Schaffer Corporation

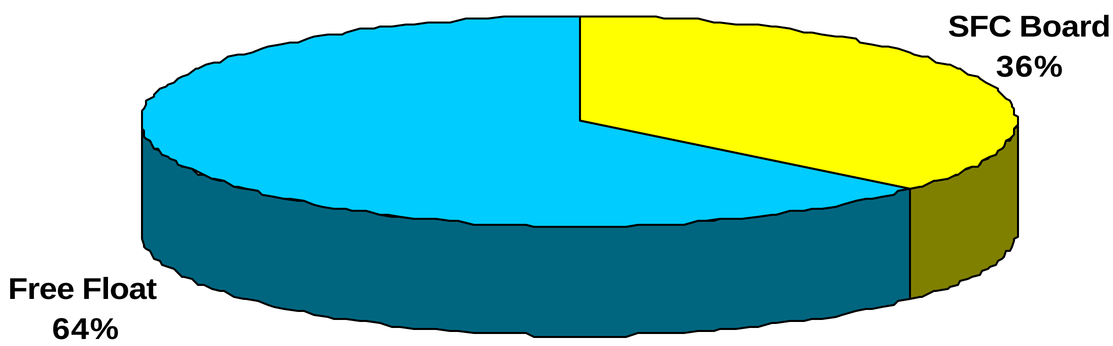
Bell Potter Small-Cap Conference Presentation: Sydney Nov-07

SFC Operational Structure

Schaffer Corporation Limited

- Building Materials
- Auto Leather
- Property & Invstmnts

SFC Corporate Directory Summary



5 member Board (2 exec/3non exec)

J Schaffer: 19%; D Blain: 11%;

D Schwartz & A Mayer: 6%

Total Board shareholding: 36% of the 14.1m shares on issue.

Ordinary Shares on Issue:		14.1 million
Market Cap (@ $9/share)		$127 million
Top 20:		7.7 million
Holder Spread:	> 100,000 shares	13
	10,001 – 100,000 shares	122
	< 10,000 shares	2,059

SFC Performance Highlights 2006/07

Operations

- 2007 NPAT $10.3m (+26%)
- 2007 EBIT $19.1 (+21%)
- Building Materials EBIT $8.7m (+32%)
- Delta activity at all time high
- Launched 'UrbanStone Central' concept-store model
- Leather repositioning completed

Acquisitions

- Building Materials: $26m by Feb-08
  - Limestone Resources: $7.5m
  - First UrbanStone Central site: $3.9m
  - Archistone (Aug-07): $7.7m
  - 3 Retail Properties: $7m (2007/08)
- JV Property : $2.3m

NB: timing key: Completed or Pending

A focus on creating long term shareholder value

- Consistently earned a return on capital in excess of our target of 15% return on capital
- Payout the majority of earnings as dividends
- Schaffer provides access to capital and leadership across all businesses

Success driven by the Schaffer Approach …

Strengthen core business	Capture new opportunities for growth
• Efficient operations • Brand Building • Profitable niche focus • Experienced management	• Targeting – New markets (local, nationwide and global) – New products (innovative and niche) – New customers – New channels • Integrate acquisitions

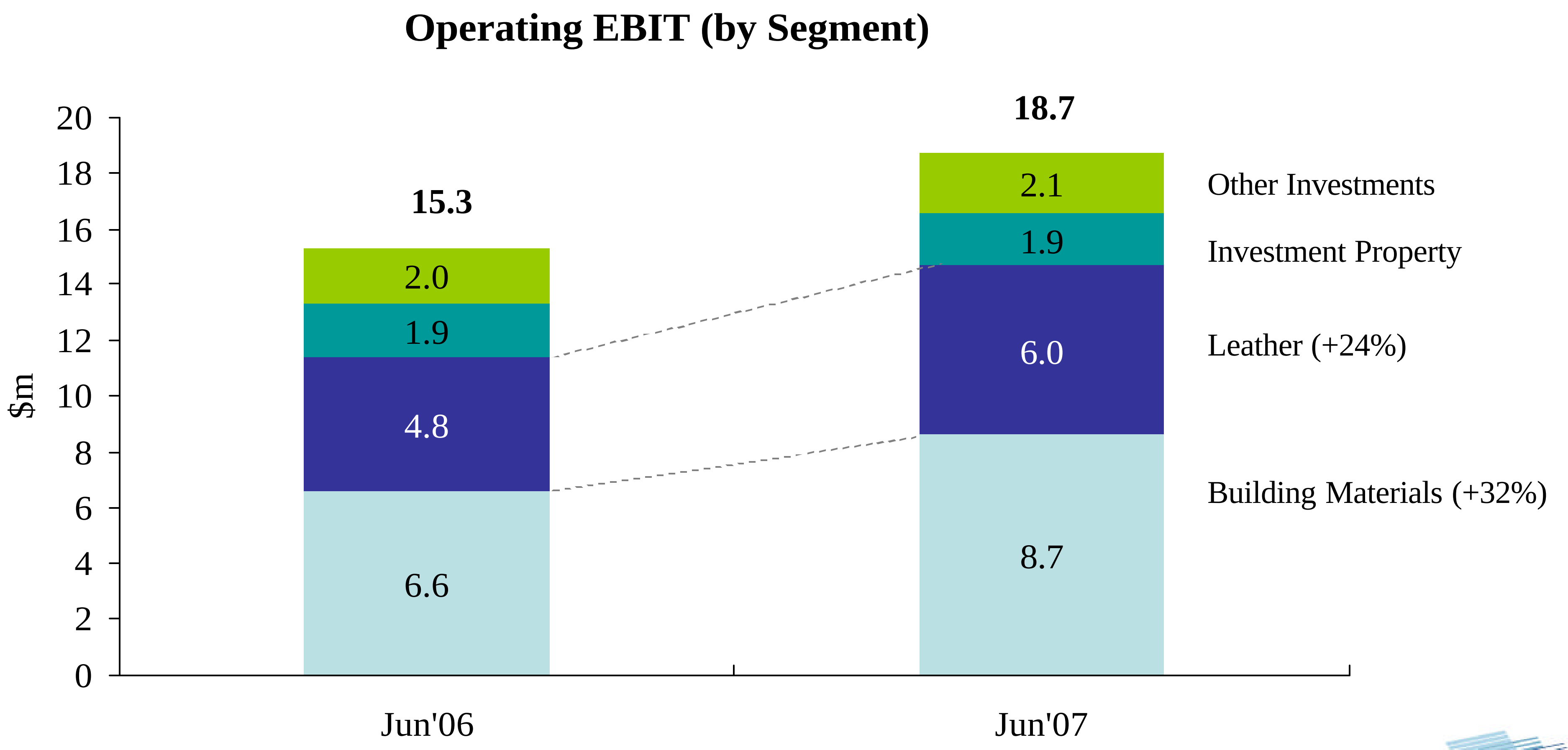
SFC's businesses services a range of markets segments - Performance is not dependent on one industry sector.

Business	Market	Customers	Competitors	Value proposition
Building Materials – Urbanstone	$300m - $400m paving products (national)	Commercial / Residential	**Fragmented** Require capital and innovation to match	• **Market leader** • Premium product • Strong brand • Innovative • Roll-out UrbanStone Central concept stores on owned sites
Building Materials – Limestone Resources & Archistone	$250m - $300m natural and reconstituted limestone walling block (national)	Commercial / Residential	**Fragmented**	• **Market leaders** • Vast raw material reserves • Strong brand/Quality product • Distributed through Urbanstone National network
Building Materials – Delta	$50m - $100 pre-cast pre-stressed concrete products (WA)	Commercial / Residential	**Fragmented** Require scale	• **Market leader** • Technically engineered • Strong brand • Innovative
Automotive Leather Howe	$6b global market	Approved: Audi, General Motors, Ford, Land Rover, Toyota, Mazda	**High barriers to entry** due to strict quality control Major competitors: Eagle Ottawa, Seton, GST, Bader and Boxmark	• **World low cost producer** • Experienced management • Skilled workforce • Premium quality leather • Local presence in US, Europe and Asian markets
Property		Commercial / Industrial / Residential	**Fragmented**	• Acquire prestigious properties at below replacement value • Refurbish and secure long term leases • JV partners are industry experts

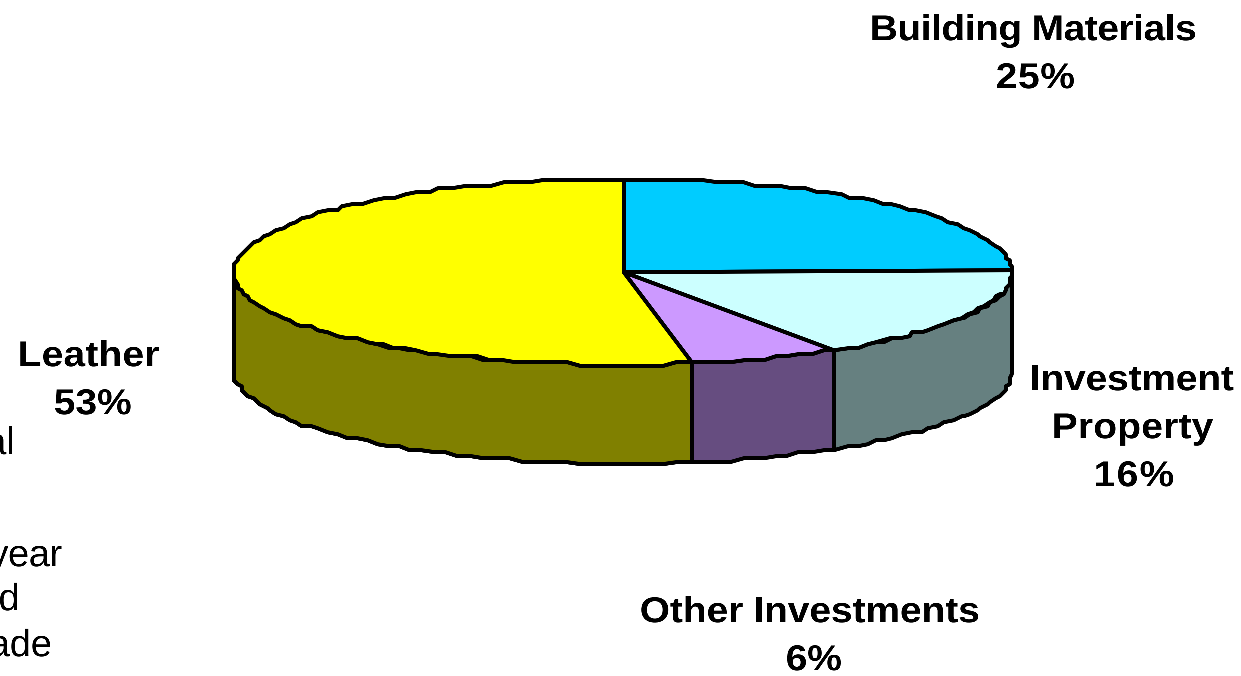
Building Materials underpins SFC Profit Rise

Full Year Ending 30 Jun (A$m)	to Jun-06	to Jun-07	% change
Revenue	145.3	**147.7**	+ *2%*
EBITDA	21.1	**23.9**	+ *13%*
EBIT (net interest basis)	15.9	**19.1**	+ *21%*
Net profit	8.1	**10.3**	+ *26%*
EPS	0.58	**0.73**	
ROCE	17%	**17%**	
Cash flow from operating activities	16.1	13.9	
Cash reserves	13.6	9.5	
Net debt / equity	89%	105%	
Ordinary dividend (fully franked)	$0.50	**$0.50**	

EBIT improvement driven by Building Materials



2007 Capital Employed by Division



Leather: Working capital intensive business.

On sales of $80-$90m/year we typically have around $35m to $40m of net trade working capital alone.

- Return on Capital Employed – 17%

Jun-07 Debt Position

$M	Recourse	Non-Recourse	Total
Building Materials	1.1	0.0	**1.1**
Leather	0	38.7*	**38.7**
Property Freehold	3.6	0.0	**3.6**
Property JV's	1.7	20.2	**21.9**
Total Debt	6.4	58.9	**65.3**
Cash Reserves			**9.5**
Net Debt			**55.8**

- Net Debt currently: $59m - Undrawn debt facilities: $20m;

* Note: $38.7m of the Leather debt is a subordinated non-recourse Commonwealth Government loan with a weighted average interest rate of 6.6%.

The Government loan was initially provided as a grant in lieu of export expansion initiatives and subsequently converted to a loan.

- – Interest only until Feb-2008;
- – $2m per annum principal payments from Feb-2008;
- – Facility Term – 2012

Actual gearing is significantly less than it appears

- Currently group gearing (Net Debt /Equity) per Oct-07 balance sheet @ **111%. -** properties are recorded at depreciated cost; not market value.

- Substituting Market Value for Book Value reduces Group gearing to **71%.**

Properties	Book Value	Est. Market Value *	Balance Sheet Debt
7 Investment JV's	$15.0m	$45.0m	$19.9m
2 Subdivision JV's	$2.9m	$5.5m	$1.3m
6 Freehold	$15.7m	$27.2m	$3.3m
Total	$33.6m	$77.7m	$24.5m

* Based on most recent historical valuation

- Rationale for not recording at market value
  - Earnings distortion - unrealised value uplifts flow thru P&L
  - Cost of valuations - required at least annually
  - Adopt a conservative position and inform the market of our approach

Cash flow

Full Year Ending 30 Jun (A$m)	Jun-06	Jun-07
EBITDA	21.1	**23.9**
Net interest paid	(3.4)	**(4.4)**
Tax paid	(2.9)	**(4.2)**
Howe change in trade working capital	3.9	**(1.1)**
Other changes in working capital	(2.1)	**0.4**
Other	(0.4)	**(0.7)**
Total cash generated	16.1	**13.9**
Debt reduction/(increase)	(1.6)	**(6.5)**
Capital expenditure	3.1	**4.4**
Acquisitions (L'Resources, U'Stone Central site, Canning Vale, Neerabup)	1.4	**13.9**
Divestments	0	**(0.9)**
Dividends paid	12.3	**7.1**
Increase (decrease) in cash on deposit	0.9	**(4.1)**
Total cash applied	16.1	**13.9**

Profitable niche focus

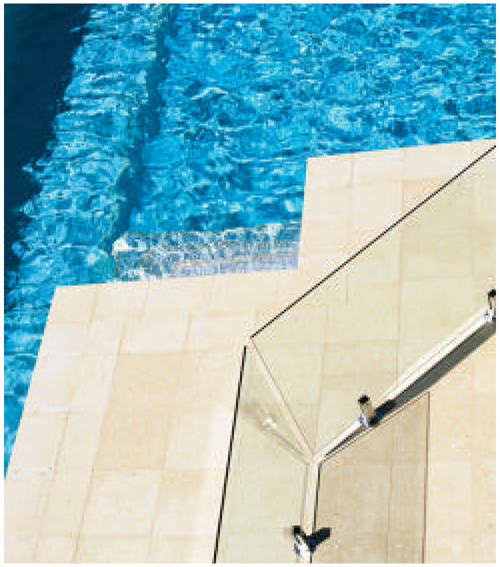
Building Materials

SFC – Building Materials Division

Schaffer Corporation Limited

Building Materials

100%



UrbanStone (1992)

Limestone Resources (2006)

Archistone (2007)

Delta Corporation (1980)

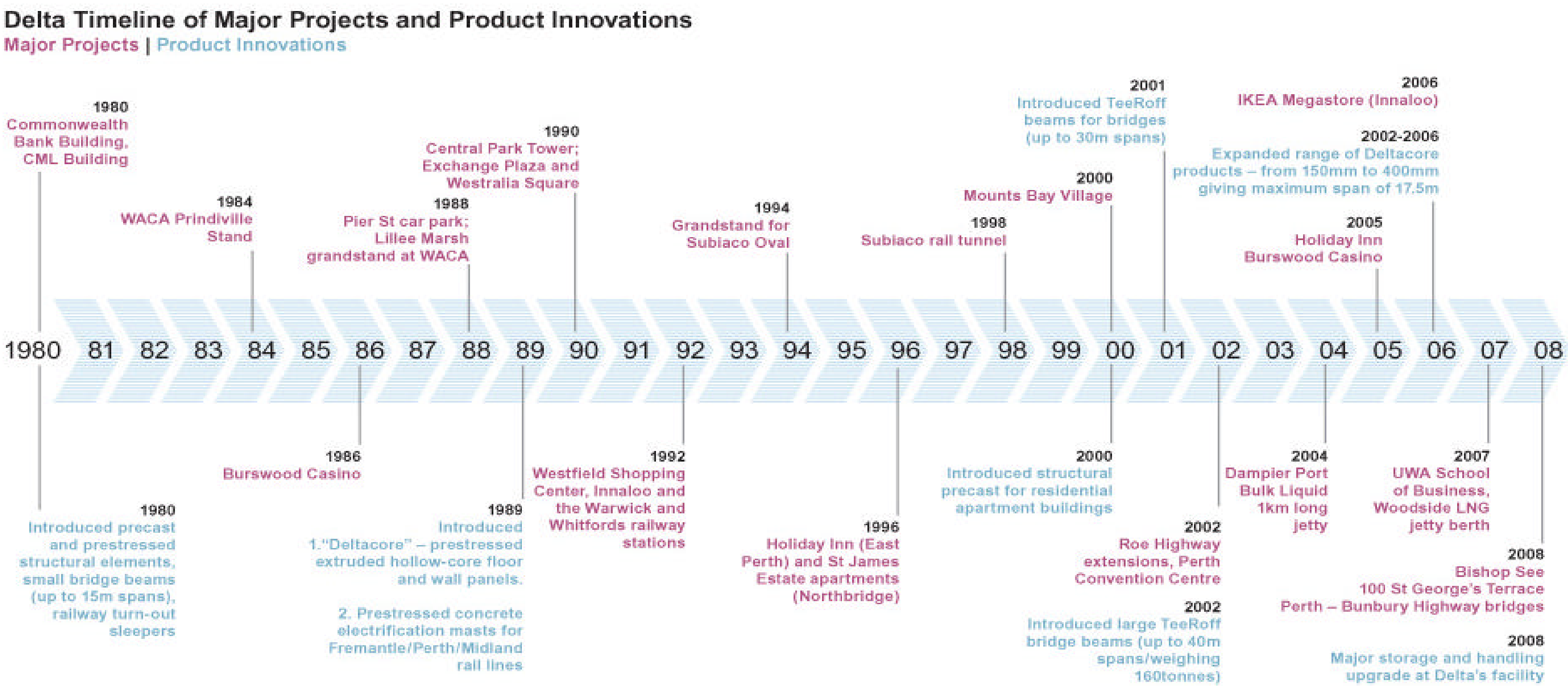
Building Materials leverages off buoyant WA economy

Building Materials			
A$M	Jun-06	Jun-07	% change
Sales	39.0	55.1	+41%
EBIT	6.6	8.7	+32%
EBIT Margin	17%	16%	

- Sales grew with the first-time inclusion of Limestone Resources (+$14m)
- Division benefited from strong leverage to buoyant WA economy - particularly Delta

Delta, the market leader in technically engineered concrete products in WA

- Low cost, profitable product
- Strong order book
- Current projects include 100 St Georges Tce, Bishops See & Perth/Bunbury highway bridges

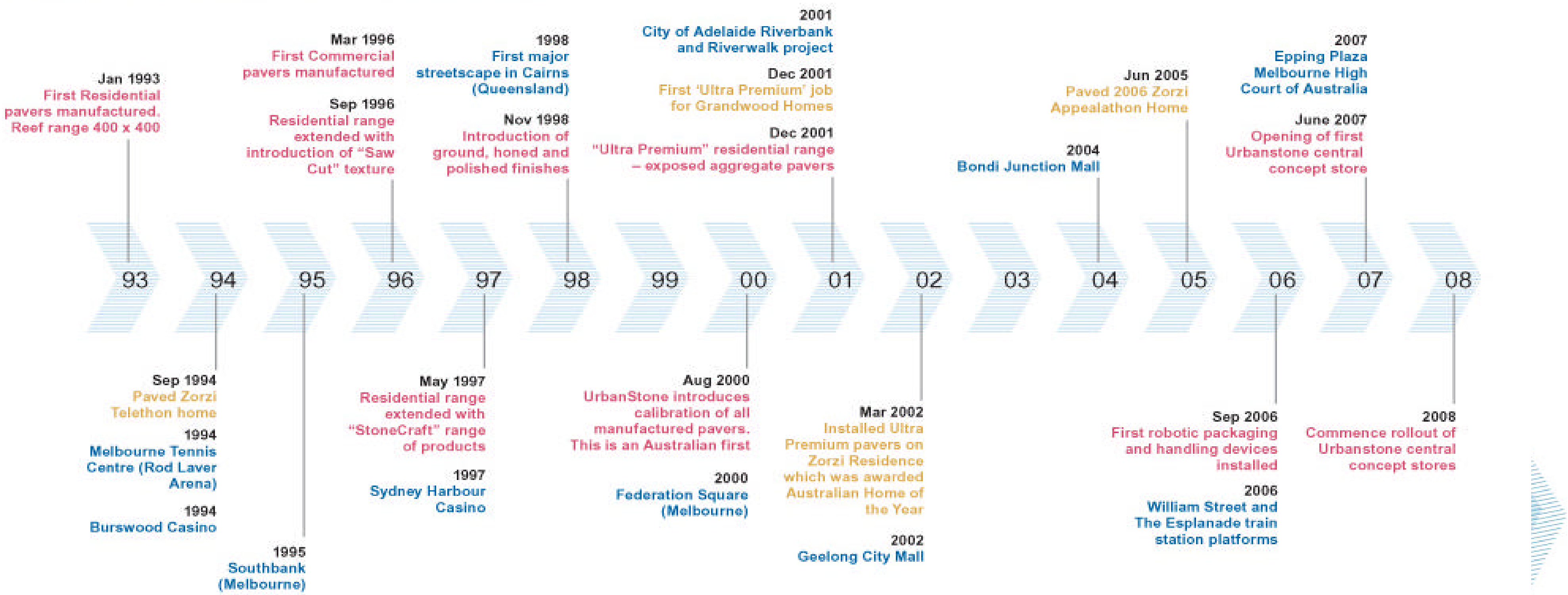



BOOM

Urbanstone, innovative national market leader commanding a brand premium

- Unmatched plant & design flexibility to satisfy residential & commercial sectors
- Embedded cost control culture
- Owned national distribution network established since 1993

Urbanstone Timeline of Major Commercial, Residential Projects and Product Innovations
Commercial Projects | Residential Projects | Product Innovations



Growth driven by acquisition of Archistone and Limestone Resources plus UrbanStone Central roll-out

- Archistone projected revenue: $12m per annum approx
- Archistone is the market leader in recon limestone block walling market
- Opportunities for operational improvement in tandem with Limestone Resources
- Provides increased leverage to WA's buoyant economy
- Leverage Urbanstone national distribution network to drive sales
- Launch of UrbanStone Central concept store model

URBANSTONE

CENTRAL


EXIT

UrbanStone Central is an “Outdoors Lifestyle Ideas Centre”

- **Brands on offer**
  - UrbanStone, Archistone, Lumeah, Carabooda Limestone and Moore River Limestone, Imported natural stone
- **Showcases our range of natural and reconstituted stone products**
  - paving, poured limestone, bull-noses, borders, pier caps, walling, cladding;
- **In a range applications and settings**
  - courtyard, poolside, patio, entrance, feature wall, BBQ areas, wine cellar displays, retaining wall;

Business repositioning locks in Howe's competitive future

Leather – Howe Automotive Limited

SFC – Automotive Leather Division

Schaffer Corporation Limited

83%

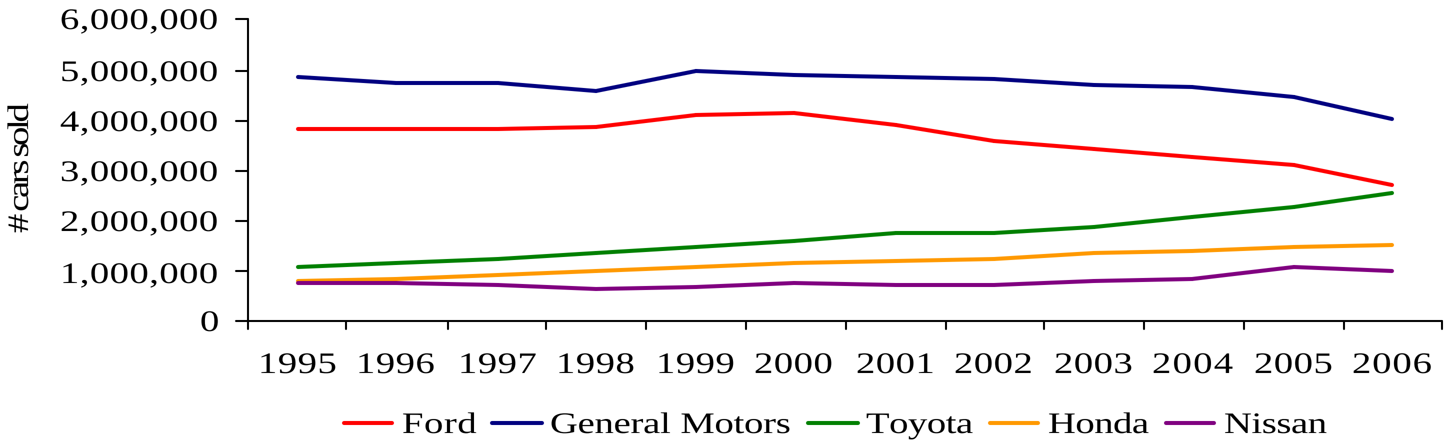
Howe Automotive Limited

- Rosedale (Preliminary Processing)
- Howe & Co Melbourne (Finishing)
- Howe Slovakia (Cutting)
- Howe Shanghai (Cutting)
- Howe Mexico (Cutting)

Difficult conditions globally for the automotive leather industry

- USA: In Jul-07, import badged vehicle brands outsold the 'Detroit3' for the first time ever (Imports: 52% / Detroit3: 48%;)
- Appreciation of the A$ against the $US and $Euro
- Higher hide costs
- Production overcapacity within the industry
- OEM's squeeze auto component suppliers in cost cutting drive

Ford and GM sales have dropped while Japanese OEMs gain market share in USA



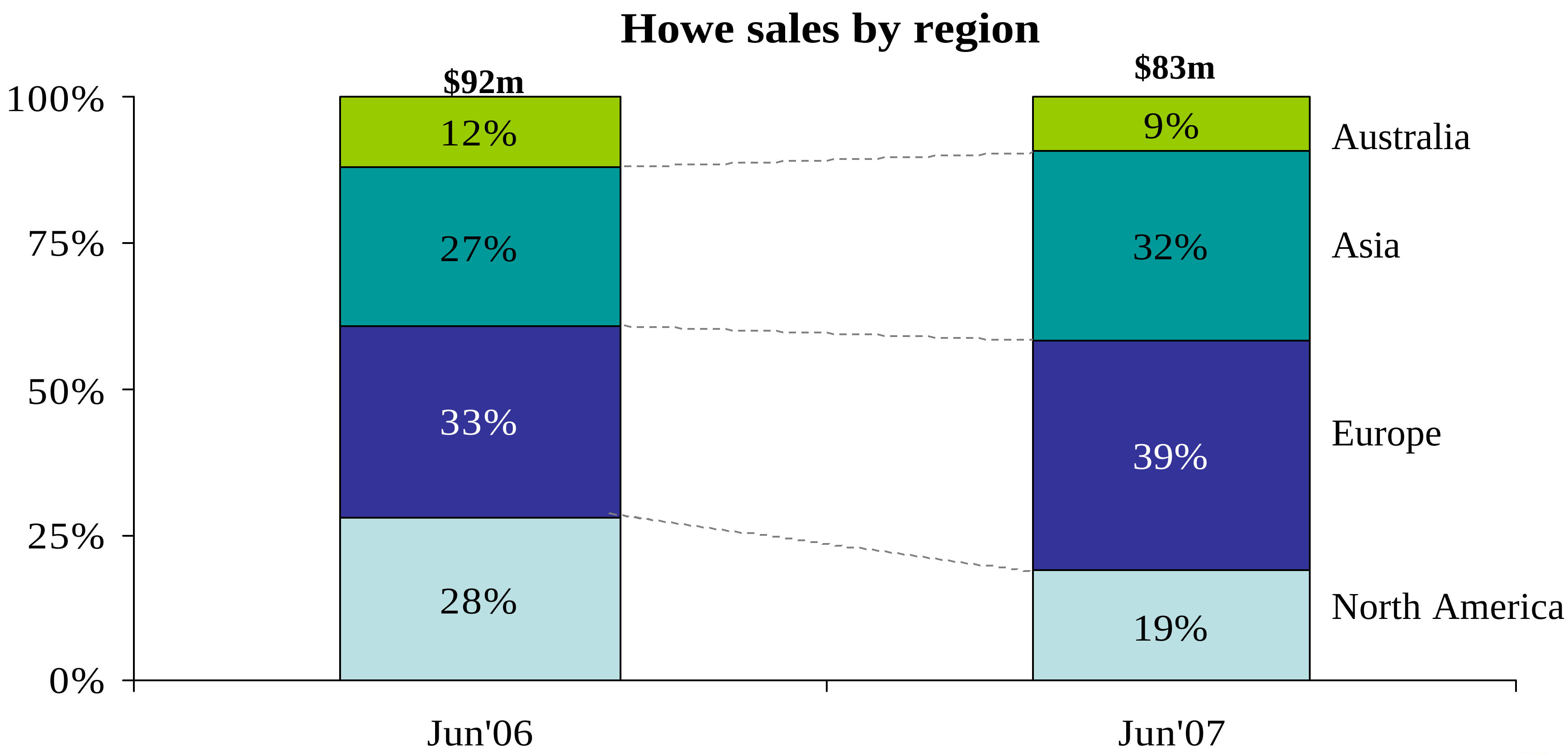
Source: Automotive News; National Automobile Dealers Association

The Howe business has been repositioned to remain globally competitive

- High labour intensive cutting operations all based in lower labour-cost countries (Slovakia, China and Mexico).
- Major benefits: (i) lowers Howe's cost base; (ii) provides local sales and service presence

	Employees	Commissioned	Competitive advantages
Rosedale (Preliminary processing)	35	1996	Australia has 4th largest cattle herd globally Secure supply of disease-free hides Range of hides to match customer needs
Howe & Co (Finishing)	155	1996	Modern, global scale facility
Mexico cutting plant	250	1996	Low labour cost State of the art design
Shanghai cutting plant	120	2005	
Slovakia cutting plant	200	2005	

Howe’s 2007 growth focus - Europe and Asia



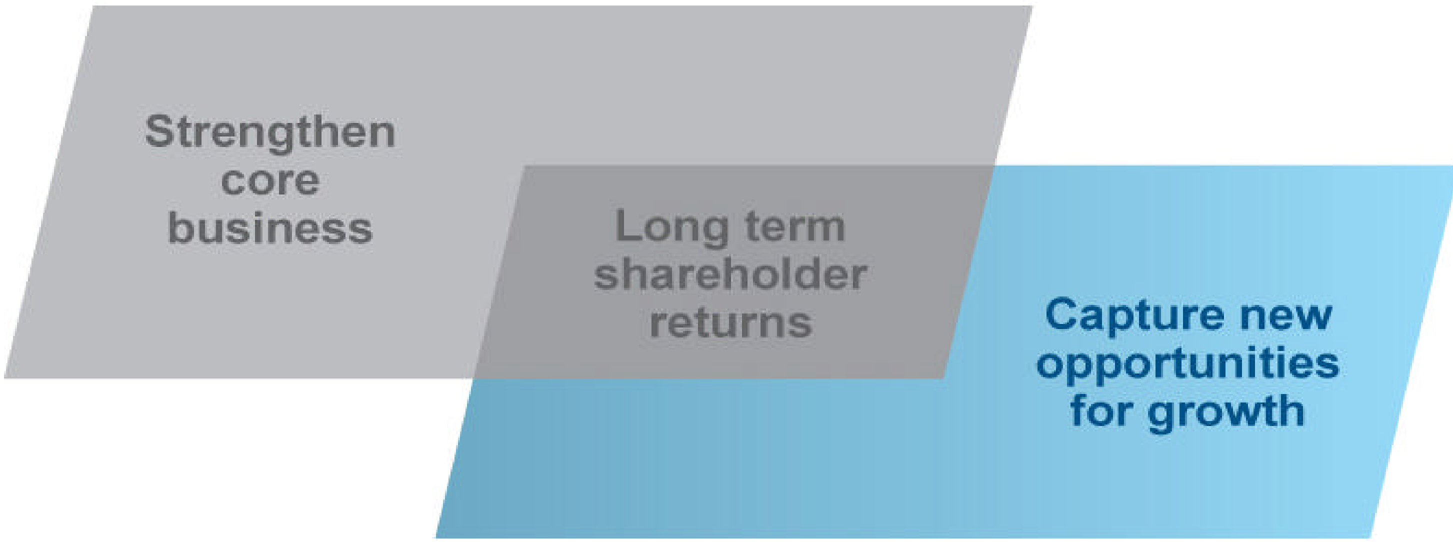
The repositioning keeps Howe competitive in a tough market

	Leather		
A$M	Jun-06	Jun-07	% change
Automotive revenue	91.4	82.9	-9%
Furniture revenue *(closed Aug-06)*	6.7	1.5	
Automotive EBIT	6.2	6.5	+5%
Howe (Group) EBIT	4.8	6.0	+25%
EBIT Margin	4.9%	7.1%	

- Howe's reported $6.0m EBIT was higher than the pcp due to:
  - A significant reduction in redundancy expenses (pcp: $1.3m);
  - Removal of cutting duplication expenses
  - Currency (2006/07 average): A$ was up against the US$ @ 78.5 *(pcp 74.8);* but marginally weaker against the $Euro @ 60.1 *(pcp 61.4)*; and
- Howe's unhedged EBIT sensitivity to foreign exchange fluctuations:
  - $Euro approx $380k per 1¢ appreciation in $A
  - $US approx $200k for every 1¢ appreciation in $A

Pursuing growth opportunities to build scale

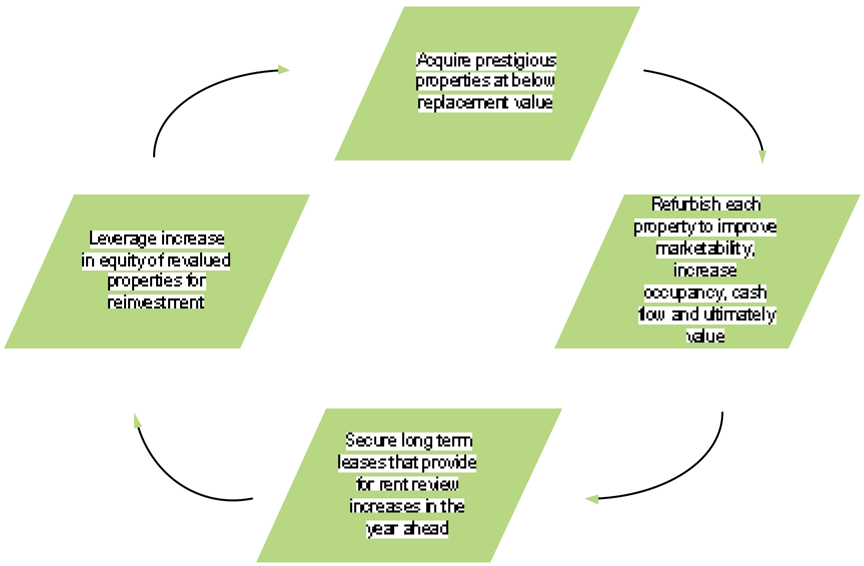
- Repositioning locks in competitive future
- Increased sales efforts across Europe, Asia and US
- Building scale: Increase revenue will positively impact earnings



Solid investments generating shareholder returns

Property

Valuable portfolio of assets with recurring income



JV partners are industry experts with track record of success

Perth

Property	SFC interest
IBM Centre (1995)	**22.1%**
Home Town (1998)	**25%**
89 St George's Terrace (1999)	**20%**
Crosslands Bunbury (1999)	**16.7%**
Joondalup (2006)	**11%**
Canning Vale (2006)	**20%**

Melbourne

Property	SFC interest
Oce House (1997)	**20%**

Strong earnings and cash flow contribution

Investment Property			
A$M	Jun-06	**Jun-07**	% change
EBIT	1.9	**1.9**	+2%
Cash	1.2	**1.0**	-17%
Book value	15.0	**16.0**	+7%
Debt	17.5	**19.9**	+14%
Market value	31.8	**45.0** **(Oct-07)**	+42%
Loan to valuation (debt / market value)	55%	**44%** **(Oct-07)**	

Outlook - Earnings

- **Building Materials** *(Delta, UrbanStone, Limestone Resources, Archistone)*
  - Delta: set to continue to leverage off WA's robust economy
  - Building scale, range and distribution:
    - Limestone Resources & Archistone acquisitions
    - Launching of UrbanStone Central concept stores
    - Expanded product range available through more outlets
  - Build long-term value by owning UrbanStone Central properties
  - Stronger H1 revenue; Earnings restrained by wet Sep quarter and launch of UrbanStone Central (advertising, display upgrade, integration charges)
- **Leather** *(Howe)*
  - Rebuilding scale
  - Howe's 3 offshore manufacturing facilities (Slovakia, China & Mexico) the key to Howe's growth strategy
  - Currency: extremes in $A volatility will significantly negatively impact earnings
  - H1 earnings expected to be below pcp: A$ volatility and hide costs

Outlook – Earnings (continued)

- **Property**
  - Sale of 71 Queens Rd Melbourne to add $1.3m to H1 EBIT
  - Steady returns are expected from balance of our Investment Property leasing activities
  - Mindarie: Staging issues to impact H1 earnings. Earning biased to H2. Remaining life: 12 - 18 months approx.
  - Banking industrial land at Neerabup – targeting release in next 3 – 5 years

- **At Group Level**
  - **Focus on ROCE, cash flow and dividends**
  - **First-half Headline earnings expected to be at least in line with the pcp's $5.2m NPAT.**

Outlook - Dividends

- **Final Dividend**
  - SFC expects to declare a 25¢/share fully franked interim ordinary dividend (payable Mar-08)

- **Dividend Outlook**
  - SFC's objective is to maintain dividends for 2007/08 at 50¢/share; balance of earnings to be used to fund growth
  - The Board's payout ratio policy balances Schaffer's shareholder returns objective with our primary objective to fund growth in our Building Materials division.