SCHAFFER REPORTS $3.4 MILLION INTERIM PROFIT; MAINTAINS 25¢ FULLY FRANKED DIVIDEND

Schaffer Corporation Limited (ASX: SFC) today announced a headline net profit after tax (NPAT) of $3.4 million for the first half of the 2009 financial year. The Board of Directors has declared an interim ordinary dividend of $0.25 per share (fully franked), payable on 25 March 2009, in line with last year.

FINANCIAL PERFORMANCE SUMMARY

		Six months to 31 Dec 08		Six months to 31 Dec 07	
Revenue ($m's)		85.5		91.1	-6%
EBITDA ($m's)		10.4		13.8	-24%
EBIT ($m's)		7.6		11.2	-32%
NPAT ($m's)		3.4 *		5.8	-42%
NPAT exc. property sales ($m's)		*3.4*		*4.3*	-21%
Earnings per Share	$	0.24	$	0.41	-41%
Net Tangible Assets per Share **	$	7.37	$	7.47	-1%
Interim Dividend per share	$	0.25	$	0.25	

* *Includes $5.0m foreign exchange losses (pcp $0.6m foreign exchange gain)*

*** Based on property assets at latest independent valuation.*

The Building Materials division achieved record revenue and EBIT results for the half year, driven by a stellar performance from pre-cast and pre-stressed concrete manufacturer Delta Corporation. Not unexpectedly this result has not been matched by the other two divisions, Automotive Leather and Property.

As noted in the Chairman's address to shareholders at the Annual General Meeting, Automotive Leather division earnings were negatively impacted by foreign exchange losses as a result of the significant devaluation of the Australian dollar relative to our major trading currencies (the US dollar and Euro). The foreign exchange losses were principally incurred on the purchase of imported raw materials and pre-existing foreign currency hedge contracts.

Group revenue declined 6% over the previous corresponding period (pcp). Higher revenues at Delta Corporation were more than offset by the global weakening in motor vehicles sales, lower sales of paving and walling products and the absence of property sales. The decline in NPAT over the prior corresponding period is partly due to last year's NPAT benefiting from a one-off $1.0 million profit from the sale of an investment property, and a $0.5 million profit on the sale of residential land at Mindarie Keys in Western Australia.

Trading conditions in SFC's primary markets of automotive leather and commercial and residential property have been extremely difficult. These conditions have been exacerbated by the sharpest devaluation of the Australian dollar since the currency was floated in 1983.

While SFC cannot influence the global automobile market, neither can it control exchange rates, senior management responded quickly to these realities and implemented continuing cost reduction initiatives across both operating divisions and head office. A renewed emphasis on reducing working capital requirements is expected to deliver additional cost savings in the second half, and an improvement in operating cash flow.

SFC focuses on matching cost structure within all operating divisions with demand for our products. SFC also works to maximise efficiency at all its manufacturing plants. Since 2007, SFC has invested approximately $11 million in additional capital in its manufacturing plants. That capital expenditure has principally been aimed at improving efficiency and lowering operating costs. During the second half of financial year 2009, SFC will begin commissioning a new masonry plant at its Jandakot facility. The new plant will expand the group's range of products and replace a separate, smaller and less efficient manufacturing site. That site has been closed as part of the integration of the Limestone Resources and Archistone acquisitions.

BUILDING MATERIALS

Building Materials reported revenue of $37.9 million (pcp: $33.0 million) and earnings before interest and taxes (EBIT) of $5.7 million (pcp: $5.1 million).

Delta Corporation's excellent performance was driven by a number of major construction contracts. However conditions in the Building Products group, which includes Urbanstone Central, Archistone and Limestone Resources, remained difficult. A decline in new home start and a significant weakening in the commercial property construction market were key factors.

The operational integration of recent acquisitions is largely complete. That integration has created opportunities for greater economies of scale in manufacturing, marketing, distribution and administration, as well as improved working capital management.

AUTOMOTIVE LEATHER

The Automotive Leather division reported revenue of $44.2 million (pcp: $54.3 million) and EBIT of $1.1 million (pcp: $3.8 million).

Global motor vehicles sales declined sharply during the second half of calendar 2008. Accordingly, a significant decrease in demand for automotive leather products has occurred. The depreciation in the Australian dollar against the US dollar and Euro resulted in net foreign exchanges losses of $7.1 million ($3.4m unrealised) primarily on pre-existing hedge contracts and foreign currency payables for imported raw materials.

SFC has implemented cost reduction initiatives at its Thomastown, Victoria finishing plant, and its three overseas cutting plants to keep operating costs in line with expected future demand.

PROPERTY

The Property division reported revenue of $3.1 million (pcp: $3.5 million) and EBIT of $1.5 million (pcp: $3.1 million).

The pcp included revenue of $1.0 million and EBIT of $2.0 million, associated with the sale of an investment property in Melbourne, and residential land sales at the Mindarie Keys development. During the period under review, SFC had no investment property disposals and no land was sold at Mindarie Keys. As shareholders are aware Mindarie Keys is now substantially complete with just 15 of 239 residential lots left to be sold at the Wharf.

Net rental income of $1.5 million increased by 30% (pcp: $1.1 million) reflecting recent rent reviews. At 31 December average occupancy across all investment properties was 99.5%.

OUTLOOK

SFC is currently exposed to a climate of economic uncertainty, unprecedented currency volatility of the AUD and the likelihood of an extended significant reduction in global automobile manufacturing capacity. As a result, it remains extremely difficult to predict future financial performance.

SFC anticipates difficult trading conditions across the Building Materials division and notes that Delta Corporation will complete certain construction projects during the second half. Consequently earnings for Building Materials are expected to decline during the second half.

With the depreciation of the Australian dollar, operating margins for the Automotive Leather division are expected to be materially higher in the second half. At current exchange rates and anticipated sales volumes, SFC expects EBIT for the Automotive Leather division to be materially higher in the second half.

SFC expects net rental income for the second half to be higher because of lower interest rates, and the impact of recent rent reviews. SFC notes the increased risk of higher vacancy rates. The Board continues to consider options to sell investment properties where such sales would generate an adequate return to shareholders. At present, there are no specific investment property disposals under consideration.

DIVIDENDS

The Board has declared an interim dividend of 25¢ per share, fully franked, maintaining the level from the pcp.

Key dates in relation to the interim dividend are as follows:

SFC shares commence trading ex-dividend	9 March 2009
Record date for final dividend	13 March 2009
Payment of dividend	25 March 2009

The Board will decide upon the final dividend for financial year 2009 when it has the financial year results available. The factors that the Board will consider in determining the quantum of the final dividend include the cash position at year end, and the projected future cash position, having regard to capital expenditure requirements, retained earnings, franking credits, debt levels and business and economic conditions generally.

John Schaffer
Chairman

18 February 2009