ABN 20 007 698 106

PRESS RELEASE

Korvest First Half FY2015 results

The Chairman, Mr Graeme Billings, today announced the following operating results for the 6 months ended 31st December 2014 for Korvest Ltd.

	6 MONTHS TO 31/12/14 $'000	6 MONTHS TO 31/12/13 $'000	% CHANGE
Revenues	32,062	34,073	- 5.9%
Underlying Profit After Tax*	1,647	2,338	-29.6%
Non-cash Goodwill impairment etc *	(1,523)	-	
Operating Profit After Tax	124	2,338	- 94.7%
Dividends per share (cents)	17.0	26.0	-34.6%

Mr Billings said that first half trading conditions remain similar to those experienced over the last 18 months. The most significant aspect of the first half result is the impairment of the $1.721 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. Progress is being made to diversify into other sectors with opportunities progressed to the developmental stage. As a result of the uncertainty surrounding the timing of future projects and recovery of activity in the mining sector and on the basis of an impairment assessment performed during the first half the Board took the decision to impair the goodwill. It should be noted that this adjustment is non-cash and as a result the Board has kept the interim dividend at the level that it would have been had the impairment adjustment not occurred.

Excluding the impact of the goodwill adjustment the underlying business performed in line with previous guidance.

Revenue from trading operations for the half-year decreased by 5.9% to $32.1 million. As mentioned, trading conditions have remained largely unchanged over the past 12-18 months. There are few large projects and the availability of small to medium sized projects remains subdued. Smaller day-to-day trading also remains at low levels resulting in most work being keenly contested.

Within the Industrial Products segment the EzyStrut business experienced variable conditions around the country. In overall terms the business produced a pleasing result in difficult market conditions as a result of continued supply to a large LNG project. However, in a number of regions demand slowed as there was a pause in activity of mid-large sized projects. Investment has continued in the factory with the focus remaining on improving lead times to ensure the customer service level expectations are met. The in-house engineering team has continued to work closely with the EzyStrut sales group to develop new products and improve on the existing ones to broaden the product offering. As mentioned at the AGM, EzyStrut has commenced a strategy of export primarily into the Asia Pacific region to capitalise on its success in the oil and gas markets but this activity is in its early days.

In April 2014 Korvest announced the exit of the Indax handrail and walkway system business. During the first half the focus has been on selling the business assets. At the end of December approximately $150,000 of inventory remains and all of the plant has been sold or redeployed.

The remaining businesses in the Industrial Products segment are Power Step and Titan Technologies. Power Step supplies access systems for large mining equipment. It has been well documented that capital expenditure in the mining industry has decreased significantly and this has adversely impacted on the Power Step results. Plans have progressed to the design and test phase to diversify the business into new markets.

Within the Production segment the Galvanising business experienced reduced demand as the projects that had supported the strong FY14 results were not replaced in the first half with anything comparable as a result of reduced project opportunities in the South Australian market.

DIVIDEND

The Directors announced a fully franked interim dividend of 17.0 cents per share. As outlined previously, the Board kept the interim dividend at the level that it would have been prior to the non-cash impairment adjustment.

The dividend can be taken as cash only as the Dividend Investment and Share Investment Plans have been suspended. The dividend will be paid on 13 March 2015 and the record date is 27 February 2015.

OUTLOOK

Market conditions remain challenging in the markets serviced by Korvest's businesses. There is uncertainty around the timing of future projects making it difficult to provide second half guidance. As a result Korvest sees little change in the second half market conditions compared to those experienced in the first half.

G BILLINGS
CHAIRMAN

22 January 2014

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

	$'000
Net profit after tax (NPAT)	124
Goodwill adjustment	1,721
Impact on Executive Share Plan expense of Goodwill Adjustment	(198)
Underlying NPAT	1,647