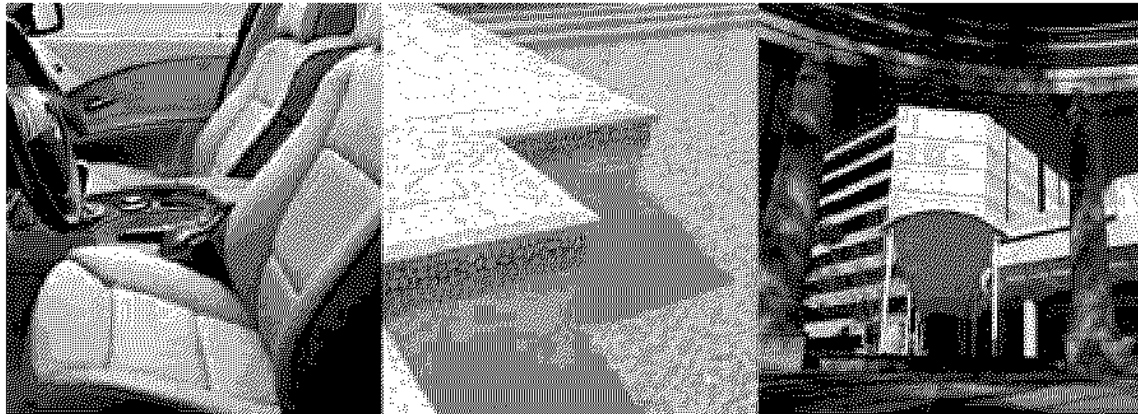
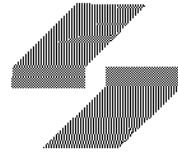


Schaffer Corporation Limited



Half Year Results – Dec 2003

Corporate Objective

“To efficiently operate and grow our core business for the benefit of shareholders”

Operational Strategy

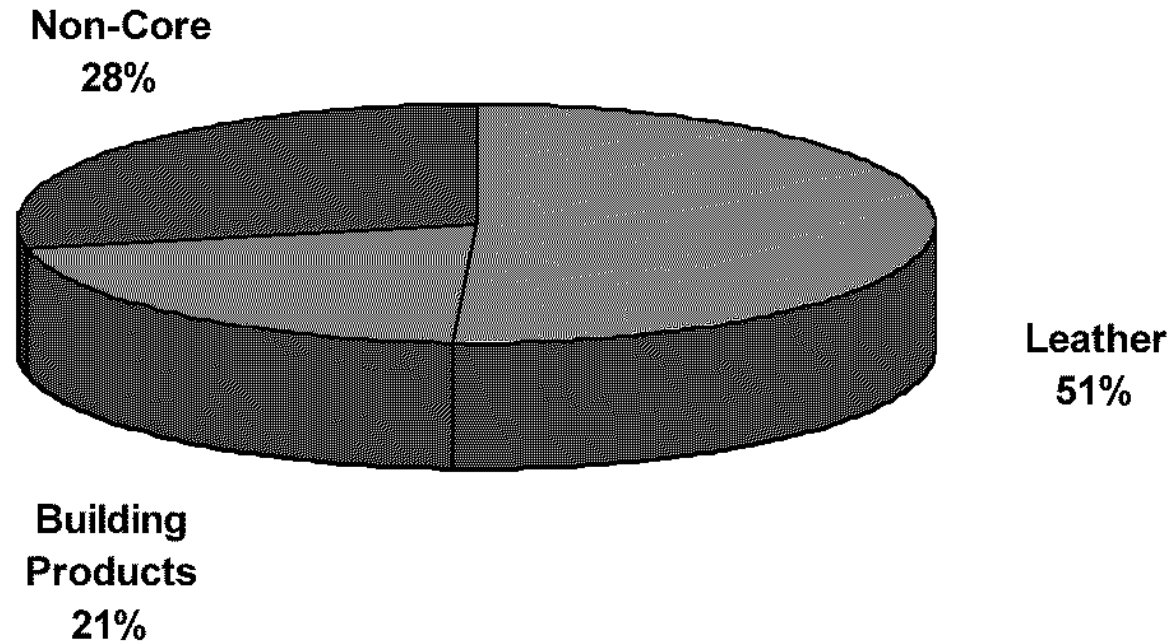
To be number one or number two in each of our markets as measured by profitability. SFC will achieve this by:

- Being a world low cost producer
- Maintaining a leading distribution network
- Constant attention to detail

Performance Summary

	6 mths Dec 02	6 mths Dec 03
Revenue (A\$m)	125	104
Net Profit (A\$m)	10.3	10.1
EPS	\$0.76	\$0.73
ROCE	29%	28%
EBITDA (A\$m)	21.2	19.5
Ordinary Dividend	\$0.50	\$0.50
Special Dividend	-	\$0.20
Payout Ratio	66%	96%
Interest Cover (EBIT)	8.6	8.3
Cash Reserves (A\$m)	15.5	24.3
Net Debt/Equity	70%	50%

Dec 2003 EBIT Contribution



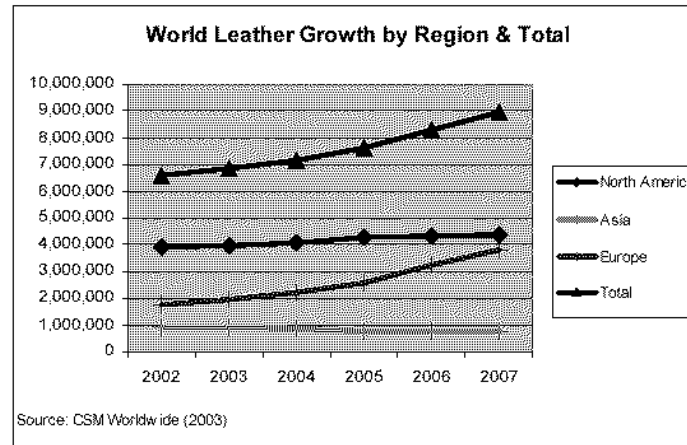
- Return on Capital Employed – 28%

Operations - Leather

(A\$m)	6 mths Dec 02	6 mths Dec 03
Auto Revenue	87.3	66.0
Furn Revenue	12.7	8.3
EBIT	14.0	8.6
EBIT Margin	14.0%	11.6%

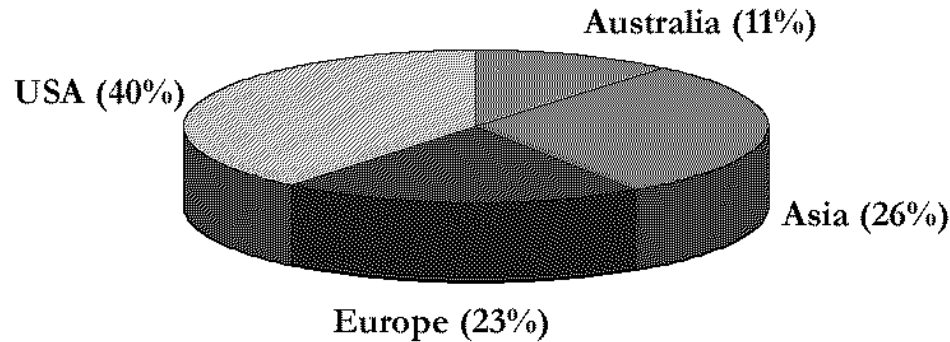
- Dec 03 Automotive revenue is reduced due to:
 - Lower selling price (\$11.6 M of which \$A impact is \$10.4 M)
 - Lower volume (\$9.7 M) due to the loss of the Mitsubishi contract (\$5.2 M) and program timing
- FX Impact - Automotive
 - 70% of Revenue is currently in USD
 - Current sensitivity (unhedged) is A\$500k per 1 cent appreciation in A\$
 - Decreasing sensitivity to USD as an increasing proportion of revenue is denominated in Euros (BMW, Audi, Land Rover)

Automotive Leather Market



- A\$4.5bn global automotive leather market growing at 7% p.a.
- 2002 global leather penetration of 15% (6.5 M vehicles).
- Howe has an established market presence from which to build.
- Howe is ranked 6th (by revenue) globally.

Howe Sales by Region



- Sales focus is on the high growth European and Chinese markets.
- Howe is planning to establish an additional cutting plant in Eastern Europe or China by end 2004 to support new sales programs and reduce costs.

Approved Supplier Status

- BMW



- Audi



- Porsche



- General Motors



- Ford



- Chrysler



- Land Rover



- Subaru



- Mitsubishi



- Toyota



- Honda



- Suzuki



- Mazda



- Nissan



Competitive Advantages

- Consistent supply of raw materials:
 - Australia has the 4th largest cattle herd globally
 - Secure supply of disease-free hides
 - Range of hides to match product requirements
- Modern, global scale finishing facility:
 - Commissioned 1998
 - 50% operational overcapacity
- Quality Culture:
 - Automotive supplier since 1930s (GMH), 1980s (BMW), 1990s (Ford, GM USA)
 - Experienced Management team and skilled workforce
- Established Global Customer Base:
 - Accredited Supplier to all major automotive manufacturers including BMW, Ford, GM, Honda, Subaru, Volvo, Audi

Building Products



- **Urbanstone** Premium paving products, Australian distribution network.



- **Delta** Pre-cast and pre-stressed concrete floors, beams & wall products.

Building Products Performance

	6 mths Dec 02	6 mths Dec 03
Sales	18.4	19.5
EBIT	2.9	3.6
EBIT Margin	15.8%	18.5%

- Margins should be maintained in a highly competitive market.

Competitive Advantages

■ Urbanstone

- ❑ Plant flexibility
- ❑ Cost control
- ❑ Distribution network
- ❑ Product innovation
- ❑ Premium branding

■ Delta

- ❑ Cost efficient product
- ❑ Pre-stressed niche
- ❑ Capacity
- ❑ Distribution

Non-Core Investments – Realising the Value

■ Investment Property

- At December 31, SFC had JV interests in 7 commercial and retail properties valued at \$24.2 M with \$15.3 M of associated debt and generating an EBIT of \$1.5 M.
- The balance of the portfolio should realise profit of \$5.0 M, \$15.3 M of debt reduction and net cash of \$6.8 M over the next 3-5 years.

■ Development Property

- \$3.6 M net cash to be generated over the next 4 years (after debt reduction of \$1.7 M).

Dec 03 Debt Position

	Recourse	Non-Recourse	Total Debt
Operating Businesses	1.4	38.7	40.1
Property	8.4	8.6	17.0
Group Debt	8.0	48.8	57.1
Cash on Deposit			24.3
Net Debt			32.8

- The ALH Subordinated Debt and the Investment Property Debt is effectively “structural” debt.
- The \$38.7 M ALH subordinated non-recourse debt facility expires in 2012 and has low financial risk.
- The Group has un-drawn debt facilities of \$42 M.
- Net Debt has reduced by \$14.4 M since Dec 02.

Cash Flow

(A\$ M)	Dec 02 6 months	Dec 03 6 months
EBITDA	21.2	19.5
Less Net Interest	(1.9)	(1.6)
Less Tax Paid	(5.1)	(6.2)
ALH Change in Working Capital	2.3	1.6
Other Change in Working Capital	1.3	(3.3)
Other (Provisions, Entitlements)	1.7	2.0
Share Issues (option exercise)	0.4	0.7
Property Disposals	-	11.3
Total Cash Generated	19.5	24.0
Debt Reduction	1.1	7.5
Capital Expenditure	1.5	2.4
Acquisitions	1.4	-
Dividends Paid	5.6	10.9
Increase in Cash	9.9	3.2
Total Cash Applied	19.5	24.0

Outlook – Earnings

- Automotive Leather – Program timing issues and a strong A\$ are impacting volume and margins. In the short term there is continued earnings uncertainty driven by A\$ volatility and the timing of new program deliveries (Howe will commence supply to Audi and Land-Rover during the second half of calendar 2004)
- In the medium term there are significant opportunities to win new programs in a growing market. Howe is internationally competitive and has established global market shares from which to build.
- Building Products – Sustainable earnings and strong cash flow from niche businesses. Minimal capital requirements.
- Other Investments - Ongoing sale of investment properties generating profit, cash and reducing debt.

Outlook – Dividend Certainty

- SFC will pay an ordinary dividend of \$0.50 and a special dividend of \$0.20 (both fully franked) in March 2004.
- We expect to maintain a fully franked Ordinary Dividend of at least \$1.00 per share for FY04.
- We expect to pay additional Special Dividends totaling approximately \$0.80 per share (fully franked) over the next 3-5 years as the property portfolio is sold down.
- SFC intends to maintain a relatively high Payout Ratio:
 - Strong Group Cash Flow
 - Sound Balance Sheet
 - Dec 03 Franking Surplus (tax paid basis) - \$5.7 M
 - Ongoing Asset Sales