

Schaffer Corporation Ltd



“Delivering Shareholder Returns”

19 February 2003

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Agenda

- Corporate Strategy
- Performance Summary
- Operations
 - Leather
 - Building Products
 - Non-Core Investments
- Debt Position
- Cash Flow
- Outlook
 - Earnings
 - Dividends

Corporate Strategy

“To be number 1 or number 2 in each of our markets as measured by profitability”

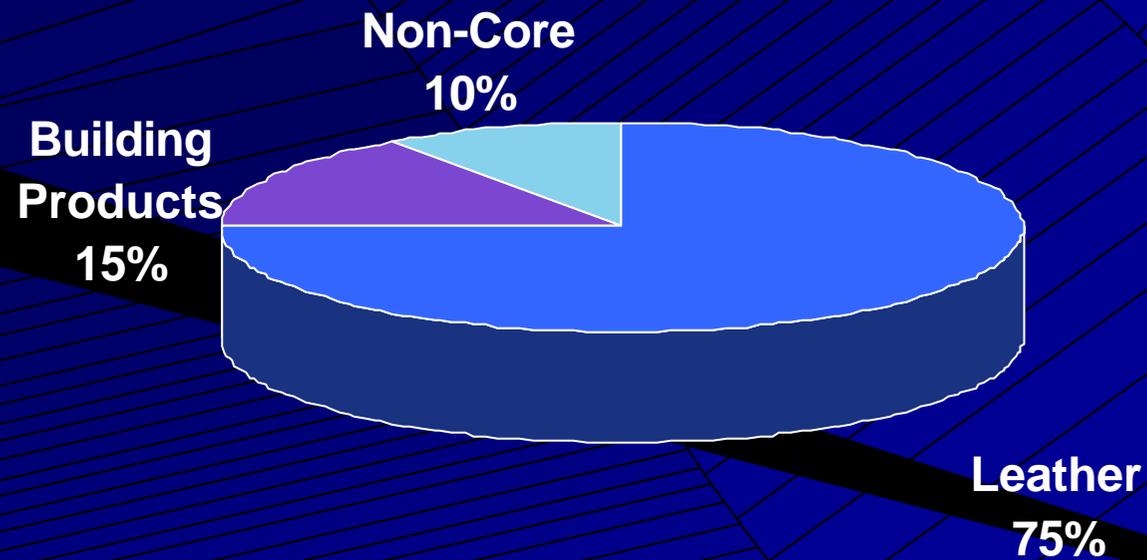
- World low cost producer
- Leading distribution network
- Constant attention to detail

Performance Summary

	2001 Actual	2002 Actual	2003 Forecast
Revenue (A\$m)	47	212	240
Net Profit (A\$m)	8.0	13.0	17.1
EPS	\$0.66	\$1.02	\$1.26
ROCE	18%	21%	26%
EBITDA (A\$m)	15	29	37
Operating Cash Flow	5	44	NA
Ordinary Dividend	\$0.17	\$0.60	\$1.00
Payout Ratio	26%	59%	79%
Interest Cover (EBIT)	5.5	6.3	7.8

Dec 2002 EBIT Contribution

(Operating EBIT \$19m)



■ Return on Capital Employed – 29%

Operations - Leather

(\$m)	2000 12 months	2001 12 months	2002 12 months	Dec 02 6 months
Auto Revenue	148	186	194	87
Furn Revenue	41	35	25	13
EBIT	12.6	14.5	15.2	14.0
EBIT Margin	6.7%	6.6%	6.9%	14.0%

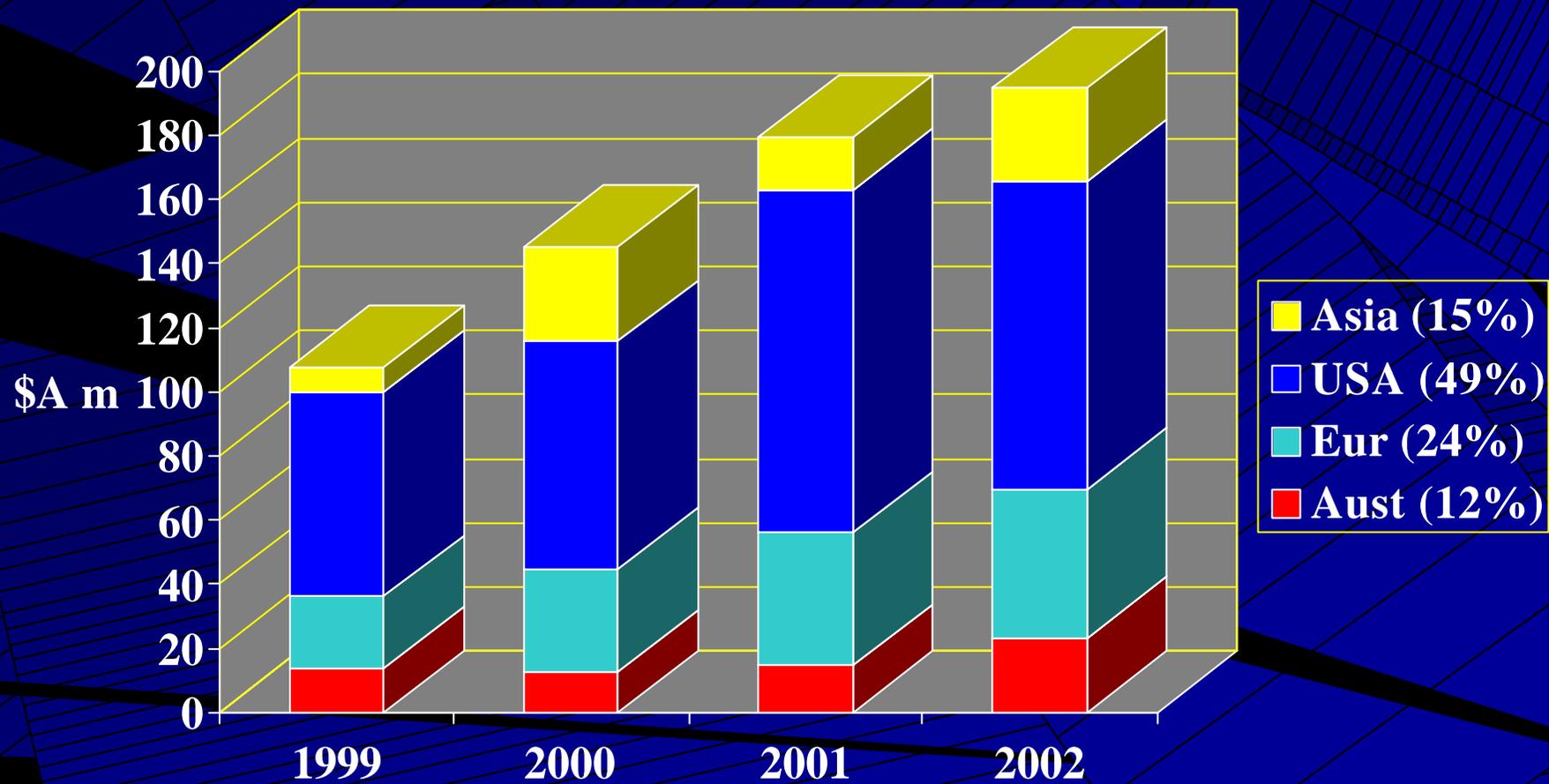
■ Dec 02 Automotive revenue run rate is lower due to:

- Higher \$A
- Lower hide prices
- Loss of GMH contract
- Programme timing

■ Efficiency improvements have arisen from:

- Improved Cutting Utilisation
 - New finishing system
 - Information systems
- Constant attention to detail
- Longer production runs

Automotive Leather Sales



Automotive Leather Market

- A \$6bn automotive leather market.
- Howe has an established market presence from which to build:
 - 10.0% Australasian market share.
 - 3.0% European market share.
 - 2.6% U.S. market share.
- Howe is ranked No.6 by revenue globally.

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, Mitsubishi, Honda, Subaru, Volvo, Audi

Building Products

- Urbanstone (100%) – Premium paving products, Australian distribution network.
- Delta (100%) – Pre-cast and pre-stressed concrete floors, beams & wall products.

Building Products Performance

	2000 12 months	2001 12 months	2002 12 months	Dec 02 6 months
Sales	33.3	30.1	35.3	18.4
EBIT	6.4	6.1	5.3	2.9
EBIT Margin	19%	20%	15%	16%

- 2002 EBIT margin reduced due to the increased allocation of corporate expenses totalling \$2.2m.

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

- JV interests in 13 commercial and retail properties valued at \$35m with \$22m of associated debt.
- Dec 2002 EBIT of \$1.2m

■ Development Property

- \$5m cash over 5 years.

■ Equity Investments

- \$1.0m portfolio

Dec 02 Debt Position

	Recourse Debt	Non-Recourse	Total Debt	Interest	Interest Cover
Operating Businesses	1.9	38.7	40.6	1.6	10.6
Investment Property	10.0	12.0	22.0	0.7	1.7
Group Total	11.9	50.7	62.6	2.3	8.1

- 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 cash of \$15.5m and ALH has un-drawn non-recourse Senior debt facilities of \$35m.

Cash Flow

(A\$m)	Dec 02 6 months	2002 12 months	2001 12 months
EBITDA	21.2	28.8	15.0
Less Interest	(1.9)	(3.9)	(2.4)
Less Tax Paid	(5.1)	(4.3)	(3.2)
ALH Change in Working Capital	2.3	11.4	-
Other Change in Working Capital	1.3	6.4	(4.5)
Other (Provisions, Entitlements, Other Debtors)	1.7	5.5	(0.2)
Share Issues	0.4	5.6	0.5
Total Cash Generated	19.5	49.5	5.1
Debt Reduction	1.1	28.2	(4.3)
Capital Expenditure	1.5	7.2	5.2
Acquisitions	1.4	6.1	0.1
Dividends Paid	5.6	4.7	4.2
Increase in Cash	9.9	3.3	-
Total Cash Applied	19.5	49.5	5.1

Outlook – Earnings Growth

- Automotive Leather – In the second half we expect slightly lower sales volumes with some margin compression. In the medium term there are significant opportunities to win new programmes. Howe is internationally competitive and has established global market shares from which to build.
- Building Products – Sustainable earnings from niche businesses. Minimal capital requirements.
- Potential sale of some investment properties.
- Focus on ROCE to drive earnings, cash flow and dividends.

Outlook - Dividends

- At least \$1.00 per share (fully franked) to be paid on FY03 earnings.
- SFC intends to maintain a relatively high Payout Ratio.
- Strong Group Cash Flow:
 - Leather
 - Good Margins, low Capex.
 - Improved Working Capital Management.
 - Building Products
 - Mature cashflow from Urbanstone and Delta.
 - Non-Core Investments
 - \$1m recurring cash flow plus the opportunity for asset sales from the investment property portfolio.
 - \$6m over 5 years from development properties and equity portfolio.
- Sound Balance Sheet:
 - Net Debt of \$47.1m including \$38.7m in long term (2012) subordinated Government Debt.
 - Cash on Deposit of \$15.5m.
 - Undrawn Debt Facilities of \$35m