



Schaffer Corporation Limited

Full Year Results Presentation June 2012

Creating long-term shareholder value through the efficient operation and growth of our core businesses



Organisation Chart (Core Businesses)

SCHAFFER CORPORATION LIMITED

Building Materials Division

Delta

- Precast concrete – Herne Hill, WA

Building Products

- UrbanStone Factory (paving) - Jandakot, WA
- Archistone Masonry Block Plant (walling and paving) - Jandakot, WA
- Archistone reconstituted landscaping limestone blocks - Gin Gin, WA
- Limestone Resources
 - Reconstituted retaining wall blocks - Carabooda, WA
 - Natural quarry cut blocks (landscaping and building) - Moore River and Swan Lease, WA
- Lumeah - insitu poured exposed aggregate and limestone paving
- Natural granite and stone - Australian sourced
- Natural granite and stone - imported
- Urbanstone Central - national network of ideas and design centres for retail and trade

Property Division

Syndicated Investment Property

Company Owned Property

Automotive Leather Division

Howe

- Finishing – Thomastown, Victoria
- Tannery – Rosedale, Victoria
- Cutting
 - Howe Shanghai – China
 - Howe Slovensko – Slovakia
- Sales Offices
 - Australia
 - China
 - Slovakia
 - Japan
 - Germany

Highlights

Profits are up 56% despite tough conditions

- Building Materials has performed strongly.
- Europe and China combined leather sales volumes up 27%.
- Ongoing benefits from strategic decision to close Automotive Leather's North American operations.

Strong cash flow and net debt position

- Strong improvement in operating cash generation.
- Cash flow has been applied to reduce net debt and leverage ratio.
- Conservative capital investment and dividends.

The outlook has some positive signs

- Building Materials order banks are strong moving into FY13.
- Based on awarded programs, Automotive Leather volumes should increase towards the end of FY13 and into FY14.

Financial Performance

Statutory Profits increased by 56% despite tough conditions

Full-Year	June-2012	June-2011 ¹	% Change
Revenue (\$m)	\$152.6	\$138.1	11%
EBITDA (\$m) ²	\$19.9	\$17.1	16%
EBIT (\$m) ³	\$14.9	\$12.2	22%
NPAT (\$m)	\$7.5	\$4.8	56%
EPS	\$0.53	\$0.34	57%
Return on average capital employed (ROACE)	14%	11%	
Ordinary dividend (fully franked)	\$0.21	\$0.20	

1. Figures include discontinued operations - Howe de Mexico

2. Refer to slide 24 for EBITDA reconciliation

3. EBITDA less depreciation and amortisation

Financial Performance

The Underlying Profit increase is satisfying

Full-Year	June-2012	June-2011	% Change
Underlying Profit ¹ (\$m)	\$6.4	\$2.4	162%
Underlying EPS	\$0.45	\$0.17	163%
Underlying ROACE	12%	7%	

1. Refer to slide 24 for Underlying Profit reconciliation

Cash Flow

Strong cash flow from operations used to reduce net debt

Full-Year Ending (\$m)	June-2012	June-2011
EBITDA	19.9	17.1
Less profit of disposal of assets / non-cash items	(1.3)	(5.2)
Net interest paid	(3.8)	(4.5)
Tax paid	(3.1)	(2.1)
Change in Howe trade working capital	3.8	(7.1)
Other changes in working capital	(0.5)	1.4
Total operating cash generated	15.0	(0.4)
Net debt reduction/(increase)	12.2	9.9
Capital expenditure	2.4	4.9
Proceeds from insurance/divestments	(2.7)	(19.5)
Dividends paid	2.9	4.3
Share buy back	0.2	-
Total cash applied	15.0	(0.4)

Group Net Debt

Group Net debt reduction of \$12.2m adds more strength to our Balance Sheet

All amounts in \$m's	Building Materials & Corporate	Syndicated Investment Properties	Automotive Leather	Total 30 June 2012	Total 30 June 2011
Type of Debt:					
Bank debt - recourse	4.2	3.9	-	8.1	7.2
Bank debt - non-recourse	-	18.7	-	18.7	19.5
Govt loans - non-recourse	-	-	25.0	25.0	30.7
Equipment finance	1.4	-	0.1	1.5	2.1
	5.6	22.6	25.1	53.3	59.5
Maturity Profile:					
- FY12	-	-	-	-	43.8
- FY13	0.6	7.6	2.6	10.8	7.8
- FY14	4.6	7.6	2.5	14.7	7.5
- FY15 and beyond	0.4	7.4	20.0	27.8	0.4
	5.6	22.6	25.1	53.3	59.5
Net Debt Position:					
Gross debt	5.6	22.6	25.1	53.3	59.5
Cash and term deposits	(4.2)	(0.6)	(9.2)	(14.0)	(8.0)
Net Debt	1.4	22.0	15.9	39.3	51.5

Debt and Assets

Market value of Group Net Tangible Assets \$6.24/share (pcp \$5.81/share)

	Building Materials & Corporate	Syndicated Investment Properties	Automotive Leather	Total 30 June 2012
Net debt (\$m)	1.4	22.0	15.9	39.3
% debt recourse to SFC	100%	18%	0%	21%
Net assets (Book) (\$m)	39.5	(2.8)	22.3	59.0
Net assets (Market Value) (\$m)	58.3	12.7	21.7	92.7
Asset backing (NTA - Book) (\$/share)	2.90	(0.52)	1.46	3.84
Asset backing (NTA - Market Value) (\$/share)	3.88	0.90	1.46	6.24
Leverage Ratio ¹ (Market Value)	2%		38%	
Loan to Value Ratio ² (LVR) (Market Value)		53%		

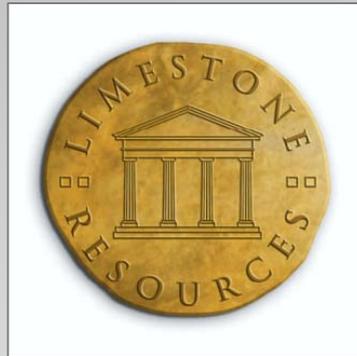
1. Leverage Ratio is calculated as the ratio of Net Debt to Net Debt plus Equity

2. Loan to Value Ratio is the ratio of Syndicated Investment Property Gross Debt to the market value of Investment Property

- Estimated \$48.1 million of unrealised property value before tax (\$33.7 million after tax) included in Market Value.

Schaffer Building Materials

Building Products

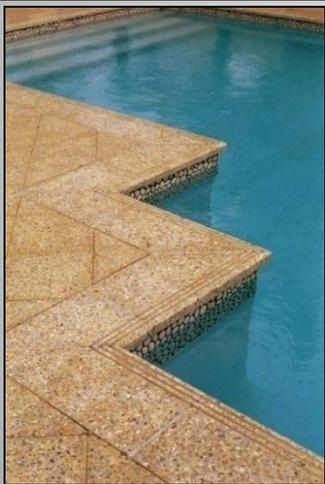


Building Materials Results

\$m's	June-2012	June-2011	% Change
Revenue	56.4	51.9	9%
Segment EBIT	5.0	3.9	26%
Margin	9%	8%	

- Momentum in resource developments in Western Australia has increased profits, particularly for Delta (precast prestressed concrete).
- Building Products (paving and walling products) revenue and margin is similar to prior year due to the lingering tough market conditions experienced for several years. We are leveraged to an increase in spending and new housing.
- Order books have grown throughout FY12 and are strong going into FY13.

Building Products



Key Points

- A strong order bank by the end of FY12 - driven by our strong customer service and exceptional product quality.
- Market leader in Western Australia for Masonry Block, since commencement of production in 2011. Further product development to increase penetration towards the end of FY13.
- Exclusivity awarded over several Australian granite types.

Building Products



Major Projects Completed

URBANSTONE

Western Australia:

- Haden Place Apartments - South Perth
- Town of Kwinana - City Centre
- City of Perth - major streetscapes
- Peppermint Gove library - Town of Peppermint Grove
- Mandurah Town Centre upgrade - Mandurah
- Collie Town Centre streetscapes - Collie
- FESA Head Quarters - Cockburn - Perth

South Australia:

- Victor Harbour Foreshore Redevelopment - Victor Harbour

Victoria:

- ANZ Dockland Precinct - Melbourne

New South Wales:

- Bathers Pavilion upgrade - Wollongong
- K2RQ Railway Platforms - Sydney

Queensland:

- Brisbane Airport upgrade

AUSTRALIAN GRANITE

Western Australia:

- Busselton Streetscapes - Shire of Busselton
- Forrest Chase redevelopment stage 3 & 4 - Perth City Council

Queensland:

- Queensland University at Gardens Point - Brisbane

ARCHISTONE MASONRY BLOCK

Western Australia:

- Terminal WA - Perth Airport
- Residence - Wayeela Place City Beach, Perth
- Karratha Leisure Centre - Town of Karratha
- Fitzroy Crossing Police Station - Fitzroy Crossing
- WA Autism Centre Headquarters - Shenton Park, Perth

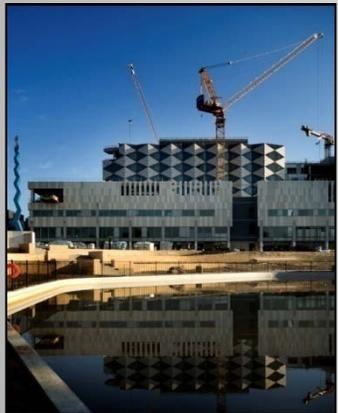


Delta



Key Points

- Strong growth in resource and infrastructure sectors.
- Leading position in Western Australia allows Delta to focus on highly specialised work.
- Set an industry benchmark with the successful completion of complex architectural wall panels for the high profile Fiona Stanley Hospital Project.
- Strong order bank moving into FY13.



Major Projects Completed

Resource and Infrastructure

- Rio Tinto - Level Crossings
- Gorgon LNG Project - General Utilities
- Karara Iron Ore Project
- Cape Lambert Car Dumper 5
- Cape Lambert Port B Beach Road Bridge

Commercial

- Fiona Stanley Hospital Building B
- Fiona Stanley Hospital Building A, T, Y & Z
- REIWA Building, Perth
- Central Energy Plant QE11
- Curtin University Engineering Building

Automotive Leather



Automotive Leather Results

\$m's	June-2012	June-2011*	% Change
Revenue	89.6	79.2	13%
Segment EBIT	7.4	3.3	124%
Margin	8%	4%	

* Previous year includes discontinued North American cutting operations

- 13% increase in revenue despite closing the North American cutting operations in FY11.
- EBIT more than doubled.

Automotive Leather



Key Points

- Volumes of cut leather sales for China and Europe increased 27%.
- Realised benefits of the strategic decision to close the North American operations.
- Currency translation into strong A\$ is having negative effects. We are focused on our core business strategies and efficiencies to minimise the impact. We are a high quality, low cost global producer.
- Investing in leather finishing technology that improves efficiency, and reduces wastage and energy usage.
- Hide sourcing strategies that are cost effective and increase yield.

Automotive Leather Global Footprint



- Offices
- Factories



Property



IBM Building, Hay St, West Perth



616 St Kilda Rd, Melbourne



Hometown Cannington, WA

Property Results

\$m's	June-2012	June-2011	% Change
Revenue	6.6	6.8	(4%)
Segment EBIT (excl. disposals and insurance)	2.8	2.9	(4%)
Net rental margin	42%	43%	
Profit on disposals	0.4 ¹	4.3 ²	
Insurance proceeds less associated costs	1.3 ³	-	
Segment EBIT	4.5	7.2	(37%)

1. Relates to sales of syndicated property at Vulcan Rd, Canningvale, Western Australia.

2. Relates to sales of syndicated property at 89 St Georges Terrace, Perth, Western Australia and 1500 Albany Hwy, Cannington, Western Australia.

3. Relates to fire damage claim for Bennett Avenue, North Coogee, Western Australia.

- Property sales have meant a decrease in rental revenue but this is offset by increasing rents and tenancy across the remaining portfolio. We are almost 100% tenanted.
- Progress payment on fire damage claim for Bennett Avenue, North Coogee has lifted EBIT by \$1.3m. Negotiations are progressing for a final settlement.

Property Portfolio

Property	% Interest
Syndicated Investment Properties	
IBM Building, 1060 Hay St, West Perth, WA	22%
Océ House, 616 St Kilda Rd, Melbourne, VIC	20%
Hometown, 1480 Albany Hwy, Cannington, WA	25%
Parks Centre, Bunbury, WA	17%
Syndicated Subdivisions	
Mindarie Keys, WA	15%
Neerabup, WA	20%
Owned/Operated	
1305 Hay Street, West Perth, WA	100%
218 Campersic Rd, Herne Hill, WA	100%
Lot 101, 103, 104 Jandakot Rd, Jandakot, WA	100%
50 Cutler Rd, Carabooda, WA	100%
10 Bennett Avenue, North Coogee, WA	83%

Total estimate of \$48.1 million of unrealised property value before tax.

- \$28.4m from syndicated properties portfolio
- \$19.7m from company owned properties

Total estimated market values are:

- Syndicated property - \$43.2m
- Company owned property - \$35.6m

Outlook – H1 FY13

Challenging environment but some positive signs

Automotive Leather

- Volumes are expected to increase in the second half of FY13 and into FY14 based on awarded programs.
- Revenue and EBIT will be materially lower for H1 due to the ongoing strength of the A\$ and lower volumes.
- Focus is on business strategy and efficiencies to minimise negative currency translation effects. We are a high quality, low cost global producer.

Outlook – H1 FY13 continued

Building Materials

- Strong order banks going into FY13 aided by resource projects in Western Australia.
- Revenue and EBIT for the first half of FY13 are expected to be higher than the previous corresponding period.
- Further penetration into the masonry block market towards the end of FY13, with further product development.

Property

- Increasing rents and almost 100% tenancy should result in higher total net rental.
- No sale of property expected.
- Negotiations progressing for final settlement of fire damage claim for Bennett Avenue, North Coogee. A further announcement will be made when we have more certainty on the outcome.

Outlook – H1 FY13 continued

Overall

- Reduced Revenue and EBIT expected for H1 FY13 (excluding potential final settlement of fire damage claim).
- Our diversity will limit the reduction - Building Materials and Property division performance is improving whilst the Automotive Leather forecast is materially lower than prior corresponding period.

Dividends

- The Board has declared a final dividend of 11¢ per share fully franked, a 10% increase, payable on 21 September 2012. Uncertain and volatile economic conditions prevail and therefore a conservative dividend has been declared.

Non-IFRS Financial Information

EBITDA Reconciliation (\$000's)	June 2012	June 2011
Profit before income tax	11,236	11,648
Loss before tax from discontinued operations	-	(4,003)
Finance income	(176)	(246)
Finance costs	3,830	4,783
EBIT	14,890	12,182
Depreciation and amortisation	5,024	4,879
EBITDA	19,914	17,061

Underlying Profit Reconciliation (\$000's)	June 2012	June 2011
NPAT	7,517	4,816
Profit on sale of investment property after tax	(301)	(2,862)
Profit on sale and leaseback of Urbanstone Central properties after tax	-	(790)
Howe de Mexico closure costs after tax	-	1,274
Insurance proceeds less costs after tax and non-controlling interests	(830)	-
Underlying Profit	6,386	2,438

Schaffer Corporation Limited results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS financial measures. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortisation. This measure is important to management when used as an additional means to evaluate the Company's performance.

Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of Directors, the ongoing operating activities of Schaffer Corporation in a way that appropriately reflects its underlying performance.

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