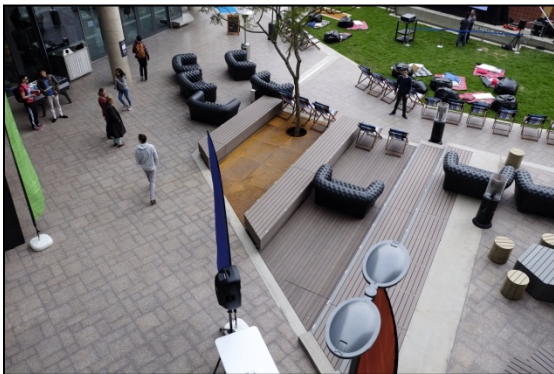




Schaffer Corporation Limited

Full Year Results Presentation June 2014

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



Organisation Chart (Core Businesses)

SCHAFFER CORPORATION LIMITED

Building Materials Division

Delta

- Precast concrete - Herne Hill, WA

Building Products

- UrbanStone Factory (paving) - Jandakot, WA
- Archistone Masonry Block Plant (walling and paving) - Jandakot, WA
- Archistone reconstituted landscaping limestone blocks - Gin Gin, WA
- Limestone Resources
 - Reconstituted retaining wall blocks - Carabooda, WA
 - Natural quarry cut blocks (landscaping and building) - Moore River and Swan Lease, WA
- Natural granite and stone - Australian sourced
- Natural granite and stone - imported
- Urbanstone Central - national network of ideas and design centres for retail and trade

Property Division

Syndicated Investment Property

Company Owned Property

Gosh Capital

Investment Company (83% owned)

- Owned Property
- Property Unit Trusts
- Other

Automotive Leather Division

Howe (83% owned)

- Finishing - Thomastown, Victoria
- Tannery - Rosedale, Victoria
- Cutting
 - Howe Shanghai - China
 - Howe Slovensko - Slovakia
- Sales Offices
 - Australia
 - China
 - Slovakia
 - Japan
 - Germany

Overview

FY14 EBIT¹ increased by 31% but statutory profit was down after \$3.7 million goodwill write-off

- Automotive Leather had increased volumes and favourable FX impacts.
- Building Material's profit was down as competition continued to intensify and margins were compressed.
- At half-year, the decision was made to write-off \$3.7 million of Building Products goodwill from the balance sheet.

Our financial position remains conservative

- Strong cash generation, mainly at Automotive Leather, has reduced the net debt of that division.
- Gosh Capital has used a combination of cash and debt to build an investment portfolio with a bulky goods property plus units in three property unit trusts.
- Net debt 100% recourse to SFC is under \$1 million.

The outlook is positive

- Automotive Leather activity is gaining momentum, but expect results to improve in FY16.
- H1 FY15 results will be lower because in the prior corresponding period we experienced high stock profits for Automotive Leather due to positive currency impacts.
- Building Materials' order books remain healthy but business is challenging and margins are lower.

1. Refer to slide 25 for EBIT reconciliation.

Financial Performance

EBIT increased 31% but Statutory Profits decreased by 18% due to a \$3.7m non-tax deductible goodwill write-off

Full-Year	June-2014 ¹	June-2013 ²	% Change
Revenue (\$m)	163.6	138.4	18%
EBITDA (\$m) ³	24.3	20.0	22%
EBIT (\$m) ⁴	19.3	14.8	31%
NPAT (\$m) ⁵ after \$3.7m goodwill write-off	6.2	7.6	(18%)
EPS	\$0.44	\$0.54	(18%)
Ordinary dividend (fully franked)	\$0.25	\$0.23	9%

The Underlying Profit has increased by 80%

Underlying Profit (\$m) ⁶	9.2	5.1	80%
Underlying EPS	\$0.66	\$0.36	80%

1. Jun-2014 includes \$3.7m impairment of Building Products goodwill and \$0.7m profit after tax and minority interests relating to an insurance claim for the loss of the building at 10 Bennett Avenue, North Coogee.
2. Jun-2013 includes \$2.5m profit after tax and minority interests relating to an insurance claim for the loss of the building at 10 Bennett Avenue, North Coogee.
3. Refer to slide 25 for EBITDA reconciliation.
4. Refer to slide 25 for EBIT reconciliation.
5. Net profit after tax and minority interests.
6. Refer to slide 25 for Underlying Profit reconciliation.

Cash Flow

Full-Year Ending (\$m)	June-2014	June-2013
EBITDA	24.3	20.0
Less profit of disposal of assets	(0.7)	(4.0)
Net interest paid	(3.4)	(3.2)
Tax paid	(2.9)	(0.5)
(Increase)/decrease in Howe trade working capital	(2.1)	(5.4)
Other changes in working capital and provisions	2.0	1.7
Total operating cash generated	17.2	8.6
Net debt reduction/(increase)	(2.1)	4.0
Capital expenditure	5.7	3.2
Property investment and development	11.1	1.9
Proceeds from insurance	(1.3)	(4.0)
Dividends paid	3.6	3.5
Share buy back	0.2	-
Total cash applied	17.2	8.6

Net Debt Increase (+\$2.1m) represented by:

- Gosh Debt (+\$4.7m)
- Gov Loan Pay (-\$2.5m)
- Other Debt (+\$1.8m)
- Less Cash Accumulation (-\$1.9m)

Property investment and development (\$11.1m) represented by:

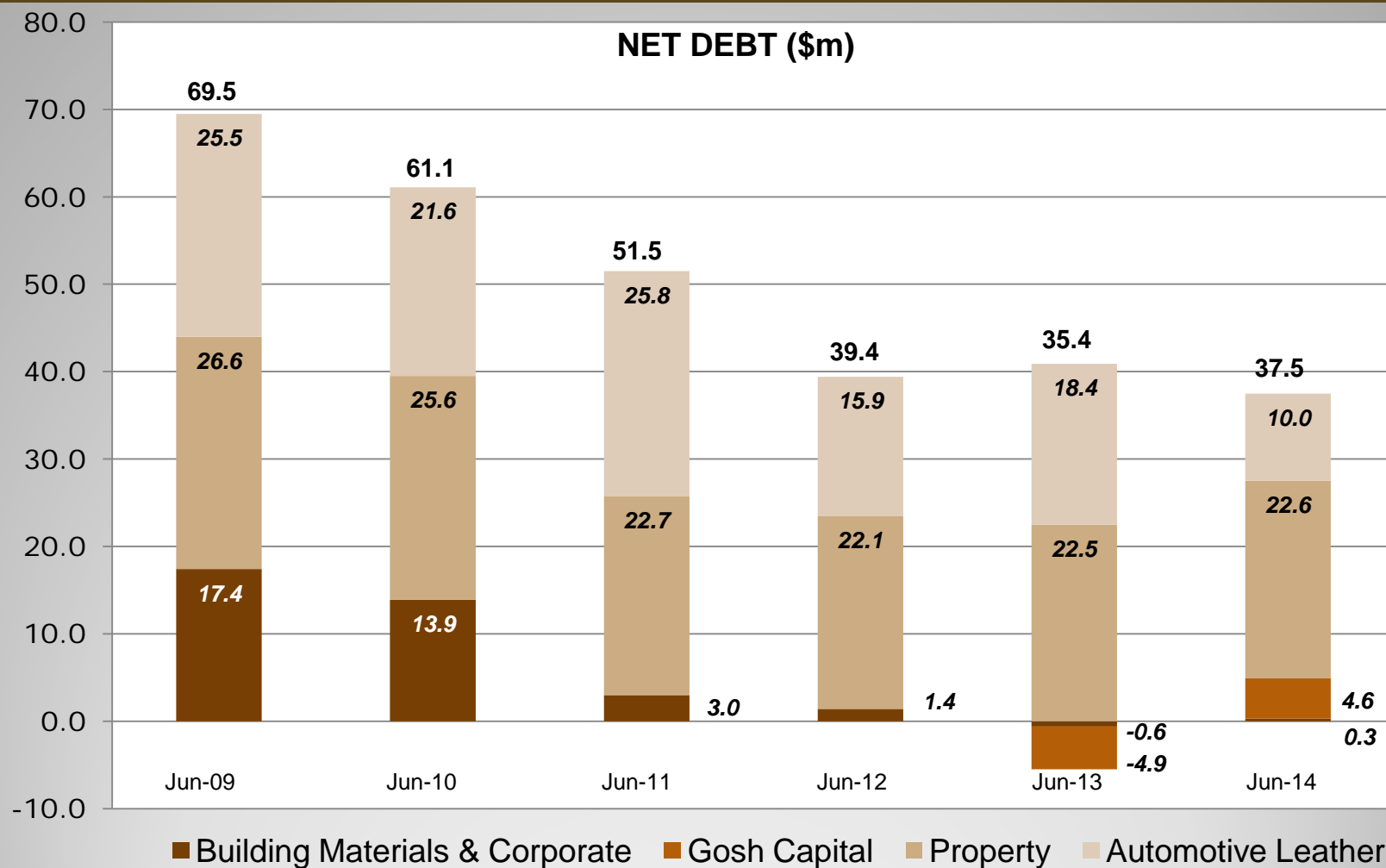
- Gosh Capital Dixon Road Commercial Development (\$9.6m)
- Gosh Capital Property Unit Trust Investments (\$1.0m)
- SFC share of Syndicate Property Development (\$0.5m)

Group Net Debt

Group Net Debt is conservative and the majority is non-recourse to SFC

All amounts in \$m's	Building Materials & Corporate	Syndicate Investment Properties	Automotive Leather	Gosh Capital	Total 30 June 2014	Total 30 June 2013
Type of Debt:						
Bank debt - recourse	3.0	3.7	-	-	6.7	4.7
Bank debt - non-recourse	-	19.7	-	4.7	24.3	19.6
Govt loans - non-recourse	-	-	20.0	-	20.0	22.5
Equipment finance	0.5	-	0.5	-	1.1	1.3
	3.5	23.4	20.5	4.7	52.1	48.1
Maturity Profile:						
- FY14	-	-	-	-	-	10.2
- FY15	3.3	15.3	2.7	-	21.3	19.2
- FY16	0.1	1.0	2.7	-	3.8	3.7
- FY17	0.1	7.1	2.6	-	9.8	2.5
- FY18 and beyond	-	-	12.5	4.7	17.2	12.5
	3.5	23.4	20.5	4.7	52.1	48.1
Net Debt Position:						
Gross debt	3.5	23.4	20.5	4.7	52.1	48.1
Cash and term deposits	(3.2)	(0.8)	(10.5)	(0.1)	(14.6)	(12.7)
Net Debt/(Cash)	0.3	22.6	10.0	4.6	37.5	35.4
% debt recourse to SFC	100%	16%	0%	0%		

Group Net Debt



Assets

Market value of Group Net Tangible Assets \$7.14/share (pcp \$6.58/share)

	Building Materials & Corporate	Syndicate Investment Properties	Automotive Leather ¹	Gosh Capital ¹	Total 30 June 2014
Net assets (Book) (\$m)	38.4	(8.2)	30.7	6.1	67.0
Net assets (Market Value) (\$m)	46.9	10.9	30.7	12.8	101.3
Asset backing (NTA - Book) (\$/share)	2.74	(0.58)	2.10	0.44	4.69
Asset backing (NTA - Market Value) (\$/share)	3.35	0.78	2.10	0.91	7.14

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

Estimated \$49.0 million of unrealised property value before tax (\$34.3 million after tax) included in Market Value.

Automotive Leather



Automotive Leather Results

\$m	June-2014	June-2013	% Change
Revenue	103.5	72.9	42%
Segment EBIT	15.2 ¹	5.0	202%

1. EBIT includes abnormally high stock profits in the first half of FY14 (refer below)

- Sales volumes increased by 16%, with a 31% increase in Europe, due to the commencement of new programs.
- The AUD:EURO has dropped from an average of 0.79 to 0.68, and the AUD:USD has also dropped from an average of 1.03 to 0.92 for the full-year. This has positively impacted our export revenue.
- The first half of FY14 additionally benefitted from low Cost of Goods Sold because the hide stock on hand at the commencement of the period was purchased in USD at an average rate of 1.03, and also at lower actual cost in USD than currently purchased hides. The increased margin was not sustainable going forward as once all 'lower' cost hides were sold they were replaced by 'higher' cost hides.

Automotive Leather Key Points



- New program activity, based on awarded programs, is expected to increase production volumes going forward. This includes newly awarded programs by another major European car manufacturer. This is expected to have a more significant impact in FY16 onwards.
- Production capacity increases are being planned, in both finishing and cutting, for the expected volume increase.
- We remain highly exposed to foreign currency movements which makes results hard to predict, however, we focus on those things we can control as our key defence against this uncertainty.
- We continue to explore, investigate and invest in leather finishing technology that improves efficiency, reduces wastage and energy usage, and realises cost benefits.
- We continue to pursue and develop hide sourcing strategies that are cost effective and increase yield.

Automotive Leather Outlook H1 FY15

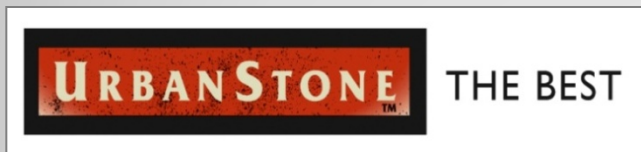
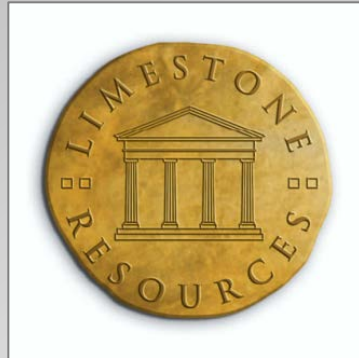
- Volumes for H1 FY15 are expected to be at similar levels to H2 FY14, and then increase in H2 FY15 based on awarded new programs.
- We are net exporters in Euro and net importers in USD.

Based on current level of exposure:

- A 1c increase in the AUD:EUR from the average FY2014 rate (€0.68) decreases EBIT by approximately \$900k per annum.
- A 1c increase in the AUD:USD from the average FY2014 rate (US\$0.92) increases EBIT by approximately \$200k per annum.
- Revenue and EBIT are forecast to be materially lower for H1 FY15 than prior corresponding period because of the abnormal stock profits achieved in FY14 from the significant weakening of the AUD at the time.

Schaffer Building Materials

Building Products



Building Materials Results

\$m	June-2014	June-2013	% Change
Revenue	52.0	58.5	(11%)
Segment EBIT	1.8	5.5	(68%)
Margin	3.4%	9.4%	

- The decrease in resource sector related civil infrastructure developments in Western Australia have decreased Building Materials revenue and margin, particularly Delta (precast concrete).
- Building Products (paving and walling products) had yet another tough year due to reduced volume, competition and pricing pressures.
- Evidence, including improving housing construction, suggests that business conditions will improve slightly, however due to reduced volume and excess capacity in the industry, our valuations supported the decision to impair the full value of the division's goodwill at half-year.

Building Materials Key Points



Building Products

- The Eastern States commercial sector is showing some signs of improvement.
- Masonry Block is still gaining momentum, including value added architectural products.
- Focus is on cost reductions across Production and Retail that don't compromise on our service or quality.



Delta

- Delta's positioning as market leader in complex architectural precast concrete production augurs well for margin improvement once industry conditions improve.
- Slow-down in resource sector continues to put more focus on civil infrastructure and commercial work during FY15.

Building Materials Outlook H1 FY15

- Order books are at similar levels to the beginning of FY14.
- But competition has intensified and margin compression is evident.
- The EBIT for H1 FY15 will not be as strong as the first half of FY14.
- We expect profit improvement from adjustments to our costs structures, combined with improvement in sales volumes, in H2 FY15.

Property



IBM Building, Hay St, West Perth, WA



616 St Kilda Rd, Melbourne, VIC



Parks Centre, Bunbury, WA



Hometown Cannington, WA

Property Portfolio

Property	% SFC Interest
Syndicated Investment Properties	
IBM Building, 1060 Hay St, West Perth, WA	22%
Océ House, 616 St Kilda Rd, Melbourne, VIC	20%
Hometown, 1480 Albany Hwy, Cannington, WA	25%
Parks Centre, Bunbury, WA	17%
Syndicated Subdivisions	
Neerabup, WA	20%

Owned/Operated	
1305 Hay St, West Perth, WA	100%
218 Campersic Rd, Herne Hill, WA	100%
Lot 101, 103, 104 Jandakot Rd, Jandakot, WA	100%
50 Cutler Rd, Carabooda, WA	100%

Syndicated Investments

Estimated \$27.4 million of unrealised property value before tax above book value.

Estimated total market value \$41.7 million.

Current share of debt \$23.4 million.

Company Owned/Operated Property

Estimated \$12.1 million of unrealised property value before tax above book value.

Estimated market value \$27.5 million.

\$0.3 million net debt.

Investment Property (Syndicates) Results & Outlook

\$m	June-2014	June-2013	% Change
Revenue (excluding Property Sales)	6.1	6.5	(7%)
EBIT (excluding Property Sales)	2.6	2.9	(10%)
Margin	43%	45%	
Property Sales Revenue ¹	1.6	-	-
Property Sales EBIT ¹	0.5	-	-
Total Segment EBIT	3.1	2.9	7%

1. Relates to the final sales of land inventory and marina assets by the Mindarie Keys Joint Venture.

- Occupancy has reduced to 91% of Net Lettable Area by the end of FY14 due to vacancies in office property investments. Retail properties are 100% tenanted.
- For H1 FY15 we expect EBIT from rented properties to reduce as a result of vacancies and expected leasing incentives.
- No property sales are expected.

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



39 Dixon Road, Rockingham, WA

Bulky goods retail with 3 tenants

- Spotlight
- Rays Outdoors
- Newly constructed 1001 sqm Petbarn facility

Gosh Capital Portfolio

Property	Book Value ¹ (\$m)	Market Value (\$m)	Debt (\$m)
Owned Property			
10 Bennett Ave, North Coogee, WA (Land holding)	\$1.8	\$13.6	-
39 Dixon Rd, Rockingham, WA (Bulky Goods Retail)	\$9.3	\$8.9	\$4.7
Property Unit Trusts			
Space 207 and Harbour Park, NSW (Offices)	\$1.0	\$1.0	-
265 Parramatta Rd, NSW (Bulky Goods Retail)	\$0.5	\$0.5	-
Paris Rd, Australind, WA (Commercial Development Site)	\$0.5	\$0.5	-
Total	\$13.1	\$24.5	\$4.7

1. Book value represents depreciated cost.

SFC is an 83% owner of the Gosh Capital investment portfolio.

Gosh Capital Results & Outlook

\$m's	Jun-2014	Jun-2013	% Change
Revenue	0.5	0.6	(6%)
Segment EBIT (excluding insurance proceeds)	0.2	0.5	(49%)
Margin	46%	85%	
Insurance proceeds less associated costs	1.2 ¹	4.0 ¹	
Segment EBIT	1.4	4.5	(69%)

1. Relates to fire damage claim for 10 Bennett Avenue, North Coogee, WA.

- The insurance claim for loss of building by fire at 10 Bennett Avenue, North Coogee is now closed. In total we received \$6.7 million for the building loss plus 12 months lost rent and claim cost reimbursement.
- Profits excluding insurance proceeds will increase for H1 FY15 as a result of the purchase and development of the bulky goods retail centre at 39 Dixon Road, Rockingham to replace the lost rent at 10 Bennett Avenue, North Coogee.
- As an investment company, Gosh Capital is actively evaluating further investment opportunities to maximise the value of its assets and grow the profits of this division.

Group Outlook – H1 FY15 Summary

- For H1 FY15 compared to prior corresponding period we estimate:
 - Significantly lower EBIT for Automotive Leather due to the abnormally high stock profits in the prior corresponding period.
 - Lower subdued result for Building Materials compared to prior corresponding period.
 - A decrease in the Investment Property result due to office property vacancies.
 - An increase in the Gosh Capital result due to the new property investments and development.
- Overall a significant reduction in revenue and net profit is expected for H1 FY15 compared to prior corresponding period.
- However, current indications are toward an improvement to profitability for H2 FY15 compared to H2 FY14 supported by improving Automotive Leather volumes and Building Materials profitability.
- From FY16 onwards there is the potential for a significant increase in Automotive Leather volumes based on awarded programs, including new supply to a major European car manufacturer.

Dividends

- The Board has declared a final dividend of 13¢ per share fully franked, an 8% increase on prior corresponding period, payable on 19 September 2014.
- This makes the total dividend for FY14 25¢ per share (FY13: 23¢), a 9% increase on prior corresponding period, and equates to a payout ratio of 57% (Underlying: 38%).
- Uncertain and volatile economic conditions continue to prevail and therefore we continue with a prudent dividend payout policy, consistent with recent years.

Non-IFRS Financial Information

EBITDA Reconciliation (\$000's)	June 2014	June 2013
Profit before income tax	12,148	11,522
Finance income	(202)	(374)
Finance costs	3,632	3,615
Impairment of Goodwill	3,696	-
EBIT	19,274	14,763
Depreciation and amortisation	5,057	5,257
EBITDA	24,331	20,020

Underlying Profit Reconciliation (\$000's)	June 2014	June 2013
NPAT	6,188	7,588
Impairment of Goodwill	3,696	-
Insurance proceeds less costs after tax and non-controlling interests	(673)	(2,458)
Underlying Profit	9,211	5,130

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.

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

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