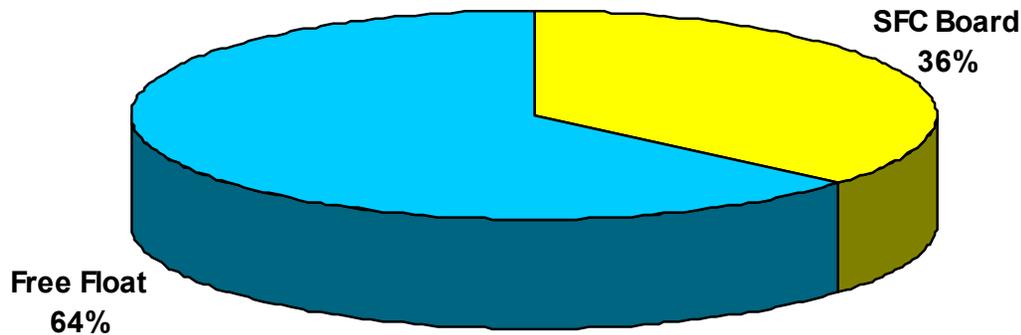

Schaffer Corporation Limited



Bell Potter Small Cap Conference (29-Nov-06)

SFC Corporate Directory Summary



5 member Board (2 exec/3non exec)
J Schaffer: 19%; D Blain: 11%;
D Schwartz & A Mayer: 6%
Total Board shareholding: 36% of the
14.1m shares on issue.

Ordinary Shares on Issue:	14.1 million
Top 20:	7.3 million
Holder Spread:	
< 10,000 shares	2,337
10,001 – 100,000	116
> 100,000	14

SFC Operational Structure

SFC has three core operating divisions.

The Building Products division is a niche Australian supplier of building, construction and landscaping products. The division manufactures a premium range of paving products along with technically engineered precast and prestressed concrete floors, beams and wall products.

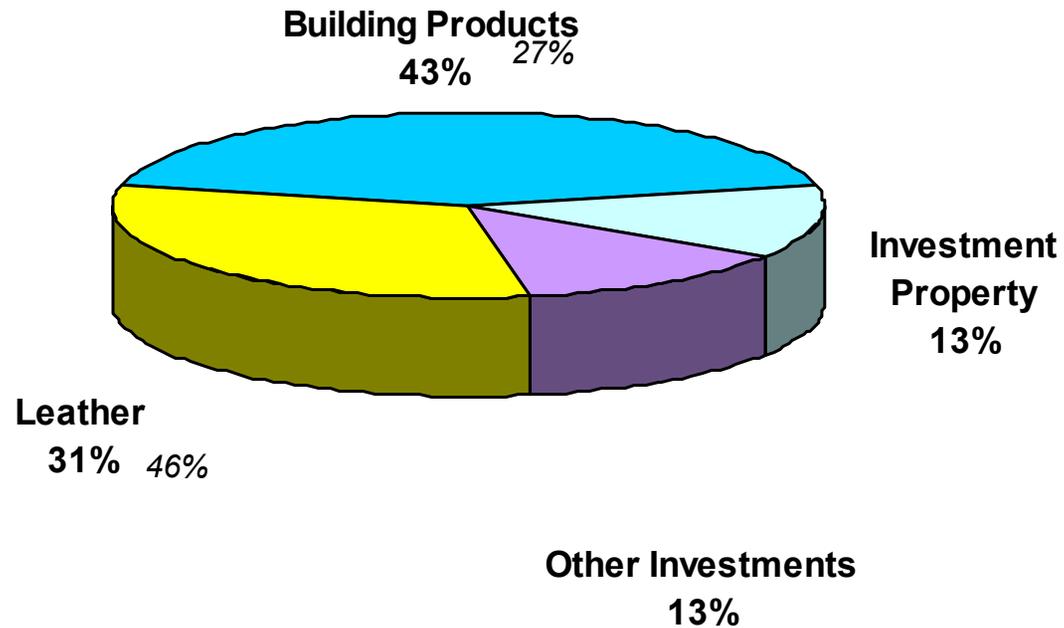
Howe and Company, the Automotive Leather division, is a world-class low-cost automotive leather manufacturer. The division operates processing and finishing operations in Victoria and component cutting plants in Mexico, Slovakia and China (Shanghai). Howe exports approximately 90% its production to the main international automotive markets in North America, Asia and Europe.

The Property division has joint venture interests in commercial and retail properties in Western Australia and Victoria. The division's activities also include an interest in the successful Mindarie Keys Marina residential land subdivision located on the coast just north of Perth.

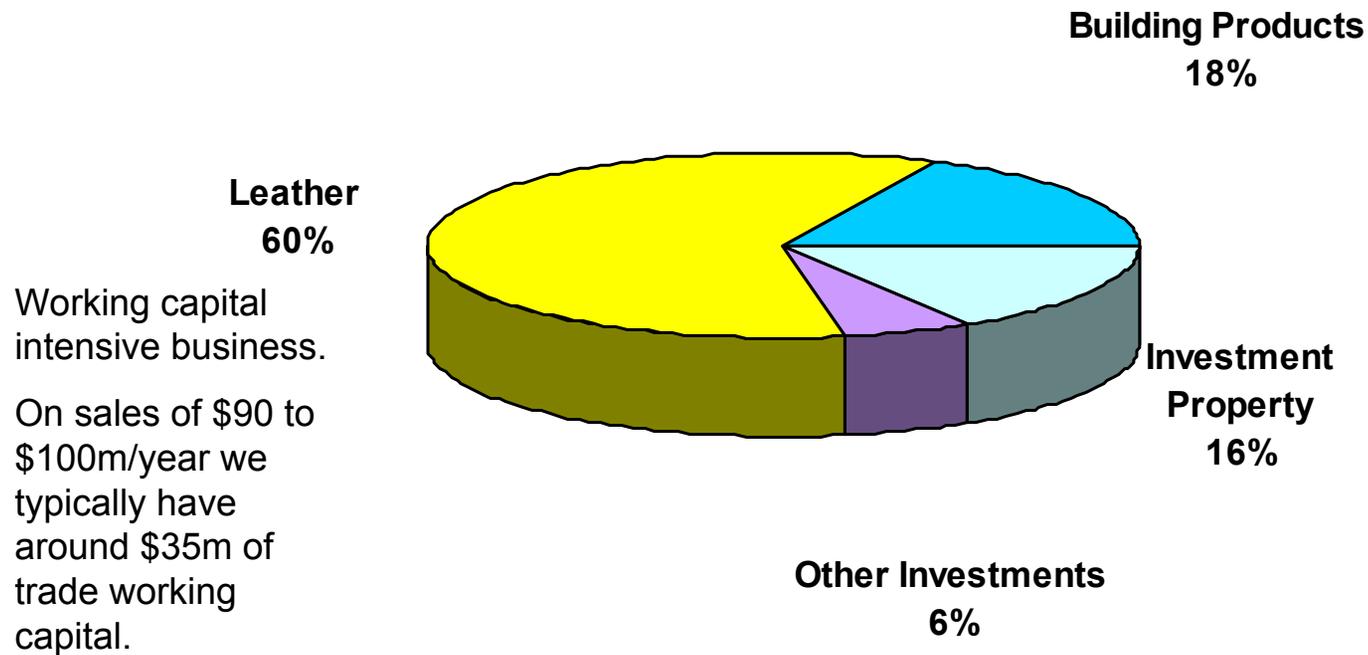
Performance Summary Review

	2004/05	2005/06
Revenue (A\$m)	145	145
Net Profit (A\$m): Headline	9.4	8.1
Net Profit (A\$m): Excluding investment property disposals	8.7	8.1
EPS: Excluding investment property disposals	\$0.62	\$0.58
ROCE: Excluding investment property disposals	16%	16%
EBITDA (A\$m)	21.6	21.1
Cash Flow from Operating Activities (A\$m)	(1.5)	16.2
Cash Reserves	12.7	13.6
Net Interest Cover (EBIT)	5.9	4.6
Net Debt/Equity	81%	89%
Ordinary Dividend	\$0.75	\$0.50

2006 EBIT Contribution by Division

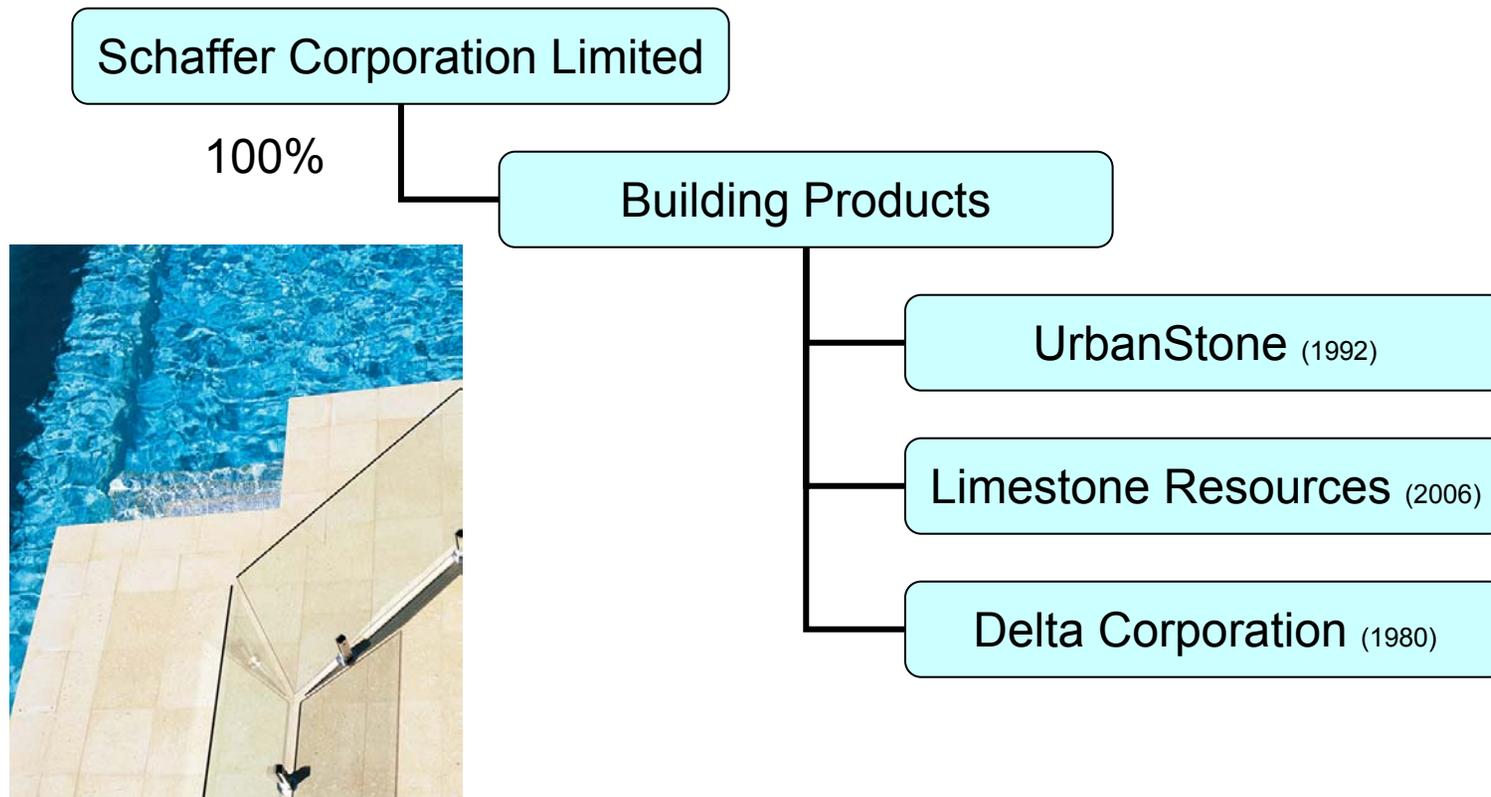


2006 Capital Employed by Division



- Return on Capital Employed – 16%

SFC – Building Products Division



Building Products



- **UrbanStone** manufactures a premium range of paving products for sale through its national distribution network



- **Delta** manufactures technically engineered pre-cast and pre-stressed concrete floors and beams for the W.A. construction market and Deltacore for South Australia

Building Products (continued)



■ Limestone Resources

- acquired by SFC in July 2006;
- is one of WA's largest producers of natural and reconstituted limestone products;
- Large limestone reserves
- is a complementary fit with the UrbanStone product range;
- Will, in time, be distributed nationally through UrbanStone's national sales network
- services the
 - Commercial market
 - Residential market
 - Land Subdivision market

Building Products Performance

(A\$m)	2004/05	2005/06
Sales	28.8	39.0
EBIT	2.9	6.6

- The Building Products division reported a much improved performance with sales of \$39m and an EBIT of \$6.6m
- The improvement was driven by the rebound in WA commercial and infrastructure projects where Delta is a major supplier.
- The Limestone Resources acquisition is expected to contribute \$12m to \$14m per annum to Building Products division revenue, but at lower margin than UrbanStone and Delta achieve.
- In Aug-06 SFC paid \$3.6m for a 4,800m² retail property in Osborne Park. Osborne Park is one of Perth's most central and popular home improvement retail destinations. This property will become a prestige showroom for our UrbanStone and Limestone Resources product ranges.
- We remain on the lookout for opportunities to further expand the range of products offered through the UrbanStone distribution network.

Building Products – Competitive Advantages

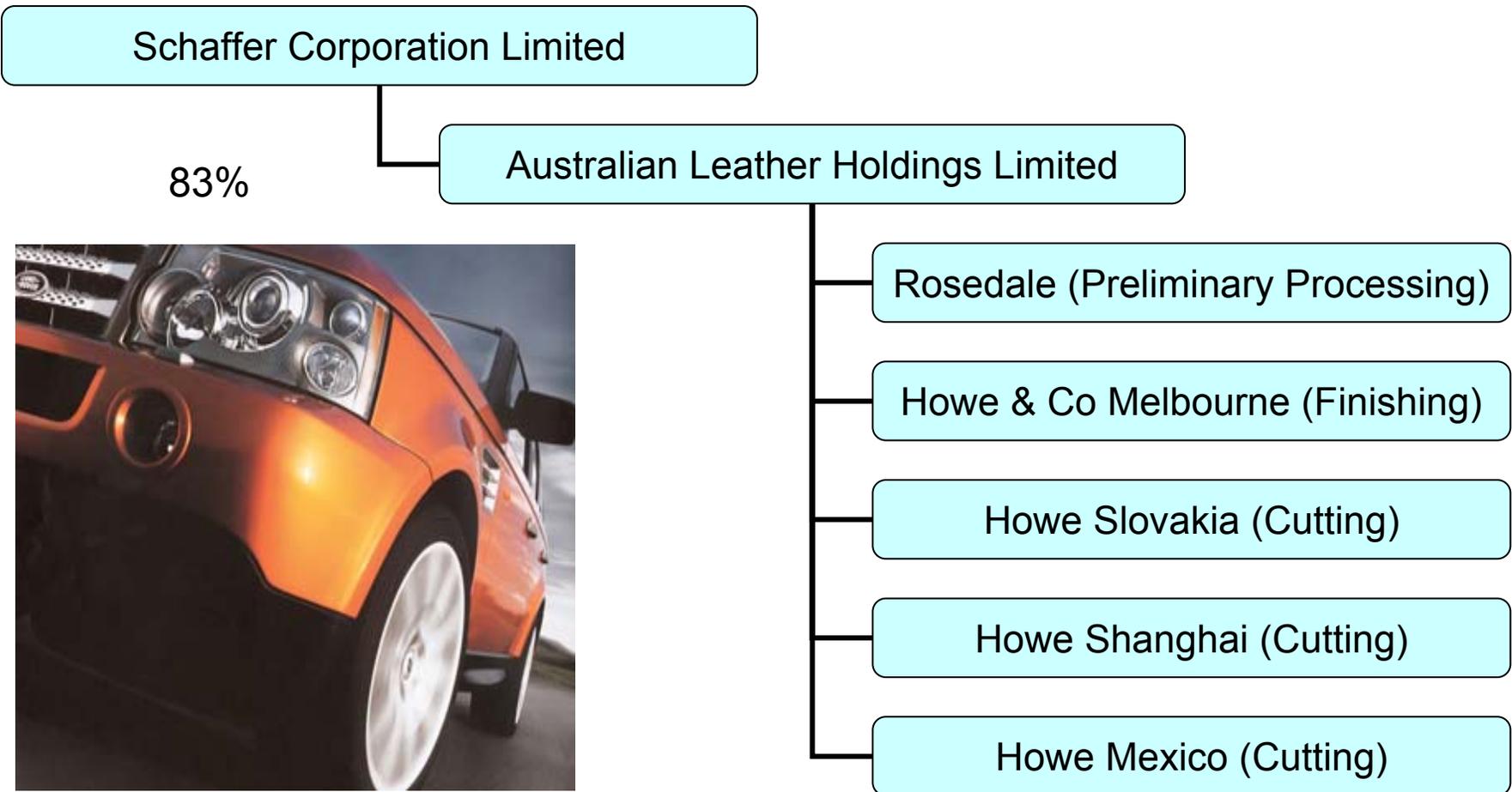
- UrbanStone has
 - unmatched plant and design flexibility
 - an embedded cost control culture
 - an owned and established National distribution network which will be supplemented by the Limestone Resources product range over time
 - an established premium brand
 - market leadership in product innovation;
- Delta has
 - a cost efficient and proven product range for government infrastructure project, and mining applications
 - It has the capacity to meet increased production levels;
 - has strong industry relationships and distribution

Building Products – Competitive Advantages

- Limestone Resources
 - ❑ Strong brand recognition in the WA market
 - ❑ Unique product range (this raw material is WA specific).
 - ❑ It has a proven resource from working quarries and longstanding approvals
 - ❑ The quarries are located less than an hours drive from Perth; and
 - ❑ In time, the business will leverage off UrbanStone's national distribution network



SFC – Automotive Leather Division



The establishment of the Slovakian and China cutting plants last year has repositioned the business by lowering our cost base and bringing us closer to our international customer base.

Operations – Leather (ALH)

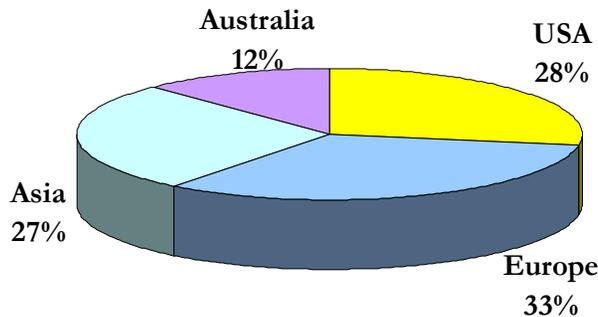
(A\$m)	2004/05	2005/06
Automotive Revenue	98	91
Furniture Revenue	9	7
Automotive EBIT	8.3	6.2
ALH EBIT	8.3	4.8

- ALH's reported \$4.8m EBIT was lower than the pcp due to:
 - Redundancy expenses of \$1.3m;
 - Gosh closure expenses of \$1.0m;
 - The balance of the EBIT reduction was due to further margin compression, and to a lesser extent currency
 - *The A\$ was stronger against the \$Euro 61.4 (pcp: 59.2); and relatively flat against the US currency at A\$:US\$ 74.8 (pcp:75.2);*
- And in relation to foreign exchange fluctuations:
 - Howe's current, unhedged, \$Euro, EBIT sensitivity is approx \$400k per 1¢ appreciation in \$A
 - The \$US equivalent is approx \$250k for every 1¢ appreciation in \$A

Howe's Repositioning

- Several years ago we recognised that, internationally, the automotive leather industry was undergoing structural change. The growth markets for automotive leather were shifting away from the traditionally strong North American market towards Europe and Asia.
- The labour component of our production process is most intensive in the cutting stage. In order to maintain Howe's ongoing international competitiveness, we had to access lower labour cost markets that were also close to key customers. To that end, Howe established new cutting operations in Slovakia (May-05) and China (Aug-05), modelled on our existing cutting operation in Mexico (operating since 1996).
- The Slovakian, Chinese and Mexican cutting facilities have achieved our twin goals of (i) producing Howe's products closer to its customers and (ii) lowering the cost of producing them. Since establishing these plant 12 to 18 months ago, the financial benefits from this repositioning of the Howe business are beginning to flow through.

Howe Sales by Region



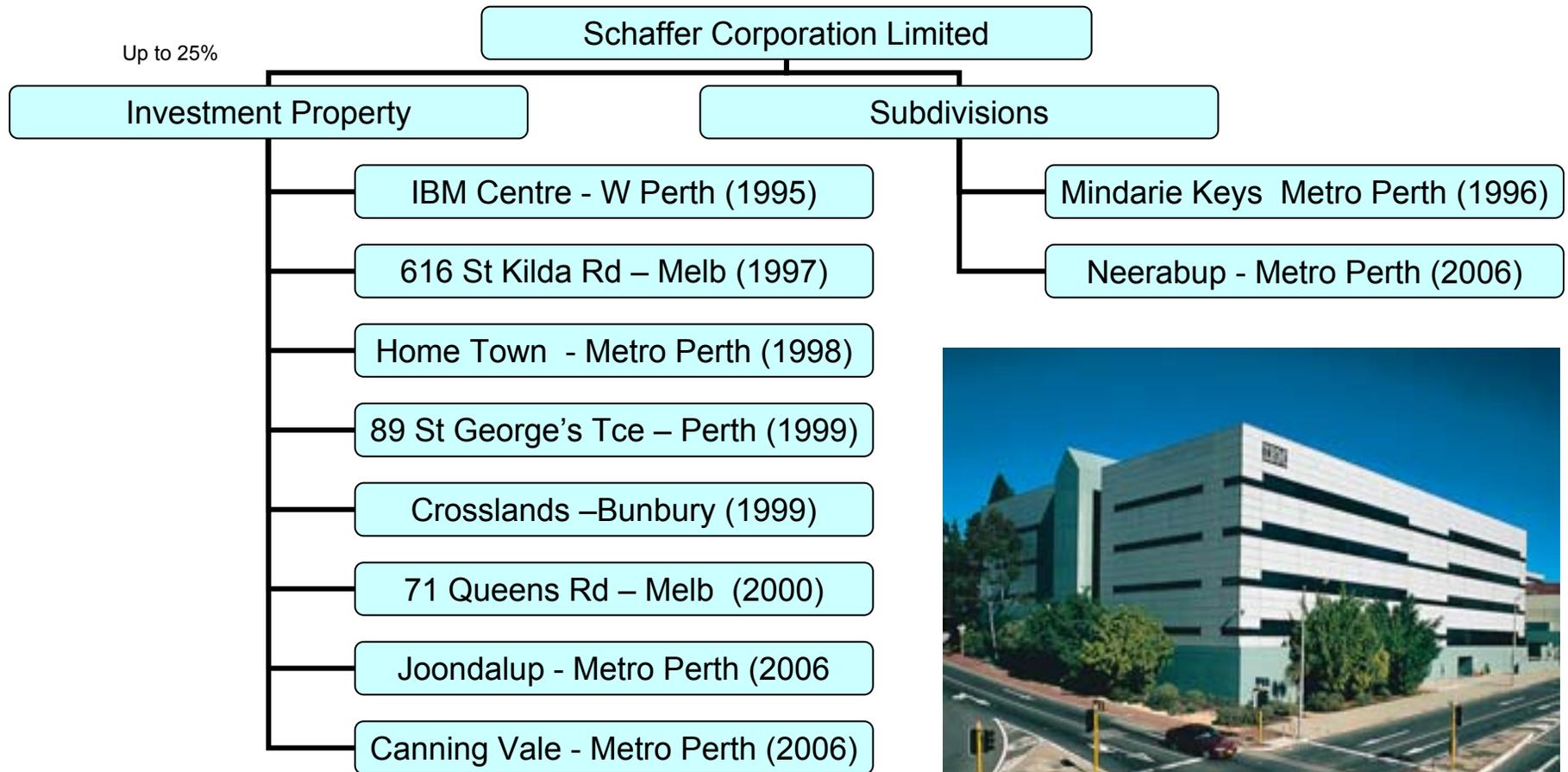
\$000's	to 30-Jun-05		to 30-Jun-06		variance
N.America	36,498	38%	25,497	28%	(11,001)
Europe	28,824	30%	30,052	33%	1,228
Asia	19,101	20%	25,248	27%	6,147
Australia	12,687	13%	11,143	12%	(1,543)
	97,110		91,940		(5,170)

- In North America, which represented 28% of sales, Japanese and Korean OEM's continue to take market share from GM and Ford (pcp: 38%)
- Europe represented 33% of sales (v: 30%)
- Sales to China accounted for 27% of Howe sales (v: 20%)
- So the sale evidence is suggesting the new Slovakian and China cutting plants have strengthened Howe's position in the European and Asian markets.
- Howe's sales focus remains on growth opportunities in those two markets.

Competitive Advantages

- Howe has access to a consistent supply of raw materials:
 - Australia has the 4th largest cattle herd globally
 - Secure supply of disease free hides
 - Range of hides to match our product requirements
 - Modern, global scale finishing facility:
 - Commissioned 1998
 - More than 50% operational overcapacity
 - **New Cutting Plants** - Howe repositioned the business significantly last year bringing on line two cutting plants in low cost zones. The Slovakia plant now employs over 250 people and the Shanghai plant has close to 200 employees.
 - Quality Culture:
 - Automotive supplier since 1930's (GMH), 1990's (Ford, GM USA)
 - Experienced Management team and skilled workforce
 - Quality Accreditation to TS16949 (the standard recognised by all OEM's and sanctioned globally)
 - Howe has an Established Global Customer Base:
 - Supplying GM, Ford, Audi, Land Rover, Mazda & Toyota
-

SFC – Property Division



Property

Investment Property

- Balance Sheet Value (Depreciated Cost): \$16.8m
- Market Value \$33.0m
- Debt \$17.8m
- Gearing (Range) 33% to 64%
- Gearing (Portfolio Average) 54%
- Balance of Cash Invested: \$1.0m
- Our investment property leasing activities contributed \$2.3m of EBITDA and \$1.1m of cash to our 2005/06 result.

Property Subdivision

- The Mindarie Keys residential subdivision had another strong year. Second half stock releases were met with higher than expected demand resulting in a full year EBIT contribution of \$1.9m. We expect Mindarie to generate at least another \$3.0m of EBIT and \$4.0m cash over the next 18 months after repaying \$1.4m of associated debt.
- SFC acquired a 20% JV interest in a 26ha property at Neerabup with the intention it be developed as an industrial subdivision starting in the next 3 – 5 years.

Jun 06 Debt Position

	Recourse	Non-Recourse	Total
Building Products	0.4	0.0	0.4
Leather	0.0	40.0	40.0
Property	1.6	16.0	17.6
Group Debt	1.9	56.1	58.0
Cash on Deposit			13.6
Net Debt			44.4

- The ALH Subordinated Debt and the Investment Property Debt are effectively “structural” debt.
- \$38.7m of the ALH debt is a subordinated non-recourse debt facility which expires in 2012 and has low financial risk to the group.
- *(Note: \$25m @ 2% over the LTB rate; \$13.7m fixed @ 4.4%)*
- At balance date the Group had un-drawn debt facilities of \$25m.

Cash Flow

(A\$m)	2004/05	2005/06
EBITDA	21.6	21.1
Net Interest Paid	(2.8)	(3.4)
Tax Paid	(6.1)	(2.9)
ALH Change in Trade Working Capital	(8.5)	3.7
Other Changes in Working Capital	(2.1)	(2.3)
Other	0.9	(0.1)
Total Cash Generated	3.0	16.1
Debt Reduction	(1.7)	(1.6)
Capital Expenditure	4.8	4.5
Divestments	(4.4)	0.0
Dividends Paid	20.1	12.3
Increase/(Decrease) in Cash on deposit	(15.8)	0.9
Total Cash Applied	3.0	16.1

Outlook – Earnings

- **At Group Level –**

- We are expecting our first half NPAT to be \$4.7m, a significant improvement on the \$3.6m reported for the previous corresponding period.

- **Building Products**

- Revenue will be higher than the \$20.8m reported for the pcp as a result of the first time inclusion of Limestone Resources.
- EBIT is expected to be in line with the pcp's record \$3.5m reflecting the costs of integrating the Limestone Resources business and its lower margins.

Outlook – Earnings (continued)

- **Automotive Leather:**

- Howe's new business sales focus is primarily on growth opportunities in the European and Asian markets and we anticipate increased demand from our European and Asian customers will largely offset the contraction in North America.
- \$2.1m EBIT for pcg was adversely impacted by
 - \$1.3m in redundancy expenses
 - Cost duplications during the establishment of the Slovakian and China cutting operation
- With Howe's restructuring now complete, Howe earnings are expected to be a significant improvement on the pcg

- **Investment Property**

- We expect solid and stable returns from the investment property leasing activities during the first half

- **Mindarie –**

- Earnings will be an improvement on the pcg but will again be biased to the second half depending on stock availability and the timing of lot releases.

Outlook – Dividends

- SFC has advised earlier this month it will pay a 25¢/share fully franked interim dividend in Mar 2007.
- SFC intends to maintain a relatively high ordinary dividend payout ratio of at least 75%.

Summary

- The repositioning of the Howe business has it well placed for medium term growth;
- The new Limestone Resources acquisition will drive Building Products revenue, and with additional CapEx will improve efficiency and capacity;
- We expect our first half performance to be a significant improvement on the pcp;
- Our objective is to provide strong dividend returns for shareholders with a payout ratio of at least 75%;
- Further information and ASX releases are available from our website: www.schaffer.com.au