

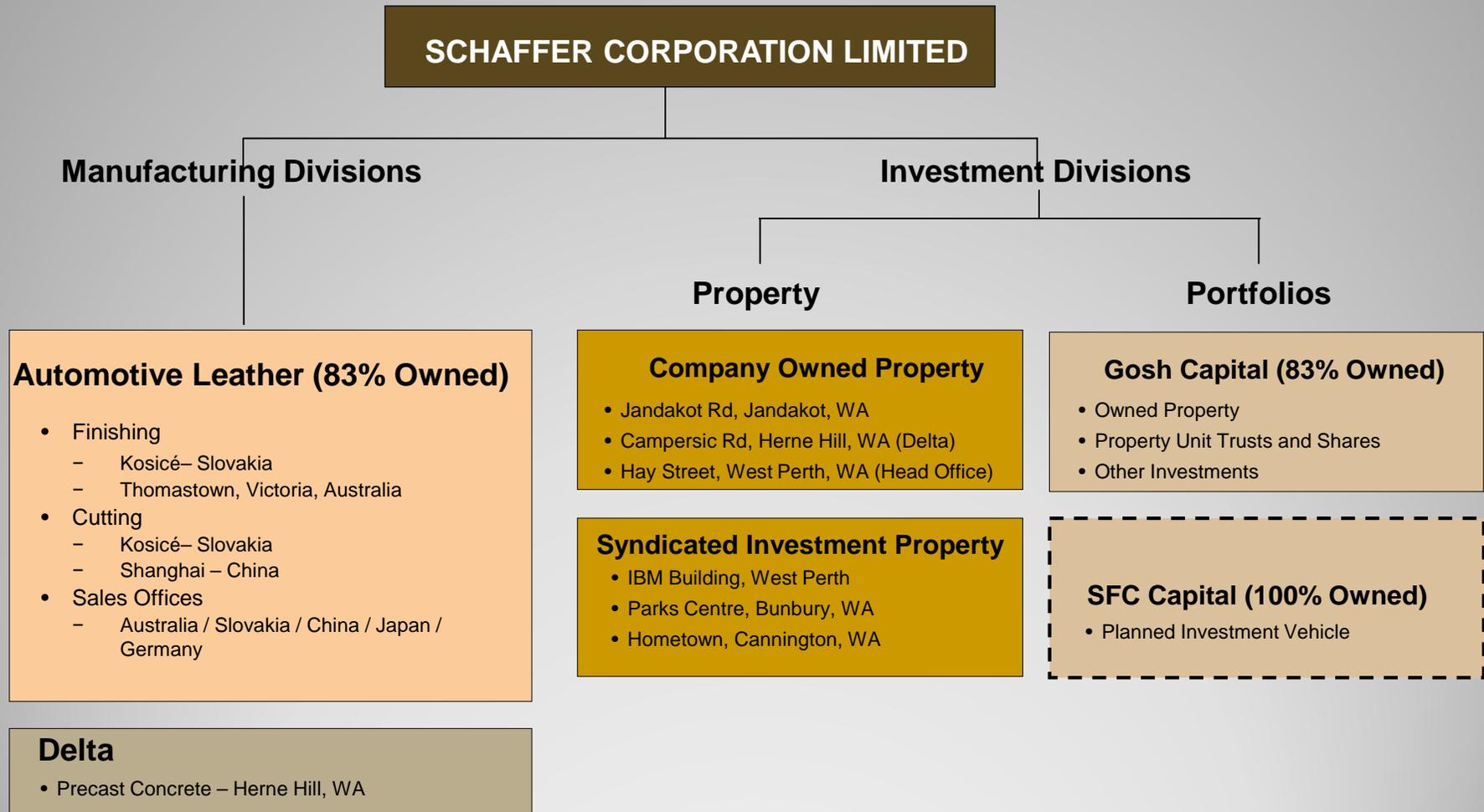
Schaffer Corporation Limited

Half Year Results Presentation December 2017

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



Organisation Chart (Core Businesses)



Financial Performance

Profit has significantly improved

- Automotive Leather profit included significant FX gains reflected in both revenue and profit in addition to cost efficiencies from improved operational performance.
- The half-year result included \$4.4m after tax profit for the sale of the Building Products division.
- A non-cash assets impairment of \$3.2m after tax was recognised for the Delta business, reflecting the intensely competitive West Australian precast market and its impact on profit margins.

Half-Year	Dec-2017 ¹ (current)	Jun-17
Revenue from continuing operations (\$m)	\$116.3	\$99.7
NPAT (\$m) ²	\$11.2	\$3.5
EPS (cents per share)	80.3	24.9
Ordinary dividend (fully franked)	\$0.15	\$0.14
Underlying Profit ¹ (\$m)	\$10.1	\$5.2
Underlying EPS (cents per share)	72.5	37.3

- Refer to slide 19 for Underlying Profit reconciliation.
- Net profit after tax and minority interests.

Cash Flow

Significant increase in operating cash due to profit performance, including FX gains.

Proceeds from the divestment of the Building Products division - \$17.4 million.

Half-Year Ending (\$m)	Dec-2017 (current)	Jun-2017
NPAT	11.2	3.5
Add depreciation	2.6	2.7
(Profit)/loss on sale of businesses and assets	(5.0)	0.4
Add non-cash impairment of assets	4.5	2.3
Add minority interests	2.2	1.3
Change in Howe trade working capital	4.7	(4.3)
Other changes in working capital	4.7	0.8
Total operating cash generated	24.9	6.7
Proceeds from divestments	17.4	0.9
Capital expenditure	(2.2)	(1.5)
Gosh Capital investments and developments	(1.1)	(0.3)
Dividends paid	(2.6)	(2.9)
Net debt reduction/(increase)	36.4	2.9

Group Net Debt

Net Debt has reduced by \$36.4 million during the first half.

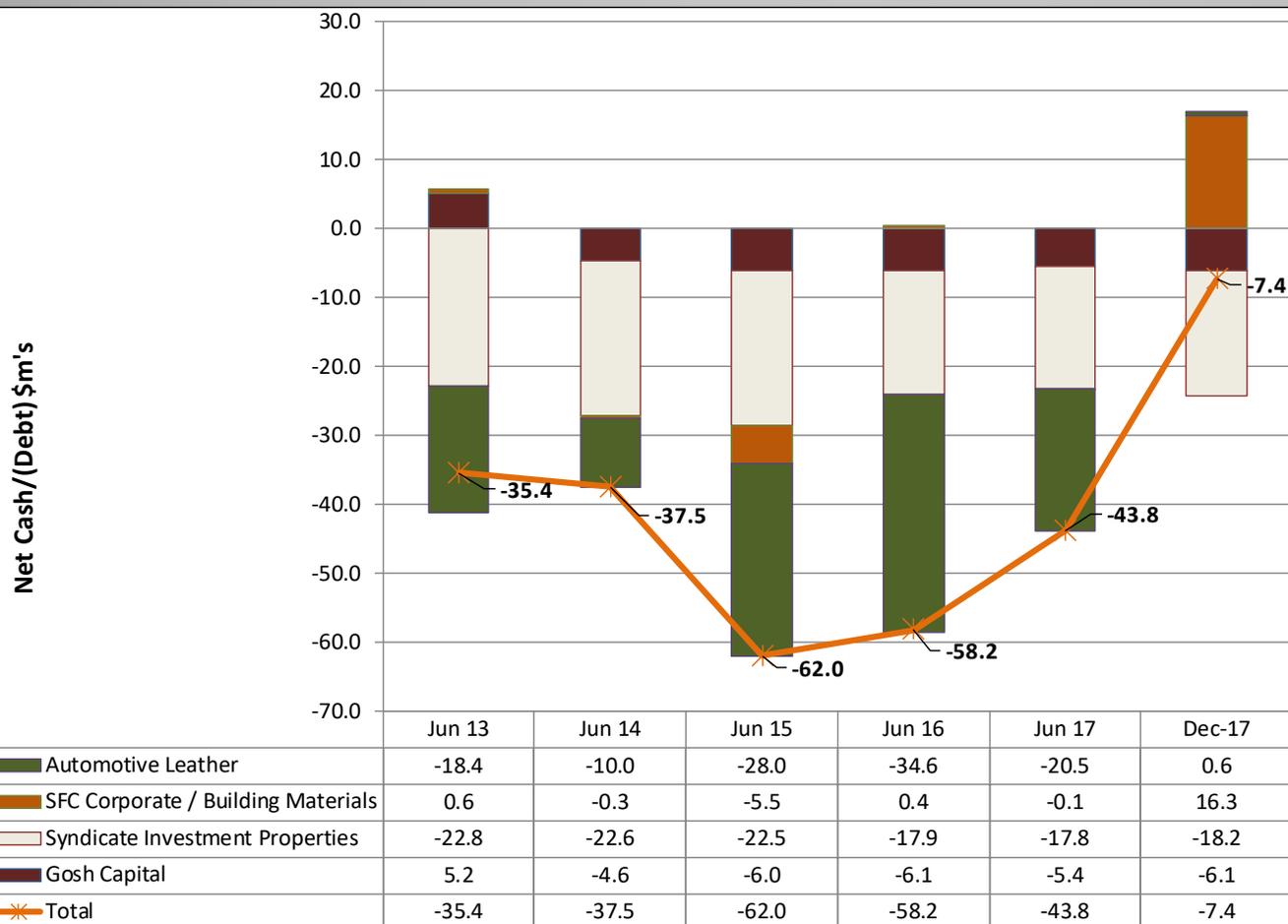
All amounts in \$m's	Automotive Leather	SFC Corporate & Building Materials	Syndicate Investment Properties	Gosh Capital	Total 31 Dec 2017	Total 30 Jun 2017
Type of Debt:						
Bank debt – recourse	-	-	2.4	-	2.4	3.8
Bank debt - non-recourse	12.2	-	16.7	6.1	35.0	34.5
Govt loans - non-recourse	-	-	-	-	-	10.0
Equipment finance	7.1	-	-	-	7.1	6.9
	19.3	-	19.1	6.1	44.5	55.2
Maturity Profile:						
- FY18	1.9	-	7.2	-	9.1	16.9
- FY19	5.0	-	1.0	-	6.0	14.3
- FY20	10.9	-	7.1	6.1	24.1	17.3
- FY21 and beyond	1.5	-	3.8	-	5.3	6.7
	19.3	-	19.1	6.1	44.5	55.2
Net Debt Position:						
Gross debt	19.3	-	19.1	6.1	44.5	55.2
Cash and term deposits	(19.9)	(16.3)	(0.9)	-	(37.1)	(11.4)
Net Debt/(Cash)	(0.6)	(16.3)	18.2	6.1	7.4	43.8
% debt recourse to SFC			12%	0%		

The remaining \$10.0m balance of the Automotive Leather Government Debt was repaid during the half-year.

The Net Debt decrease of \$36.4m includes:

- Decrease in Howe Net Debt - \$21.1m
- Increase in Corporate Cash and term deposits - \$16.4m
- Other increase in Net Debt - \$1.1m

Group Net Cash/(Debt) Trend



Net debt peaked to fund the establishment of Automotive Leather's new Slovakian finishing and cutting facility that opened in FY16.

Since then, cash has been generated by:

- Reduced Working Capital - Automotive Leather shipping hides direct to Slovakia rather than via Australia.
- Sale of the Building Products division in the current half.
- Automotive leather profitability, including FX impacts.

Future uses of cash:-

- Jandakot property development
- Establishment of SFC Capital

Automotive Leather



Automotive Leather Results

Half-Year Ending (\$m's)	Dec-2017 (current)	Jun-2017
Revenue	105.0	93.4
Segment NPAT*	10.9	6.4

* NPAT excludes 16.83% minority interests.

- Revenue and NPAT include a significant positive FX impact compared to H2 FY17.
 - 9% appreciation of the EUR:USD. Approximately 60% of our EUR receipts are converted to USD for hides and chemical purchases.
 - 5% depreciation of the AUD:EUR. Approximately 80% of revenue is denominated in EUR.
- Margins also positively impacted by:
 - improved cutting yields;
 - excellent cost management and improved process efficiencies.

Outlook - Volumes, revenue and profit performance expected to be similar to the first half (assuming current FX rates).

Schaffer Building Materials



Building Materials Results

Half-Year Ending (\$m's)	Dec-2017 (current)	Jun-2017
Revenue – continuing operations	8.2	4.7
Segment Underlying* NPAT – continuing operations	(0.6)	(0.8)

* Underlying NPAT excludes (1) \$4.4m net profit after tax on sale of the Building Products divisions; and (2) \$3.2m impairment of Delta assets after tax.

- Building Products division was sold for higher than book value.
 - Limestone quarry tenements and production assets on 15 August 2017.
 - Urbanstone paving, masonry and natural stone manufacturing and distribution business on 22 November 2017.
 - The net impact on the half-year was \$4.4m profit after tax.
- A \$3.2m impairment of assets after tax was recorded for Delta. Competitive pricing pressure in the WA market continues resulting in downward pressure to price and margin expectations.

Outlook – Reduction in loss for the second half from the continuation of the large civil infrastructure project commenced midway through the first half.

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)
Property used by SFC operations										
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	6.0	9.5		(1.0)	8.5
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	0.7	1.9		(0.4)	1.5
						6.7	11.4	-	(1.4)	10.0
Rental Properties										
Lot 701 Jandakot Road, Jandakot, WA*	Industrial	SFC Direct	62,097	-	100%	3.8	8.8		(1.5)	7.3
IBM Centre, 1060 Hay Street, West Perth, WA	Office	Syndicate	5,797	8,466	22%	1.2	12.4	(7.1)	(3.4)	1.9
Hometown, 1480 Albany Hwy, Cannington, WA	Retail	Syndicate	59,319	20,637	25%	5.6	15.9	(7.2)	(3.1)	5.6
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.0	6.9	(3.8)	(1.5)	1.6
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%	0.9	0.9	-	-	0.9
Pacific Suites, Canberra, ACT	Hotel	Gosh - Unit Trust	-	16,045	2%	0.7	0.7	-	-	0.7
Cope Logistics – 7 properties nationwide	Industrial	Gosh - Unit Trust	78,042	23,575	3%	0.4	0.4	-	-	0.4
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh - Unit Trust	24,690	32,348	2%	1.2	1.2	-	-	1.2
						23.6	55.4	(23.3)	(9.6)	22.5
Development sites										
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	260,000	-	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	26.2	(1.0)	(5.7)	19.5
Total SFC Property Value						37.9	93.0	(24.3)	(16.7)	52.0

* A revised Market Valuation has not yet been conducted following the Minister approval of a Scheme Amendment to increase the scope and area of Additional Uses to Warehousing, Showrooms, Storage, Masonry Production and Nurseries over approximately 39ha of Lots 701,702 and 703 Jandakot Rd.

Investment Property

Company Owned Property



Lot 701, 702 & 703 Jandakot Rd,
Jandakot, WA

Syndicated Property



Hometown Cannington, WA



IBM Building, Hay St, West Perth, WA



Parks Centre, Bunbury, WA

Investment Property Results & Outlook

Half-Year Ending (\$m's)	Dec-2017 (current)	Jun-2017
Revenue	2.3	2.4
Segment NPAT	0.5	0.3

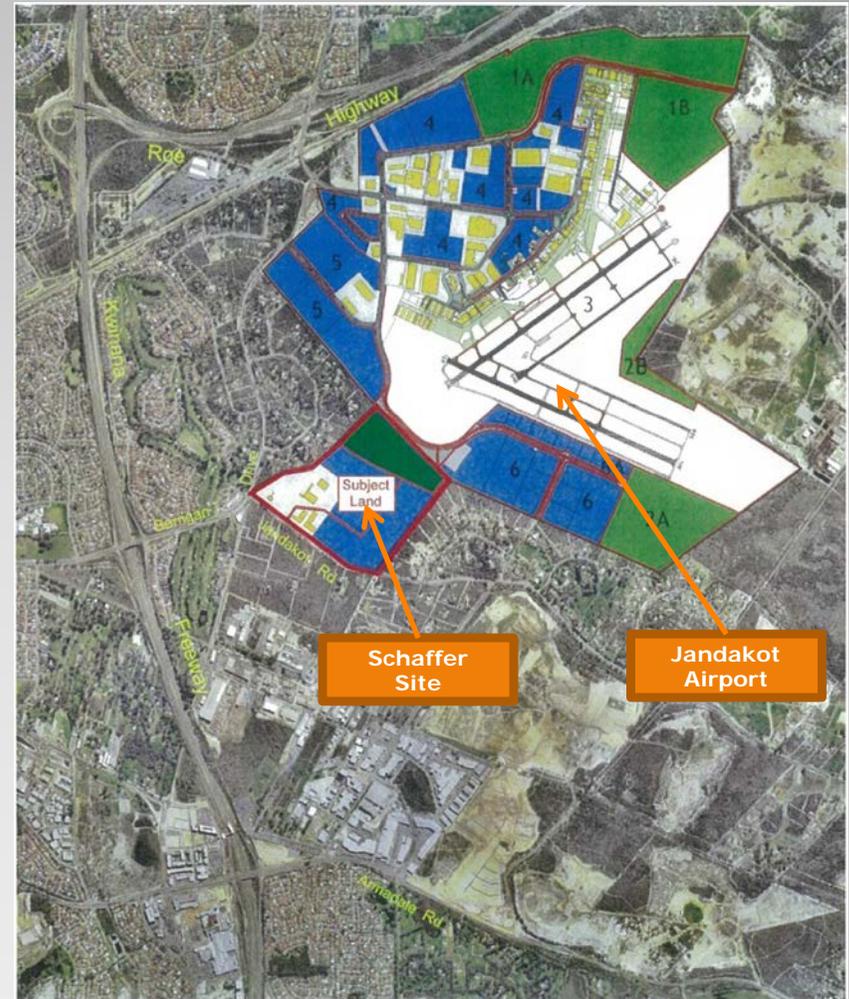
- Lot 701 Jandakot Road (Urbanstone factory) leased since the sale of the Urbanstone business on 22 November to Austral Masonry Holdings Pty Ltd as a triple net lease with a 10-year initial term.
- IBM building tenancy improved in the first half with additional space leased.
- Incentives to attract and retain tenants for syndicate properties remain high.

Outlook – Modest increase for revenue and profit expected with a full 6 months' contribution for Lot 701 Jandakot Rd in the second half.

Lots 701, 702 & 703 Jandakot Road

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

- 38.8 ha – The West Australian Minister for Planning approved a Scheme Amendment in November to increase the scope of Additional Uses to allow Warehouses, Showrooms, Storage, Masonry Production and Nurseries. This Additional Use area includes the 6.2 ha currently leased to Austral Masonry Holdings (Lot 701)
- 15.6 ha - Designated as Bush Forever and wetland.



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

Half-Year Ending (\$m's)	Dec-2017 (current)	Jun-2017
Revenue	0.7	0.7
Segment NPAT*	0.2	0.2

* NPAT excludes 16.83% minority interests..

- As an investment company, Gosh Capital actively evaluates investment opportunities to maximise the value of its assets and grow the profits of this division.
- An investment of \$0.5 million in an industrial property unit trust and \$0.5 million in a managed equities fund have been made during the first-half.
- Market value of the investment portfolio is \$32.4 million (\$26.4 million net of debt)

SFC Capital

- Significant cash has been generated from the Automotive Leather division and the sale of the Building Products division.
- SFC is forming a new investment vehicle with a focus on:
 - Global listed equity investments.
 - Global unlisted equity investments.
- The division will comprise a combination of:
 - Internally managed funds
 - Externally managed portfolios by experienced fund managers.

Outlook – H2 FY18 Summary

- For H2 FY18, compared to H1 FY18, we estimate:
 - Similar profit for Automotive Leather (subject to exchange rate volatility).
 - A reduction of the loss for the continuing operations of Building Materials.
 - A modest increase in profit for Syndicate Investment Property.
 - A modest increase in profit for Gosh Capital.

Dividends

- The Board has declared a final dividend of 15¢ per share fully franked, a 25% increase on prior corresponding period, payable on 16 March 2018.

Non-IFRS Financial Information

Underlying Profit Reconciliation (\$000's) <i>(all items after tax and minority interests)</i>	Full-Year Ending	
	Dec-17	Jun-17
NPAT	11,249	3,484
Profit on sale of Building Products division	(4,393)	-
Impairment of assets	3,150	1,629
Restructuring costs	144	121
Profit on sale of Space 207 trust assets	-	(8)
Underlying Profit	10,150	5,226

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.

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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