

SCHAFFER PROFIT UP TO \$5.7 MILLION, SET FOR GROWTH

Diversified industrial group Schaffer Corporation Limited (ASX: SFC) today reported net profit after tax of \$5.7 million for the 2016 financial year. The Group also declared a final dividend of \$0.13 per share (fully franked), which maintains total dividends at \$0.25 per share (fully franked) for the year.

SFC Chairman, Mr John Schaffer, said that NPAT was increased by the sale of SFC's interest in a St Kilda Road property syndicate, which realised net profit after tax of \$4.0 million.

"The property sale reflects SFC's approach to maximise the value of assets over time.

"We bought that interest in the 1990s for \$1 million. We've received back multiples of our investment in rental income and have realised an excellent capital gain when the opportunity arose," Mr Schaffer said.

The Howe automotive leather business had a transformative year, as it successfully commissioned new Slovakian finishing (October 2015) and cutting (January 2016) plants.

"This has been a company redefining project," Mr Schaffer said.

"We have hired, trained and integrated approximately 500 new employees. We have achieved compliance approval from our customers for the new facilities. We are managing the complexities of transferring hide processing for the European leather business from Australia to Slovakia.

"Howe will benefit from this transformation for years to come. Finishing hides in Slovakia will materially decrease inventory levels, order lead times and working capital. It will also reduce freight costs and manufacturing expenses.

"As the new facilities achieve steady state operation, Howe will realise improved profitability to go along with the 53% increase in revenue that the business achieved in 2016," Mr Schaffer added.

SFC's Building Materials division reported increased revenue and profitability. Conditions for the division remain challenging, particularly for the Delta precast concrete business, where margins are being impacted by competitive pressures.

Mr Schaffer said that the order book for the Building Products business is strong but, for the division as a whole, SFC expects revenue and earnings to be lower in the first half of the 2017 financial year.

With the sale of the St Kilda syndicate interest, SFC expects revenue and profit in its Property division to decrease, whilst Gosh Capital continues to grow its investment portfolio and earnings.

SFC forecasts underlying Group performance in the first half to be similar to the prior year, with an improved profit for Automotive Leather and Gosh Capital and decreases for Building Materials and Investment Property.

"SFC is positioned for growth. We are transforming our largest contributor to revenue and earnings and Howe is positioned to benefit for years to come. Over the last year, Gosh Capital has increased the value of its portfolio by \$1.2 million to \$28.5 million. Gosh Capital will continue to reinvest its profits and maximise value for shareholders over time," Mr Schaffer concluded.

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