



SCHAFFER CONFIRMS LOWER OPERATING EARNINGS - DIVIDEND OUTLOOK UNCHANGED

EARNINGS

The Board of Schaffer Corporation Limited ("SFC") today confirmed the difficult trading conditions foreshadowed in previous SFC market releases will adversely impact Operating Earnings for the six months ending 31-Dec-04. The Board expects after tax Operating Earnings to be down approximately 24% on the previous corresponding period to \$5.9 million. A comparison of SFC Group Earnings is summarised in the table below:

| <i>Group Earnings Summary</i> | NET PROFIT AFTER TAX | | |
|---|----------------------|-----------------|----------|
| | Dec 2004 | Dec 2003 | Variance |
| | <i>(forecast)</i> | <i>(actual)</i> | |
| Operating Earnings (\$m) | 5.9 | 7.8 | - 24% |
| Earnings from Investment Property Disposals (\$m) | 0.6 | 2.3 | |
| Total Group Earnings (\$m) | 6.5 | 10.1 | |

In the Leather Division, reported revenue and earnings have been adversely affected by a number of factors. The Chinese automotive sector has undergone a government induced slowdown resulting in a suspension of leather orders as inventories are reduced. SFC expects China sales will improve during the last quarter of the 2005 financial year. In Europe, revenue is lower than expected due to programme timing issues and a slower than anticipated ramp-up of the Audi and Land Rover programmes. Reported revenue and earnings have also been adversely affected by the continued strengthening of the \$A against the \$US during this current reporting period.

In Building Products, UrbanStone has experienced difficult trading conditions with increased competition (particularly in the NSW market) reducing sales and earnings in the short term.

The sale of surplus land at West Perth will provide NPAT of \$0.6 million in the current period compared with \$2.3 million from the sale of six joint venture investment properties in the previous corresponding period.

The Board further expects that full year Operating Earnings will be materially lower than previous corresponding Operating Earnings of \$13.8 million.

DIVIDEND

As previously indicated, the SFC Board confirmed SFC will maintain ordinary dividends for the 2005 financial year at \$1.00/share fully franked and pay two special dividends of 10¢/share each (fully franked).

SFC is currently scheduled to release its Appendix 4D (Preliminary Half-Year Report) on 23-Feb-2005.

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