

**SCHAFFER'S HALF YEAR PROFIT INCREASES TO \$6.7 MILLION**

Schaffer Corporation Limited (ASX: SFC) today reported net profit after tax (NPAT) of \$6.7 million for the first half of the 2016 financial year. SFC will pay a \$0.12 per share fully franked interim dividend.

SFC Chairman, Mr John Schaffer, said that the half year result included a \$4.2 million net profit from property sales, particularly the sale of SFC's 20% interest in the 616 St Kilda Road syndicate.

"On an underlying basis," Mr Schaffer said, "the SFC Group achieved a 17% increase in NPAT on the prior corresponding period.

"Whilst the gains achieved from sales within our property portfolio are classified as non-recurring, they reflect the type of long term value that SFC seeks to achieve for shareholders," Mr Schaffer said.

"Schaffer acquired its interest in 616 St Kilda Road for \$1 million. 19 years later, after having received strong annual income returns, we have sold that interest for a \$4 million net profit after tax."

"We regard these types of opportunities as 'cream' for our shareholders. We manage our operating businesses to maximise value over time. We also maximise rental returns from our property portfolio. But we are always aware of opportunities to release capital value for shareholders," Mr Schaffer said.

At the operating level, both the Howe Automotive Leather business and the Building Products businesses have achieved gains in the half year.

Mr Schaffer said that Automotive Leather was managing a substantial increase in volumes driven by the onboarding of new programs.

"Howe's investment in its Slovakian finishing facilities are beginning to reap the anticipated rewards," Mr Schaffer said.

"Revenues are substantially increased and, as the programs ramp up and scale is achieved in Slovakia, margins will improve to levels appropriate to the operations.

"We won this business on the basis of the quality and efficiency of work that Howe achieves. The current half and the next reflect the process of ensuring that our operations deliver the product that our customers require with the efficiency that delivers increasing profitability," Mr Schaffer added.

The Building Materials division reported increased revenue and earnings with increased demand on the east coast of Australia and reduced operating costs.

"In the second half, we anticipate increased earnings at Building Materials, and similar profit in Automotive Leather with greater earnings to flow in the 2017 fiscal year.

"Following the St Kilda Road sale, Investment Property earnings will be reduced and Gosh Capital will continue to grow its earnings from a low base," Mr Schaffer concluded.

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