Schaffer Corporation

Full Year Results Presentation: Jun-07

SFC Performance Highlights

Operations

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

Acquisitions

- Building Products: $26m by Jun-08
  - Limestone Resources: $7.5m
  - First UrbanStone Central site: $3.9m
  - Archistone (Aug-07): $7.7m
  - 3 Retail Properties: $7m (2007/08)
- JV Property Increases: $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
	• Leverage innovation to pursue
	  – New markets (local, nationwide and global)
	  – New products
	  – New customers
	  – New channels
	• Integrate acquisitions

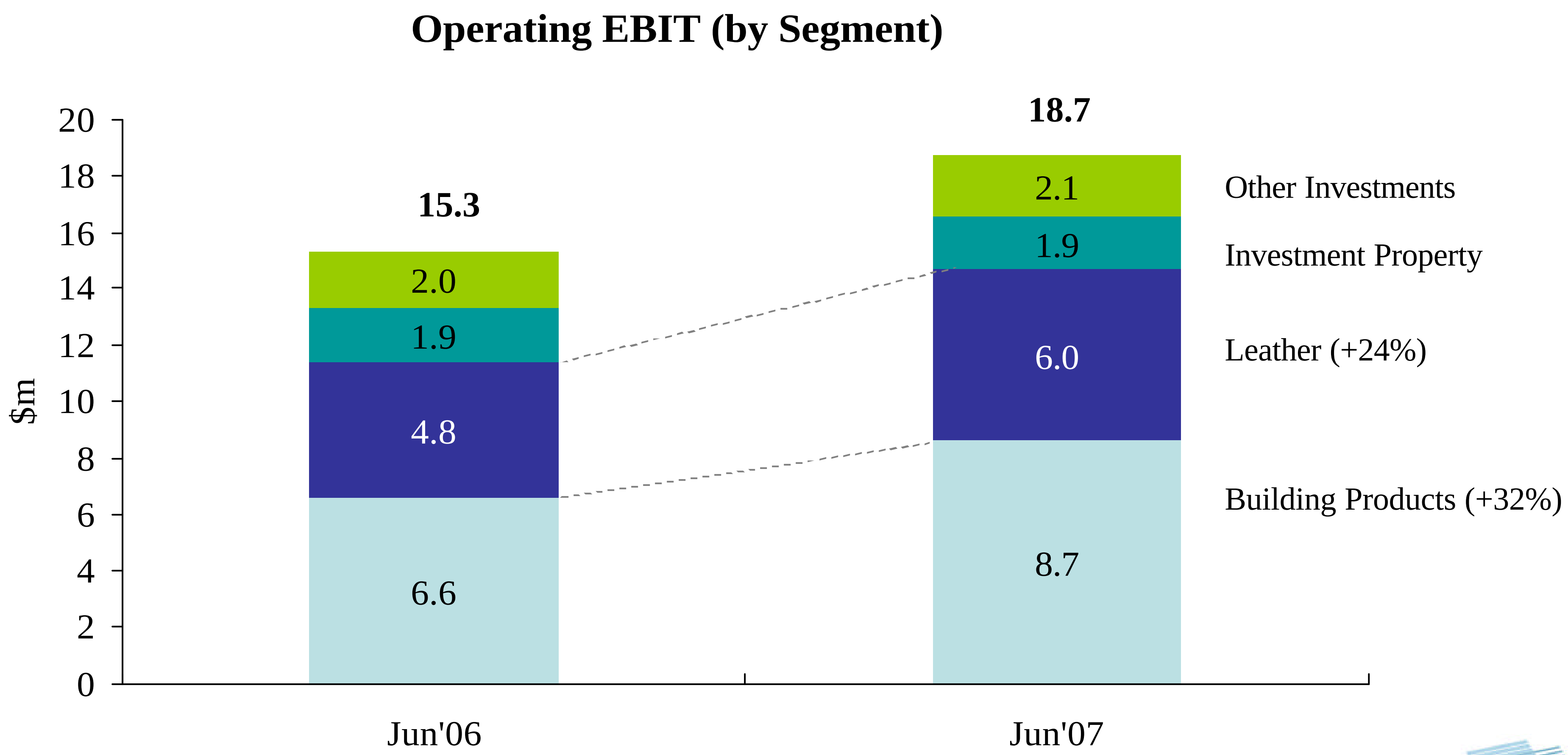
SFC's businesses services a range of markets segments - Performance is not dependent on one industry sector.

Business	Market	Customers	Competitors	Value proposition
Building Products – 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 Products – 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 Products – 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 Products 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 Products



Jun-07 Debt Position

$M	Recourse	Non-Recourse	Total
Building Products	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**

- 30-Jun-07 undrawn debt facilities: $20m; (Increased to $30m post balance date)

* 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

- Group gearing (Net Debt /Equity) per balance sheet @ **105%.** - properties are recorded at depreciated cost; not market value.

- Substituting Market Value for Book Value reduces Group gearing to **74%.**

Properties	Book value	Market value	Balance Sheet Debt
8 Investment JV's	$16.0m	$38.2m	$19.9m
2 Subdivision JV's	$2.8m	$4.0m	$2.0m
6 Freehold	$15.7m	$24.3m	$3.3m
Total	$34.5m	$66.5m	$25.2m

- 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

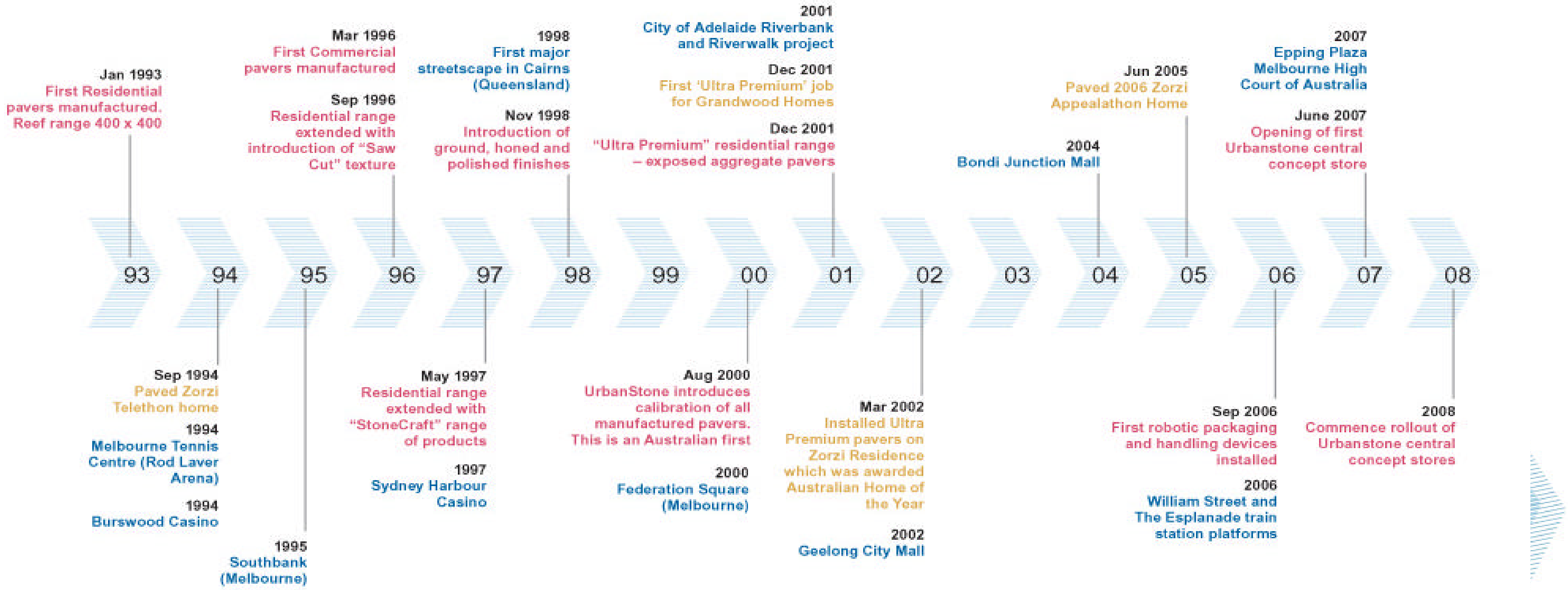
Building Products

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

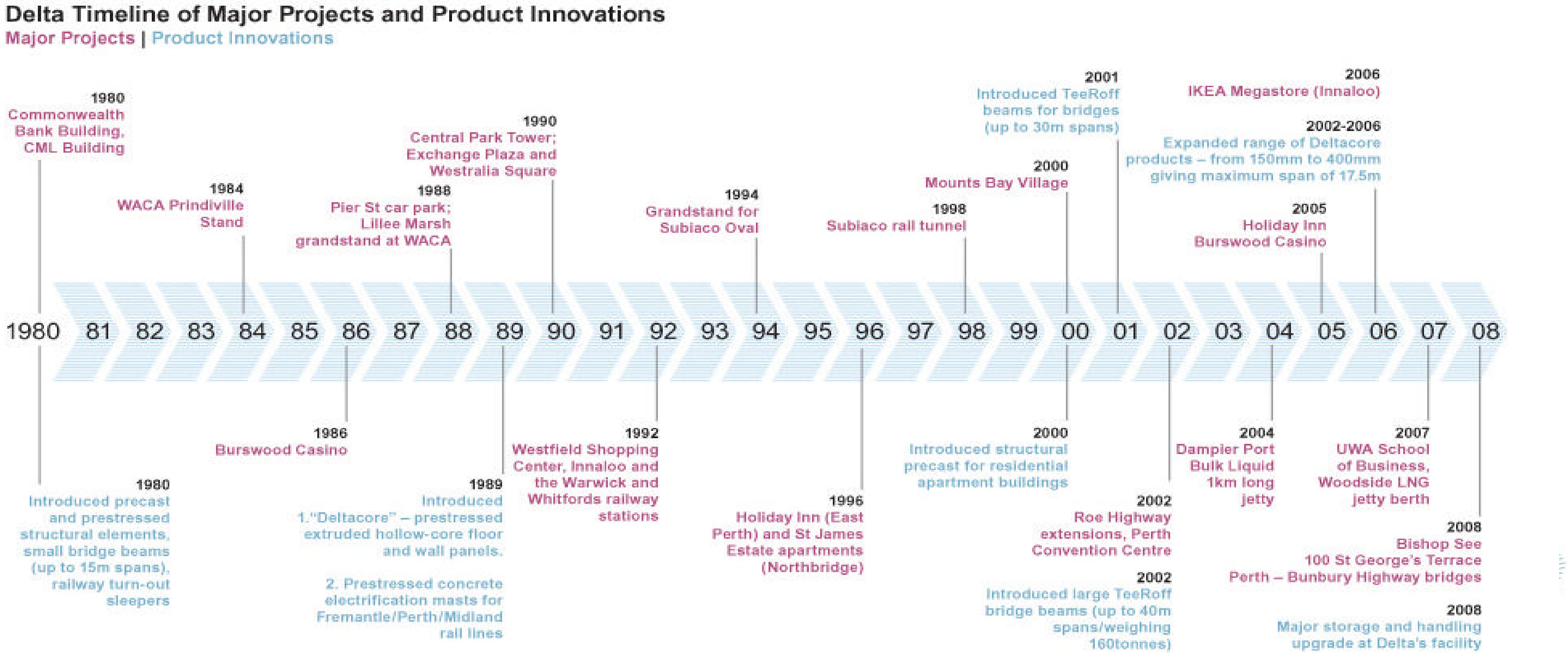
Urbanstone Timeline of Major Commercial, Residential Projects and Product Innovations

Commercial Projects | Residential Projects | Product Innovations



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



Building Products leverages off buoyant WA economy

Building Products			
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

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

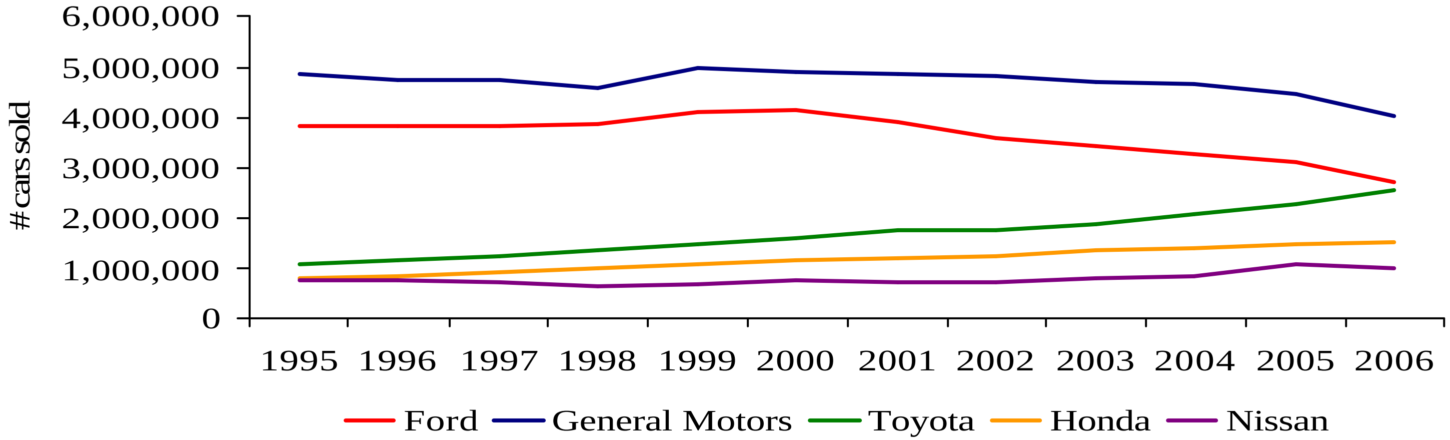
Business repositioning locks in Howe's competitive future

Leather – Howe Automotive Limited

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%;)
- Hide price pressures
- Production overcapacity within the industry
- OEM's squeeze auto component suppliers in cost cutting drive
- Appreciation of the A$ against the $US and $Euro

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



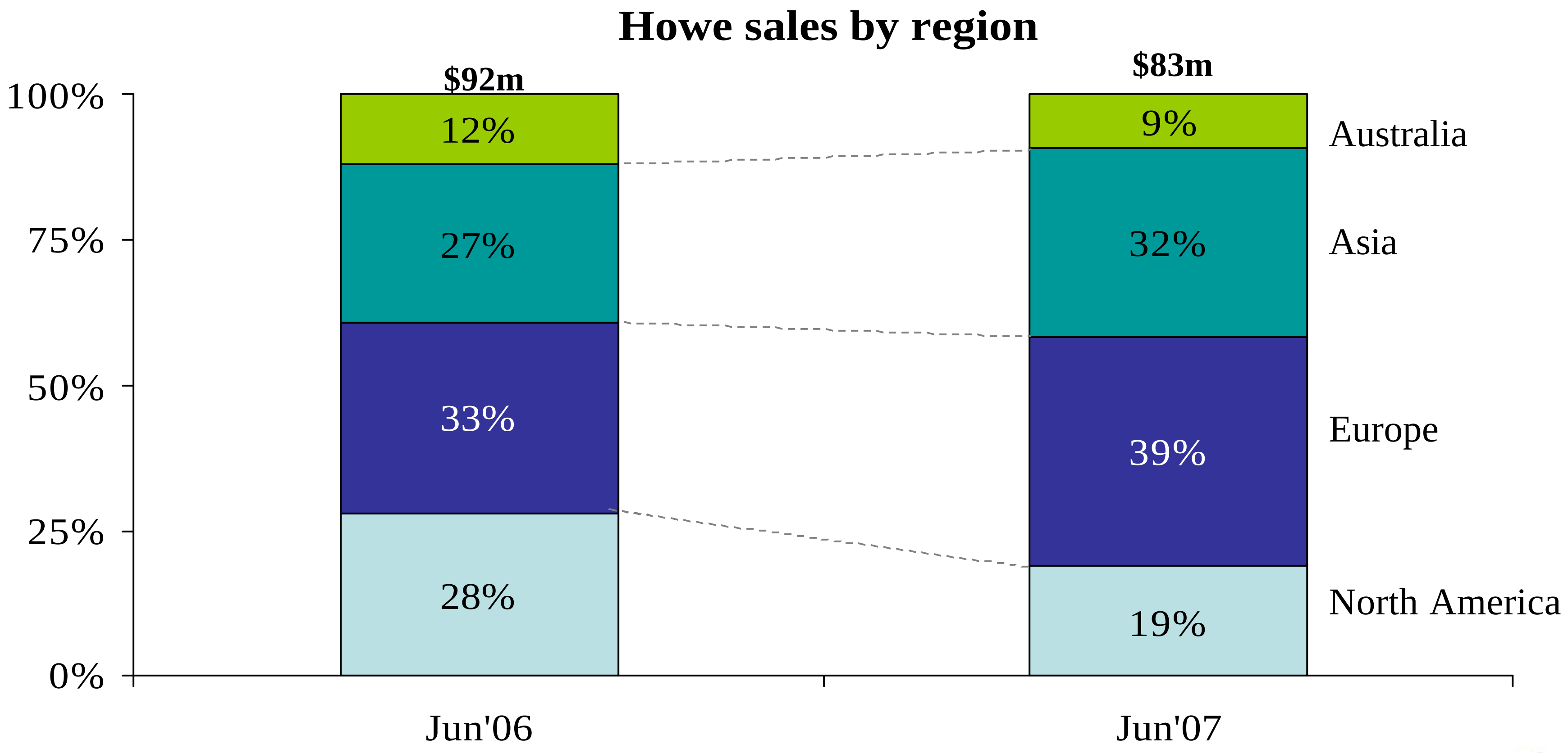
Source: Automotive News; National Automobile Dealers Association

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)	40	1996	Australia has 4th largest cattle herd globally Secure supply of disease-free hides Range of hides to match customer needs
Howe & Co (Finishing)	150	1996	Modern, global scale facility
Mexico cutting plant	140	1996	Low labour cost State of the art design
Shanghai cutting plant	120	2005	
Slovakia cutting plant	210	2005	

Howe’s 2007 growth focus - Europe and Asia



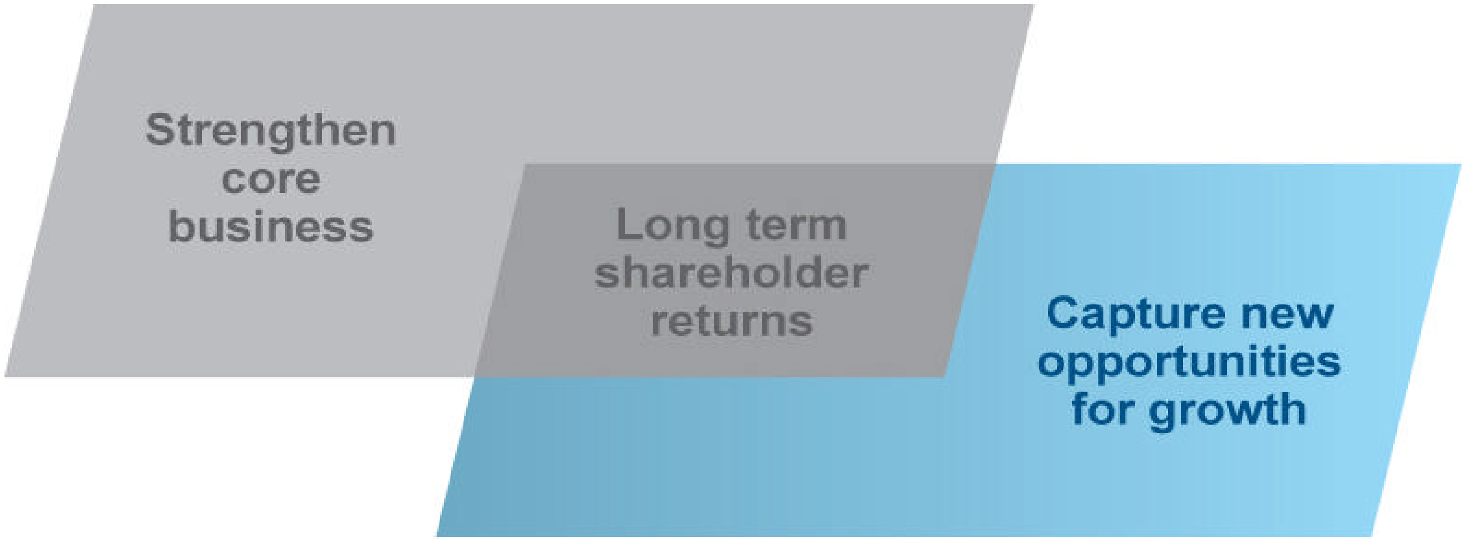
The repositioning keeps Howe competitive in a tough market

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

Acquire prestigious properties at below replacement value

Refurbish each property to improve marketability, increase occupancy, cash flow and ultimately value

Secure long term leases that provide for rent review increases in the year ahead

Leverage increase in equity of revalued properties for reinvestment

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%**
71 Queens Rd (2000)	**9%**

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	**20.0**	+14%
Market value	31.8	**38.2**	+20%
Loan to valuation (debt / market value)	55%	**52%**	

Outlook - Earnings

- **Building Products** *(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 impacted by 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
  - US margins: no improvement; US revenues: expecting H2 recovery
  - 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.

- **At Group Level**
  - **Focus on ROCE, cash flow and dividends – earnings expected to be largely H2 biased.**

Outlook - Dividends

- **Final Dividend**
  - SFC will pay a 25¢/share fully franked ordinary dividend
  - Ex Dividend Date: 6-Sep-07; Payment Date: 18-Sep-07

- **Dividend Outlook**
  - SFC's objective is to maintain dividends for 2007/08 at 50¢/share; balance of earnings to be used to fund growth
  - Franking account balance: 64¢/share (cum 25¢ final dividend)
  - The Board's payout ratio policy balances Schaffer's shareholder returns objective with our primary objective to fund growth in our Building Products division.