

**AUTOMOTIVE LEATHER DRIVES 21% INCREASE IN UNDERLYING PROFIT**

Schaffer Corporation Limited (ASX: SFC) today reported a 21% increase in underlying net profit after tax (NPAT) for the first half of the 2017 financial year. SFC will pay an \$0.12 per share fully franked interim dividend, in line with the prior period.

SFC Chairman, Mr John Schaffer, said the Howe Automotive Leather business was the main contributor.

“Automotive Leather’s international operations helped us achieve a 21% increase in underlying profit, by increasing volumes a further 18% and improving EBIT margin,” Mr Schaffer said.

“Following a 64% revenue increase in two years, the investments in facilities, processes and people are now flowing through to profitability at Automotive Leather. The skills of our Slovakian team continue to grow, which is improving yields and allowing us to perform more value-added processes, such as perforation and lamination, with greater efficiency.

“Our investments have also remade our supply chain, stripping more than \$11 million out of our working capital requirements. We are now servicing significantly larger sales volumes from a static level of stock value,” Mr Schaffer noted.

Schaffer Corporation anticipates that Automotive Leather will drive a materially higher NPAT result for the second half compared with the prior period.

“We continue to win new program awards with the quality and efficiency of work that Howe achieves. As volumes continue to increase, improved efficiencies will further grow profitability,” Mr Schaffer said.

“The strength of Automotive Leather will more than compensate for subdued conditions and profitability at Building Materials.

“The diversification within Building Materials has enabled it to remain profitable despite very challenging conditions in Western Australia. Its management continues to refine its cost structures to fit the market conditions and position its business units to capture growth when conditions do improve,” Mr Schaffer concluded.

SFC’s interim dividend will be paid on 17 March 2017. The record date is 10 March 2017.

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