Schaffer Corporation Limited

Full Year Results – June 2004

Corporate Objective

"To efficiently operate and grow our core business for the benefit of shareholders"

Operational Strategy

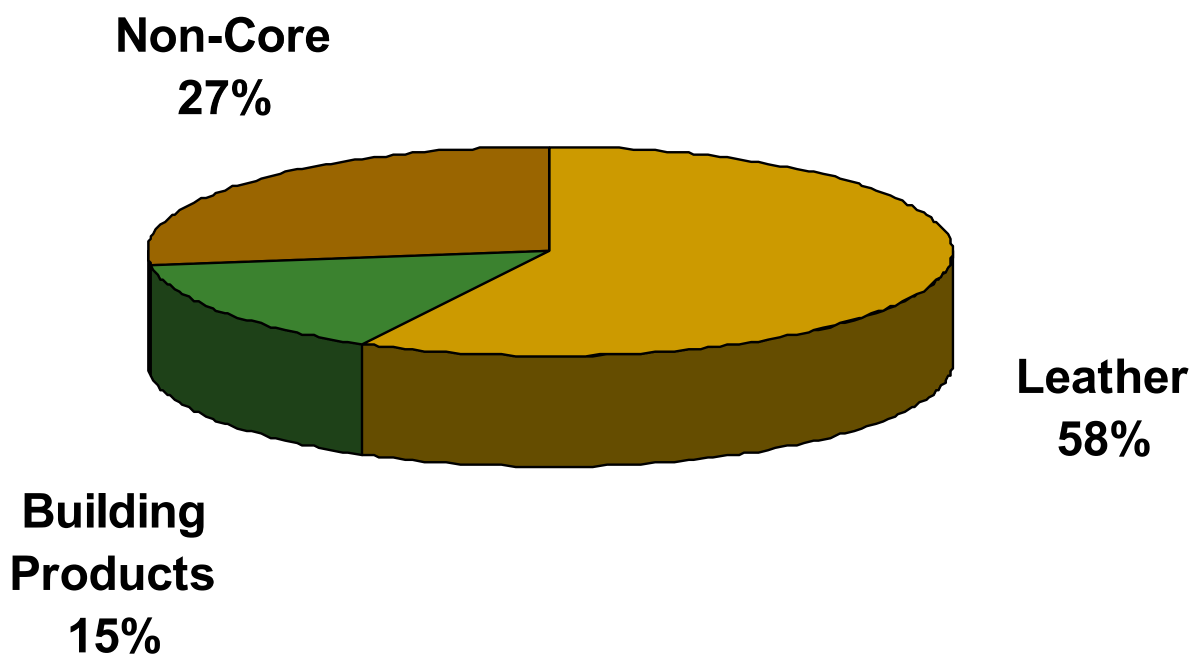
To be number one or number two in each of our markets as measured by profitability. We will achieve this by:

- Being a world low cost producer
- Maintaining a leading distribution network
- Constant attention to detail

Performance Summary

	June 01	June 02	June 03	June 04
Revenue (A$m)	47	213	223	192
Net Profit (A$m)	8.0	13.0	17.0	16.6
EPS	**$0.66**	**$1.02**	**$1.25**	**$1.20**
ROCE	18%	21%	28%	27%
EBITDA (A$m)	15	29	36	33
Operating Cash Flow	5	44	32	26
Ordinary Dividend	**$0.17**	**$0.60**	**$1.00**	**$1.00**
Special Dividend	**$0.10**	**$0.10**	**$0.20**	**$0.40**
Net Interest Cover (EBIT)	5.5	6.3	8.5	10.0
Net Debt/Equity	81%	110%	67%	42%

June 2004 EBIT Contribution



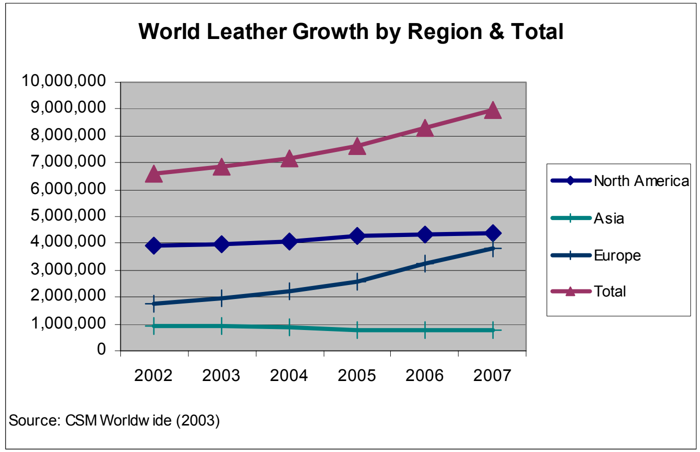
- Return on Capital Employed – 27%

Operations - Leather

($m)	June 01	June 02	June 03	June 04
Auto Revenue	186	194	156	128
Furn Revenue	35	25	21	13
EBIT	14.5	15.2	22.3	16.1
EBIT Margin	6.6%	6.9%	12.6%	11.4%

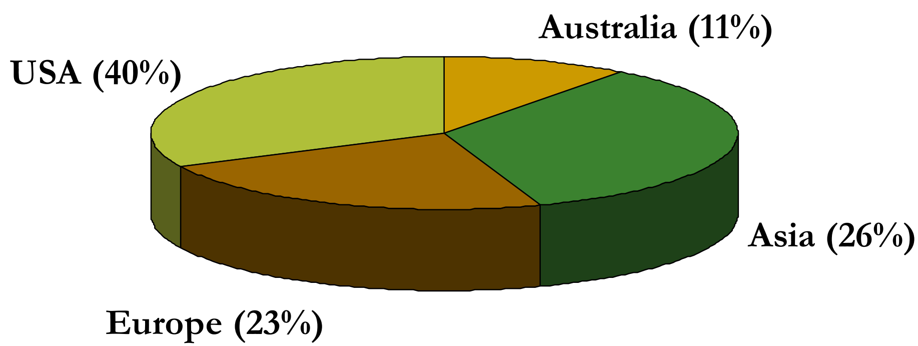
- June 04 Automotive revenue is reduced due to:
  - Program timing issues
  - Higher $A ($16m)
  - Comparable split is $21m reduction in first half and $7m reduction in second half
- June 04 EBIT is reduced due to:
  - Higher A$ ($4.5m)
  - Lower Volume ($1.7m)
  - Comparable split is $5.4m lower in first half, $0.8m lower in second half

Automotive Leather Market



- A$6bn global automotive leather market growing at 7% p.a.
- European growth is driven by a forecast increase in leather penetration from 11.3% in 2003 to 16.5% in 2007 (*ims Consulting 2003)*
- Howe has an established market presence from which to build.

Howe Sales by Region



- Focus is on the high growth European and Chinese markets.
- An Eastern European cutting plant should be operational by March 2005. This will reduce costs and strengthen our European market position.
- Howe is also considering a Chinese cutting plant.

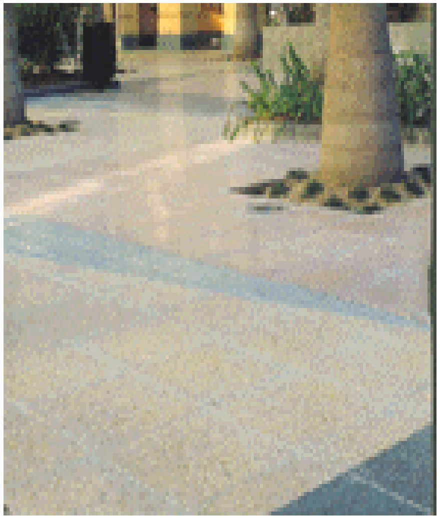
Approved Supplier Status

- BMW
- Audi
- Porsche
- General Motors
- Ford
- Chrysler
- Land Rover
- Subaru
- Mitsubishi
- Toyota
- Honda
- Suzuki
- Mazda
- Nissan

Competitive Advantages

- Consistent supply of raw materials:
  - Australia has the 4th largest cattle herd globally
  - Secure supply of disease free hides
  - Range of hides to match product requirements
- Modern, global scale finishing facility:
  - Commissioned 1998
  - 50% operational overcapacity
- Quality Culture:
  - Automotive supplier since 1930's (GMH), 1980's (BMW), 1990's (Ford, GM USA)
  - Experienced Management team and skilled workforce
- Established Global Customer Base:
  - Accredited Supplier to all major automotive manufacturers including BMW, Ford, GM, Audi and Land Rover

Building Products



- **Urbanstone** Premium paving products, Australian distribution network.
- **Delta** Pre-cast and pre-stressed concrete floors, beams & wall products.

Building Products Performance

	June 01	June 02	June 03	June 04
Sales	30.1	35.3	34.9	34.7
EBIT	6.1	5.3	4.3	4.2
EBIT Margin	20%	15%	12%	12%

- Margins should be maintained in a highly competitive market.
- Opportunity exists to increase sales through extending the Urbanstone product range.

Competitive Advantages

- Urbanstone
  - Plant flexibility
  - Cost control
  - Distribution network
  - Product innovation
  - Premium branding
- Delta
  - Cost efficient product
  - Pre-stressed niche
  - Capacity
  - Distribution

Non-Core Investments

- Investment Property
  - At June 30 SFC had JV interests in 6 commercial and retail properties valued at $21m with $15m of associated debt and generating an annual EBIT of $1.7m.
- Development Property
  - $3.9m net cash to be generated over the next 4 years (after debt reduction of $1m).
- Other Assets
  - SFC is planning on the disposal of additional assets:
    - 51% interest in Solco Pty Ltd
    - Surplus land in West Perth

June 04 Debt Position

	Recourse	Non-Recourse	Total Debt
Operating Businesses	1.1	38.7	**39.8**
Property	6.4	8.6	**15.0**
Group Debt	**7.5**	**47.3**	**54.7**
Cash on Deposit			28.5
Net Debt			**26.2**

- The ALH Subordinated Debt and the Investment Property Debt are effectively “structural” debt.
- The $38.7m ALH subordinated non-recourse debt facility expires in 2012 and has low financial risk.
- The Group has un-drawn debt facilities of $35m.

Cash Flow

(A$m)	June 01	June 02	June 03	June 04
EBITDA	15.0	28.8	36.1	33.5
Less Net Interest	(2.4)	(3.9)	(3.6)	(4.0)
Less Tax Paid	(3.2)	(4.3)	(7.4)	(8.5)
ALH Change in Working Capital	-	11.4	5.6	3.4
Other Change in Working Capital	(4.5)	6.4	0.8	(0.4)
Other (Provisions, Entitlements, Other Debtors)	(0.2)	5.5	1.1	1.1
Share Issues	0.5	5.6	1.4	1.2
Total Cash Generated	**5.1**	**49.5**	**34.0**	**26.3**
Debt Reduction	(4.3)	28.2	(1.5)	9.8
Capital Expenditure	5.2	7.2	5.0	4.5
Acquisitions (Divestments)	0.1	6.1	1.4	(17.2)
Dividends Paid	4.2	4.7	13.6	21.8
Increase in Cash	-	3.3	15.5	7.4
Total Cash Applied	**5.1**	**49.5**	**34.0**	**26.3**

Outlook – Earnings

- Automotive Leather – Low volumes and a strong A$ will impact earnings in the first half. Additional costs associated with new program commencement (Audi & Land Rover) may impact margins initially. However in the medium term Howe is internationally competitive and has established global market shares from which to build.

- Building Products – Sustainable earnings and strong cash flow from niche businesses. Increasing competition in the paving market may impact earnings in the first half. Minimal capital requirements.

- Other Investments - Ongoing sale of non core assets will generate cash. No significant contribution from the sale of additional investment properties is forecast in the 2005 financial year.

Outlook – Dividend Certainty

- We expect to maintain a fully franked Ordinary Dividend of $1.00 per share.
- SFC has declared a Special Dividend of $0.20 (fully franked) payable in September 2004.
- We expect to pay additional Special Dividends totaling approximately $0.60 per share (fully franked) over the next 3 years as non core assets are disposed of.
- SFC intends to maintain a relatively high Payout Ratio:
  - Strong Group Cash Flow
  - Sound Balance Sheet
  - June 04 Franking Surplus (tax paid basis) - $5.0m
  - Ongoing Asset Sales