment
- Evaluating investment opportunities for the long-term benefit of the industry

## STL is internally funded and debt free

Maintaining and enhancing the value of our asset portfolio is vital. Our roof replacement program has now passed the half-way mark with 7 of 12 roofs replaced. Shed 2 at Cairns is now complete and planning is underway for Bundaberg Shed 2 which will commence in 2018.

This has been a significant undertaking for STL – close to \$100 million of investment over a 10-year period – that extends the life of our terminals. It is very pleasing to report that the work continues on schedule and on budget.

In this more dynamic and competitive market, STL will need to think more strategically about future capital investment requirements to support the

industry. In particular, we need to carefully monitor the implications of having to store different grades of sugar for different customers at terminals with differing capacity constraints.

This adds a new dimension to investment decisions which, nevertheless, will continue to be made to benefit customers, shareholders and the industry for the long term.

# Looking ahead



## Our priorities in FY18:

- Secure longer-term agreements with customers
- Focus on value for the industry and our shareholders
- Continue to build relationships with our stakeholders
- Improve investor relations



Looking at our priorities for 2018, our focus is firmly on pursuing opportunities to ensure STL remains sustainable and is better placed to service our customers over the long term.

We have already begun discussions with our customers to develop longer-term agreements for storage and handling from 1 July 2018. This may involve some further one-off implementation costs for the business, but certainly not to the same extent as this year.

Value will be our key driver – improving value for customers in the form of a quality service and cost control; and delivering value to our shareholders in terms of reliable, stable and consistent performance.



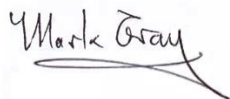
We will also continue to build relationships with our stakeholders and improve our investor relations. The Board has agreed to visit at least 4 terminals each year, and certainly all of its terminals every two years. Our new management team will be visiting the terminals regularly as part of normal operations.

We will take advantage of these visits to hold stakeholder meetings and investor briefings to get to know the people involved in the sugar industry in Queensland.

After all, people are the lifeblood of our industry.

In closing, I thank you all for your attendance today and encourage you to take the opportunity to meet with the people of STL here today.

That concludes my formal address.

A handwritten signature in black ink that reads "Mark Gray". The signature is written in a cursive style with a long, sweeping underline.

Mark Gray

**Chairman** | Brisbane | 25 October 2017