

PRESS RELEASE

Korvest First Half FY2016 results

The Chairman, Mr Graeme Billings, today announced the following operating results for the 6 months ended 31st December 2015 for Korvest Ltd.

	6 MONTHS TO 31/12/15 \$'000	6 MONTHS TO 31/12/14 \$'000	% CHANGE
Revenues	27,330	32,062	- 14.8%
Underlying Profit After Tax*	635	1,647	-61.4%
Current period earnings adjustments	(723)	(1,523)	
Operating Profit After Tax	(88)	124	- 94.7%
Dividends per share (cents)	5.0	17.0	

Mr Billings said that revenue from trading operations for the half-year decreased by 14.8% to \$27.3 million with the market trend from recent periods of a lack of project work and a noticeable slowing in the day-to-day non-project market continuing.

Industrial Products

The EzyStrut business has benefited over recent reporting periods from supplying a large LNG project. That project has continued through the first-half and is expected to be completed during the second half of FY16. Other than that LNG project the activity levels in the markets serviced by EzyStrut have remained subdued throughout the first half with limited mid-to-large project work undertaken. In the prior comparative period some states were completing project work however in the current reporting period similar projects were not supplied. As a result the current year revenue fell short of the prior comparative period in some of the larger geographical markets.

The Power Step and Titan Technologies businesses supply almost exclusively to the resources sector and as a result have experienced very challenging trading conditions for some time. Conditions appear to have plateaued at the bottom of the cycle and the businesses achieved revenues in line with those of the prior comparative period.

Production

Plant volumes for the Galvanising business in the first half were below those of the prior comparative period however they were in line with those of the second half of FY15 albeit the mix of internal and external work changed with an increase in external work offsetting the reduced internal tonnes.

Group Restructure

The Company is now well placed with a realigned operating structure to gain greater market share by increasing focus on sales and business development in our current domestic and our growing overseas markets. Also the structure offers greater

synergies between the EzyStrut and Galvanising businesses resulting in a lower cost base across the group.

As a result a redundancy programme was implemented with a post-tax cost of \$248,000. The combination of the redundancies and natural attrition has reduced the employee numbers from 225 in June 2015 to 184 in December 2015.

As outlined at the AGM, during the first quarter the Group was actively pursuing a significant acquisition opportunity. Negotiations had commenced during FY15 and ceased during the first half when the parties were unable to agree on commercial terms. The protracted nature of the negotiations resulted in \$475k of associated costs being included in the net loss after tax.

DIVIDEND

The Directors announced a fully franked interim dividend of 10.0 cents per share.

The Dividend Reinvestment Plan (DRP) will operate for the interim dividend with the issue price calculated at a 5% discount to the volume weighted average market price for the period from 24 February 2016 to 1 March 2016. The dividend will be paid on 11 March 2016 and the record date is 26 February 2016.

OUTLOOK

Current market conditions continue to make it difficult to provide definitive guidance. On-hand orders for the large LNG project suggest that similar levels of revenue from this project are expected in the second half as were achieved in the first half. General market conditions are expected to remain at a similar level to those experienced recently. Korvest's second half result should benefit from the restructured organisation now in place.

G BILLINGS CHAIRMAN

29 January 2016

For further information contact:

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* Underlying Profit after tax is a non-IFRS measure. The following reconciles the current year statutory loss after tax to the underlying profit.

	\$'000
Net loss after tax	(88)
Redundancy costs	248
Acquisition costs	<u>475</u>
Underlying net profit after tax	<u>635</u>