



CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Delivered at the Annual General Meeting on
Friday 23rd October 2015
7th Floor,
151 Pirie Street Adelaide SA 5000

Key Highlights from the address

Board composition

- Peter Brodrigg has indicated he will be retiring over the course of the current financial year. A process has commenced to find a suitable replacement.

Trading update and Outlook

- As a result of the current market conditions, the restructuring costs and the significant costs incurred in potential acquisition activities the reported first half result will unfortunately be a small loss notwithstanding that the underlying result remains profitable. The second half should not be impacted by non-recurring items in the same way that the first half result will be.
- Despite the poor first half result the Directors expect to be able to pay a modest interim dividend of an amount to be determined. We anticipate retaining the Dividend Reinvestment Plan.

Ladies and Gentlemen,

Welcome to the 45th Annual General Meeting of Korvest Ltd. Today I will be highlighting some of the significant items from the 2015 financial year as well as providing some guidance on how we see the trading conditions in the new financial year. Your Managing Director, Alexander Kachellek will provide more information on the strategic direction of the Company and actions being taken to address the current market conditions.

FINANCIAL RESULTS

The revenue from trading activities for the 2015 financial year was \$63.0 million, down 14.5% on the record 2014 year. Profit after tax was \$1.5 million, including the write-off of \$1.7 million of goodwill relating to the Power Step and Titan Technologies businesses. These businesses principally service the mining industry and with the significant slow-down in demand in that sector the results of the businesses have been disappointing.

Activity across all businesses was lower in 2015 and this was reflected in the results. Alexander will provide more commentary on this in his address.

THE BOARD

The Korvest Board has changed in composition over the past few years. That has continued during the past year with the appointment of Gerard Hutchinson to the Board in November 2014. Gerard is a Chartered Accountant with 20 years of experience in the contracting and engineering industry. He has extensive finance and operational experience in both Australia and Asia and has led the due diligence and integration of a number of mergers and acquisitions. Gerard is currently the Managing Director for the Singapore listed AusGroup Limited and this day-to-day exposure to various markets and projects of relevance to Korvest businesses is proving to be invaluable.

Longstanding Director Peter Brodribb has indicated his intention to retire from the Board over the course of the current financial year. The Board has recently commenced a process to find a suitable replacement for Peter and the intention is that Peter will retire after a handover period once that replacement is appointed. As this will be the last AGM where Peter will be in attendance as a Director I would like to thank him for over 30 years of service in both executive and non-executive capacities. His knowledge of the industry and the Korvest business as well as his significant contribution at Board meetings and to the Company's strategy has been critical to the Company's progress. I would ask that you show your appreciation of Peter with a round of applause.

EXECUTIVE SHARE PLAN

Later in the meeting we will be considering two resolutions relating to the granting of performance rights to our two executive directors. Prior to the

meeting a number of questions from shareholders have been put to the Company in relation to the manner in which the performance hurdle for those performance rights has been set.

The performance hurdle is related to earnings per share and has historically applied cumulative growth factors to the prior year reported earnings per share. Last year that earnings per share was adversely impacted by the write-off of goodwill and a view has been expressed that the base should have been adjusted to remove that and thereby increase the performance hurdle.

The Remuneration Committee did consider this when setting the performance hurdle and ultimately arrived at the proposed hurdle as it was consistent with the methodology that has historically been applied of using the prior year statutory earnings per share as the base amount.

Having said that, the Remuneration Committee has recently been looking at ways to improve the Performance Rights Plan and has sought expert advice in this regard. It is likely that future issues will include two performance measures being earnings per share and total shareholder return. As part of that process we will have regard to industry best practice with an aim to achieve an outcome that is fair and reasonable to both employees and shareholders.

DIVIDEND

The directors were pleased to declare an interim dividend of 17.0 cents per share and a final dividend of 12.0 cents per share during the year. The Company's dividend reinvestment plan was reactivated for the final dividend and this was well supported by the shareholders. This enabled the Company to maximise the distribution of franked dividends to our shareholders as we appreciate the importance of franked dividends to so many of our shareholders.

CURRENT YEAR TO DATE AND OUTLOOK

The first quarter trading for the 2016 year has been difficult. Domestic project activity in the markets serviced by Korvest's businesses has been quiet. During the first quarter the Company was actively pursuing a significant acquisition opportunity. Negotiations recently ceased when we were unable to agree on commercial terms. The costs associated with that project are still being finalised however they will have a significant impact on the first half results.

As a result of the subdued market conditions the first half result will also include the one-off cost of implementing a number of cost saving initiatives. Whilst these initiatives will result in a net reduction in costs over the course of the full financial year, the financial benefit of the initiatives will not be realised until the second half.

At last year's AGM I outlined that the Board was pursuing a two part growth strategy as a result of the softening Australian market. The strategy was to pursue export markets and to also invest in an acquisition strategy across a range of sectors. Both of those strategies continue and Alexander will speak further on these in his address.

As a result of the current market conditions, the restructuring costs and the significant costs incurred in potential acquisition activities the reported first half result will unfortunately be a small loss notwithstanding that the underlying result remains profitable. The second half should not be impacted by non-recurring items in the same way that the first half result will be.

Despite the poor first half result the Directors expect to be able to pay a modest interim dividend of an amount to be determined. We anticipate retaining the Dividend Reinvestment Plan.

I would now like to hand over to Alexander Kachellek to comment further on the strategy being pursued.

GRAEME BILLINGS
Chairman
23 October 2015

Managing Director's Address to Korvest Ltd Shareholders

Delivered at the Annual General Meeting on Friday 23rd October 2015,

7th Floor, 151 Pirie Street Adelaide SA 5000

I would like to thank the Board and management team for their support over the last year.

I will first update you all on the significant events of the year just passed and then talk more about our strategy for growth and how that is progressing.

Last year the Board announced the divestment of Indax, the handrail and grating walkway business. The sale of the inventory and equipment was completed in June. This was the right decision.

Last FY year we installed a new ERP system, called Microsoft Dynamics AX. As everyone knows these are notorious for bringing businesses to their knees during the implementation phase. I can say that when we went live on the 1 April we were raising orders and invoicing from the moment we switched it on. There have been some issues with the new system but that was expected. We are now very close to being able to move from pure operational use to optimising the system that will bring further benefits to the business.

During the year with the downturn of the mining and LNG projects around Australia the market has definitely become more competitive for all our divisions, EzyStrut; Galvanising and Power Step. It must be realised though that we sell into all construction projects except residential. This is very relevant to the EzyStrut business and there still remains a pipeline of medium to small sized projects around Australia, as an example only last month we quoted on \$17m worth of future projects. These projects include hospitals in QLD, tunnels and commercial construction projects in NSW such as Barrangaroo and shopping malls in Victoria. Certainly the lack of the mega-style projects has meant that there is excess capacity in the industry but we are maintaining our gross margins through careful cost control and product design. We do believe the excess capacity is causing problems for our competitors who do not have the depth of product offering nor the reliability of supply.

The Power Step /Titan Technologies business has continued to struggle as its traditional mining market continues to perform poorly. You are all aware of the impairment that we took at the end of the first half FY 2015 on the goodwill, based on prevailing market conditions and future opportunities.

We continue with our attempts to design and sell this safety product into other markets but it is proving difficult with all market areas reducing their capital expenditure. We are in advanced discussions with a party for a new application but I am unable to divulge any further information at this stage.

For Korvest Galvanising it was going to be difficult to maintain the result after a record year. The galvanising business is largely dependent on the South Australian economy and the level of construction in the state. The tonnage going through the plant has and continues to be at record lows and this is expected to remain this way until activity in the state picks up. Had we not implemented efficiencies in the operation a couple of years ago we would now be running this business at a loss. Galvanising still has an enviable lead-time of 2.5 days and exceptional quality. It is pleasing not to have lost the ability to perform reliably and with quality whilst paring down costs.

Last year I shared with you our strategy for growth, which is primarily two fold: one to expand internationally and secondly to acquire one or more synergistic businesses.

It is very difficult for me to be specific when talking about acquisitions due to the confidentiality we enter into with prospective targets. What I can share with you is that during the year we ran more than 60 potential acquisitions through our filtering process and we entered into various levels of discussion with a dozen of these. We made 3 indicative offers that were all unsuccessful. One potential acquisition could have been transformational for Korvest but unfortunately this was unsuccessful after expending a significant amount of time and money on due diligence, we were unable to reach agreement on a fair value for the business. Korvest must not pay too much for a business. We continue to search and we have evaluated whole industries and adjacent industries such as renewables; power and data and others but in the end the acquisition must be the right value and fit for Korvest.

I will now move onto the other strategy for growth and that is our desire to expand our international sales. We are now a year into our plan. We have been focusing primarily on New Zealand; Singapore; Hong Kong and the Philippines as the projects in those countries are closely aligned to the quality and sophistication of our own Australian infrastructure projects. We have gained global standards for our products such as IEC, Australia uses NEMA, and we are in the process of gaining DNV certification to allow us to supply to offshore oil and gas projects. We have benchmarked our pricing and found ourselves to be competitive as we are not targeting the low cost volume market for our products but the projects that require engineering input from our internal capable engineers and from the wealth of experience we have in significant projects such as the LNG projects, desalination plants, power stations and utility projects around Australia. Our expertise is knowing our products and being able to design for extreme conditions, having a galvanising plant certainly helps with this.

We now have a dedicated experienced sales General Manager working in the SE Asia & NZ markets who is proactively engaged in a pipeline of over \$30m of projects.

NZ has our exacting construction standards and here we have appointed a distributor Steel & Tube NZ who is spearheading the sales in that country.

Singapore is as ever a busy place regarding infrastructure. They are expanding their MRT system, they need tunnels for the transmission of power, it is an ever-growing economy and population ideal for our products. Next week there is an expo called Gastech being held in Singapore and EzyStrut has a booth there. Singapore is the regions' centre for Oil and Gas with many global decision makers located there and it is the logical place to promote our capabilities. With probably the greatest number of high quality infrastructure projects for the region we have established web domains and a virtual office in Singapore.

The Philippines has a number of module yards constructing projects for global projects that are destined for shipment to countries such as Africa, Middle East, West Indies, South America and even Australia. We already have contacts and ship to the Philippines and it is a natural extension to seek sales for EzyStrut to these global projects. We have quoted for a number of these global projects in the Philippines.

To date we have been modestly successful and made sales into New Zealand; Fiji and the Philippines. As more people become aware of us in the region more are asking for EzyStrut to provide quotations. Outside of our target countries we have been asked to quote on projects in Dubai, India, Vietnam, PNG and South Africa. As most people are aware it takes time to build trust in a relationship, we now have that foundation and I see us being able to take advantage of our efforts in the coming year.

Looking forward then, Galvanising will continue to be a struggle to maintain tonnages through the plant as the South Australian economy struggles. We are looking for profitable additional products that can be galvanised and give us additional loading but they have been at this stage elusive.

We continue to be market leaders with our EzyStrut brand and continue to sell into almost every construction project around, either directly or through wholesalers. We continue to examine the structure and the costs of the business to ensure we remain competitive. As I just mentioned we should see some benefits from our efforts into the international target markets for EzyStrut in the coming year.

I am expecting another tough year. You have a team of experienced managers who do and will continue to make the hard decisions to keep this business moving forward. We continue to build on our efforts to expand into international markets, synergistic acquisitions and additional markets.

Thank you.

Alexander Kachellek
Managing Director
23 October 2015