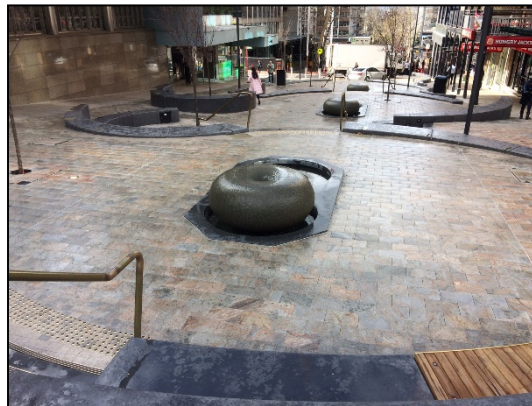


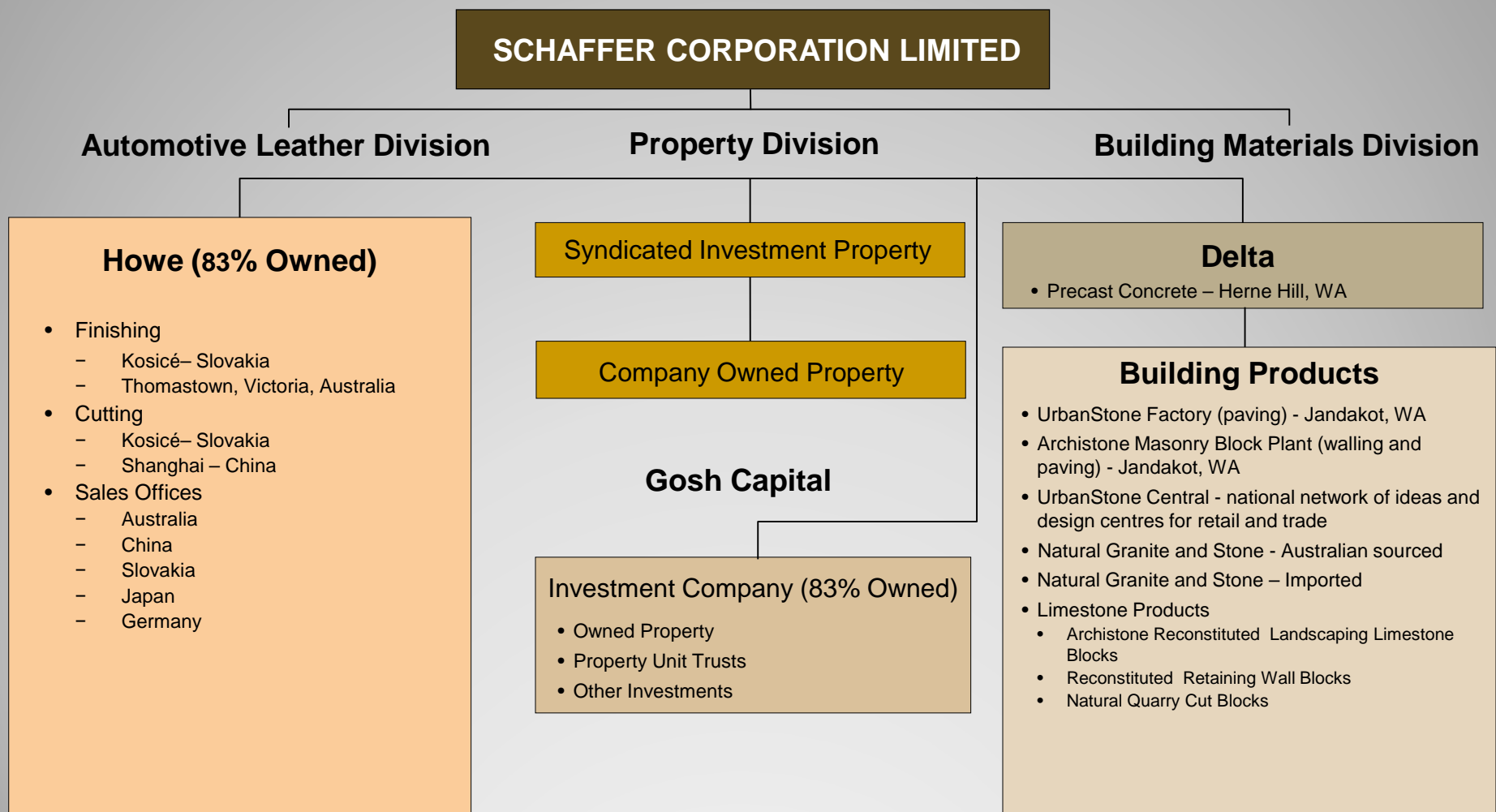


## Full Year Results Presentation June 2017

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



# Organisation Chart (Core Businesses)



# Financial Performance

## Full year statutory profit improved 3%

- Significant increase in Automotive Leather EBIT due to 16% volume increase and efficiencies.
- Offset by reduced profit from the Building Materials division, including a \$2.3 million non-cash impairment of assets.

Full-Year	Jun-2017 <sup>1</sup>	Jun-2016 <sup>2</sup>	% change
Revenue (\$m)	215.0	213.6	1%
EBIT <sup>3</sup> (\$m)	16.4	13.9	18%
NPAT <sup>4</sup> (\$m)	5.9	5.7	3%
EPS	\$0.42	\$0.41	3%
Ordinary dividend (fully franked)	\$0.26	\$0.25	4%
Underlying Profit <sup>3</sup> (\$m)	8.2	3.1	162%
Underlying EPS	\$0.58	\$0.22	162%

- Jun-2017 NPAT includes (1) \$1.6 million after tax impairment of Building Product's limestone tenements and associated production facilities sold subsequent to year end; and (2) \$0.8 million non-recurring costs after tax and minority interests.
- Jun-2016 NPAT includes (1) \$4.0 million profit after tax from the sale of SFC's share in the 616 St Kilda Road Syndicate; and (2) \$1.6 million non-recurring costs after tax and minority interests.
- Refer to slide 20 for EBIT, Underlying Profit and non-recurring costs reconciliations.
- Net profit after tax and minority interests.

# Cash Flow

## Positive operating cash generation from reduced stock levels and increased EBIT

Full-Year Ending (\$m)	Jun-17 (current)	Jun-16 (pcp)
EBIT less non recurring costs	15.2	11.2
Add depreciation	5.3	5.3
Loss/(profit) on disposal of assets	0.2	(5.7)
Net interest paid	(2.8)	(2.3)
Tax (paid)/refunded	(4.2)	0.0
Change in Howe trade working capital and FX movements	9.7	(3.5)
Other changes in working capital	(1.0)	3.3
<b>Total operating cash generated</b>	<b>22.4</b>	<b>8.3</b>
Proceeds from divestments	1.2	10.7
Capital expenditure	(4.2)	(10.0)
Gosh Capital investments and developments	(0.3)	(1.7)
Dividends paid	(4.7)	(3.5)
<b>Net debt reduction</b>	<b>14.4</b>	<b>3.8</b>

The majority of Automotive Leather is now finished in Slovakia. Stocks decreased due to the shorter lead time to ship hides to Slovakia instead of via Australia. Stock buffers required during the transition to Slovakia are no longer required.

CAPEX decreased because the prior year included the majority of equipment for the new Slovakian facility.

\$14.1m of the reduction in Net Debt is from the Automotive Leather division.

# Group Net Debt

Net Debt has reduced by \$14.4 million during the year

All amounts in \$m's	Automotive Leather	Building Materials & Corporate	Syndicate Investment Properties	Gosh Capital	Total 30 Jun 2017	Total 30 Jun 2016
<b>Type of Debt:</b>						
Bank debt – recourse	-	1.5	2.3	-	3.8	4.3
Bank debt - non-recourse	11.7	-	16.7	6.1	34.5	37.8
Govt loans - non-recourse	10.0	-	-	-	10.0	17.5
Equipment finance	6.7	0.2	-	-	6.9	5.7
	<b>28.4</b>	<b>1.7</b>	<b>19.0</b>	<b>6.1</b>	<b>55.2</b>	<b>65.3</b>
<b>Maturity Profile:</b>						
- FY17	-	-	-	-	-	16.7
- FY18	4.2	1.7	11.0	-	16.9	29.8
- FY19	13.3	-	1.0	-	14.3	3.5
- FY20	4.2	-	7.0	6.1	17.3	9.5
- FY21 and beyond	6.7	-	-	-	6.7	5.8
	<b>28.4</b>	<b>1.7</b>	<b>19.0</b>	<b>6.1</b>	<b>55.2</b>	<b>65.3</b>
<b>Net Debt Position:</b>						
Gross debt	28.4	1.7	19.0	6.1	55.2	65.3
Cash and term deposits	(7.9)	(1.6)	(1.2)	(0.7)	(11.4)	(7.1)
<b>Net Debt/(Cash)</b>	<b>20.5</b>	<b>0.1</b>	<b>17.8</b>	<b>5.4</b>	<b>43.8</b>	<b>58.2</b>
% debt recourse to SFC		<b>100%</b>	<b>12%</b>	<b>0%</b>		

# Assets

## Market value of Group Net Tangible Assets \$7.83/share (pcp \$7.68/share)

	Automotive Leather <sup>1</sup>	Building Materials & Corporate	Property & Investments			Total Property & Investments	Total 30 Jun 2017
			Property used by SFC Operations	Syndicate Investment Properties	Gosh Capital <sup>1</sup>		
Net assets (Book) (\$m)	37.2	22.3	13.6	(7.5)	8.7	14.8	74.3
Net assets (Market Value) (\$m)	37.2	22.3	25.0	10.8	15.7	51.5	111.0
Assets backing (NTA - Book) (\$/share)	2.57	1.59	0.97	(0.54)	0.62	1.05	5.21
Asset backing (NTA - Market Value) (\$/share)	2.57	1.59	1.78	0.77	1.12	3.67	7.83

1. SFC's 83% share of division's assets.

Estimated \$36.7 million after tax of unrealised property value (\$52.4 million before tax) included in Market Value.



# Automotive Leather

---



# Automotive Leather Results

Full-Year Ending (\$m's)	June-2017	June-2016	% Change
Revenue	170.9	155.1	10%
EBIT <sup>1</sup>	13.5	5.0	169%

<sup>1</sup> Automotive Leather EBIT includes changes in the provision for the value of Employee Participation Units (EPUs).

- Revenues continued to grow, increasing 10% from the prior financial year as new programmes moved to steady-state volumes during the second half of the 2017 financial year.
- Operating margins increased significantly due to:
  - lower leather finishing costs from the new finishing plant in Slovakia;
  - improved cutting yields from our two plants;
  - excellent cost management and improved process efficiencies;
  - an average 6% hide cost reduction; and
  - reduced freight cost by shipping the majority of hides direct to Slovakia.



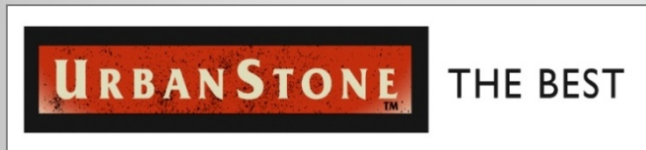
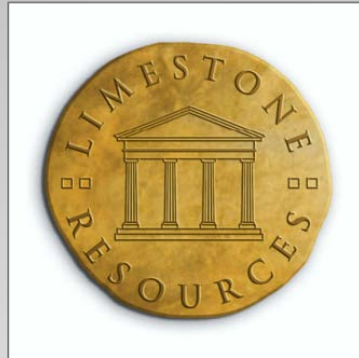
# Automotive Leather Outlook H1 FY18

---

- Volumes for the first half of 2018 are anticipated to be significantly higher than the volumes achieved in the first half of the 2017 financial year.
- The operational efficiency improvements that benefited profits during the second half of the 2017 financial year are expected to continue during the first half of this financial year.
- If the AUD:EUR remains around the prior year average of 0.69, it will have minimal impact on Australian dollar denominated revenue.
- Overall, EBIT is expected to significantly improve compared to first half of last year (based on current exchange rates).

# Schaffer Building Materials

## Building Products



# Building Materials Results

Full-Year Ending (\$m's)	Jun-2017	Jun-2016	% change
Revenue	38.0	51.8	(27%)
Segment EBIT	0.0	2.9	

- Building Products (paving and walling)
  - Negatively impacted by West Australian economic conditions.
  - Remained profitable due to commercial projects in Western Australia and the Eastern States, including some Australian sourced natural granite projects.
  - Further restructuring and cost reductions contributed to profitability.
  - The division sold its limestone quarry tenements and property, plant and equipment associated with production of limestone products subsequent to year end. A non-cash pre-tax impairment of \$2.3 million was recognised at June 2017 due to the sale. The sale realised \$5.0 million of value for assets operating below profitable production volumes.
- Delta incurred a loss for the year due to intense competition and aggressive pricing within the West Australian precast concrete market. Volumes, revenue and margins were down. Management focused on cost reductions in response to the reduced activity.

# Building Materials Outlook H1 FY18

---

- Delta commenced FY18 with a significantly higher order bank than prior year after successfully winning a major contract. Revenues will increase and a return to profitability is expected, although margins remain under pressure.
- Building Products also commences the year with a healthy order bank and Eastern States opportunities are expected to continue.
- The division continues to focus on profitable business while investigating and acting on opportunities to improve efficiencies and reduce cost structures.
- Full year FY18 revenue is expected to increase. First half profitability is however expected to decrease compared to the prior corresponding period.

# Property Portfolio (Total Group)

Address	Description	Ownership Structure	Land Size (sqm)	Current Lettable Area (sqm)	SFC Ownership %	SFC Share of Book Value (\$m)	SFC Share of Market Value* (\$m)	SFC Share of Debt (\$m)	Tax on Capital Gain (\$m)	Net Equity Value (\$m)
<b>Property used by SFC operations</b>										
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	6.1	9.5		(1.0)	
Lot 701 Jandakot Road, Jandakot, WA	Urbanstone	SFC Direct	62,097	-	100%	3.8	8.8		(1.5)	
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	0.7	1.9		(0.4)	
50 Cutler Road, Carabooda, WA	Quarry House	SFC Direct	72,818	-	100%	0.9	0.9		-	
						11.5	<b>21.1</b>	(1.5)	(2.9)	<b>16.7</b>
<b>Rental Properties</b>										
IBM Centre, 1060 Hay Street, West Perth, WA	Office	Syndicate	5,797	8,466	22%	1.0	12.4	(7.1)	(3.4)	1.9
Hometown, 1480 Albany Hwy, Cannington, WA	Retail	Syndicate	59,319	20,637	25%	5.5	13.2	(7.2)	(2.3)	3.7
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.0	6.7	(3.8)	(1.4)	1.5
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	7.8	8.2	(5.2)	(0.1)	2.9
Inghams, Port Wakefield Rd, Burton, SA	Industrial	Gosh - Unit Trust	53,300	13,437	4%	0.8	0.8	-	-	0.8
Pacific Suites, Canberra, ACT	Hotel	Gosh - Unit Trust	-	16,045	2%	0.7	0.7	-	-	0.7
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh - Unit Trust	24,690	32,348	2%	1.2	1.2	-	-	1.2
						19.0	<b>43.2</b>	(23.3)	(7.2)	<b>12.7</b>
<b>Development sites</b>										
Lot 703 Jandakot Road, Jandakot, WA	Vacant	SFC Direct	449,639	-	100%	3.6	7.5	-	(1.2)	6.3
Lot 702 Jandakot Road, Jandakot, WA	Commercial	SFC Direct	32,442	500	100%	0.3	2.8	-	(0.8)	2.0
10 Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035	-	83%	1.6	11.3	-	(2.9)	8.4
170 Flynn Drive, Neerabup, WA	Industrial	Syndicate	26,000	-	20%	1.5	4.0	(1.0)	(0.8)	2.2
Lot 561 Paris Road, Australind, WA	Commercial	Gosh - Unit Trust	12,000	-	4%	0.4	0.4	-	-	0.4
Part Lot 602 Yanchep Beach Road, WA	Residential	Gosh - Unit Trust	42,600	-	3%	0.2	0.2	-	-	0.2
						7.6	<b>26.2</b>	(1.0)	(5.7)	<b>19.5</b>
<b>Total SFC Property Value</b>						38.1	<b>90.5</b>	(25.8)	(15.8)	<b>48.9</b>

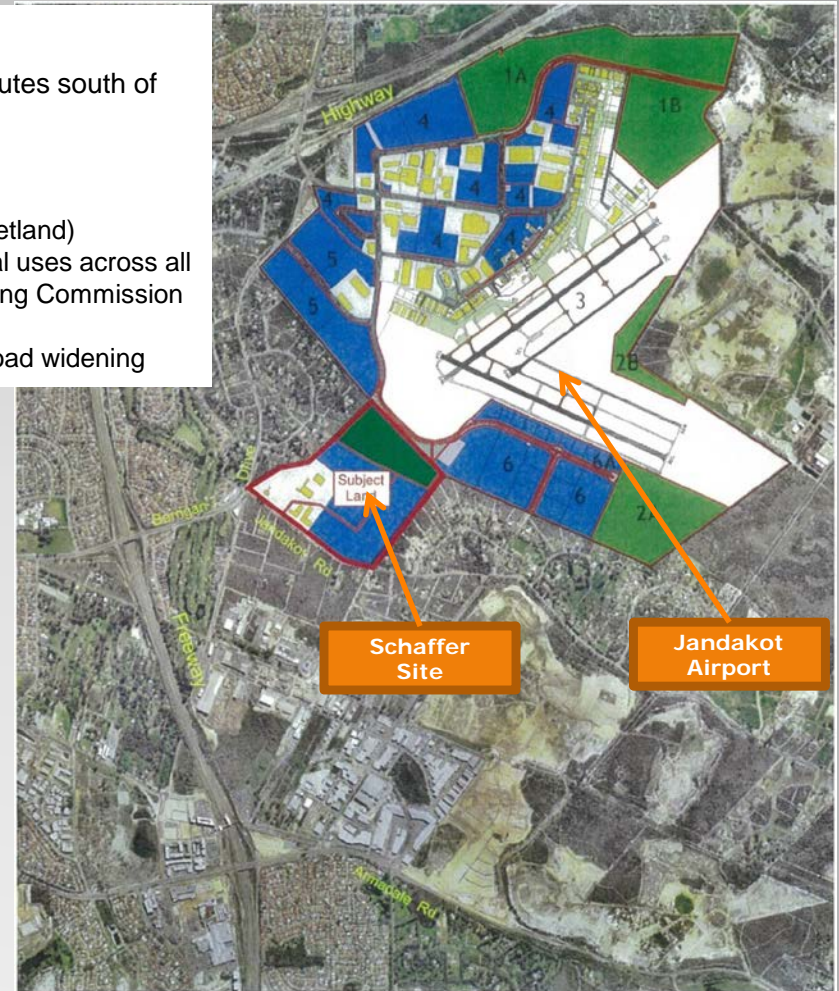
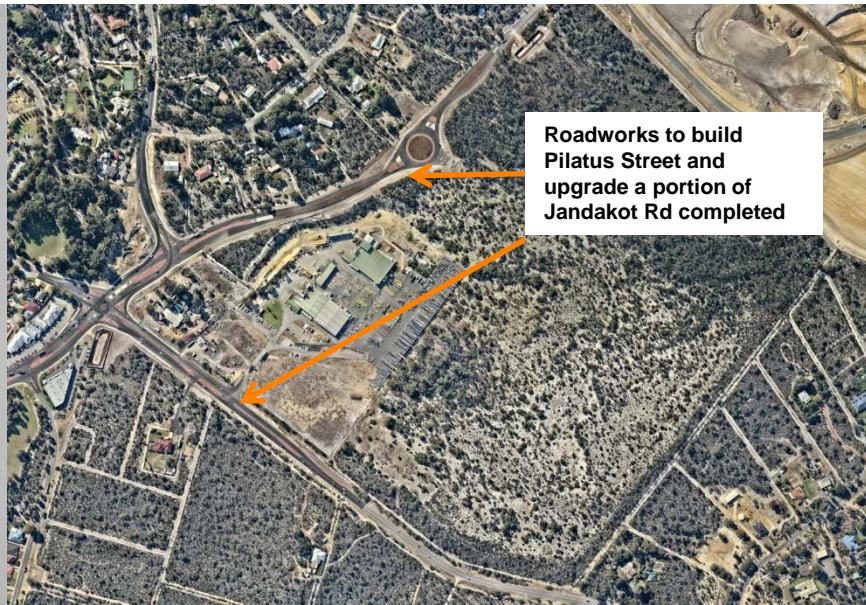


# Property

## Lot 701, 702 & 703 Jandakot Road

A strategic 54.4 ha property asset located between two freeways and 15 minutes south of the Perth CBD.

- 6.2 ha Urbanstone manufacturing (Lot 701)
- 5.8 ha special use Nursery and Showrooms (Lot 702 & part Lot 703)
- 42.4ha currently zoned rural (including 15.6 ha designated Bush Forever and wetland)
- A submission for a Scheme Amendment allowing light industrial and commercial uses across all lots except Bush Forever and wetland is currently with the West Australian Planning Commission (WAPC).
- 2.9ha of land has been ceded for Pilatus Street establishment and Jandakot Road widening





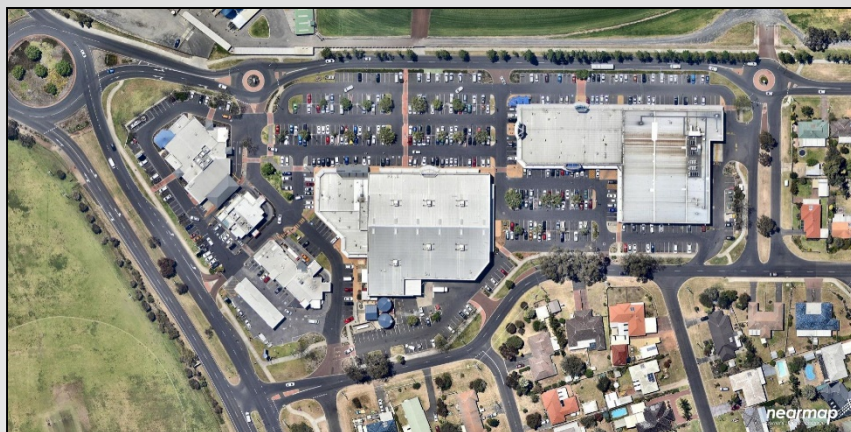
# Investment Property (Syndicates)



IBM Building, Hay St, West Perth, WA



Hometown Cannington, WA



Parks Centre, Bunbury, WA

# Investment Property (Syndicates) Results & Outlook

Full-Year Ending (\$m's)	Jun-2017	Jun-2016	% change
Revenue	4.7	5.4	(13%)
EBIT (excluding Property Sales)	1.9	2.3	(19%)
Property Sales EBIT	-	5.7 <sup>1</sup>	-
Total Segment EBIT	1.9	8.1	

1. June 2016 included the sale of SFC's share in the 616 St Kilda Road syndicate.

- Occupancy at 96%
- West Australian office sector rents are under pressure and market incentives remain high. Within this sector, the IBM Building comprises 38% of the market value of our rented syndicate property investments.
- Ongoing EBIT is expected to be similar to FY17.



# Gosh Capital

## 10 Bennett Avenue, North Coogee, WA

Land Area: 2.1 hectares

Zoned high density residential from industrial

Site can accommodate approximately 175 units



# Gosh Capital Results & Outlook

Full-Year Ending (\$m's)	Jun-2017	Jun-2016	% change
Revenue	1.4	1.2	13%
Segment EBIT excluding sale of property	0.8	0.7	10%
Profit from sale of trust property <sup>1</sup>	0.1	0.2	-
Segment EBIT	0.9	1.0	

1. Share of trust profits from the sales of Space 207 (Dec-15) and Harbour Park (Dec-16) properties, and wind up of the Space 207 and Harbour Park Unit Trust.

- Profits are steadily increasing as a result of the reinvestment of returns into new investments.
- As an investment company, Gosh Capital actively evaluates further investment opportunities to maximise the value of its assets and grow the profits of this division.
- In late FY17, a \$0.25 million investment was made in a managed fund with exposure to global mining and energy companies, further diversifying the profile of the portfolio.



# Group Outlook – H1 FY18 Summary

---

For H1 FY18 compared to prior corresponding period we estimate:

- A significant improvement in profit for Automotive Leather (based on current exchange rates)
- A decrease in profit for Building Materials.
- Similar profit for Investment Property.
- Similar profit for Gosh Capital, excluding sale of property.
- Overall, a significant increase in Group Underlying Profit

## Dividends

---

- The Board has declared a final dividend of 14¢ per share fully franked, an increase of 1¢ per share compared to prior corresponding period, payable on 15 September 2017.
- This makes the total dividend for FY17 26¢ per share (FY16: 25¢).

# Non-IFRS Financial Information

EBIT Reconciliation (\$000's)	Full-Year Ending	
	Jun-17	Jun-16
<b>Profit before income tax</b>	<b>10,057</b>	7,542
Finance income	(56)	(73)
Finance costs	2,869	3,745
Impairment of assets	2,327	
Non-recurring costs	1,251	2,696
<b>EBIT</b>	<b>16,448</b>	13,910

Underlying Profit Reconciliation (\$000's) <i>(all items after tax and minority interests)</i>	Full-Year Ending	
	Jun-17	Jun-16
<b>NPAT</b>	<b>5,856</b>	5,683
Profit on sale of share in 616 St Kilda Rd Syndicate	-	(4,013)
Profit on sale of Space 207 trust assets	(64)	(141)
Impairment of assets	1,629	
Non-recurring costs	770	1,598
<b>Underlying Profit</b>	<b>8,191</b>	3,127

Non-recurring costs (\$000's)	Full-Year Ending	
	Jun-17	Jun-16
Redundancy Payments - Automotive Leather	826	1,106
New Facility Start Up Costs - Automotive Leather	-	1,084
Asset disposals and write-downs - Automotive Leather	77	268
Redundancies - Building Materials	348	238
<b>Total non-recurring costs</b>	<b>1,251</b>	2,696

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.

EBIT is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBIT presented by other companies. EBIT represents earnings before interest and income taxes. 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.

Non-recurring costs are defined as those costs that resulted from unusual or once-off events that are unlikely to occur again in the normal course of business.



# Disclaimer

---

This presentation has been prepared by **Schaffer Corporation Limited** ACN 008 675 689 for information purposes only. The presentation may contain forward looking statements or statements of opinion. No representation or warranty is made regarding the accuracy, completeness or reliability of the forward looking statements or opinion, or the assumptions on which either is based. All such information is, by its nature, subject to significant uncertainties outside of the control of the Company. To the maximum extent permitted by law, the Company and its officers do not accept any liability for any loss arising from the use of the information contained in this presentation. The information included in this presentation is not investment or financial product advice. Before making any investment decision, you should seek appropriate financial advice, which may take into account your particular investment needs, objectives and financial circumstances. Past performance is no guarantee of future performance.