Schaffer Corporation Limited

15 November 2023

ASX Market Announcements
ASX Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

SCHAFFER CORPORATION LIMITED (ASX:SFC) ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Please find attached the Chairman's Address to the Annual General Meeting of SFC.

The Chairman has authorised the document to be released to the ASX.

For further information, please contact:

Mr John Schaffer
Chairman
Schaffer Corporation Ltd
+61 8 9483 1201

Mr Ralph Leib
Chief Financial Officer
Schaffer Corporation Ltd
+61 8 9483 1208

Yours sincerely

Jason Cantwell
Company Secretary

Good morning, ladies and gentlemen.

My name is John Schaffer. I am the Chairman and Managing Director of Schaffer Corporation. It is my pleasure to welcome you all to the 69th Annual General Meeting of Schaffer Corporation Limited and our 60th year listed on the Australian Securities Exchange.

I would like to acknowledge that we meet on the homelands of the Whadjuk people who are the traditional custodians of this land. I pay respect to elders past, present and emerging, and extend that respect to other Aboriginal people here today.

As has now become the norm, we are also webcasting the meeting, so I welcome those shareholders who are attending virtually.

As it is now the nominated start time and we have a quorum, I declare today's Annual General Meeting open.

Firstly, I would like to present the Board of Directors and Senior Executives of the company to you beginning with my fellow Executive Director, Mr. Anton Mayer. Mr. Mayer is Executive Chairman of the Automotive Leather division and who joins us today, having traveled from Miami, Florida in the US. Anton celebrates his 25th year with Howe and I would personally like to express my sincere thanks to Anton for all his hard work, dedication, and passion. I truly appreciate our partnership and your significant contribution to the Group.

Next, I would like to introduce the Company's Non-executive Directors:

Mrs. Danielle Blain AM;
Mr David Schwartz; and
Mr Michael Perrott AM.

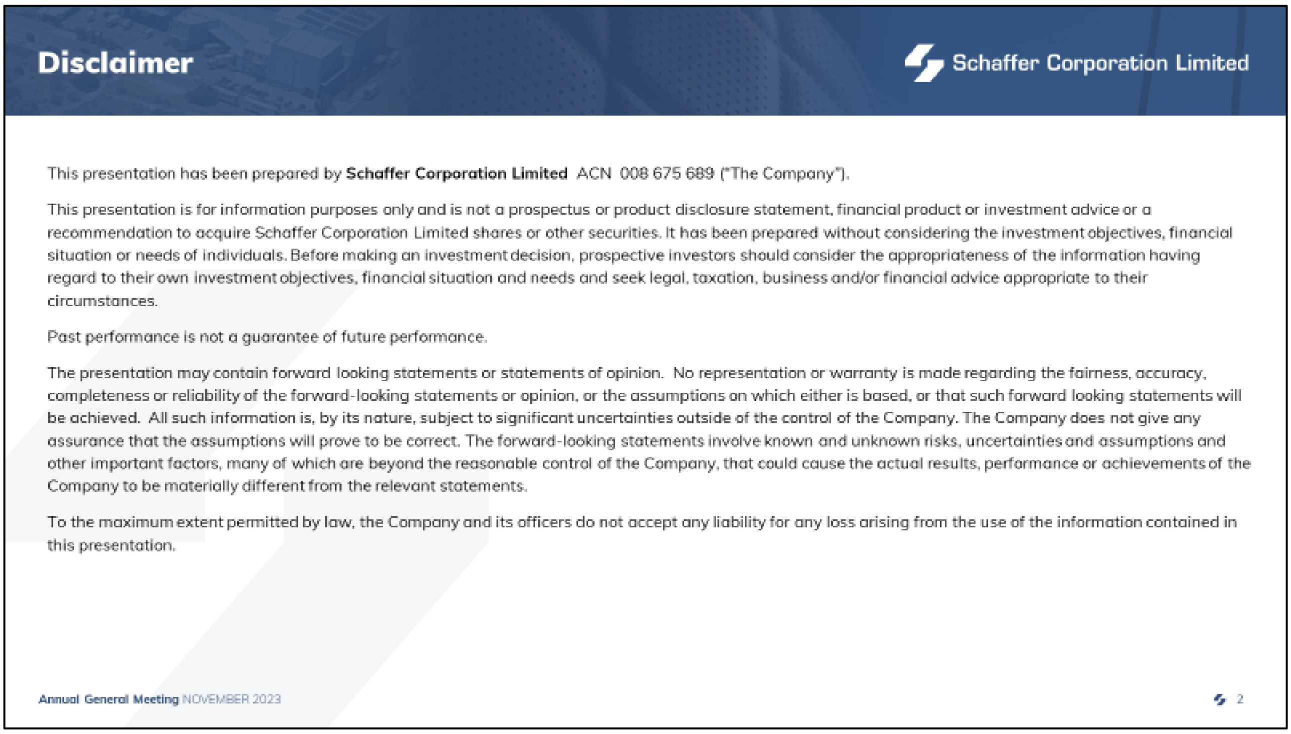
I would also like to introduce our Chief Financial Officer, Mr Ralph Leib, and our Company Secretary, Mr Jason Cantwell.

Today, we are also joined by our General Manager of Automotive Leather, Mr Dan Birks, and from Delta Corporation, our General Manager, Mr Jason Walsh.

Matt Perrella, who retired as Delta's Executive Director last year, also joins us today as a shareholder.

I also welcome Mr Todd Schaffer of TJS Advisory, who manages our major property assets.

Finally, I would like to introduce our company auditor Partner from EY, Mr. Timothy Dachs.



Schaffer Corporation's Annual Report, including reports of the Directors and the Auditors, for the year ended 30 June 2023 have been in members' hands for the statutory period.

I will now commence my Chairman's address after which I will invite questions and comments from members.

2023 Annual General Meeting

Chairman's Address

I am pleased to share the results for the 2023 financial year with you, my fellow shareholders. The year was again a pleasing year for Schaffer Corporation Limited (SFC), although it was another year of many challenges, particularly for our Automotive Leather business.

The Automotive Leather management team once again performed well to adjust the business to mitigate these challenges and deliver a solid result for the year.

Delta returned to profitability notwithstanding design and engineering complexity on a large project which impacted margins and cashflow during the first half.

Group investments, which includes the Jandakot Logistics Estate (branded South Connect), our syndicated property investments, equity investments and cash, continues to grow in importance to the Group.

I would like to take a few minutes to reflect on the past 4 financial years since Covid-19 started in February 2020. We have come through many challenges over this period, particularly:

- Customer and car manufacturer plant closures for the automotive leather division.
- Plant closures at our facilities across all our regions, even as recent as January and February 2023 in China.
- The challenges of managing our cashflows, inventory levels and right sizing our teams during the early phases of the pandemic in 2020, only to have to reverse course and accelerate rapidly during financial year 2021 when demand suddenly and unexpectedly increased substantially. Our management team supported by our investment in cutting innovation, allowed them to respond quickly, meeting all our customer needs. This burst of demand however was short lived, as semi-conductor chip shortages severely impacted our OEM's ability to build vehicles for over 18 months.

- Supply chains for over three years remained severely disrupted and became materially elongated adding further complexity in managing the business and working capital requirements. We have finally seen this return to normal.
- More recently in March 2022 the Automotive Leather division experienced a delayed start of a major renewed program. The old model ended in March 2022 with the new model expected to launch the following month. This did not occur and effectively some 12-months later in March 2023 we saw our sales volumes of this model reach close to 'normal' expected volumes.
- We also experienced a dramatic increase in our energy costs as the war in Ukraine caused a European energy crisis. At its peak, our annual energy costs increased over 400%. These costs impacted our 2022 and 2023 financial year results and although they have improved, remain elevated.
- Over the past 12 months we have experienced inflationary cost pressures and labour shortages.

While the above summarises the many challenges our Automotive Leather division has experienced over the past four financial years, we are proud of the more than $71 million of statutory profits that were generated for our shareholders over this period.

I thank the management team and employees for all their hard work and performance during this period.

Looking to the future, both our manufacturing divisions, Automotive Leather and Delta are well positioned and ready to meet the opportunities and challenges. Both divisions have increased capacity to meet potential increased demand.

Over the next 5 to 7 years the Automotive Leather division should benefit from the many new program wins with Merecedes, Audi and Porsche. While there is always the risk of challenges with launches, including complexity and delays, we are pleased with the prospects of this division.

Group Consolidated Financial Performance

Schaffer Corporation Limited

($m)	FY23	FY22	$ change
Revenue	$183.6	$170.4	$13.2
NPAT[1] from:			
Automotive Leather (1)	$11.1	$18.1	($7.0)
Delta (2)	$2.0	($0.6)	$2.6
Manufacturing NPAT[1]	$13.1	$17.5	($4.4)
Group Investments (3)	$3.2	$11.5	($8.1)
Corporate	($2.7)	($2.8)	($0.1)
Statutory NPAT[1]	$13.6	$26.2	($12.6)
EPS	$1.00	$1.91	
Ordinary dividends (fully franked)	$0.90	$0.90	

1. Net profit after tax and minority interests.
2. Pre-Tax Net Equity Value = market value less debt (including syndicated property debt)

FY23 Statutory NPAT[1] was $13.6m (FY22: $26.2m)

1. Automotive Leather NPAT[1] of $11.1m.
2. Delta NPAT[1] of $2.0m.
3. Group Investments NPAT[1] of $3.2m

Full year fully franked dividend maintained at $0.90/share

Group pre-tax net equity value[2] of investments of $186.5 million, $13.73/share

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Turning to the Group results.

The Group reported a statutory profit of $14 million. It is important to note that our profits include the financial impacts from unrealised, non-cash revaluations of our investments, in accordance with required accounting standards.

These unrealised, non-cash gains or losses from these revaluations lead to volatility in our reported earnings, notwithstanding very little has changed in the underlying operations of our businesses.

Revenues were up 8% to $184 million, primarily due to Delta where revenues rose 66%, benefiting from increased infrastructure projects.

Automotive Leather saw revenues increase marginally by 5%, where our Europe operations were impacted by the delayed launch of a major renewed program.

Net profit after tax (NPAT[1]) for the group was $13.6 million and included the following key components:

- Profit of $11.1 million from Automotive Leather.
- Profit of $2 million from Delta.
- Profit of $3.2 million from Group Investments.
- Less corporate overheads of $2.7 million.

The full year fully franked dividend was maintained at $0.90/share.

1. Net profit after tax and minority interests

Use of Cash and Net Debt Overview

Schaffer Corporation Limited

($m)	FY23	FY22
Total Cash Generated[1]	**6.1**	36.1
Less: Cash Paid to SFC Shareholders & Minorities	**(14.2)**	(14.9)
Cash Available after Shareholder Payments	**(8.1)**	21.2
Less: Cash Used for Investments & Capex	**(35.1)**	(20.1)
New Investments	**(16.3)**	(8.8)
Capital Expenditure and Property Development	**(18.8)**	(11.3)
Net Debt[2] (Increase)/Decrease	**(43.2)**	1.1

1. Cash generated includes cash from operating activities, proceeds from divestments and lease payments for leases previously classified as operating leases prior to the adoption of AASB16.
2. Net Debt presented excludes lease liabilities for leases previously classified as operating leases prior to the adoption of AASB16 on 1 July 2019.

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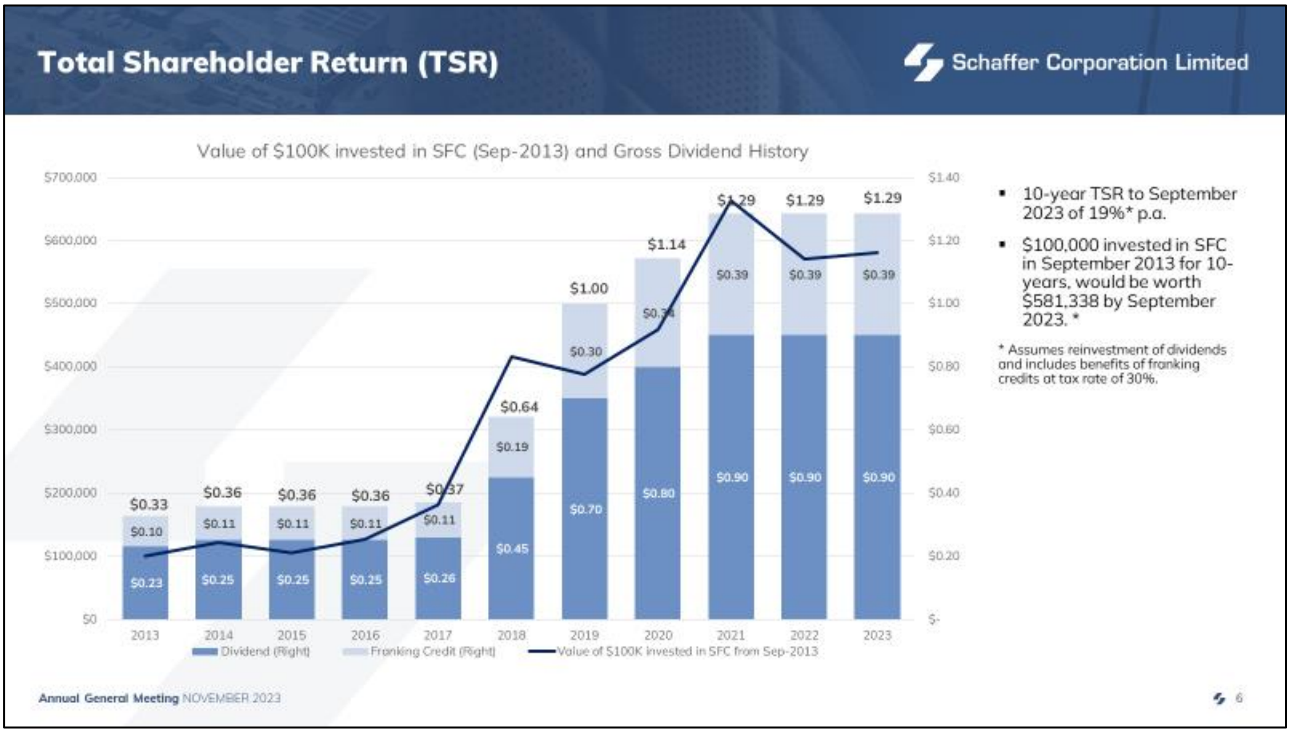
The Group generated $6 million of cash, down from $36 million in the prior year. Automotive Leather consumed $21 million of cash, primarily to fund an increase in hide purchases in anticipation of the launch of the major renewed program which was delayed.

During the year we:

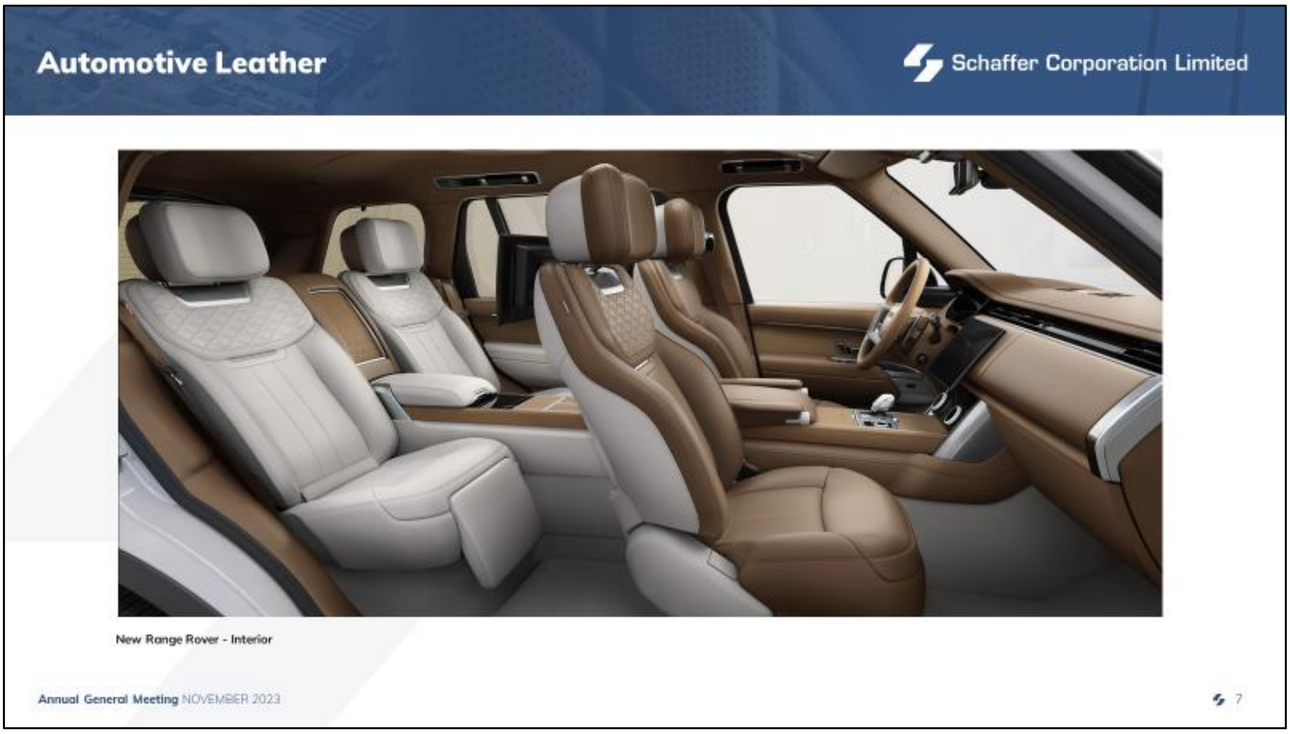
- Returned $14 million to our shareholders and minority investors in the form of dividends.
- Invested $16 million in new investments; and
- Invested $19 million in capital expenditures including:
    - $12 million for the development of the Jandakot Site, our largest investment.
    - $5 million for Automotive Leather; and
    - $2 million for Delta.



Total Shareholder Return (TSR*) measures the combined returns to shareholders from share price movements, the re-investment of dividends, and dividend imputation credits.

Over the past 10 years, Schaffer Corporation's TSR equates to 19% per year.

If an investor had invested $100,000 in Schaffer Corporation in September 2013, and re-invested all dividends received, that investment would have grown to approximately $581,000 at September 2023.



I now hand over to Ralph Leib. Ralph is both Schaffer Corporation's and Automotive Leather's Chief Financial Officer and will review the financial performance of the Automotive Leather division.

Automotive Leather

Schaffer Corporation Limited

- A challenging year, impacted by multiple factors
- Revenues increased to $143 million (FY22: $136 million).
- NPAT was down 39% to $11.1 million (FY22: $18.1 million).
- Revenues, operating margins, productivity and cashflow were impacted by:
  - The delayed launch of a major renewed program.
  - Inflationary cost pressures.
  - Adverse negative currency movements (-$2.3 million).
  - High energy costs in Europe (-$1.0 million versus pre-Ukraine war).
  - Semiconductor chip shortages in the first half.
  - Covid-19 lockdowns in Shanghai during January and February 2023.
  - Raw material supply chain disruptions and supply chain elongation.

($m)	FY23	FY22
Revenue	**$142.8**	$136.0
Segment NPAT[1]	**$11.1**	$18.1

1. NPAT excludes 16.83% minority interests.

New Mercedes E-Class

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Thank you, Chairman, and good morning, ladies and gentlemen.

Automotive Leather

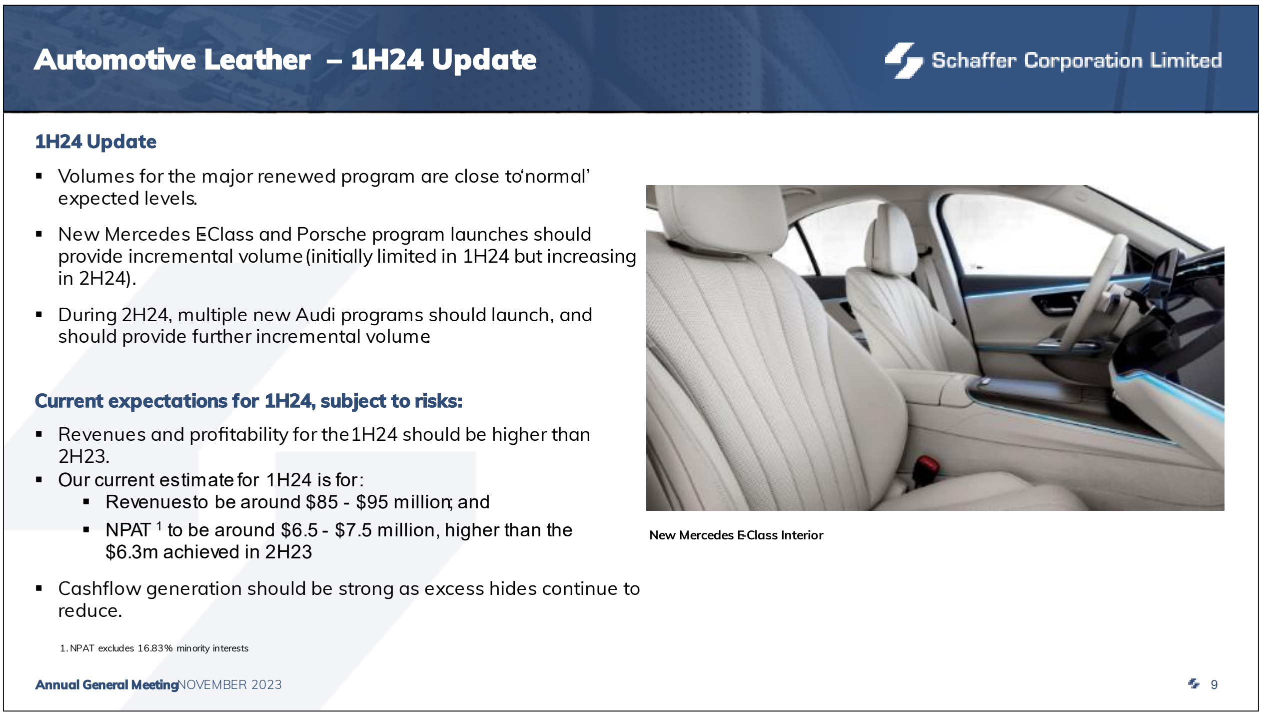
The Automotive Leather division had a difficult year as the division was impacted by multiple challenges. While revenues increased 5% to $143 million, profit was down 39% to $11.1 million. Our revenues, operating margins, productivity and cashflow were impacted by:

- The delayed launch of a major renewed program.
- Adverse currency movements (a negative $2.3 million impact on profits).
- High energy costs in Europe (a negative $1.0 million impact on profit versus pre-Ukraine war).
- Higher input costs due to inflationary pressures, including hide prices, chemical prices, rent, electricity, and other key consumables.
- Semiconductor chip shortages in the first half.
- Covid-19 lockdowns in Shanghai during January and February 2023.
- Raw material supply chain disruptions and supply chain elongation.

Automotive Leather experienced a stronger second half, as sales volumes progressively increased, particularly for the major renewed program. Volumes for this program ended the financial year close to ‘normal’ expected levels.

The second half also produced significantly improved cash flow generation, as management focused on reducing excess hide inventory that occurred during the first half. Cash from operations during the second half was an inflow of $10.6 million compared to the first half outflow of $9.6 million. The stronger cash generation should continue during the first half of FY24, as further hide reductions are expected to occur.

The Automotive Leather division's Management team took the necessary strategic actions to ensure that the business navigated the abovementioned challenges during the year and to ensure the business is ready for the 2024 financial year and onwards.



Automotive Leather 1H24 update

As mentioned in our previous announcements to shareholders, our European operations successfully won new programs with Mercedes, Audi and Porsche.

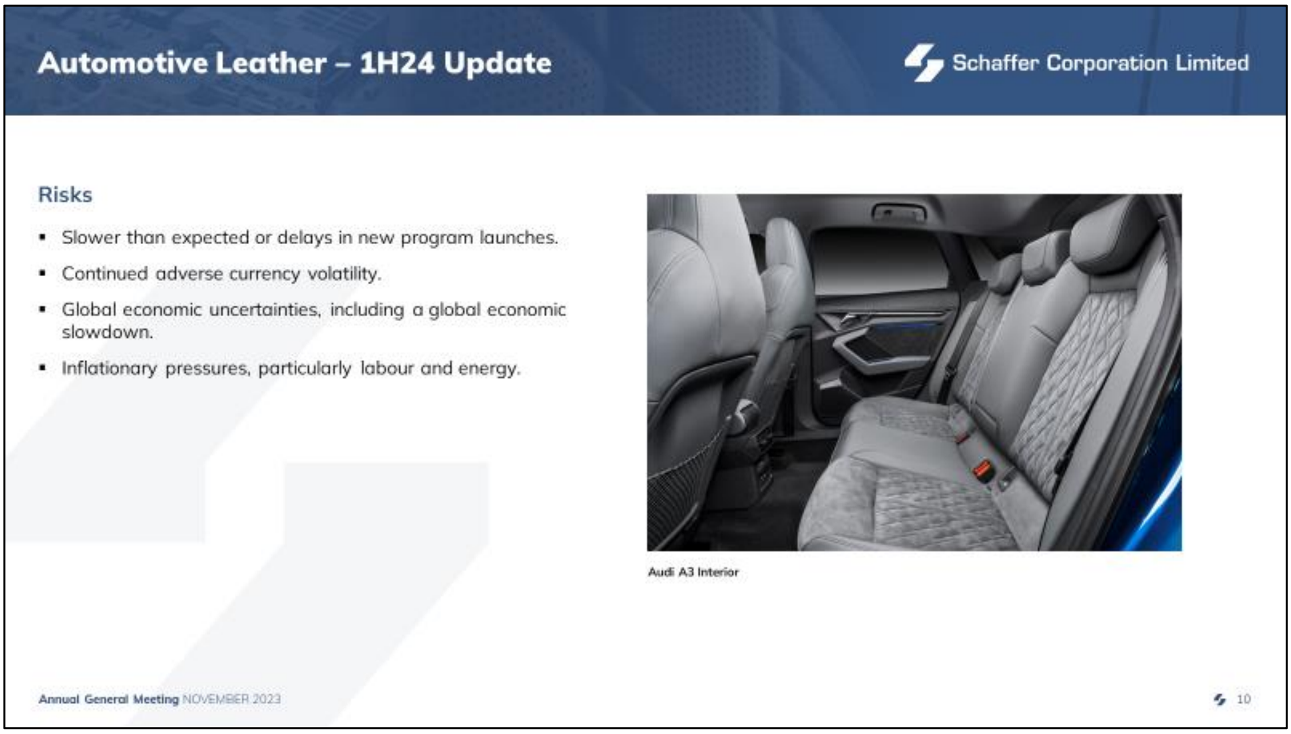
During the first half of FY24, the new Mercedes E-Class and Porsche programs should launch, adding initially limited but positive incremental sales volume.

The Automotive Leather division should see revenue and profitability for the first half of FY24 higher than the second half of FY23. Cashflow generation should be strong as excess hides continue to reduce.

It is also important to remind our shareholders that during the second half of FY24 multiple new Audi programs should launch which should lead to further increases in sales volumes and profitability.

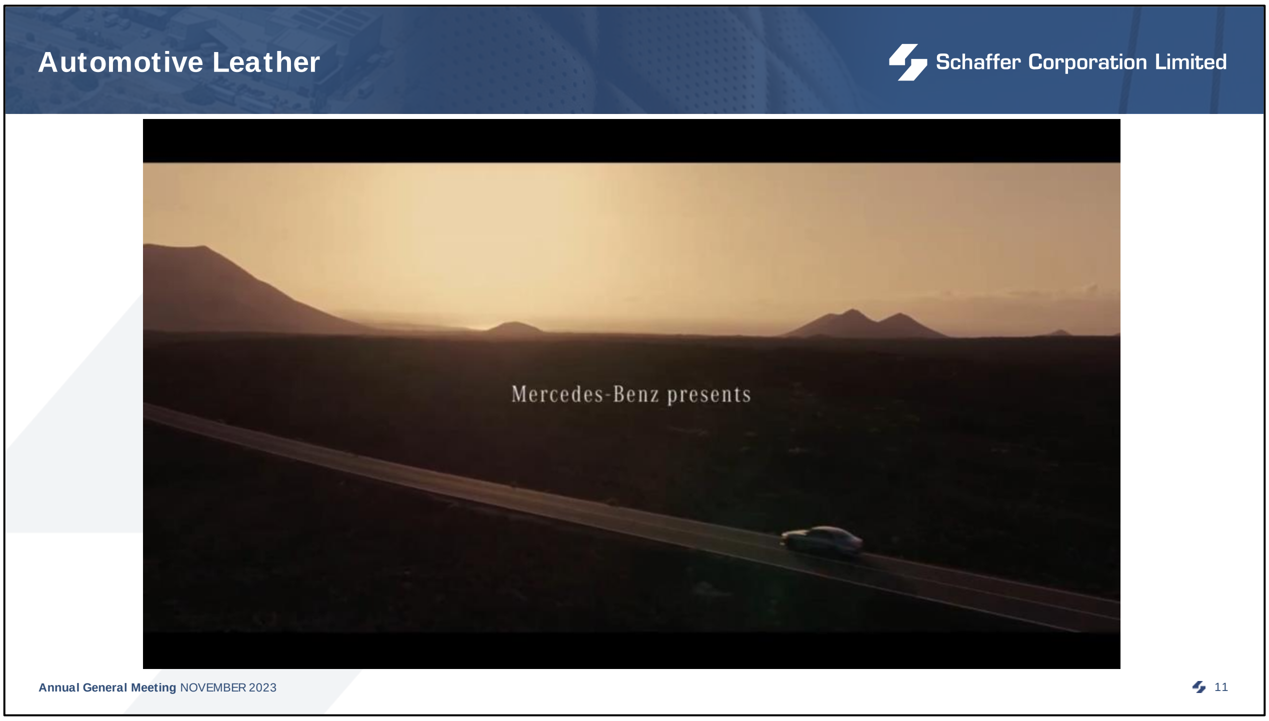
Our current estimate for the first half of financial year is for:

- Revenues to be around $85 - $95 million; and
- NPAT[1] to be around $6.5 - $7.5 million, higher than the $6.3m achieved in 2H23



We once again remind shareholders that, subject to various risks, the prospects of the Automotive Leather division remain strong, with future growth in Europe supported by renewed major programs, and new program launches with Mercedes Audi and Porsche.

At this juncture, I now hand over to Dan Birks. Dan is the General Manager of Automotive Leather.



Thanks Ralph.

Good morning to everyone.

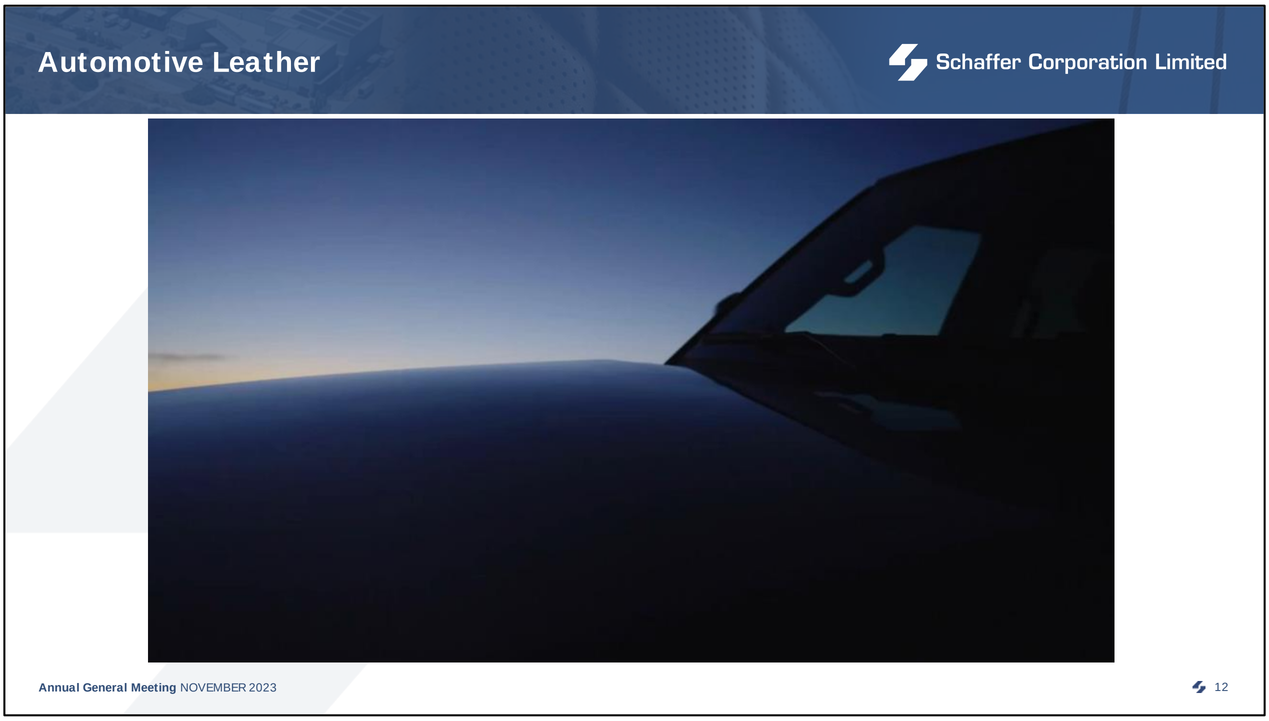
Again, it is a pleasure to be able to again attend the Schaffer AGM in person.

I am proud to say that we are now viewed as a supply partner to the most exclusive car companies in Europe - namely: Jaguar Land Rover, Mercedes, Audi and Porsche.

We have developed a supply history and reputation that ensures our future with these companies. Leather remains a valued option amongst the end consumers of these premium vehicles due to its properties of durability, comfort, and luxury.

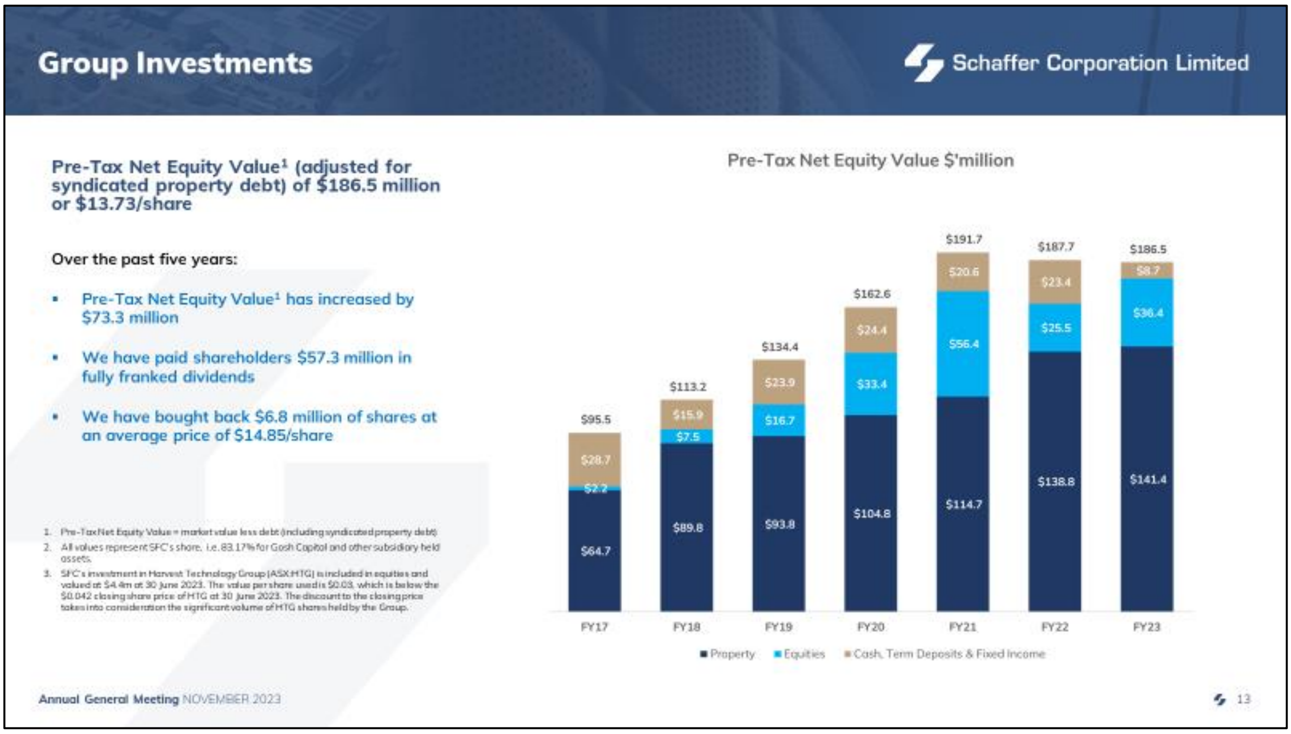
In China the market is different – The new electric vehicle market is developing rapidly in both the mass market and luxury sectors. Our opportunity again is in the luxury end of the market where we are focusing on companies with premium models such as Li Auto, BYD, Geely - all names that are unfamiliar now but will become well recognised brands in the global market in years to come. Again, leather remains a valued surface material for car interiors in China.

Some examples of our latest vehicle launches are highlighted - Mercedes E Class and China Rox R11 (EV).



What is interesting is the clear difference in positioning of these vehicles – the Mercedes E Class is a traditional premium European sedan versus the versatile SUV from China with a bundle of interesting features and strong interpretation of the Land Rover Defender.

I now hand back to Ralph.



Thank you, Dan.

Group Investments

Schaffer Corporation's underlying valuation continues to be underpinned by tangible assets.

Group Investments aims to maximise shareholder value over the medium and long-term by:

- Continuing to grow our investment portfolio.
- Accessing unique investment opportunities for shareholders.
- Investing in businesses and people with proven track records; and
- Remaining flexible and opportunistic.

At 30 June 2023, the Group's investment portfolio (including our share of subsidiaries) had an estimated pre-tax net equity market value of $186.5 million, compared to $187.7 million for the prior year. That is $13.73 per share. The $186.5 million comprises approximately:

- $141.4 million of Property investments;
- $36.4 million of Equity and Other investments; and
- $8.7 million of Cash.

Over five years, the increase in value in our pre-tax net equity market value represents an annual compounded increase of 14.5% per year.

Over the same five-year period, pre-tax net equity value of Group Investments has increased by $73 million, after having paid out $57 million of fully franked dividends to our shareholders and having bought back around $7 million in shares.

Group Investments

Schaffer Corporation Limited

($m)	FY23	FY22
Revenue	**$ 12.1**	$ 17.2
Segment NPAT[1]	**$3.2**	$11.5

1. NPAT excludes 16.83% minority interests for Gosh Capital investments
2. SFC's investment in Harvest Technology Group (ASX:HTG) is valued using $0.03 per share which is below the $0.042 closing share price of HTG at 30 June 2023. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.
3. Past performance is not indicative of future results

NPAT[1] of $3.2m (FY22: $11.5m)

The current financial years NPAT[1] includes gains of:

- $1.6m from unrealised, non-cash revaluation of US hotel investments.
- $0.7m from US syndicate profit distributions.
- $0.5m from North Coogee (3 sold, 6 remaining).
- $0.3m from Belmore Road Syndicate. Generated an IRR of 39% p.a. and 83% return on equity[3].

Group Investments results also includes the following non-cash, unrealised, gains/(losses):

- +$2.2m NPAT[1] from our investment in Updater.
- -$3.2m after tax from our investment in HTG[2].

SFC Global Equity Fund

- The Fund was successfully launched ending the year up 7.6%[3] net of fees with funds under management of $18.7m.

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During the financial year, Group Investments contributed $3.2 million of profit.

During the year we successfully launched the SFC Global Equity Fund for wholesale investors. The Fund ended the year up 7.6%[3] net of fees with funds under management of $18.7m.

At this juncture, I now hand over to Todd Schaffer. Todd manages the various Schaffer property investments including Jandakot.

Thank you, Ralph.

Our Jandakot property - South Connect Jandakot Logistics Estate is a strategic property asset that we are currently developing.

It is located between Kwinana Freeway and Roe Highway and 15 minutes south of the Perth CBD.

The site has approximately 34 hectares of developable land with allowable uses including warehouses, showrooms, storage, masonry production and nurseries.

South Connect includes 6.2 hectares currently leased to Austral Masonry Holdings.

During the year, the pre-tax net equity value of Jandakot South Connect increased by $300k.

The land value increased by $11.5 million to $77.5 million due to the investment in civil works that are due to be completed in the first half of this financial year.

This was offset by $11.2 million debt drawn down against a construction finance facility.

We received Development Application approval for our first ‘superlot’ highlighted in red on the slide. This superlot consists of 36,000 square metres over three buildings. We are currently assessing the best course of action for the first 12,000 square meters.

I now hand you back to the Chairman.

Delta

Schaffer Corporation Limited

($m)	FY23	FY22
Revenue	**$28.7**	$17.3
Segment NPAT	**$2.0**	($0.6)

Bayswater Train Station Beams

Summary

- Delta returned to profitability with NPAT of $2.0m (FY22: -$0.6m loss) notwithstanding challenges including:
  - Design and engineering complexity on a large project which impacted margins and cashflow during 1H23.
  - Ongoing skilled labour shortages and inflationary pricing pressures across the construction industry.

Risks

- Project delays, skilled labour shortages, supply disruptions.
- Inflationary cost pressures, including labour, steel, cement and aggregates.

Outlook

- The operating environment remains positive but challenging.
- Significant government investment in infrastructure projects is stimulating activity.
- The industry capacity remains constrained.
- NPAT for 1H24 is expected to remain strong.

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Thank you, Todd.

Delta

Delta produces precast and prestressed concrete products, predominantly for the Western Australian market.

Delta returned to profitability, reporting profit of $2.0 million on higher revenue of $29 million. This compares to a loss of $0.6 million during the 2022 financial year.

We are very pleased with the performance of Delta notwithstanding some challenges including:

- Design and engineering complexity on a large project which impacted margins and cash flow during the first half; and
- Ongoing skilled labour shortages and inflationary pricing pressures across the construction industry.

Outlook for 1H24

The operating environment remains positive but challenging. Government continues to invest in large-scale infrastructure projects, with industry capacity remaining constrained.

Given Delta's current order book, we expect Delta's improved profit performance to continue.

At this juncture, I now handover to Jason Walsh, General Manager of Delta Corporation Limited.

Thanks John.

Good morning everyone and thank you John for the opportunity to provide a brief overview of Delta's operations.

As you may recall from last year's AGM, the State Government had embarked on a significant infrastructure program. Limited by capacity constraints due to delays on existing projects, Delta undertook an internal review of its operations with a view to improving its production flexibility and capabilities to meet the increased market demand. This involved the reconfiguration of existing production areas as well as improvements to storage areas.

As a result, Delta was able to tender on several projects it would otherwise have had to decline, defer, or delay due to project program timing.

Delta

Schaffer Corporation Limited

Albany Ring Road Production

Albany Ring Road Beams

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I am pleased to report that the capacity expansion and reconfiguration program enabled Delta to supply an additional eight State Government infrastructure projects including the Morley Ellenbrook Line and the Albany Ring Road projects which collectively contributed a further $11.6 million in revenue for the financial year.

The result for the past financial year is a credit to the team I work with at Delta and the support of the board in undertaking the capacity expansion program. It is especially pleasing given the ongoing challenges of skilled labour shortages, design delays, inflationary pressures, and supply chain issues. Looking at the financial year ahead, while competition in the marketplace remains strong, orders on hand and the prospective list of potential projects indicate that Delta is well positioned to utilise its expanded production facilities.

Finally, I would like to take the opportunity to thank the Board for their support of Delta. The past two financial years have presented several challenges resulting in an incredible amount of change which has seen the company return to profit as well as placing Delta in a strong position for the years to come.

I now hand you back to the Chairman

Conclusion

In conclusion, the economic and geopolitical conditions have many uncertainties and risks, including:

- significantly higher interest rates that may slow global demand, particularly in the automotive industry,
- volatile currency movements,
- higher energy prices,
- inflationary cost pressures,
- skilled labour shortages,
- the war in the Middle East and Ukraine; and
- overall market volatility.

For Automotive Leather, the prospects remain strong, with multiple new program launches expected during this financial year.

For Delta, the prospects remain strong with many large Infrastructure jobs and limited industry capacity.

For Group Investments, our primary focus is the development of Jandakot.

The Board remains conscious of the risk factors mentioned above for the Group.

Dividends

Subject to Board approval in February, we expect to continue to pay a 45c fully franked dividend, the same as the last two halves.

On behalf of the board, we would like to sincerely thank you to our shareholders. We also thank our management teams and employees for their hard work and perseverance.

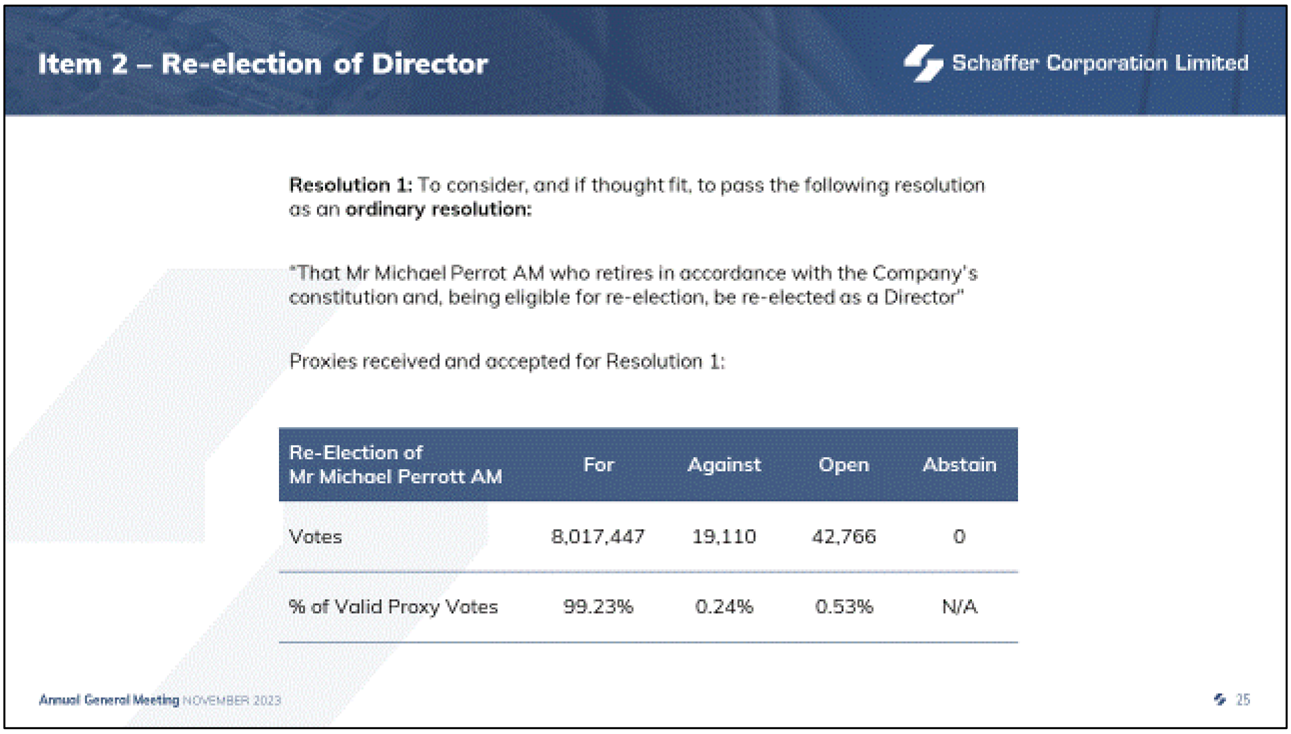
I now invite questions or comments from members regarding the accounts and reports, and the management of the company. Members are also invited to ask our auditors questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

I now turn to the first item of ordinary business in the Notice of Meeting

"To receive and consider the annual financial statements and reports of the directors and the auditors for the period ended 30 June 2023"

The Corporations Act requires that the Annual Financial Report, including the Directors' declaration for the year ended 30 June 2023 and the related Directors' Report and Audit Report be received and considered at the AGM. However, this does not require voting by shareholders.

Assuming there are no further comments or questions from shareholders, I will move on to the next item of business.



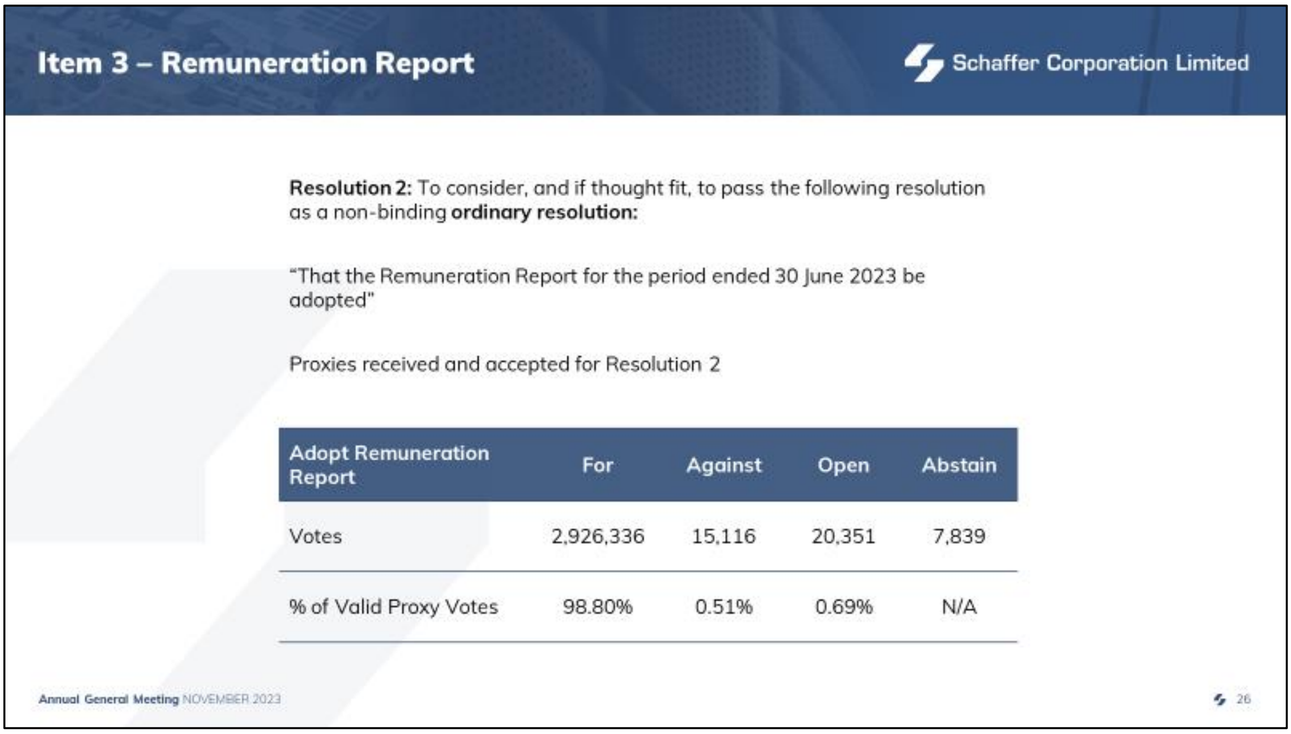
I would now like to move to Resolution 1, Re-election of Director

"That Mr Michael Perrott AM, who retires in accordance with the Company's constitution and, being eligible for re-election, be re-elected as a Director"

A total of 8,079,323 proxies were received, which represents 60% of the Company's issued capital.

Proxies submitted for Resolution 1 are shown on the screen.

Proxies at the Chairman's discretion will be voted in favour of the resolution and the Board supports the re-election of Mr Michael Perrott.



I would now like to move to Resolution 2, Remuneration Report

"That the Remuneration Report for the period ended 30 June 2023 be adopted"
Full details of the Company's approach to remuneration for Directors and Senior Executives are included in our Remuneration Report contained within this year's Annual Report. As provided for in the Corporations Act and as noted in our Notice of Meeting, the vote is of a non-binding nature.

A reminder that Key Management Personnel and closely related parties of Key Management Personnel are excluded from voting on this resolution as outlined in the Notice of Meeting.

Also, there are no proxies to be voted at the Chairman's discretion on Resolution 2 as outlined in the Notice of Meeting and Proxy Form.

A total of 2,961,803 proxy votes were received.

Proxies submitted for Resolution 2 are shown on the screen.

As there is no further business to be transacted and the formal proceedings have been completed, I declare the meeting closed.