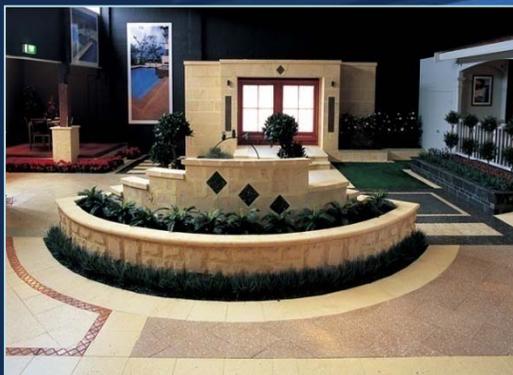


# Schaffer Corporation

December 2010 Half Year Results Presentation

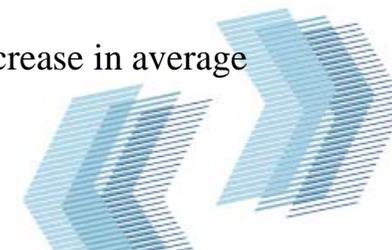




## Group profits impacted by reduced earnings across all three operating divisions

Half Year (\$m's)	Dec-10	Dec-09	% change
Revenue	65.6	68.4	-4%
EBITDA <i>(excluding discontinued operations)</i>	9.9	10.7	-7%
EBIT <i>(excluding discontinued operations)</i>	7.6	8.4	-9%
Net profit after tax <i>(including discontinued operations)</i>	2.0	3.6	-44%
EPS (cents)	14.4	25.6	-44%
Franked interim ordinary dividend (cents)	10c	20c	-50%

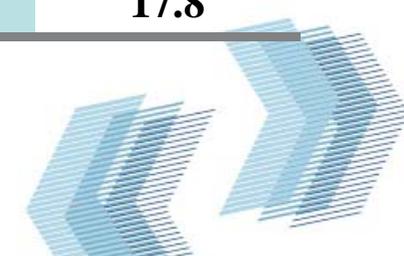
1. Automotive Leather negatively impacted by decision to close the unprofitable Mexico cutting plant. Excluding discontinued operations (Mexico), underlying automotive leather segment earnings improved significantly
2. Margins across the Building Material segment remain under pressure due to the improved competitiveness of imports due to the strong AUD. Prior period result was boosted by the “one off” effect of government stimulus spending.
3. Reduced earnings from property due to investment property sales in prior periods, and an increase in average vacancy rates across the portfolio.



# Cash flow



Half Year Ending (A\$m)	Dec-10	Dec-09
EBITDA (inc. discontinued operations)	7.8	9.3
Net interest paid	(2.4)	(2.0)
Tax paid	(1.2)	(3.9)
Howe change in trade working capital	(6.6)	13.8
Other changes in working capital	0.8	0.8
Other	0.3	(0.2)
<b>Total operating cash generated</b>	<b>(1.3)</b>	<b>17.8</b>
Net Debt reduction/(increase)	(4.2)	8.4
Capital expenditure	3.3	2.1
Proceeds from divestments	(0.6)	(2.7)
Dividends paid	2.8	3.3
Increase (decrease) in cash on deposit	(2.6)	6.7
<b>Total cash applied</b>	<b>(1.3)</b>	<b>17.8</b>



# Group Net Debt Position



<i>All amounts in \$m's</i>	<b>Build. Mat. + Corporate</b>	<b>JV Invest. Properties</b>	<b>Automotive Leather</b>	<b>Total 31 Dec 2010</b>
<b><u>Type of Debt :-</u></b>				
Bank Debt - recourse	19.0	3.8	-	22.8
Bank Debt - non-recourse	-	23.0	-	23.0
Govt. Loans - non-recourse	-	-	32.7	32.7
Equipment Finance	2.2	-	0.1	2.3
	\$ 21.2	\$ 26.8	\$ 32.8	\$ 80.8
<b><u>Interest Type :-</u></b>				
Fixed rate	\$ 2.2	\$ 7.6	\$ 13.8	\$ 23.6
Variable rate	\$ 19.0	\$ 19.1	\$ 19.0	\$ 57.1
<b><u>Maturity Profile :-</u></b>				
- FY11	\$ 0.4	\$ 5.7	\$ 2.0	\$ 8.1
- FY12	\$ 19.7	\$ 4.4	\$ 30.7	\$ 54.8
- FY13	\$ 0.5	\$ 9.6	\$ -	\$ 10.1
- FY14 & beyond	\$ 0.6	\$ 7.1	\$ 0.1	\$ 7.8
	\$ 21.2	\$ 26.8	\$ 32.8	\$ 80.8
<b><u>Net Debt Position :-</u></b>				
Gross Debt	\$ 21.2	\$ 26.8	\$ 32.8	\$ 80.8
Cash & bank balances	-\$ 4.9	-\$ 0.6	-\$ 7.4	-\$ 12.9
<b>Net Debt</b>	\$ 16.3	\$ 26.2	\$ 25.4	\$ 67.9

1. *Building Materials & Corp debt reduced by approx. \$11m post balance date, utilizing proceeds from the sale & leaseback of 3 Building Materials properties. Net debt reduced to approx. \$5m.*
2. *Negotiations regarding refinancing \$30.7m Govt Loan maturing on 1 Feb 2012 continue. ( NB :- \$2m repaid on 1 Feb 2011)*



# Schaffer Building Materials

Building Products

URBANSTONE



CENTRAL



LIMESTONE RESOURCES  
AUSTRALIA PTY LTD



# Building Materials Results

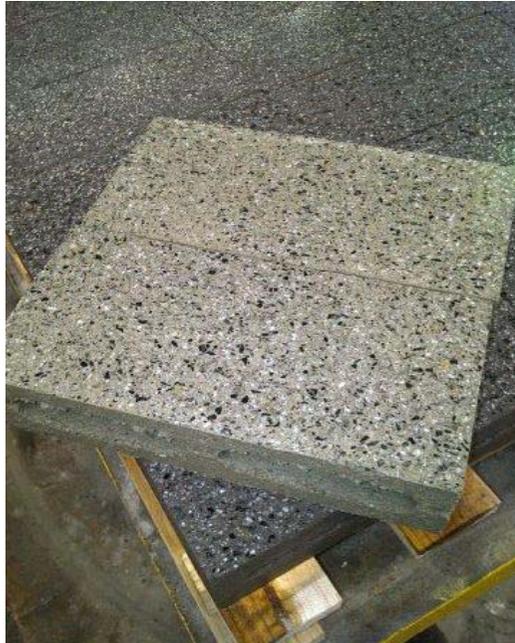


\$M's	Dec-10	Dec-09	% change
Revenue	27.7	27.7	0%
Segment EBIT	2.9	5.6	-48.3%
Margin	10.4% *	20.2%	-48.4%

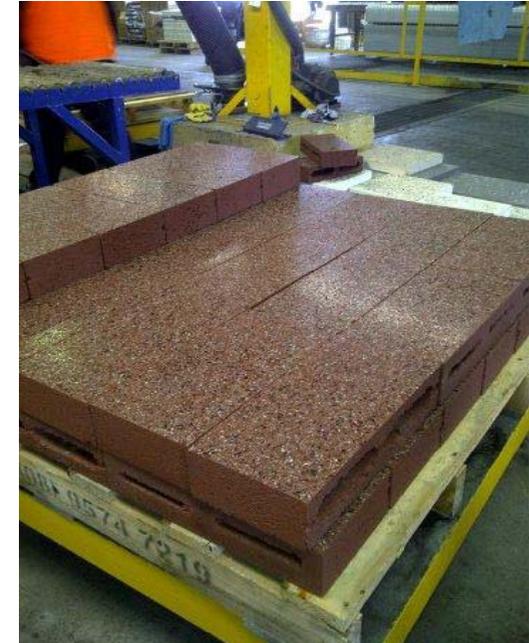
- Revenue was flat with reduced turnover for Building Products (paving & walling products) offset by increased activity at Delta Corporation (pre-cast & pre-stressed concrete).
- Margins declined due to increased competition in a declining market, and prior corresponding period benefitted from the “one off” effect of government stimulus spending in 2009.
- EBIT includes \$0.9m net profit on sale and leaseback of 3 Urbanstone Central retail properties during the period. \*Excluding property sales margin was 7.2%.



# Building Products – New Masonry Products



The new Archistone range of concrete masonry products are now being manufactured at the state of the art Besser production line at our Jandakot (Perth) manufacturing facility. This range is manufactured using natural West Australian coloured aggregates and organic pigments to influence and enhance the matrix colours of the product.



# Building Materials – Delta Polished Architectural Concrete



New polishing machine being installed at Delta Corporation's Herne Hill WA facility.



Architectural polished concrete panels

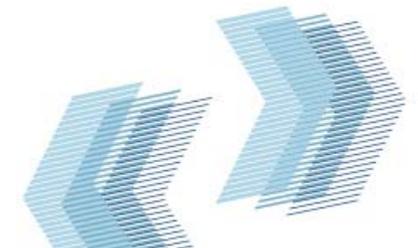
Delta has recently imported and commissioned a new multi head concrete polishing machine, for the production of high quality architectural polished concrete products.

This versatile and fully automated machine is capable of providing a range of finishes, including an ultra premium polished surface, for a wide range of shapes and sizes of pre-cast panels and other concrete products.

Polished or etched aggregate architectural concrete provides a very cost effective substitute to granite and other natural stone cladding used in the construction of commercial/retail developments and premium residential apartment buildings.



# Automotive Leather



# Automotive Leather Results



\$M's	Dec-10	Dec-09	% change
Revenue *	34.3	37.1	-7.5%
Segment EBIT *	4.1	1.8	+123.2%
Margin	12.0%	5.0%	+141.2%

* Excludes discontinued Mexico operations :-			
Revenue	4.5	6.5	
EBIT	(2.1)	(1.4)	

- Revenue decreased as reduced sales in China following the strategic decision to exit the “whole hide” market, were only partially offset by increased volumes in Europe (new programs for Audi & Land Rover).
- EBIT margins improved significantly due to (a) the decision to exit the high volume but low margin “whole hide” market in China, (b) exclusion of loss making Mexico operations.



# Property



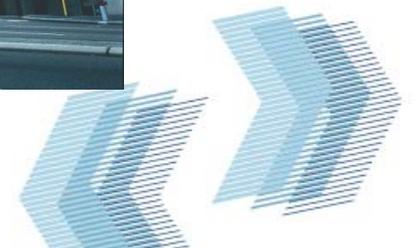
IBM Building, Hay St, West Perth



616 St Kilda Rd, Melbourne



89 St Georges Tce, Perth



# Property Results



\$M's	Dec-10	Dec-09	% change
Revenue	3.4	3.5	-0.9%
Segment EBIT	1.5	1.9	-22.0%

- EBIT decreased due to an increase in the vacancy rate, combined with higher lease incentives required to attract or retain anchor tenants.
- No investment property sales recorded in the current or corresponding prior period.
- Vacancy rate at 31 Dec 10 increased to 6.2% (Dec 09 – 3.6%).



# Outlook – Slightly lower H2 FY11 earnings likely

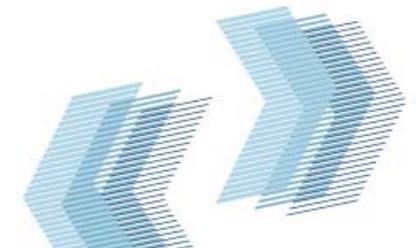


- **Building Materials**

- Improved bidding activity for Delta in recent months is not likely to have a material financial impact, even if successful, until next financial year. Recent small but strategically important contract wins encouraging.
- Building Products revenue & margins expected to remain under pressure.
- Overall revenue for the Building Materials division is expected to be slightly higher than H2 last year, however EBIT is expected to be lower due to lower margins on paving/walling products, and pre-cast concrete products.

- **Automotive Leather**

- Sales volume likely to be slightly higher than prior year, with new programs commencing in Europe and China.
- Margins are expected to be significantly higher than in H2 last year, due to exit from (a) whole hide market, and (b) Mexico closure.
- Overall revenue and EBIT expected to be higher than H2 last year, subject to exchange rate movements.





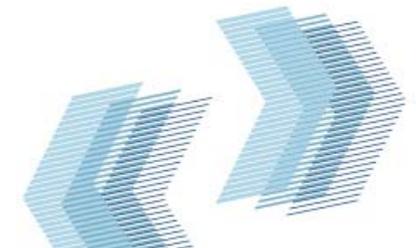
## Outlook – H2 FY11 cont.

- **Property**

- EBIT for the Property division during H2 FY11 is expected to be materially lower than the prior corresponding period. The prior period included profit before tax of \$1.45m related to the sale of Schaffer's interest in the Joondalup House property syndicate, and Schaffer's share of profits from the sale of residential lots at Mindarie Keys marina. No material investment property sales are currently expected in the second half of FY11.
- Furthermore net rental income from investment properties is likely to be slightly lower than the prior period, due to slightly increased vacancies, and possible higher leasing fees and lease incentive obligations, but medium term outlook is encouraging as Hometown Cannington redevelopments will generate increased rental returns.

- **Overall**

- Revenue for the second half of FY11 is expected to be higher than last year, however EBIT is expected to be slightly lower.



# Outlook - Dividends



- The Board had declared an interim dividend of 10c per share fully franked, payable on 25 March 2011.

