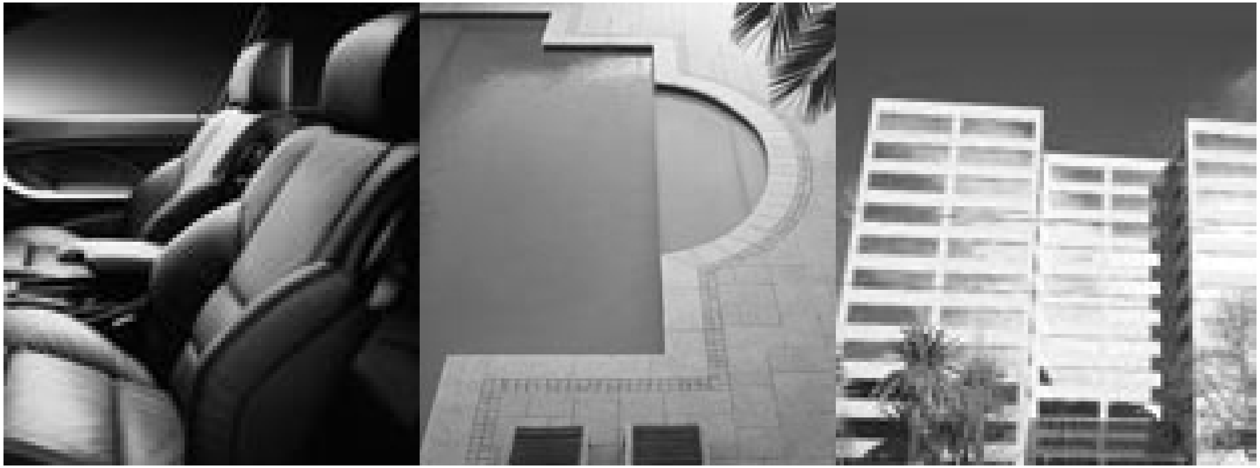
Schaffer Corporation Limited

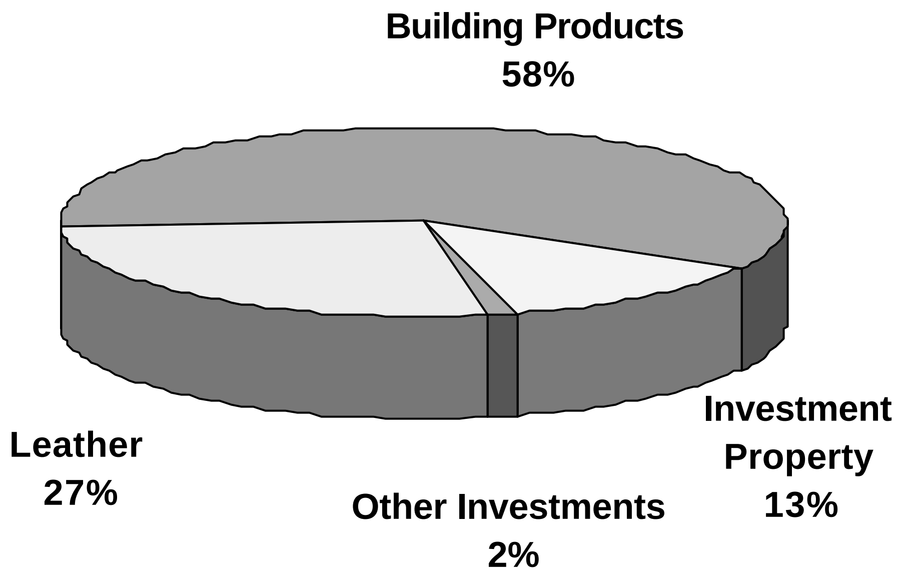


Half Year Results – Dec 2005

Performance Summary

	Dec 2004 **6 months**	**Dec 2005** **6 months**
Revenue (A$m)	73.7	**73.7**
Net Profit (A$m)	6.6	**3.6**
EPS	$0.47	**$0.26**
ROCE (excluding inv.prop.disposals)	21%	**15%**
EBITDA (A$m)	13.8	**9.3**
Cash Flow from Operating Activities	0.6	**10.8**
Cash Reserves	20.0	**10.4**
Net Interest Cover (EBIT)	8.3	**4.2**
Net Debt/Equity	57%	**88%**
Ordinary Dividend	$0.50	**$0.25**
Special Dividend	$0.10	**$0.00**

Dec 2005 EBIT Contribution



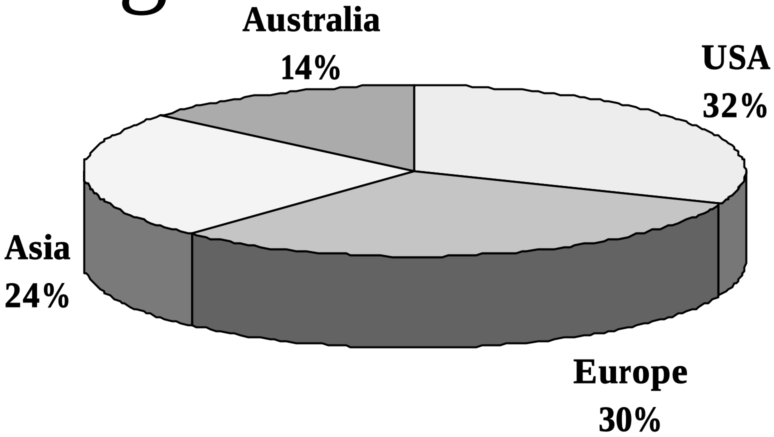
- Return on Capital Employed – 15%

Operations – Leather (ALH)

(A$m)	**Dec 2004** **6 months**	**Dec 2005** **6 months**
Automotive Revenue	46.5	**46.4**
Furniture Revenue	5.0	**3.9**
EBIT	5.2	**2.1**

- Automotive revenue:
  - Reductions: Loss of BMW (Europe); Lower demand from GM and Ford (US)
  - Growth: European sales (L'Rover); Stabilisation in China market
- EBIT impacted by:
  - Redundancy expense ($1.2m)
  - Lower selling price/FX impact
- Foreign exchange EBIT impact:
  - $US revenue: approx $250k per 1¢ appreciation in $A
  - $Euro revenue: approx $350k for every 1¢ appreciation in $A

Howe Sales by Region



- North America: declining sales as Japanese and Korean OEM’s win market share at the expense of GM and Ford.
- Europe: sales grew to 30% of Howe revenue
- China: sales recommenced (following Sep-04 suspension); now represents 24% of Howe sales

- Slovakian and China cutting plants: the transition is largely complete
- Howe’s growth focus: European and China markets.

Competitive Advantages

- Raw material supply:
  - 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
  - More than 50% operational overcapacity

- Expansion of our Low cost cutting operation:
  - Juarez (Mexico) - operating since 1996
  - Kosice (Slovakia) - operating since Apr-2005
  - Shanghai (China) - operating since Aug-2005

- Quality Culture:
  - Automotive supplier since 1930's (GMH), 1990's (Ford, GM USA)
  - Experienced Management team and skilled workforce
  - Quality Accreditation to TS16949

- Established Global Customer Base:
  - Supplying GM, Ford, Audi, Land Rover, Mazda & Toyota

Building Products

- **UrbanStone:** Premium paving products; national distribution network
- **Delta**: Pre-cast & pre-stressed concrete floors, beams & wall products

Building Products Performance

(A$m)	**Dec 2004** **6 months**	**Dec 2005** **6 months**
Sales	15.6	20.8
EBIT	2.4	3.6

- Significant improvement on pcp
- Drivers: commercial building market; supply to infrastructure projects
- Building Products has strong free cash flow generating capacity and satisfactory return on capital employed
- Growth opportunities which can capitalise on UrbanStone's established distribution network will be pursued.

Building Products – Competitive Advantages

- UrbanStone
  - Plant flexibility
  - Cost control culture
  - National distribution network
  - Product innovation; and
  - Premium branding
- Delta
  - Cost efficient product
  - Pre stressed niche
  - Production capacity;
  - Distribution

Property

- Investment Property:
    - SFC JV interests - 6 commercial and retail properties;
    - Current value approximately $28m; $14.4m of debt;
    - Investment property leasing: generated $1.0m of EBIT and $500,000 of cash for the half.

- Mindarie:
    - EBIT $100,000 (pcp: $1.2m) as subdivision staging issues limited stock availability;
    - Further 2-3 year life with $2.0m of EBIT and $3.0m cash expected over that period.

- Post 31-Dec-05, SFC acquired an 11% JV interest in a commercial property in Joondalup.

- SFC may consider further acquisitions should a suitable opportunity arise.

Dec 05 Debt Position

	Recourse	Non-Recourse	Total
Operating Businesses	**0.1**	**38.7**	**38.8**
Property	**1.4**	**13.5**	**14.9**
Group Debt	**1.5**	**52.2**	**53.7**
Cash on Deposit			**10.4**
Net Debt			**43.3**

- Debt Structure: ALH Subordinated Debt and the Investment Property Debt are effectively “structural” debt.
- The ALH debt ($38.7m) is a subordinated non-recourse debt facility expiring 2012.
- The Group has un-drawn debt facilities of $15m.

Cash Flow

(A$m)	Dec 2004 **6 months**	Dec 2005 **6 months**
EBITDA	13.8	9.3
Net Interest Paid	(1.4)	(1.7)
Tax Paid	(3.9)	(2.4)
Change in Working Capital	(3.6)	4.8
Other	0.8	1.2
Total Cash Generated	**5.7**	**11.2**
Debt Reduction	1.1	2.9
Capital Expenditure	2.1	2.1
Dividends Paid	11.0	8.5
Reduction in Cash on deposit	(8.5)	(2.3)
Total Cash Applied	**5.7**	**11.2**

Outlook – Earnings

- **Automotive Leather**:
  - Supplier overcapacity and cost cutting programs at the OEM level bode for subdued industry outlook.
  - Full year Howe earnings expected to be lower than last year
  - North America will continue to be difficult as GM and Ford restructure their operations.
  - Europe and Asia are Howe’s primary new business sales focus.
  - Repositioning of Business: reduction of costs at Melbourne finishing and cutting facility; the Slovakian and China plants have been brought on-line.
  - The Slovakian and Shanghai cutting plants provide Howe with an ideal platform to pursue growth opportunities in the Europe and Asian markets.
  - Howe remains internationally competitive and has developed a global market presence from which to build in the medium term.

Outlook – Earnings (continued)

- **Building Products** – Full year sales and EBIT will be significantly above last year's performance. Strong free cash flow and minimal capital expenditure requirements expected.

- **Investment Property** – Solid full year returns from our existing portfolio's leasing activities.

- **Mindarie** – Earnings will improve in the second half but full year's earnings will be materially lower due the stock availability which restricted Mindarie's first half contribution.

- **At Group Level** - SFC's first half historically exceeds second half earnings. We are expecting a marginally better second half than normal which should partially offset the first half reduction. Full year earnings are expected to be approximately materially below the $8.7m posted for the year ending Jun-05.

Outlook – Dividends

- As previously advised, SFC will pay a 25¢/share fully franked interim dividend in March 2006.
    - Ex Dividend date: 9 March 2006
    - Payment date: 21 March 2006

- Based on current second half earnings estimates, SFC expects to declare a final fully franked dividend of 25¢/share payable in September 2006.