SFC DOUBLES INTERIM PROFIT TO $4.4 MILLION, MAINTAINS $0.10 FRANKED INTERIM DIVIDEND

Schaffer Corporation Limited (ASX: SFC) today announced net profit after tax (NPAT) of $4.4 million for the first half of the 2012 financial year – a more-than-100% increase in NPAT over the previous corresponding period ($2.0 million).

The interim result was driven by a much-improved performance at the Automotive Leather division, which was also previously impacted by the closure and sale of its Mexican leather cutting operations in the prior period. The result at Automotive Leather was complemented by an increased EBIT result at Building Materials, which was underpinned by a strong performance by Delta Corporation.

SFC also announced that the Board has declared an interim ordinary dividend of $0.10 per share fully franked. The dividend will be paid on 23 March 2012.

FINANCIAL PERFORMANCE SUMMARY

	Six months to 31 Dec 11	Six months to 31 Dec 10	% Change
Revenue ($M)*	81.0	65.6	23%
EBITDA ($M)*	11.1	9.9	12%
EBIT ($M)*	8.5	7.6	12%
Discontinued operations after tax	-	*(1.5)*	
NPAT ($M)	4.4	2.0	118%
Earnings per share (EPS)	0.32	0.14	119%
Interim dividend per share	0.10	0.10	0%

* From continuing operations only

In the calendar year to 31 December 2011, SFC has reduced net debt by $22.4 million. The decreased net debt, combined with lower interest rates, has reduced interest expense for the half-year by $0.5 million (28%) compared to the prior period.

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AUTOMOTIVE LEATHER

Automotive Leather increased revenue from continuing operations by 42% to $48.7 million. Without the impact of the closure and sale of the loss-making Mexican leather cutting operations, EBIT more than doubled while EBIT from continuing operations also increased substantially ($4.7 million compared with $4.2 million).

New and existing supply programs at the Slovakian and Chinese operations generated an overall 64% increase in the volume of cut leather sales. Cut leather volumes in China increased 120% and in Slovakia by 42%. The increases more than offset the loss of volume and revenue from Mexico.

Automotive Leather sold a higher value product mix but the increased average selling price per square metre was eroded by the negative impact of the Australian dollar appreciating against the US dollar and Euro. Margin was also affected by an increase in hide prices, resulting from the higher value mix of product and increased market pricing. That impact was partially offset by the appreciation of the Australian dollar against US-dollar-priced imported hides.

BUILDING MATERIALS

Building Materials increased revenue 4.2% to $28.9 million. Normalised EBIT (excluding property sales in the prior period) increased by 42% to $2.8 million.

The increase in normalised EBIT was driven by activity but more particularly margin growth at Delta. The precast concrete business is being underpinned by momentum in resources and civil infrastructure projects and has established a strong forward order bank.

Building Products (paving and walling products) achieved a similar result to the prior corresponding period. Tough market conditions are persisting, with increased competition, tight bank credit and low levels of residential and commercial construction.

Building Products is maintaining its market position with aggressive sales and distribution strategies. It has also achieved significant commercial project wins, which have ameliorated the impact of softer demand in weak residential/retail markets.

PROPERTY

Property achieved slightly lower revenue of $3.3 million but an increase in EBIT to $1.9 million (from $1.4 million).

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The increased EBIT was largely associated with the sale of SFC's share in a syndicated joint venture property at Vulcan Rd, Canning Vale, Western Australia, which generated $0.3 million in NPAT. In the prior period, the sale-and-leaseback of three UrbanStone Central retail locations generated $0.6 million in NPAT.

Following property sales, including the June 2011 sale of SFC's interest in the building situated at 89 St George's Terrace, Perth, Western Australia, net rental income decreased from the prior period.

The average vacancy rate across the remaining portfolio has decreased to 3.7% as a result of the tenancies achieved at 616 St Kilda Rd, Melbourne, Victoria and Hometown, Cannington, Western Australia. The other properties in the portfolio continue to be fully tenanted.

OUTLOOK

Trading and market conditions across the operating divisions (domestic and international) are variable and remain difficult to accurately predict. Forecasting financial performance is also made more challenging by the volatility of the Australian dollar.

The continuing new programs for Automotive Leather's Slovakian and Chinese operations should result in similar sales volumes for the second half compared to the corresponding prior period. With the completion of a program for Audi, second half sales are likely to be slightly lower than in the first half.

Volatility in foreign exchange rates remain critical to Automotive Leather's revenue and profitability. Should the Australian dollar sustain its current strength against the Euro, it will negatively impact on the division's performance.

With a continuation of current exchange rates, SFC anticipates that EBIT in the second half will be materially lower than in the first half. Nonetheless, following the positive impact of the discontinuation of the Mexican operations, EBIT in the second half should be higher than in the prior corresponding period.

The Building Materials division is being led by Delta, where confirmed orders have increased significantly. With continued momentum in resources and civil infrastructure projects in Western Australia, Delta is anticipated to approximately match its first half performance and improve over the prior corresponding period.

SFC anticipates that conditions in Building Products' markets will remain subdued. The group expects to approximately match first half performance in the second half.

During the second half of the 2011 financial year, Property generated EBIT of $4.1 million from the sale of investment property. SFC does not presently expect any significant investment property sales during the second half of this year. Accordingly, Property earnings will be significantly lower than in the prior corresponding period and similar to the first half.

Across the group, normalised revenue and EBIT for the half should be higher than the second half of the 2011 financial year. However, normalised revenue and EBIT is expected to be lower than the first half of the 2012 financial year.

On a full year basis, SFC anticipates net profit after tax to be higher than the 2011 financial year, due to the significant improvement in first half performance. The company will provide an updated full year outlook when the Board has greater certainty regarding the likely final profit result.

DIVIDENDS

The Board has declared an interim dividend of $0.10 per share (fully franked).

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

SFC shares commence trading ex-dividend	9 March 2012
Record date for final dividend	16 March 2012
Payment of dividend	23 March 2012

John Schaffer
Chairman

22 February 2012

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