ABN 20 007 698 106

CHAIRMAN'S ADDRESS
TO SHAREHOLDERS

Delivered at the Annual General Meeting on
Wednesday 24th October 2018
7th Floor,
151 Pirie Street Adelaide SA 5000

Key Highlights from the address

Significant item

- Significant turnaround in results
- Appointment of MD in February 2018

Trading update and Outlook

- First quarter profitability has continued at similar levels to FY18 2H.
- Good day-to-day and small project volume
- Major project delivery only commenced in late September
- 1H FY19 expected to be in line with 2H FY18.

Ladies and Gentlemen,

Welcome to the 48th Annual General Meeting of Korvest Ltd. Today I will be commenting on the 2018 financial year as well as providing insight into our current trading conditions. Chris Hartwig will then provide more detail on current activity and future opportunities.

FINANCIAL RESULTS

The revenue from trading activities for the 2018 financial year was $57.0 million, up 27.3% on the 2017 year. The improved revenue resulted in a much improved profit after tax of $1.4 million compared to the unsatisfactory loss of $1.6 million in the 2017 year.

Overall activity levels increased and in particular it was the return of larger project work that underpinned the improved performance. Margins recovered after sell price increases were successfully implemented to counteract rising input costs. Chris Hartwig will elaborate on this shortly.

STRATEGIC FOCUS

The Board and senior management remain focused on our strategy. Our return to profitability is a significant pillar of that strategy along with a strong focus on infrastructure projects, particularly in NSW and Victoria. Continual reviews of the Company's cost base including factory and warehouse process improvements are front of mind. DIFOT and other factory efficiency measures are also being monitored and improved.

The Company is also pursuing a growth strategy where products are being re-defined as well as market share being analysed, interpreted and driven. Our customer focus is a large part of where the Company has been and where we are going. Significant inroads have been made to improve the overall customer experience and allow them to view a company which is being transformed.

MANAGING DIRECTOR

At last year's AGM the Board had just commenced a search process to find our new Managing Director. As a result of that process Chris Hartwig was selected as the successful candidate and was formally appointed to the role in February. Chris joined Korvest in August 2006 as the General Manager of the Galvanising business and from 2009 held senior executive roles in the EzyStrut business. This means that Chris has had detailed exposure to a significant portion of Korvest's business prior to taking on the Managing Director role.

CURRENT YEAR TO DATE AND OUTLOOK

I am pleased to report that first quarter trading for FY19 has continued at similar levels of profitability to those experienced in the second half of FY18.

In July when we released our results we indicated that increased project work was expected to be delivered in FY19 based on the level of already secured orders. The delivery of the major project commenced in late September so the first quarter results are largely the result of day-to-day and small project activity.

It is expected that the first half will result in a profit before tax that is in line with the second half of FY18.

Finally on the subject of dividends, the Board is pleased that it was able to maintain the payment of dividends throughout the period of downturn that the Company experienced. With improved profitability over the past year the Board saw it as important to ensure that the level of dividends increased to reflect the improved results. We remain well aware that the Company has significant franking credits and that the benefit of those credits is only realised when distributed to shareholders through the payment of franked dividends.

I would now like to hand over to Chris Hartwig to elaborate on our FY18 performance and future outlook.

GRAEME BILLINGS
Chairman
24 October 2018

Korvest Ltd
ABN 20 007 698 106

MANAGING DIRECTOR'S ADDRESS TO SHAREHOLDERS

Delivered at the Annual General Meeting on
Wednesday 24th October 2018
7th Floor,
151 Pirie Street Adelaide SA 5000

Thank you Graeme,

Ladies and Gentlemen, today I will be reflecting on the 2018 financial year as well as giving an update on the current trading conditions and focus for Korvest going forward.

FINANCIAL RESULTS

Financial year 2018 was a significant improvement for Korvest.

Safety continues to be a key priority for the business, with one Lost Time Injury recorded for the year.

In the Industrial Products group, the EzyStrut business experienced improved market conditions. In particular the Commercial and Infrastructure segments provided a solid pipeline of projects, with the Mining segment also showing signs of improvement. The NSW rail project was essentially completed during the second half. The competitive environment for cable supports continued to be challenging, with any reasonable project hotly contested. Input costs such as steel and electricity remain at high levels. Electricity costs alone rose by 35% when compared to FY17. Despite this strong competition, EzyStrut has led the market with price increases in an attempt to recover rising input costs, and was successful in doing so.

During the year EzyStrut remained focused on the domestic market with a strong focus on the project pipeline. We have expanded our external sales force in our key growth markets. Our business improvement initiatives remain focused on reducing costs and improving customer service.

The Power Step and Titan businesses had an improved year, their best annual result under Korvest's ownership. The improved result was driven by improved volume and a lower cost base.

In the Production group, the Galvanising business achieved a significant turnaround in results, driven by an improvement in both internal and external revenue. However, input costs remain a challenge. Our zinc expenditure alone was over $300,000 more than we would have paid at the average FY17 buy price. Our total gas costs rose by 23%. To offset these input cost increases Galvanising was successful in implementing 2 price rises during the year.

A key task for the Galvanising business was the planned kettle changeover during the Christmas 2017 break. This is a major undertaking, but I am pleased to advise that the changeover was on time, on budget and without incident.

FINANCIAL YEAR 2019 OUTLOOK

The turnaround achieved in FY18 was significant, but there is more to do.

We will continue our focus on our Australian market share, including New Zealand. The infrastructure pipeline continues to be strong, with a number of new projects announced during the year. Our local fabrication, engineering, national footprint and distribution capabilities are key factors in winning these projects. Since the conclusion of the NSW rail project we have been successful in winning further major infrastructure work, namely a NSW road tunnel. Supply of this project has just commenced, but some project delays will mean that this revenue will come on stream a little slower than anticipated.

Focus on our customers is a key theme for FY19. In addition to major project work, there are substantial day-to-day opportunities for EzyStrut. We are currently working on optimising our ERP system to provide improved lead times and order status visibility. It is vital that we provide exceptional customer service against the backdrop of rising input costs and subsequent price rises.

As previously advised our energy costs continue to be of concern. We will experience further gas increases in calendar years 2019 and 2020. We will experience a small reduction in electricity costs in calendar year 2019. In late 2017 Korvest applied for a grant for solar panels under the SA Government Energy Productivity Program. We have been advised a decision will be made by November 2018. In addition work has begun on the installation of LED lighting at our Kilburn site.

Whilst we were successful in FY18 in reducing inventory, our overall inventory quality can be improved. We have invested in improved holdings of key imported commodity lines and we continue to work to reduce slow moving stock. Our sourcing team continue to look for cost saving opportunities. It is expected that the improved holdings and the slow pace of the NSW road tunnel project will absorb some working capital in the first half.

Our levels of capital expenditure will continue to be responsible. Our focus will be on maintaining key areas of plant as required and on productivity proposals offering an attractive payback.

Our focus on profitability will remain at the forefront during FY19.

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

CHRIS HARTWIG
Managing Director
24 October 2018