SCHAFFER CORP NET PROFIT $7.5M – AN INCREASE OF 56%

Schaffer Corporation Limited (ASX: SFC) today announced a net profit after tax (NPAT) for the 2012 financial year of $7.5 million.

The NPAT result represents a 56% increase over the previous year and resulted from:

- An increase in resource and civil infrastructure projects in Western Australia, upon which Building Materials capitalised, particularly within Delta pre-cast concrete.
- Ongoing benefits arising from SFC's 2011 strategic decision to close Automotive Leather's loss-making North American leather operations.

The prior year's result included a significant profit from the sale of investment property, which makes the improved result even more pleasing for the company.

On 21 September 2012, SFC will pay a fully franked final ordinary dividend of $0.11 per share, an increase of 10%, bringing dividends for the financial year to $0.21 per share (fully franked). The record date for the final dividend is 7 September 2012.

FINANCIAL PERFORMANCE SUMMARY

	Financial Year to		
	30-Jun-12	30-Jun-11^	% Change
Revenue ($m)	152.6	138.1	11%
EBITDA ($m)	19.9	17.1	16%
EBIT ($m)	14.9	12.2	22%
NPAT* ($m)	7.5	4.8	56%
Earnings per share (EPS)	$0.53	$0.34	57%
Ordinary dividends per share	$0.21	$0.20	5%
Return on average capital employed	14%	11%	

*Net Profit after tax and minority interests
^Includes discontinued operations

AUTOMOTIVE LEATHER

Automotive Leather's revenue from continuing operations increased by 24% to $89.6 million and earnings before interest and tax (EBIT) more than doubled (including discontinued operations) to $7.4 million.

The result was driven by a 27% increase in volumes in Europe and China, markets in which Automotive Leather is expanding its local presence, and a focus on positioning the business as a high quality, low cost producer.

Contrastingly, the appreciation of the Australian dollar against the Euro from €0.74 to €0.81 over the financial year negatively affected export revenues and margins for European sales. The effects of currency translation into the strong Australian dollar are largely beyond our control, so we remain focused on our core business strategies and positioning as a high quality, low cost producer to achieve the best result possible.

BUILDING MATERIALS

Building Materials' revenue increased by 9% to $56.4 million and EBIT increased 26% to $5.0 million.

Delta Corporation produces and supplies pre-cast and pre-stressed concrete products. Delta continued its growth trend with increasing revenue centred on Government, building and infrastructure and large-scale resource projects. Given the strength in demand and Delta's leading position in the sector, it has applied its capacity to highly specialised work, which has flowed into increased profitability.

The Building Products business unit supplies paving and walling products. Low residential and commercial building activity continued in the 2012 financial year resulting in the business unit recording another subdued result.

Building Products commenced sales of masonry block products in the 2011 financial year and achieved good penetration throughout the 2012 financial year, which is anticipated to continue bolstered by additional product development. The business unit remains customer focused and continues to refine its product mix to target the industry's requirements. Towards the end of the year, the unit's order book was building encouragingly.

PROPERTY

Property's revenue decreased by 3% to $6.6 million and EBIT decreased to $4.5 million ($7.2 million in the 2011 financial year). The 2012 financial year EBIT included $0.4 million from SFC's share of profit on the sale of Vulcan Road, Canning Vale, Western Australia.

The previous EBIT result was bolstered by $4.4 million from SFC's share of profits from the sale of 89 St Georges Terrace, Perth. That and prior property sales resulted in falling rental inventory. However, the decrease in rental revenue was largely offset by lower vacancy rates and increasing average rent across the portfolio. The portfolio is currently close to 100% tenanted.

The result also included EBIT of $1.3 million resulting from a $1.5 million progress payment on SFC's property damage insurance claim less associated costs. As announced previously, fire destroyed the building located at Bennett Avenue, North Coogee, Western Australia. The company is progressing negotiations for a final settlement of the claim.

NET DEBT

Given the ongoing global economic uncertainty, SFC maintains a financially prudent approach. Over the financial year, SFC reduced group net debt by $12.2 million to $39.3 million, which included $22 million for syndicated investment property, $15.9 million for Automotive Leather and just $1.4 million for SFC's Corporate and Building Materials division. The debt associated with the syndicated properties and Automotive Leather is primarily non-recourse to other assets of the group.

SFC adopts a conservative accounting policy by carrying the property portfolio at book depreciated cost, rather than market value. Based on those depreciated book values, SFC's ratio of net debt to net debt plus equity decreased by 8% to 38%. Based on reliable estimates of market value, the ratio would fall to just 29%.

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OUTLOOK

For several years, SFC's businesses have been operating in challenging environments, impacted macro and micro business conditions, volatile credit and currency markets and structural change in certain of its markets.

By way of example, financial market volatility and severe restrictions on the availability of credit for commercial property developments have negatively impacted Building Products but have been a factor in increasing rents across Property's portfolio.

These challenging and changing environments continue to impinge SFC's capacity to make reasonably based and reliable forecasts of future performance.

For the first half of the current year, SFC anticipates that its performance will be lower than the previous corresponding period with:

- Automotive Leather's EBIT materially lower due to the ongoing strength of the Australian dollar and lower volumes compared to the prior corresponding period.
- Improved performance from Building Materials, which has strong order books and is well positioned for the 2013 financial year.
- Slightly higher revenue at Property compared to the prior period with low vacancies and improving average rent.
- No expected property sales.

For Automotive Leather, given the evident risks associated with exchange rate volatility, we continue to position Howe as a high quality and low cost producer to minimise the effects of negative exchange rate movements, which are beyond our control. Volumes are anticipated to increase in the second half based on the commencement of awarded programs.

With its strong manufacturing and distribution base, the Building Products business unit is leveraged to an increase in consumer spending and new housing, both of which have been severely constrained for several years.

The anticipated group EBIT result excludes any potential positive impact from a final settlement of the property damage claim.

John Schaffer
Chairman

21 August 2012

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