

UPDATE ON FY20 FINANCIAL YEAR

- **Similar statutory net profit after tax¹ (NPAT) expected for FY20 compared to FY19**
- **Statutory NPAT includes significant non-cash unrealised gains on listed investments**
- **FY20 profit from Automotive Leather down ~25% primarily due to impact from COVID-19**
- **FY20 final fully franked dividend expected to be 35¢. Total FY20 fully franked dividends expected to be 80¢ (to be confirmed on announcement of FY20 results)**

FY20 earnings update

SFC withdrew FY20 earnings guidance on 20 March 2020 due to the significant uncertainty the COVID-19 pandemic was creating on the trading performance of SFC's manufacturing divisions and the volatility and value of SFC's investments.

SFC now announces that the FY20 NPAT is expected to be similar to FY19, subject to the finalisation of the FY20 financial statements and audit.

Manufacturing Divisions

- **Automotive Leather division** profits are expected to be down ~25% for FY20 compared to prior year primarily as a result of reduced sales from COVID-19.

The division generates approximately 75% of its revenues from European customers. During late March, the whole of April and most of May, the production of vehicles in Europe virtually ceased. China/Asia operations were impacted during late January, and most of February. Our management team acted swiftly to minimise the impact of COVID-19.

China automotive manufacturers have re-opened and sales have normalised while the rest of Asia remains challenging. During the latter half of May, European automotive manufacturers started to slowly reopen production plants with further improvement experienced during June and more expected during July. This has resulted in improved sales for the Automotive Leather division since the lows reached in April and May.

Conditions continue to improve, but remain volatile and uncertain. A further update will be provided with the release of the FY20 results in August 2020.

- **Delta's** performance remained challenging and is expected to reflect an operating loss for the second half and for FY20.

1. Statutory profit is defined as net profit after tax for the period attributable to members

SFC Investments (Property and Equities)

Equity market performance has been volatile during recent months having fallen significantly on a global basis during late March. Most of these losses have since been recovered over the past 2 months. SFC's investment portfolio has also recovered during this period with significant unrealised, non-cash gains being achieved, particularly from SFC's investment in Harvest Technology Group Ltd (ASX:HTG).

The accounting standards require that each half-year the Group revalues its investment portfolio (other than directly owned property which is held at depreciated cost). This requirement can increase or decrease profit. It is a non-cash impact and adds to the prospective volatility of the Group's reported earnings.

Dividend guidance

SFC expects to pay a fully franked FY20 final dividend of 35¢ (FY19: 40¢) noting a material portion of FY20 profits are non-cash investment gains. Total fully franked dividends for FY20 are expected to be 80¢ (FY19: 70¢). The final FY20 dividend will be confirmed with SFC's annual results on 19th August.

This announcement was authorised by the Board of SFC.

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