

**Company announcements platform
Australian Securities Exchange**

**Korvest Ltd Annual Result
Year ended 30 June 2017**

REVIEW AND RESULTS OF OPERATIONS

The revenue from trading activities for the year under review was \$44.7m, down 18.6% on the previous year. The Group incurred a loss after tax of \$1.6m compared to a profit after tax of \$1.0m in the previous year.

The FY17 result was adversely impacted by the lack of significant project work. In addition, margins have reduced as a result of surplus capacity in the cable support market as well as rising steel, zinc costs and energy costs.

The Group is comprised of the Industrial Products Group which includes the EzyStrut, Power Step and Titan Technologies businesses and the Production Group which includes the Korvest Galvanisers business.

Industrial Products

In the Industrial Products group the EzyStrut cable and pipe support business supplies products for major infrastructure developments and also supplies products to contractors for small industrial developments. During FY17 there was no significant project work undertaken. Day-to-day work and small projects did show some signs of recovery with revenue from these sources improving in 2H FY17. However, margins in the business declined due to rising input costs and competitive pricing due to the surplus capacity in the market. The regions that had not benefited over recent years from LNG work did show improvement in FY17 with the NSW market the most improved.

Power Step designs and assembles access systems for large mobile equipment. Titan Technologies supplies specialised tools in the form of torque wrenches, hydraulic pumps and related accessories. The combined performance of the businesses improved in FY17 primarily as a result of a large order supplied by Power Step in the first half. Late in the year the cost base of these businesses was reduced further with the closure of the WA site and the centralisation of some administrative functions to head office.

Production

In the Production group the Galvanising business volumes improved for the first time since FY14. External tonnes improved as some larger South Australian customers secured sizable projects. Some new business was also secured which contributed to the improved result.

Over the full year the volume of internal work processed for EzyStrut diminished, however there was a marked improvement in the second half volumes.

Like many other manufacturing businesses Korvest experienced significant increases in energy costs during the year as new contracts became effective for the second half. The impact was an increase in energy costs of \$120k in the second half compared to the first. The majority of this increase is allocated to the Production segment.

DIVIDEND

The directors announced a fully franked dividend of 3.0 cents per share compared to 10.0 cents per share last year and 10.0 cents at the half year. The Dividend Reinvestment Plan (DRP) will be suspended for the final dividend. The dividend will be paid on 8 September 2017 with a record date of 25 August 2017.

OUTLOOK

The Board continues to look at strategic options which improve the industry structure and leverages Korvest's advantage in a highly competitive market.

The key focus for the next financial year will be to improve the performance in the domestic market by lowering the cost of manufacture and improving the overall supply chain and overseas sourcing. Investment in improved machinery in the Kilburn factory will improve the production rate and labour usage associated with production of some major product lines.

Korvest's in-house engineering and design team will continue to drive product innovation.

Working capital management will play a key role in the year with an emphasis on inventory reduction. This process has already begun with a number of initiatives in place to optimise the holdings of inventory at the various Korvest locations.

An update on trading conditions will be provided at the Company's Annual General Meeting.



G BILLINGS
CHAIRMAN

27 July 2017

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