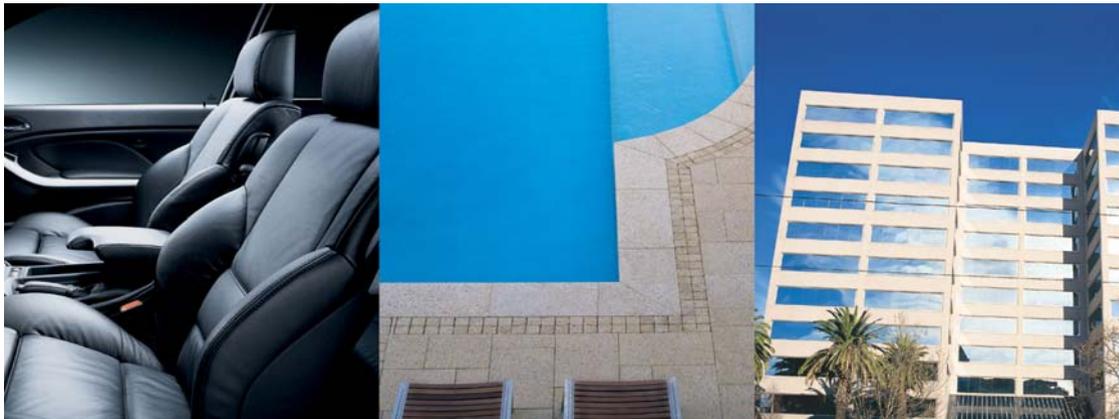


Schaffer Corporation Limited

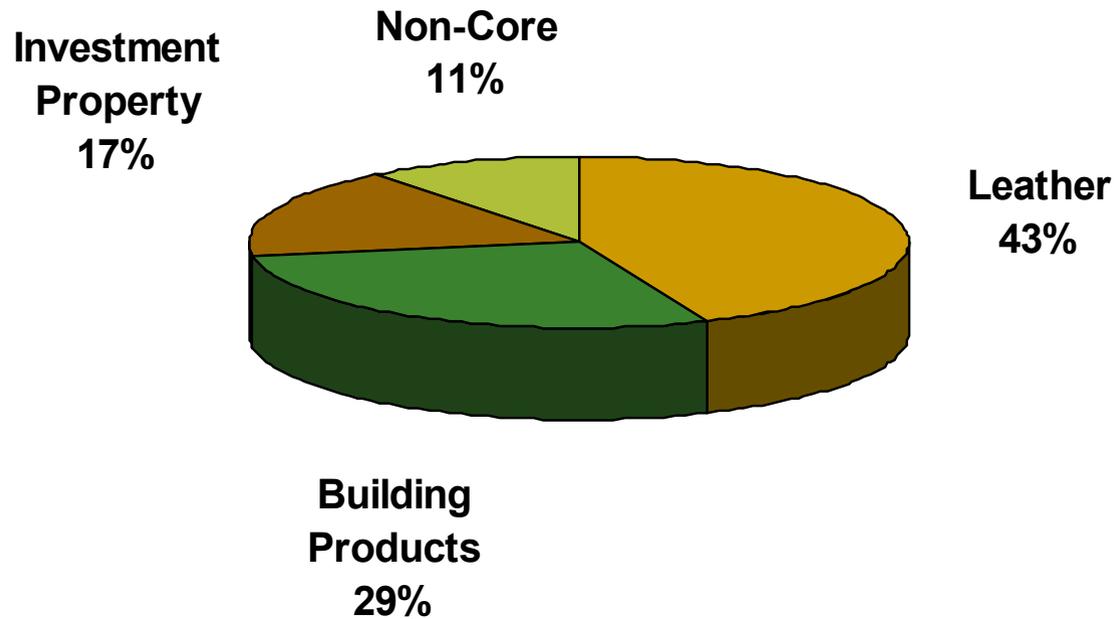


Half Year Results – Dec 2004

Performance Summary

	6 mths Dec 03	6 mths Dec 04
Revenue (A\$m)	104	77
Net Profit (A\$m)	10.1	6.7
EPS	\$0.73	\$0.48
ROCE	28%	22%
EBITDA (A\$m)	19.5	13.9
Ordinary Dividend	\$0.50	\$0.50
Special Dividend	\$0.20	\$0.10
Payout Ratio	96%	126%
Interest Cover (EBIT)	8.0	5.8
Cash Reserves (A\$m)	24.3	20.0
Net Debt/Equity	51%	57%

Dec 2004 EBIT Contribution



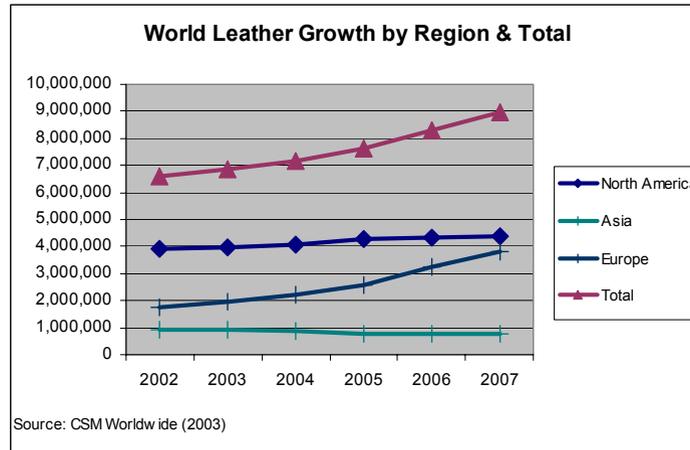
- Return on Capital Employed – 22%

Operations - Leather

(A\$m)	6 mths Dec 03	6 mths Dec 04
Auto Revenue	66.0	48.1
Furn Revenue	8.3	5.0
EBIT	8.6	5.2
EBIT Margin	11.6%	9.9%

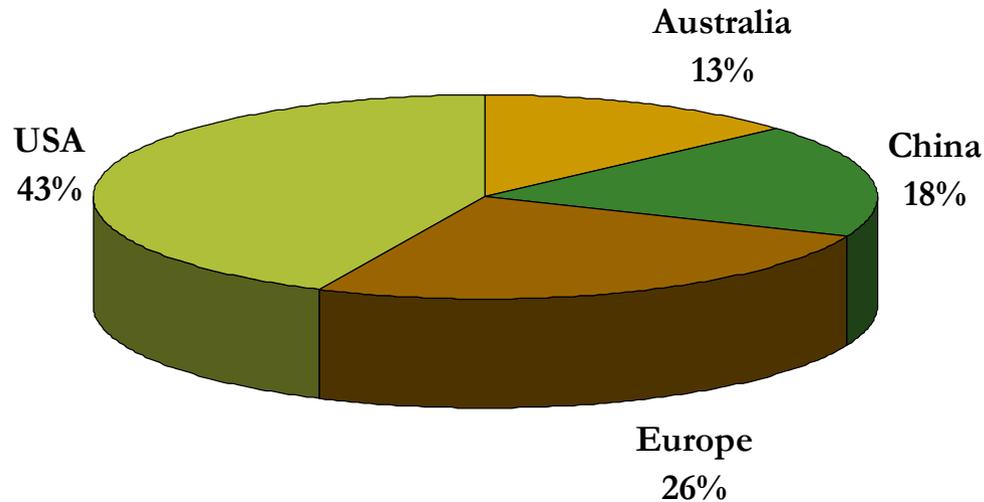
- Dec 04 Automotive revenue is reduced due to:
 - Lower volume (\$16M) primarily due to suspension of China sales (\$11M) and lower US aftermarket sales (\$4m).
 - Lower selling price (\$2M) due to strengthening \$A (approx 5 cents from pcp).
- FX Impact - Automotive
 - 60% of Revenue is currently in USD.
 - Current USD EBIT sensitivity (unhedged) is A\$300k per 1 cent appreciation in A\$.
 - Decreasing sensitivity to USD as an increasing proportion of revenue is denominated in Euros (BMW, Audi, Land Rover)

Automotive Leather Market



- A\$4 billion global automotive leather market growing at 7% p.a.
- 2002 global leather penetration of 15% (6.5 M vehicles).
- The key growth driver is increased leather penetration - partially offset by less leather per vehicle in some models.
- European growth rates of 12% p.a. are forecast due to European leather penetration increasing from 11.3% (2003) to 16.5% (2007) [ims Automotive Research]
- Howe is ranked in the top 10 (by revenue) globally.

Howe Sales by Region



- Sales growth is focussed on the European and Chinese markets.
- The Mexican cutting facility (established 1996) is operating efficiently supporting our North American sales.
- Howe has negotiated a long term lease over premises in Eastern Slovakia to support the European sales programs (BMW, Audi & Land Rover). Production of cut sets is scheduled to commence in April 2005.
- Howe has leased premises in Shanghai to cut leather for the Chinese market.

Approved Supplier Status

- BMW



- Audi



- General Motors



- Ford



- Chrysler



- Land Rover



- Nissan



- Subaru



- Mitsubishi



- Toyota



- Honda



- Suzuki



- Mazda



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 1930s (GMH), 1980s (BMW), 1990s (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, Land Rover, Audi

Building Products



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



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

Building Products Performance

	6 mths Dec 03	6 mths Dec 04
Sales	19.5	15.6
EBIT	3.6	2.4
EBIT Margin	18.3%	15.5%

- Solid outlook for existing businesses.
- Growth opportunities in Building Materials both internally (product extensions) and externally (acquisitions) will be actively pursued.

Competitive Advantages

■ Urbanstone

- ❑ Plant flexibility
- ❑ Cost control
- ❑ Distribution network
- ❑ Product innovation
- ❑ Premium branding

■ Delta

- ❑ Cost efficient product
- ❑ Pre-stressed niche
- ❑ Capacity
- ❑ Distribution

Investment Property

- At December 31, SFC had JV interests in 6 commercial and retail properties valued at \$23 M with \$14.1 M of associated debt and generating an annual EBIT of approximately \$1.8 M.
- Investment Property results were impacted by the one-off sale of West Perth land which generated an EBIT of \$0.9M.
- At this stage there is no intention to divest additional investment properties.

Non-Core Investments – Realising the Value

■ Mindarie Land Sales

- SFC has a 15% interest in the Mindarie Development Project.
- The Mindarie Project is forecast to be fully developed (sold) by Dec 2007. It is forecast to generate additional cash of \$2.7m and EBIT of \$2.4m to completion.

■ Kurrajong Land Sale

- Settlement on this land is expected in May 2005. The sale will generate an EBIT of \$0.2m and cash of \$0.6m

■ Solco Divestment

- In September 2004 SFC sold its 51% interest in Solco Industries. The sale generated an EBIT contribution of \$0.3M.

Dec 04 Debt Position

	Recourse	Non-Recourse	Total Debt
Operating Businesses	0.3	38.7	39.0
Property	4.2	10.5	14.7
Group Debt	4.5	49.2	53.7
Cash on Deposit			20.0
Net Debt			33.7

- The ALH Subordinated Debt and the Investment Property Debt is effectively “structural” debt.
- The \$38.7 M ALH subordinated non-recourse debt facility expires in 2012 and has low financial risk.
- The Group has un-drawn debt facilities of \$27 M.

Cash Flow

(A\$ M)	Dec 03 6 months	Dec 04 6 months
EBITDA	19.5	13.9
Less Net Interest	(1.6)	(1.4)
Less Tax Paid	(6.2)	(3.9)
ALH Change in Working Capital	1.6	(2.1)
Other Change in Working Capital	(3.3)	(1.5)
Other (Provisions, Entitlements)	2.0	(3.2)
Share Issues (option exercise)	0.7	0.7
Net Property / Asset Disposals	11.3	3.2
Total Cash Generated	24.0	5.7
Debt Reduction	7.5	1.1
Capital Expenditure	2.4	2.1
Dividends Paid	10.9	11.0
Increase in Cash	3.2	(8.5)
Total Cash Applied	24.0	5.7

Outlook – Earnings

- Automotive Leather – A suspension of China sales and ongoing program timing issues (Audi ramp-up and BMW sales) are impacting volume and margins. These factors will continue to adversely impact earnings in the short term. In the medium term there are significant opportunities to grow sales particularly in Europe. 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. SFC is actively seeking growth opportunities.
- Investment Property – Sustainable earnings from the existing investment property portfolio.
- Non Core Investments - Ongoing earnings from the Mindarie Development Project. All lots are scheduled to be sold by December 2007.
- Group Earnings to June 2005 are forecast to be materially lower than last years operating earnings of \$13.8m.

Outlook – Dividends

- SFC will pay an ordinary dividend of \$0.50 and a special dividend of \$0.10 (both fully franked) in March 2005 and Sept 2005. Payment of these dividends reflects SFC's cash position and franking credit surplus (\$5.2m on tax paid basis at 31 Dec 04).
- Due to current earnings uncertainty and possible growth opportunities in Building Products SFC does not expect that dividend payments will be maintained at current levels post Sept 2005.