Schaffer Corporation Limited

ABN 73 008 675 689

23 February 2010

AMENDED LETTER TO SHAREHOLDERS

The attached letter to Shareholders has been amended to correct the key dates in relation to the interim dividend as follows:

SFC shares commence trading ex-dividend	11 March 2011
Record date for final dividend	18 March 2011
Payment of dividend	25 March 2011

Paul Breckler
Alternate Company Secretary

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SCHAFFER REPORTS INTERIM PROFIT OF $2 MILLION AND DECLARES $0.10 FRANKED INTERIM DIVIDEND

Schaffer Corporation Limited (ASX: SFC) today announced net profit after tax (NPAT) of $2.0 million for the first half of the 2011 financial year. The result is a 44% decrease over the previous corresponding period ($3.6 million) and includes a loss from discontinued operations of $1.5 million. SFC also announced that the Board has declared a fully franked interim ordinary dividend of $0.10 per share, which will be paid on 25 March 2011.

FINANCIAL PERFORMANCE SUMMARY

	Six months to 31 Dec 10	Six months to 31 Dec 09	
Revenue ($m's)	65.6	68.4	-4%
EBITDA ($m's)	9.9	10.7	-8%
EBIT ($m's)	7.6	8.4	-10%
Discontinued operations	*(1.5)*	*(1.0)*	*50%*
NPAT ($m's)	2.0	3.6	-44%
Earnings per share (cents)	14.4	25.6	-44%
Interim Dividend per share (cents)	10.0	20.0	-50%

In line with the decision announced at November's AGM, the Mexican leather cutting plant will close soon. Accordingly, as required by the accounting standards, SFC classified the business unit as "discontinued operations" and recorded an associated $1.5 million loss for the business unit for the half year to December 2010. That loss includes an after tax provision of $0.7 million for costs and expenses of the closure.

Earnings before interest and tax (EBIT, including discontinued operations) for all three divisions were lower than the corresponding period.

Removing the impact of the discontinued operations, EBIT for Automotive Leather increased considerably, reinforcing the rationale of the decision to close the plant.

At Building Materials, margins continued to be pressured, reflecting both increased competition and a decline in the residential and commercial construction market.

During the period under review, SFC completed the sale and leaseback of three UrbanStone Central Retail properties in Perth. The settlement proceeds of approximately $11 million were received after balance date. SFC has utilised those proceeds to substantially reduce bank debt. SFC generated a net profit after tax on the sale of the three properties of $0.6 million.

BUILDING MATERIALS

Building Materials recorded revenue of $27.7 million, matching the previous period, but EBIT was substantially lower at $2.9 million (pcp: $5.6 million).

Decreased turnover at Building Products (paving and walling products) was offset by increased activity at Delta Corporation (pre-stressed and pre-cast concrete).

Margins in the segment are under pressure. SFC notes further declines in approvals for new residential and commercial property construction across the country. Furthermore, AUD appreciation has substantially increased the competitiveness of imported products.

During the period, SFC completed commissioning a new Archistone “Besser” masonry block production line at its Jandakot manufacturing facility and installation and commissioning of a new concrete polishing plant at Delta. In what are difficult market conditions, SFC has commenced sales and marketing of the new range of products manufactured at these facilities. Nonetheless, the new facilities have the division well positioned for any improved activity in the sector.

AUTOMOTIVE LEATHER

Automotive Leather recorded revenue of $34.3 million (pcp: $37.1 million) and, excluding the discontinued operations, EBIT of $4.1 million (pcp: $1.8 million).

The decline in revenue was associated with the previously announced decision to exit the low margin Chinese ‘whole hide’ market. The division partially offset reduced volumes in China by increased sales in Europe to Audi and Land Rover.

Excluding the impact of the discontinued operations, segment earnings more than doubled to $4.1 million, reflecting the superior margins for ’cut part’ sales compared with the low margin/high volume ‘whole hide’ market.

PROPERTY

Property recorded a largely stable result with revenue of $3.5 million (pcp: $3.6 million) and EBIT of $1.5 million (pcp: $1.9 million).

The average vacancy rate across the portfolio has increased. The increase is primarily due to expiry of several leases at the JV investment property located at 616 St Kilda Road in Melbourne.

The increased vacancies combined with higher incentives to retain or attract anchor tenants resulted in the decrease in EBIT. At 31 December 2010, the vacancy rate across the entire portfolio was 6.2%.

There were no residential lot sales at the Mindarie Keys marina north of Perth, where just three lots remain to be sold.

MANAGEMENT CHANGES

This is to advise that after 3 years at SFC David Richardson, our CFO and Company Secretary, has resigned to take a CFO role in a WA mining company. We thank him for his service and wish him well in his new position.

David's replacement is Jason Cantwell who will be our Group Financial Controller and Company Secretary and starts on the 8th March 2011.

OUTLOOK

General trading and market conditions across all three operating divisions remain subdued.

A number of factors outside of management control are impacting on SFC's ability to accurately forecast financial performance for the remainder of the financial year. In particular, the Australian dollar remains volatile, overcapacity persists in some global automotive markets and residential/commercial construction activity in Australia has slowed considerably.

At Building Materials, Delta Corporation has expanded its backlog of confirmed orders. However, competition remains fierce in a slowing market and SFC anticipates margins for Delta and Building Products to remain tight. Whilst SFC expects revenue for the division for the second half to be slightly higher than the previous corresponding period, margin erosion is likely to reduce EBIT for the division.

Following the commencement of new programs in China and Europe, SFC anticipates sales volumes for Automotive Leather to increase over the previous year (excluding the impact of discontinued operations). SFC is forecasting a slight further improvement in margins following the exit from the Chinese 'whole hide' market and the Mexican operations. SFC anticipates higher revenue and earnings in the second half in comparison to the corresponding period last year. External factors, particularly currency changes, remain a key sensitivity for the division.

SFC expects revenue and earnings for Property in the second half to be lower than the corresponding period, which included $1.5 million (pre-tax) of profits related to investment property sales and residential lot sales at the Mindarie Keys marina. SFC does not currently anticipate any significant investment property sales in the period.

At a group level, SFC is presently anticipating EBIT for the second half to be slightly lower than the second half of the 2010 financial year. SFC will provide a further update on the outlook for the full year as and when the Board has greater certainty regarding the likely final profit result.

The company is continuing discussions with the Federal Government in respect of refinancing the debt presently set to mature on 1 February 2012. In accordance with its amortisation schedule, SFC repaid $2 million of the loan on 1 February 2011.

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	11 March 2011
Record date for final dividend	18 March 2011
Payment of dividend	25 March 2011

John Schaffer
Chairman

23 February 2011