



SCHAFFER CORPORATION INCREASES NET PROFIT TO \$10.9M

Schaffer Corporation Limited (ASX: SFC) today announced increased net profit after tax (NPAT) of \$10.9 million for the 2008 financial year, an increase of 6% above the result for the prior year.

SFC also announced that it will pay a final ordinary dividend of \$0.25 per share (fully franked). Ordinary dividends for the financial year total \$0.50 per share (fully franked), which is in line with the prior year.

SFC will pay the final dividend on 22 September 2008 to shareholders at the record date, which is 12:00am (WST) on 16 September 2008.

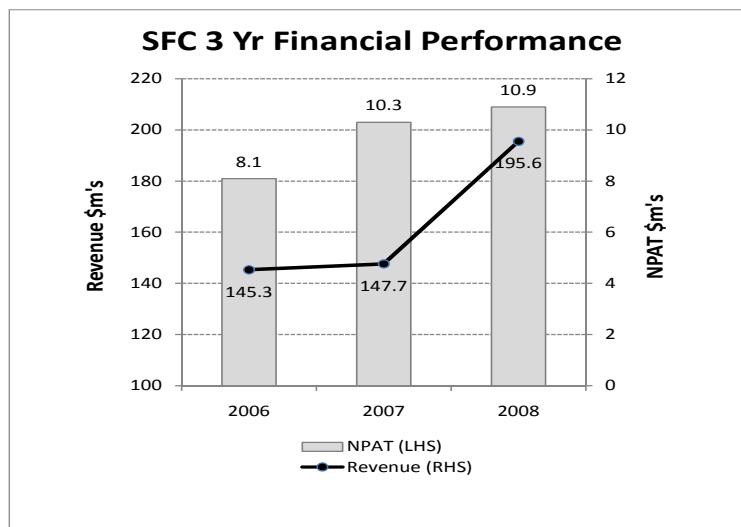
SUMMARY FINANCIAL PERFORMANCE

SFC's consolidated financial performance for the 2008 financial year showed across-the-board improvement on the prior year:

	30-Jun-07	30-Jun-08	% Change
Revenue (\$m's)	147.7	195.9	33%
EBITDA (\$m's)	23.9	27.9	17%
EBIT (\$m's)	19.1	22.1	15%
NPAT (\$m's)	10.3	10.9	6%
Earnings per share (EPS)	\$0.73	\$0.77	5%
Ordinary Dividends per share	\$0.50	\$0.50	
Return on avg. capital employed	17%	18%	

THREE YEAR FINANCIAL PERFORMANCE

Over the last three financial years, SFC's revenue and profit have grown substantially:



OPERATIONAL REVIEW

BUILDING MATERIALS

The Building Materials division reported revenue of \$65.6 million (FY2007: \$55.1 million; 19% increase) and earnings before interest and tax (EBIT) of \$8.7 million (FY2007: \$10.8 million; 19% decrease).

The increased revenue was attributable to inclusion of the Archistone and Limestone Resources businesses. While Delta Corporation delivered record revenue and strong earnings growth, integration costs, difficult trading conditions in New South Wales and a decline in the development of residential housing subdivisions in Western Australia (which reduced demand for reconstituted and quarried limestone products) all affected the division's overall result.

Following a significant expansion of its facilities, Delta Corporation is capitalising on continued strong demand for pre-stressed concrete beams and the Deltacore suite of pre-cast concrete flooring and wall products. Major projects during the 2008 financial year included the Bishop's See and Century City towers currently under construction in the Perth central business district and the new Perth-Bunbury highway, which is due for completion during calendar 2009.

During the year under review, SFC completed the rebranding and national roll-out of the UrbanStone Central concept stores. The full integration of the former Building Products group within the Building Materials division will provide an expanded product range available through a larger number of outlets along with greater efficiency and economies of scale within SFC's manufacturing facilities.

LEATHER (HOWE)

The Leather division increased revenue to \$120.0 million (FY2007: \$84.4 million; 42% increase) and reported EBIT of \$8.9 million (FY2007: \$6.0 million; 49% increase).

The strategic realignment of the Leather division's production facilities (particularly the establishment of cutting plants in China, Mexico and Slovakia) has reset the division's cost base. As a result, despite difficult conditions across the global automotive industry, Leather generated a second year of strong earnings growth.

The division achieved that growth despite the ongoing appreciation of the Australian dollar against the US dollar and the Euro during the 2008 financial year. More recently, the Australian dollar has declined against both other currencies, which if sustained should positively impact the division's earnings going forward.

Howe continues to supply leather to many major international vehicle manufacturers, including the Volkswagen group (Audi and Volkswagen), Ford (Ford and Land Rover) and General Motors.

PROPERTY

The Property division also returned strong results for the 2008 financial year, with the portfolio generating EBIT of \$6.6 million (FY2007: \$3.8 million; 75% increase).

The sale of the property situated at 71 Queens Road, Melbourne during the first half contributed profit of \$1.4 million. Increased sales at the Mindarie Keys property subdivision north of Perth returned profit of \$3.0 million (FY2007: \$2.2 million). In addition, net rental income from SFC's joint venture investment properties increased to \$2.2 million (FY2007: \$1.6 million) reflecting the increase in office and commercial rental rates across Western Australia.

Following independent valuations of almost all of SFC's property investments during the year, the group's interests are presently valued at \$117.6 million. That value compares with the current carrying value of \$42.4 million. At balance date, the average Loan-to-Valuation ratio across the portfolio was 31% – a very conservative level.

OPERATING CASH FLOW

SFC's net cash flows from operating activities increased to \$23.5 million (FY2007: \$13.9 million; 69% increase) as a result of increased revenue and decreased working capital requirements within the Leather division, due to improved trading terms with some customers. SFC's net interest cover ratio for the 2008 financial year was 4.1x (FY2007: 4.4x).

OUTLOOK

Trading conditions remain challenging in many industries serviced by SFC and the impact of the ongoing global credit crisis on the group is difficult to assess. Potential exists for each of the Australian construction and property markets and the global automotive industries to be adversely affected.

In recent years, SFC has implemented substantial strategic changes to both reset its cost base and increase revenues, efficiency and profitability.

In the Building Materials division, SFC is well positioned to extract further manufacturing efficiencies. Delta Corporation has commenced the year with a strong order book.

In the Leather division, revenue in the first half of the year is likely to be lower than the second half of the 2008 financial year as a result of weakness in the North American market, slowing in China and the seasonal slowdown associated with the northern hemisphere summer holidays.

In the Property division, SFC expects net rental income from investment properties to increase further in the 2009 financial year following recent and forthcoming rent reviews. Lot sales at Mindarie Keys will be lower with a small number of lots remaining unsold. SFC will continue to take advantage of opportunities to realise value across the property portfolio if and when they arise.

The Board expects to maintain ordinary dividends at \$0.50 per share (fully franked) for the 2009 financial year.



John Schaffer
Chairman

20 August 2008