

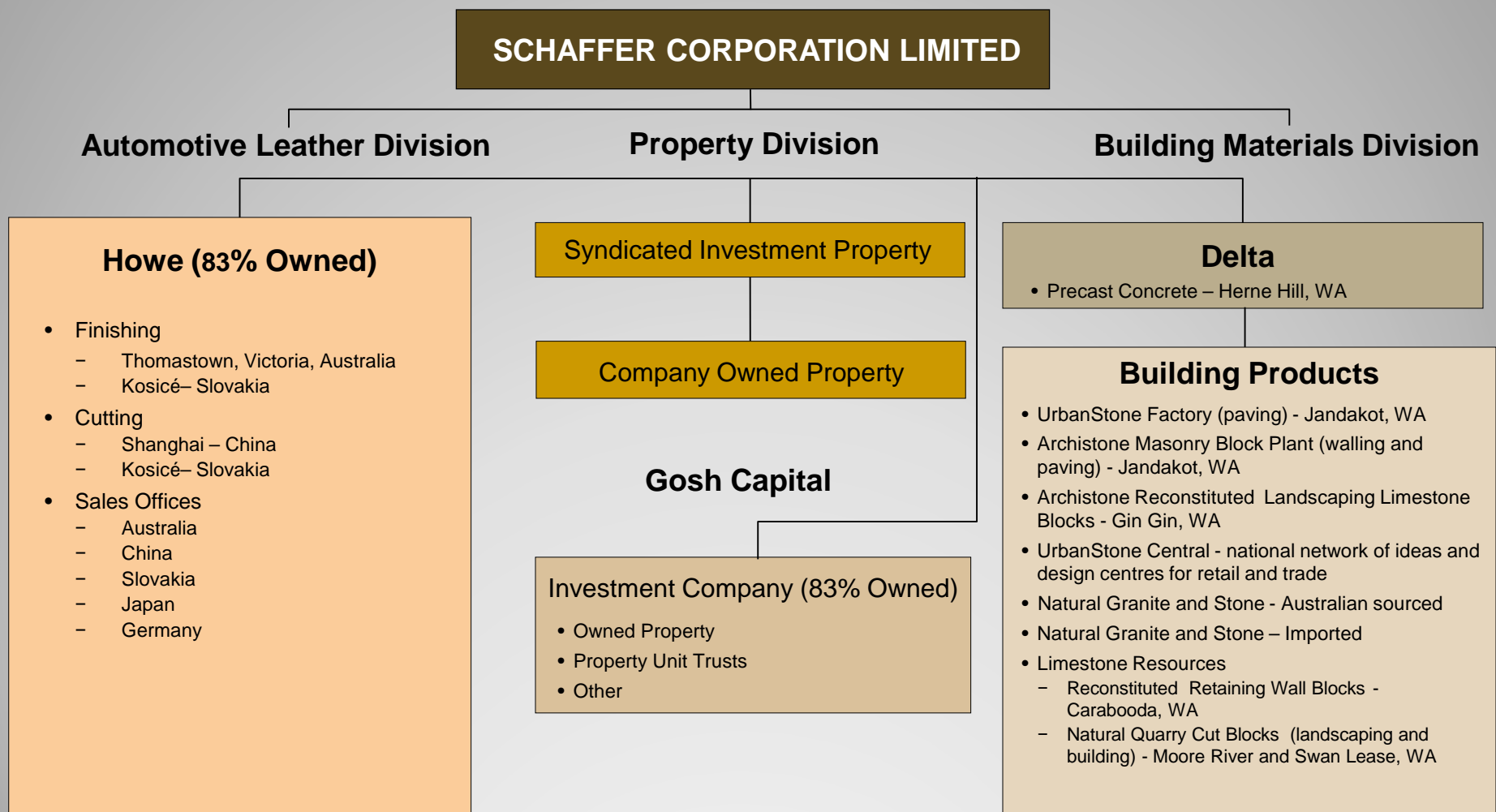


Full Year Results Presentation June 2016

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



Organisation Chart (Core Businesses)



Value Drivers

Share Price (June 30): **\$5.10**

No of Shares: **14 million**

Market Cap: **\$71.4 million**

FY16 dividends per share: **\$0.25 fully franked**

SFC is a diversified company with four operating divisions

	Automotive Leather ¹	Building Materials	Investment Property	Gosh Capital ¹	Overheads	Group
SFC Share of FY16 Revenue (\$m)	129.0	51.8	5.4	1.0	-	187.2
SFC Share of FY16 EBIT (\$m)	4.0	2.9	8.1	0.8	(2.8)	13.0
Market Value of Property^{2,3} (\$m)	-	21.0	43.6	22.8	-	87.4
SFC Share of Net Debt (\$m)	28.8	(0.5)	18.2	5.0	-	51.5

1. SFC's 83% share of division's performance, assets and liabilities.

2. Market value of property is based on regular valuations conducted by certified independent valuers.

3. Property is defined as land and building assets including SFC operated properties, syndicate properties and rented properties.

Financial Performance

Full year results have improved on the prior year

- 53% increase in revenue for Automotive Leather.
- \$4.2m of profit after tax from the sale of property.

Full-Year	Jun-2016 ¹	Jun-2015	% change
Revenue (\$m)	213.6	157.3	36%
EBIT (\$m) ²	13.9	8.7	60%
NPAT (\$m) ³	5.7	3.5	61%
EPS	\$0.41	\$0.25	61%
Ordinary dividend (fully franked)	\$0.25	\$0.25	-
Underlying Profit ² (\$m)	3.1	3.5	(11%)
Underlying EPS	\$0.22	\$0.25	(11%)

1. Jun-2016 NPAT includes (1) \$4.0m profit after tax from the sale of SFC's share in the 616 St Kilda Road Syndicate; (2) \$0.2m after tax and minority interest from the sale of Space 207 by the Space 207 and Harbour Park Trust; (3) \$1.6m non-recurring costs after tax and minority interests (refer to slide 23)
2. Refer to slide 23 for EBIT and Underlying Profit reconciliations.
3. Net profit after tax and minority interests.

Cash Flow

Positive operating cash generation and sale of property has reduced Net Debt

Full-Year Ending (\$m)	Jun-16 (current)	Jun-15 (pcp)
EBIT	11.2	8.7
Add depreciation	5.3	5.2
Less profit on disposal of assets	(5.7)	-
Net interest paid	(2.3)	(3.5)
Tax refunded/(paid)	0.0	(3.9)
Change in Howe trade working capital and FX movements	(3.5)	(17.9)
Other changes in working capital	3.3	(2.3)
Total operating cash generated	8.3	(13.6)
Proceeds from divestments	10.7	-
Capital expenditure	(10.0)	(5.1)
Gosh Capital investments and developments	(1.7)	(2.3)
Dividends paid	(3.5)	(3.5)
Net debt reduction/(increase)	3.8	(24.5)

The build up of hide stock for the significant increase in Automotive Leather volumes has finished.

- Sale of 616 St Kilda Rd - \$9.7m (net \$5.1m after Syndicate Property Debt reduction)
- Sale of Space 207 - \$1.0m

Increase in CAPEX is mainly for the establishment of new facilities in Slovakia (net \$5.6m after asset finance).

The Net Debt decrease of \$3.8m is represented by:

- Corporate Debt decrease - \$4.7m
- Syndicate Property Debt decrease - \$4.3m
- Cash accumulation - \$2.9m
- Howe Slovakian Asset Leasing increase - (\$4.4m)
- Howe Working Capital debt increase - (\$3.7m)

Group Net Debt

Net Debt has reduced by \$3.8 million during the year

All amounts in \$m's	Automotive Leather	Building Materials & Corporate	Syndicate Investment Properties	Gosh Capital	Total 30 Jun 2016	Total 30 Jun 2015
Type of Debt:						
Bank debt – recourse	-	2.0	2.3	-	4.3	10.0
Bank debt - non-recourse	15.0	-	16.7	6.1	37.8	37.0
Govt loans - non-recourse	17.5	-	-	-	17.5	17.5
Equipment finance	5.0	0.7	-	-	5.7	1.7
	37.5	2.7	19.0	6.1	65.3	66.2
Maturity Profile:						
- FY16	-	-	-	-	-	3.7
- FY17	9.1	0.5	7.1	-	16.7	13.3
- FY18	15.7	2.2	11.9	-	29.8	33.1
- FY19	3.5	-	-	-	3.5	2.5
- FY20 and beyond	9.2	-	-	6.1	15.3	13.6
	37.5	2.7	19.0	6.1	65.3	66.2
Net Debt Position:						
Gross debt	37.5	2.7	19.0	6.1	65.3	66.2
Cash and term deposits	(2.9)	(3.1)	(1.1)	(0.0)	(7.1)	(4.2)
Net Debt/(Cash)	34.6	(0.4)	17.9	6.1	58.2	62.0
% debt recourse to SFC		100%	12%	0%		

Assets

Market value of Group Net Tangible Assets \$7.68/share (pcp \$7.52/share)

	Automotive Leather ¹	Building Materials & Corporate	Property			Total Property	Total 30 Jun 2016
			Property used by SFC Operations	Syndicate Investment Properties	Gosh Capital ¹		
Net assets (Book) (\$m)	35.1	26.8	13.0	(7.5)	6.8	12.3	74.2
Net assets (Market Value) (\$m)	35.1	26.8	21.7	11.3	13.9	46.9	108.8
Assets backing (NTA - Book) (\$/share)	2.42	1.91	0.93	(0.54)	0.49	0.87	5.20
Asset backing (NTA - Market Value) (\$/share)	2.42	1.91	1.55	0.80	0.99	3.35	7.68

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

Estimated \$49.4 million of unrealised property value before tax (\$34.6 million after tax) included in Market Value.

Automotive Leather

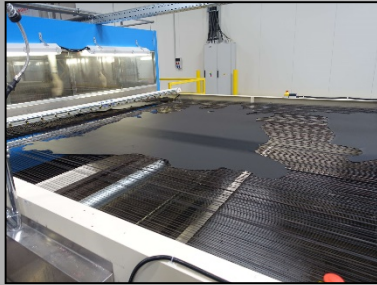


Automotive Leather Results

Full-Year Ending (\$m's)	June-2016	June-2015	% Change
Revenue	155.1	101.1	53%
Segment EBIT	4.8	6.3	(23%)

- A transformative year with the completion of the new Slovakian finishing and cutting plants.
- Volumes increased 45% over prior year with the start up of 16 new programs over FY15 and FY16.
- Profitability was impacted by the costs associated with the start up of the new programs including lower cutting yields, extra development work, testing costs, customer visits, and new program delays. Approximately 500 additional staff were employed and trained.
- The average exchange rate for purchases of raw material (semi processed hides) converted and sold during FY16 was USD 0.78 (FY15: 0.91), which increased hide costs expensed in FY16 by 17%.
- Revenue positively affected by the weakening of the average AUD rate during FY16 - EUR 0.66 (FY15: 0.70), USD 0.73 (FY15: 0.83).

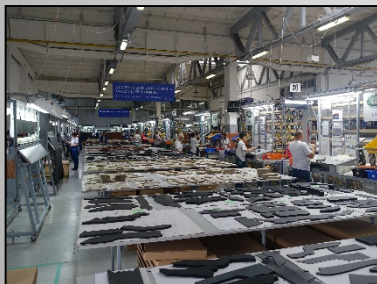
Automotive Leather Key Points



- The new Slovakian finishing plant produced its first hides in Oct 2015 and the new additional Slovakian cutting facilities commenced operations in January 2016. By transferring European customer leather finishing to Slovakia, our stock levels are reducing and cash is being freed up through the shipping of semi processed hides directly to Europe, rather than via Australia. \$1.1m of non-recurring costs related to the start-up of the new facilities have been recognised.



- The establishment and commissioning of a second finishing line at the Slovakian finishing plant was brought forward to June 2016 so that all European program leather is expected to be finished in Slovakia by early in the 2017 calendar year.
- The scale of our Australian operations were reviewed. Positions were made redundant at the Thomastown leather finishing facility and operations ceased at the Rosedale tannery. Non-recurring costs incurred in FY16 include \$1.1m for redundancies and a \$0.3m non-cash write-down of decommissioned assets. We will realise the benefit of these expenditures for years to come.

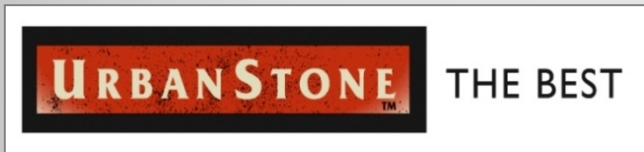
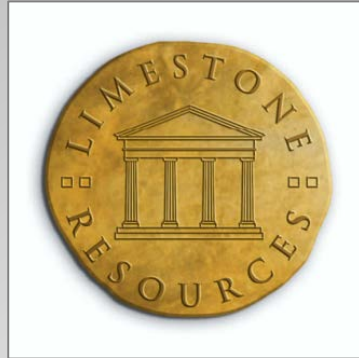


Automotive Leather Outlook H1 FY17

- Volumes for H1 FY17 are expected to stay at the same level as the second half of FY16. Additional new programs, expected to commence in the second half of FY17, should further increase volumes.
- Revenue for the first half will be impacted negatively by current FX rates as the AUD is stronger than the prior corresponding period (FY16: EUR 0.66 and USD 0.72).
- The hide costs in USD, for stock held at 30 June, have decreased compared to prior corresponding period due to hide market price decreases.
- Efficiencies associated with the new programs commenced over FY15 and FY16 are expected to improve as the programs and new facilities are fully established.
- Overall, EBIT is expected to 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-2016	Jun-2015	% change
Revenue	51.8	49.1	6%
Segment EBIT	2.9	1.4	110%

- Infrastructure projects in the commercial sectors drove increased sales for engineered product and natural stone sales for Building Products' (paving and walling products). Continuous process improvement and cost reduction has yielded excellent results and profit improvement.
- The annual revenue for Delta improved compared to prior year, but profitability reduced slightly. The West Australian precast concrete market remains intensely competitive. Margins have been eroded via unsustainable pricing of competitors and the risk of producing highly technical products is not being rewarded to the level it was previously.

Building Materials Key Points

Building Products



- The penetration of exclusive Australian sourced natural stone is progressing well in the local government and commercial infrastructure sector.
- Focus is on branding and customer service in the competitive but depressed WA residential sector.
- We continue to focus on further restructuring and cost reductions across Production, Retail and Administration, that don't compromise on our service or quality.

Delta



- While the WA construction industry remains depressed, the infrastructure sector is relatively buoyant and may provide some opportunities, but timing is not certain.
- The product range has been developed to be utilised in a diverse range of projects requiring specialised precast products including Architectural Elements, TeeRoff bridge beams, prestressed beams and Deltacore flooring.
- Delta's positioning as market leader in complex architectural precast concrete production augurs well for margin improvement once industry conditions improve.

Building Materials Outlook H1 FY17

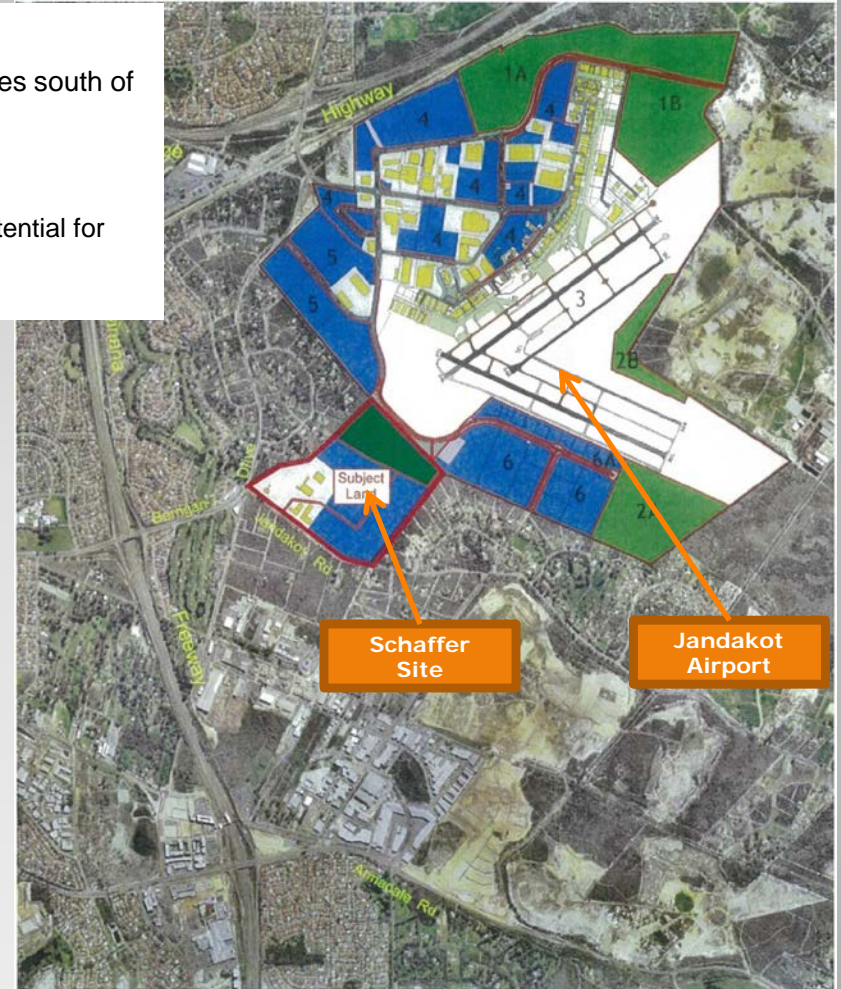
- Our estimate are conservative because industry conditions make this segment difficult to forecast.
- The order book for Building Products is very healthy. However, when combined with Delta, overall revenue is expected to be lower.
- Intense competition and margin compression prevails, especially for Delta.
- Cost management is always important, even more so given the market circumstances. Costs are constantly reviewed and appropriate cost reductions will be implemented.
- In H1 FY17 we forecast a decrease in EBIT compared to 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)
Property used by SFC operations										
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	6.2	9.5		(1.0)	
Lot 101 Jandakot Road, Jandakot, WA	Urbanstone	SFC Direct	64,090	-	100%	3.7	8.5		(1.4)	
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	0.7	2.1		(0.4)	
50 Cutler Road, Carabooda, WA	Quarry House	SFC Direct	72,818	-	100%	1.1	0.9		0.1	
						11.7	21.0	(2.0)	(2.8)	16.2
Rental Properties										
IBM Centre, 1060 Hay Street, West Perth, WA	Office	Syndicate	5,797	8,466	22%	1.1	13.2	(7.1)	(3.6)	2.5
Hometown, 1480 Albany Hwy, Cannington, WA	Retail	Syndicate	59,319	20,637	25%	5.7	13.2	(7.2)	(2.2)	3.8
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.1	6.7	(3.8)	(1.4)	1.5
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	7.4	8.4	(5.2)	(0.3)	2.9
Space 207 & Harbour Park, NSW	Office	Gosh - Unit Trust	2,942	7,503	2%	0.2	0.2	-	-	0.2
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%	0.8	0.8	-	-	0.8
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh - Unit Trust	24,690	32,348	2%	0.4	0.4	-	-	0.4
						18.5	43.8	(23.3)	(7.6)	12.9
Development sites										
Lot 103 Jandakot Road, Jandakot, WA	Vacant	SFC Direct	466,240	-	100%	3.0	4.4	-	(0.4)	4.0
Lot 104 Jandakot Road, Jandakot, WA	Commercial	SFC Direct	42,680	500	100%	0.3	2.1	-	(0.5)	1.6
10 Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035	-	83%	2.1	11.3	-	(2.8)	8.5
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%	0.4	0.4	-	-	0.4
						7.8	22.6	(1.0)	(4.5)	17.1
Total SFC Property Value										
						38.0	87.4	(26.3)	(14.9)	46.2

Lot 101, 103 & 104 Jandakot Road

- 6.4 ha Urbanstone manufacturing (Lot 101)
- 6.8 ha special use Nursery and Showrooms (Lot 104 & part Lot 103)
- 44.1 ha currently zoned rural (including 13ha designated Bush Forever) with potential for industry zoning as an extension of the Jandakot Specialised Activity Centre
- Road development currently underway on the site boundaries



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-2016	Jun-2015	% change
Revenue	5.4	6.0	(10%)
EBIT (excluding Property Sales)	2.3	2.4	(5%)
Property Sales EBIT	5.7	-	-
Total Segment EBIT	8.1	2.4	231%

- Occupancy remained at 95%.
- On 11 December 2015, the sale of SFC's share in the 616 St Kilda Road syndicate was settled. This sale realised EBIT of \$5.7m (\$4.0m after tax), and the cash generated has been used to reduce corporate debt.
- Ongoing EBIT will reduce as a result of the sale.

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-2016	Jun-2015	% change
Revenue	1.2	1.1	13%
Segment EBIT excluding sale of property	0.7	0.6	24%
Profit from sale of trust property	0.2	-	-
Segment EBIT	1.0	0.6	66%

- Profits are steadily increasing as a result of the reinvestment of returns into new investments.
- During FY16, Gosh Capital realised \$0.2m from the sale of the Space 207 property by the Space 207 and Harbour Park Unit Trust, of which Gosh Capital is a unitholder.
- 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.

Group Outlook – H1 FY17 Summary

For H1 FY17 compared to prior corresponding period we estimate:

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

Dividends

- The Board has declared a final dividend of 13¢ per share fully franked, equal to prior corresponding period, payable on 16 September 2016.
- This makes the total dividend for FY16 25¢ per share (FY15: 25¢).

Non-IFRS Financial Information

EBIT Reconciliation (\$000's)	Full-Year Ending	
	Jun-16	Jun-15
Profit before income tax	7,542	5,213
Finance income	(73)	(102)
Finance costs	3,745	3,602
Non-recurring costs	2,696	-
EBIT	13,910	8,713

Underlying Profit Reconciliation (\$000's)	Full-Year Ending	
	Jun-16	Jun-15
NPAT	5,683	3,531
Profit on sale of share in 616 St Kilda Rd Syndicate	(4,013)	-
Profit on sale of Space 207 trust assets	(141)	-
Non-recurring costs	1,598	-
Underlying Profit	3,127	3,531

Non-recurring costs (\$000's)	Full-Year Ending	
	Jun-16	Jun-15
Redundancy Payments - Automotive Leather	1,106	-
New Facility Start Up Costs - Automotive Leather	1,084	-
Asset write-downs - Automotive Leather	268	-
Redundancies - Building Materials	238	-
Total non-recurring costs	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.

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