Schaffer Corporation Limited

June 2003 Final Results

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Corporate Objective

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

Operational Strategy

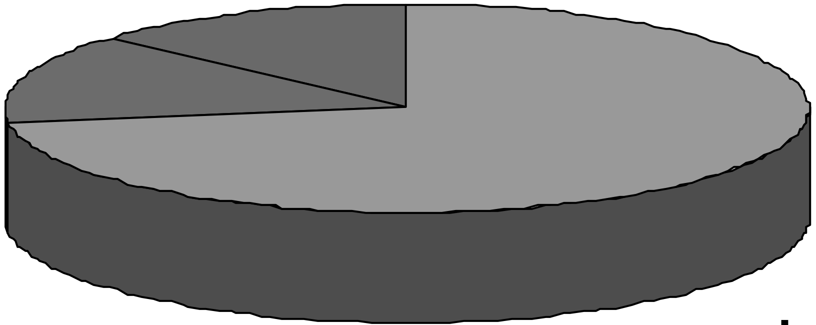
To be number one or number two in each of our markets as measured by profitability. We will achieve this by:

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

Performance Summary

	June 01	June 02	June 03
Revenue (A$m)	47	213	223
Net Profit (A$m)	8.0	13.0	17.0
EPS	**$0.66**	**$1.02**	**$1.25**
ROCE	18%	21%	28%
EBITDA (A$m)	15	29	37
Operating Cash Flow	5	44	32
Ordinary Dividend	**$0.17**	**$0.60**	**$1.00**
Payout Ratio	26%	59%	80%
Special Dividend	**$0.10**	**$0.10**	**$0.20**
Interest Cover (EBIT)	5.5	6.3	7.4
Net Debt/Equity	81%	110%	67%

June 2003 EBIT Contribution



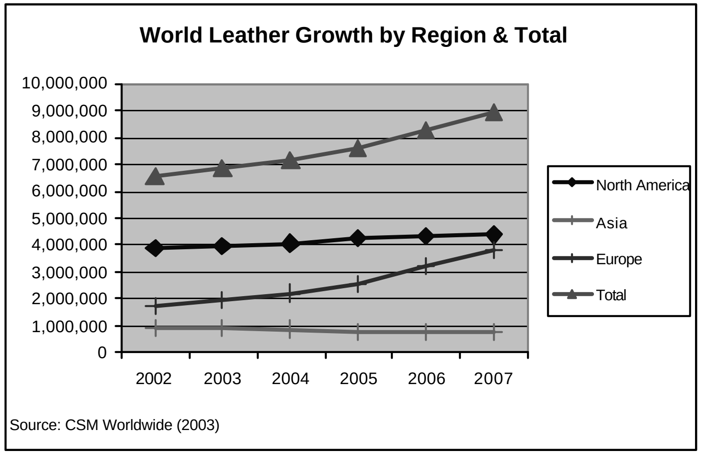
- Return on Capital Employed – 28%

Operations - Leather

($m)	June 00	June 01	June 02	June 03
Auto Revenue	148	186	194	156
Furn Revenue	41	35	25	21
EBIT	12.6	14.5	15.2	22.3
EBIT Margin	6.7%	6.6%	6.9%	12.6%

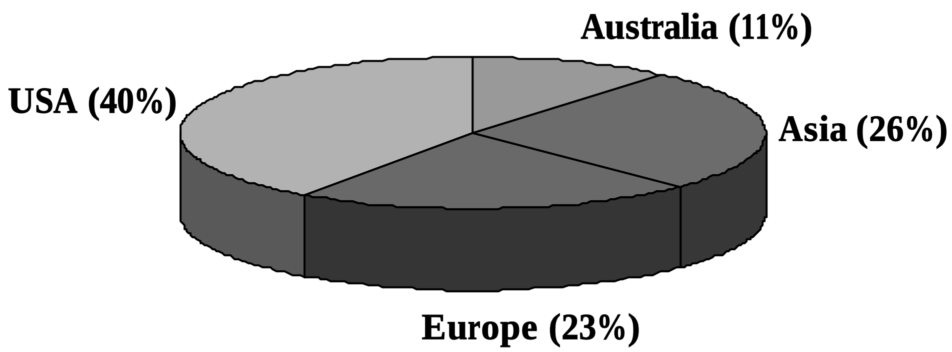
- June 03 Automotive revenue is reduced due to:
  - Program timing issues
  - Higher $A ($13m)
  - Lower hide prices ($14m)
  - Loss of GMH contract ($8m)
- Efficiency improvements have arisen from:
  - Improved cutting utilisation
  - Constant attention to detail
  - Longer production runs

Automotive Leather Market



- A$6bn global automotive leather market growing at 7% p.a.
- 2002 global leather penetration of 15% (6.5m vehicles).
- Howe has an established market presence from which to build.
- Howe is ranked 6th (by revenue) globally.

Howe Sales by Region



- Focus is on the high growth European and Chinese markets.
- Howe is looking at the feasibility of establishing additional cutting plants in China and Eastern Europe to reduce costs and improve customer response times.

Approved Supplier Status

- BMW
- Audi
- Porsche
- General Motors
- Ford
- Chrysler
- Landrover
- 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, Honda, Subaru, Volvo, Audi

Building Products

- **Urbanstone** Premium paving products, Australian distribution network.

- **Delta** Pre-cast and pre-stressed concrete floors, beams & wall products.

Building Products Performance

	June 00	June 01	June 02	June 03
Sales	33.3	30.1	35.3	34.9
EBIT	6.4	6.1	5.3	4.3
EBIT Margin	19%	20%	15%	12%

- Margins should be maintained in a highly competitive market.

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 – Realising the Value

- Investment Property
  - At June 30 SFC had JV interests in 13 commercial and retail properties valued at $37m with $22.7m of associated debt and generating an EBIT of $2.3m.
  - In August 03 SFC reached agreement on the sale of its interest in 5 properties for $9.1m resulting in a profit of $1.5m, $5.4m of debt reduction and net cash of $3.1m.
  - The balance of the portfolio should realise profit of $5.7m, $17.3m of debt reduction and net cash of $8.2m over the next 3-5 years.
- Development Property
  - $3.9m net cash to be generated over the next 4 years (after debt reduction of $1.8m).

June 03 Debt Position

	Recourse	Non-Recourse	Total Debt
Operating Businesses	1.4	38.7	**40.1**
Property	12.1	12.4	**24.5**
Group Debt	**13.5**	**51.1**	**64.6**
Cash on Deposit			21.1
Net Debt			**43.5**

- 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 $42m.

Cash Flow

(A$m)	June 01	June 02	June 03
EBITDA	15.0	28.8	36.7
Less Net Interest	(2.4)	(3.9)	(3.6)
Less Tax Paid	(3.2)	(4.3)	(7.4)
ALH Change in Working Capital	-	11.4	5.6
Other Change in Working Capital	(4.5)	6.4	0.8
Other (Provisions, Entitlements, Other Debtors)	(0.2)	5.5	1.1
Share Issues	0.5	5.6	1.4
Total Cash Generated	**5.1**	**49.5**	**34.6**
Debt Reduction	(4.3)	28.2	(0.9)
Capital Expenditure	5.2	7.2	5.0
Acquisitions	0.1	6.1	1.4
Dividends Paid	4.2	4.7	13.6
Increase in Cash	-	3.3	15.5
Total Cash Applied	**5.1**	**49.5**	**34.6**

Outlook – Earnings

- Automotive Leather – Ongoing tough market conditions for the balance of calendar 2003. Program timing issues and a strong A$ are impacting volume and margins. We expect first half leather earnings to be below the pcp. In the short to medium term there are significant opportunities to win new programs in a growing market. 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. Minimal capital requirements.

- Other Investments - Ongoing sale of investment properties generating profit, cash and reducing debt. Strong returns from the sale of existing development properties.

Outlook – Dividend Certainty

- We expect to maintain a fully franked Ordinary Dividend of at least $1.00 per share.
- SFC has declared a Special Dividend of $0.20 (fully franked) payable in September 2003 following the sale of some investment properties.
- We expect to pay additional Special Dividends totaling approximately $1.00 per share (fully franked) over the next 3-5 years as the property portfolio is sold down.
- SFC intends to maintain a relatively high Payout Ratio:
  - Strong Group Cash Flow
  - Sound Balance Sheet
  - June 03 Franking Surplus (tax paid basis) - $5.9m
  - Ongoing Asset Sales