ABN 20 007 698 106

CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Delivered at the Annual General Meeting on
Friday 27th October 2017
7th Floor,
151 Pirie Street Adelaide SA 5000

Key Highlights from the address

Managing Director

- Alexander Kachellek left Korvest in September
- Chris Hartwig has been appointed as Interim CEO
- A search process has begun.

Trading update and Outlook

- First quarter trading has been profitable.
- Increased project work and day-to-day activity.
- Price increases applied during 1Q in response to input cost increases.

Ladies and Gentlemen,

Welcome to the 47th Annual General Meeting of Korvest Ltd. Today I will be commenting on the 2017 financial year as well as touching on how we see current trading conditions. Interim CEO, Chris Hartwig will speak in more detail on current activity and the key things that the business is currently focussing on.

FINANCIAL RESULTS

The revenue from trading activities for the 2017 financial year was $44.7 million, down 18.6% on the 2016 year. Unfortunately the Company recorded a loss after tax of $1.6 million.

The result was adversely impacted by the lack of significant project work as well as margin contraction due to rising input costs. Chris Hartwig will provide more detail on this when he speaks.

THE MANAGING DIRECTOR

In August we announced that our Managing Director Alexander Kachellek would be leaving the business at the end of September. The Board initiated discussions with the Managing Director over a period of time in relation to the Company's performance in addressing market issues. Due to the poor trading results the Board resolved that change was necessary. The Board immediately appointed Chris Hartwig as the Interim Chief Executive Officer and has begun a search process to assess both external and internal candidates.

The Board would like to extend its appreciation to Alexander for his contribution to Korvest over the last ten years.

CURRENT YEAR TO DATE AND OUTLOOK

I am pleased to report that the Company has traded profitably in the first quarter of FY18. The performance is attributable to improvement in both volume and price. The volume increase is due to the commencement of the supply of the project work that was carried over from the 2017 coupled with a growth in general day-to-day sales. Price increases have been successfully applied during the first quarter in response to significant input cost changes that Korvest has recently faced.

The expectation is that this positon will remain through to the end of the first half. This expectation is supported by a strong order intake over recent months. It is estimated that the profit before tax for the first half could be in the range of $500,000 - $700,000.

The level of dividends is constantly reviewed and I would like to assure shareholders that the Board is keen to maintain the payment of a modest franked dividend. We acknowledge that the Company has a significant franking balance which is of value to shareholders when distributed.

I would now like to hand over to Chris Hartwig to talk in more detail about the results and future plans.

GRAEME BILLINGS
Chairman
27 October 2017

Korvest Ltd
ABN 20 007 698 106

CHIEF EXECUTIVE OFFICER'S ADDRESS TO SHAREHOLDERS

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Thank you Graeme,

Ladies and Gentlemen, today I will be reflecting on the 2017 financial year as well as giving an update on the current trading conditions and focus for Korvest going forward.

FINANCIAL RESULTS

Financial year 2017 was certainly a difficult one for Korvest. On a positive note, safety continued to be of utmost importance, with one LTI recorded due to a muscle strain from material handling.

In the Industrial Products group, the EzyStrut business endured a difficult operating environment. The competitive landscape for cable supports continues to change, with new entrants and cheaper imported products becoming more prevalent. Overall market activity was subdued, particularly in the Mining and Oil & Gas sectors, with signs of improvement developing during the second half. The reduced market activity led to extremely competitive market conditions, with all available projects vigorously contested. In addition to the unprecedented level of competition, EzyStrut was also faced with significant input cost increases, with steel increasing up to 44% throughout the year. In addition electricity costs increased between 108% and 179% for the whole of the second half. It was difficult for EzyStrut to pass on these input cost increases in such a competitive market, which resulted in reduced margins.

As the year progressed EzyStrut concentrated its focus on domestic opportunities and was successful in winning a number of key projects, but these projects have been slow to come on stream. During the year EzyStrut implemented a number of business improvement initiatives including external sales force expansion, pipeline management, freight consolidation and cost reductions. These initiatives contributed to an improvement during the second half.

The Power Step and Titan businesses are still suffering from a subdued Mining sector. However, we have focused heavily on reducing our cost base with success. This has led to improved overall results for Power Step and Titan.

In the Production group, the Galvanising business achieved a slight improvement in external revenue, but a reduced level of internal work processed for the EzyStrut business. Increased competition from Victoria resulted in subdued selling prices, but the largest factor in the Galvanising result was input cost increases. In addition to the electricity costs already mentioned, Galvanising had increases in two major input costs, gas and zinc. Gas is used to heat our two galvanising baths, and increased by 62% in the second half. Zinc increased by 35% throughout the year. On an annualised basis these increases amount to approximately $500,000 per annum. As previously advised the energy cost increases represented $120,000 across the whole business in the second half.

FINANCIAL YEAR 2018 OUTLOOK AND STRATEGY

Clearly, the performance of Korvest in Financial Year 2017 cannot be repeated. The Board and Management Team are committed to improving Korvest with a clear focus on the key strategic items that map our future direction. The key word is focus, and our key focus will be on improving our market share in Australia and New Zealand.

To achieve this aim, we will focus on winning key infrastructure projects in the active Eastern States, utilising our engineering capability, offering fire rated and seismic compliant solutions for major projects. Australia has a long pipeline of large infrastructure projects on the horizon, and we expect to win a significant portion of these projects. Our proactive approach to providing customer solutions will negate the impact of our competitors, particularly those who primarily import their product.

We will deliver on some key projects that we have already won. Some of these projects are active now and will continue through to the second half.

We will focus on improving our factory, both in terms of efficiency and lead times. We have a number of improvement initiatives underway in this area already.

To be competitive as an Australian manufacturer, it is critical that we continue to focus on cost reductions both in product and operational costs. Some cost reductions will be achieved via Capital Expenditure, albeit at modest levels, as well as our sourcing strategy which is constantly under review.

In addition to modest levels of Capital Expenditure we will continue to focus on cash generation. The business has recently embarked upon an inventory reclassification and consolidation program. The aim is to have the right inventory in the right places in line with the expectations of our customers. This program will free up working capital without harming our customer service, and it is delivering excellent results.

With the large increases in energy costs, it is important that we implement some energy saving initiatives. We have undertaken energy audits of the two sites at Kilburn, and will be installing energy efficient lighting at the smaller of the two sites. The larger site that is owned by Korvest offers many opportunities to reduce our gas and electricity consumption and these are currently being explored.

As a result of our kettle inspection in April 2017, we have decided to bring forward the main kettle replacement by 12 months. The replacement will occur over the upcoming Christmas shutdown. We have the same team in place that successfully installed the current kettle, and we expect to achieve a safe, on time and on budget kettle replacement.

As a result of the significant input cost increases, both Galvanising and EzyStrut have implemented price rises during the first quarter of financial year 2018. These price rises have been implemented with an unprecedented level of management input and have been extremely successful to date. We will continue to monitor our input costs and future price rises are likely during this financial year.

It is critical that Korvest is profitable. It is pleasing to advise that we have started financial year 2018 well. Our volume has improved significantly, we are operating profitably, and I am confident of an improved result this financial year.

Thank you for your time, and I will now hand the meeting back to the Chairman.

CHRIS HARTWIG
Interim Chief Executive Officer
27 October 2017