



Board of Directors and Key Management



TIMOTHY BURNETT
Chairman



MARK BENSON
Managing Director &
Chief Executive Officer



GREG FLETCHER
Non Executive Director



MALCOLM McCOMAS
Non Executive Director



STEVEN DADICH
Company Secretary



RUDY SHERIFF
Chief Financial Officer



ROBERT PATTERSON
Proposals Specialist



DAVID GRIFFITHS
Business Development
& Strategy Manager



IAN McLOUGHLIN
General Manager
Construction & Asset Services



JONATHON BROMILOW
General Manager
Civilbuild



MATTHEW REDMOND
BI & Operations Manager

Chairman's Address



Mr. Timothy Burnett
Chairman



I would like to take this opportunity to thank you as fellow shareholders for your continued support of Saunders during this past year.

The 12 months since the 2017 AGM has seen the Company deliver a disappointing financial result for the full year to 30 June 2018. The Company reported a net loss after tax of \$2.8 million on revenue of \$75 million, \$1.8m net underlying loss after tax excluding restructure costs. The loss is attributed to operational underperformance across a range of important project execution criteria.

The revenue of \$75 million was at a record level for the Company and 64% above the prior year and at face value this revenue level should have been the basis for a positive profit result.

This revenue included 12 months contribution from Civilbuild, confirming the decision to make the acquisition and demonstrating that division's ability to be an important contributor to the Group's profitability in the future.

The revenue included several large tank construction projects and a strong contribution from maintenance operations. It is pleasing that the decision to compete for work in PNG and the Pacific Islands contributed to the revenue for the year.

The above loss also includes a provision of \$1.45 million for a restructure of the tank related business and processes, which is being progressively rolled out.

The restructure underway will deliver long term benefits to the Group. The objective is to position the business to be leaner and more agile so that it can operate profitably in the current competitive and cyclical marketplace.

Mark Benson will expand on the FY18 financial result and the restructure in more detail in his address.

I note that early in the FY18 financial year the Company undertook a capital raising by way of a placement and rights issue. A net amount of \$7.9 million cash after the costs was raised. As this capital raising was more fully detailed in my 2017 AGM address, I will not elaborate further today on this matter.

The total dividend for the year was 1 cent per share, this being the interim dividend paid in September 2017. No final dividend is being paid.

The safety of our employees is our highest priority and we continually review safety performance and invest in improvements of the safety processes and systems. I am pleased that proactive and ongoing management and employee involvement has enabled the Group to achieve a 12% reduction in the TRIFR key performance indicator.

I wish to thank my fellow directors and on behalf of the board, I wish to thank all the Group's employees for their efforts during the year.

Managing Directors Address



Mr. Mark Benson
Managing Director &
Chief Executive Officer



Thank you Tim.

I would like to also extend a warm welcome to the Saunders International shareholders.

The 2017/18 financial year was challenging for the business. Although the business delivered a 64% increase in revenue from the prior period, including a full year of contribution from the Civilbuild business, the EBIT result was less than satisfactory. This was due to a combination of client issues and operational delivery on a few of our projects.

We are pleased that our safety performance is continuing to positively trend, and the result for the year minimised by our market diversification and growth strategy.

On the back of this result we have taken the opportunity to review the Group's structures, process and systems, and to shape a new invigorated business. Key initiatives of the plan include;

- Introduction of a new operating model and rightsizing of our organisational structure. We gained new leadership at senior management levels and with existing Saunders people we will focus and strengthen the Group.
- Implementation of a strengthened risk and governance framework which will lead to greater consistency, predictability and transparency at all levels and processes within the Company
- Review and reset the vision and values and identification of clear strategic priorities to enable us to deliver improved financial and operational performance from 2019 onwards.

Recognising the importance to implement these changes effectively without disrupting operational delivery, we have employed a dedicated Business Improvement Manager.

The long-term benefits of the business improvement program will enable the business to be more productive and innovative in the way it delivers projects for customers and position the group to operate profitably in the current competitive and cyclical market conditions.

Safety Scorecard

- LTIFR of 0.00 (Last LTI May 2013)
- Diversification into new markets and operating internationally affect injury frequency rates
- Following the acquisition of Civilbuild, TRIFR increased with the inclusion of their safety statistics, over past 12 months we have been able to achieve a 12% reduction in our combined statistics
- Group wide safety initiatives have been implemented to support strong safety cultures in new areas of our business



The safety and welfare of our employees is our highest priority and is a core value of the Saunders Group. Our approach is led from the top down supported by training, processes and systems. This continued management focus and active employee involvement helped the Group to an improved safety result over the previous year with a reduction of 12% in our Total Recordable Injury Frequency Rate (TRIFR).

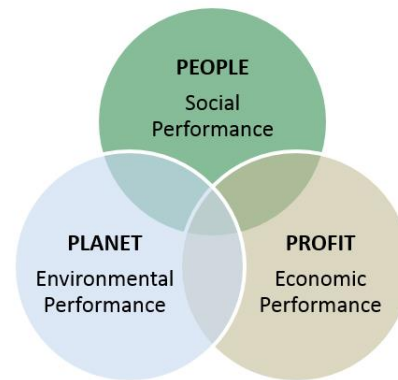
The improved performance as measured by our key lagging indicators, Lost Time Injury Frequency Rate and TRFIR are pleasing given the total workforce at 30 June 2018 increased by 15% from 2017 at 212 employees and included delivery of projects in PNG and New Caledonia. The increased level of workforce was driven by the delivery of multiple large construction projects in the Engineering Construction group. Levels of activity in Asset Services and Civilbuild remained consistent and we continue a focus on reducing risks in everything we do.

Our People



- Attract female employees to Saunders to non-traditional roles
- Ongoing management support

PEOPLE, PLANET & PROFIT



2018-2019 Focus: People & Gender Diversity

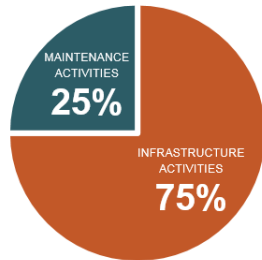


It is important to Saunders to have the right diversity and quality of skills and experience to support and drive the business forward.

In 2018 we have been successful in attracting high quality female candidates to senior project roles and we will strive to improve gender diversity in our workplaces into 2019.

Our Business

Revenue Distribution



International Footprint



NSW, VIC, QLD, SA, WA,
PNG, NEW CALEDONIA

Revenue
FY 2018

\$75M
Up **65%**

Order Book
As at August 2018

\$42M
Down **8%**

Underlying loss excluding
restructure costs (NPAT)

\$1.8M
Down **228%**

Live Tender

Down **21%**

Pipeline

Up **14%**

(Compared to 30th June 2017)



We finished the year with a satisfactory position with orderbook slightly down 8% from the prior year at \$42 million. Detailed review of the live tenders has resulted in a reduction of 21% with the pipeline up 14%.

Revenue distribution was heavily weighted towards infrastructure construction projects at 75%. This was a result of full year trading of the Civilbuild division and delivery of multiple tank projects in the year. Maintenance activities contributed 25% to the result.

We have continued to expand our international operations with one project in New Caledonia and our PNG business completing two projects.

Financial Performance

CATEGORIES	30 JUNE 2018 FULL YEAR \$'000	30 JUNE 2017 FULL YEAR \$'000
Revenue	\$75,368	\$45,805
Net (loss)/profit before tax	(\$4,213)	\$1,336
Net (loss)/profit after tax	(\$2,840)	\$1,428
Net (loss)/profit (%)	(3.77%)	(3.12%)
Restructure costs net of tax	\$1,013	-
Underlying (Loss)/Profit excluding restructure costs net of tax	(1,827)	-
Return on equity (%)	(14.2%)	11.9%
Basic earnings per share	(3.03c)	1.76c
Work in hand	\$43M	\$46M



This financial year has seen increased Revenue for the Group, up 65%. EBIT for the year was below budget and has been impacted by two-loss making projects, due primarily to client delays and increased costs to complete these projects as a result of extended durations.

Our operating results for FY18:

Revenue for the year \$75.4 million

Net loss after tax (\$2.8 million)

Underlying loss excluding restructure costs net of tax (\$1.8m)

Highlights FY18

- Safety performance continues to improve with **entire group remaining LTI free since May 2013**
- **65% increase** in revenue for FY18
- Strengthened **position in PNG**
- Remain preferred contractor on a bulk liquid storage **terminal opportunity**
- **Mining activity increasing** with Projects in PNG, New Caledonia and Central NSW
- Infrastructure diversification **displaying good pipeline**
- Implementation of **Internal Business Improvement Project** and restructure to align with current market conditions
- Expanded delivery of international services



Some highlights for FY18 were:

Our safety total recordable injury frequency rate was reduced by 12% and we remained Loss Time Injury free

Continued International expansion in PNG and New Caledonia

Positive pipeline for Civilbuild reinforcing our Infrastructure diversification strategy

Renewed focus on adjacent markets with increasing activity in mining and minerals and reengagement into the water sector.

Challenges FY18

- Deterioration of FY18 profit caused by:
 - Project Delays and issues with Construction Project in Victoria
 - Project delays and issues on a Maintenance Project in NSW
- Result is inclusive of a provision for business improvement and company restructure, to provide a platform for future earnings growth in the current market conditions
- FY18 result includes costs to complete loss making projects

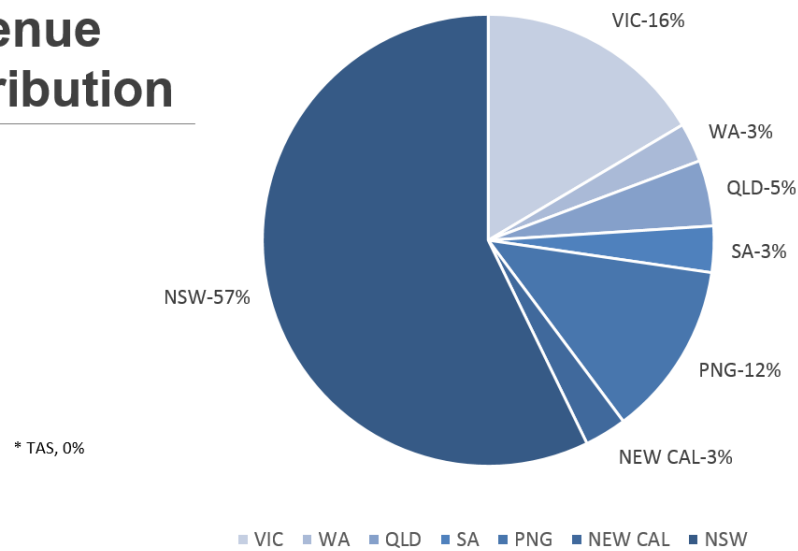


Challenges in FY18

As mentioned our result has been primarily impacted by two loss-making projects, due mainly to client delays and increased cost to complete these projects.

Practical completion has now been achieved on one of these projects in Victoria and a provision has been made in respect to the other job in NSW that is ongoing and should be completed in December 2018

Geographical Revenue Distribution



Saunders successfully delivered two projects in Papua New Guinea through our Saunders (PNG) Limited entity and securing and constructing a project in New Caledonia. The international components contributed 15% of reported revenue.

The majority of our work completed in FY18 was in NSW contributing 57% of our revenue.

Our Strategy

3 KEY ELEMENTS
TO THE SAUNDERS STRATEGY:

TRANSFORM

Business Restructure and Improvement Project

EXPAND

Focussed Business Development & Pipeline growth into adjacent sectors

ACQUIRE

Strategic growth acquisitions - Compliment the expansion plan



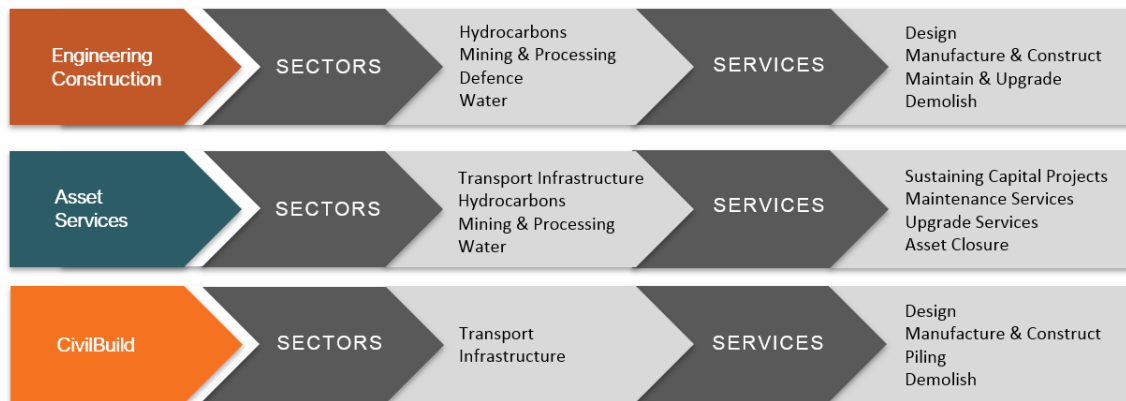
Our strategy over the next 12 to 18 months will build on three strategic pillars: Transform, Expand and Acquire.

Our overheads and operating model continue to be reviewed and right sized to enable the company to operate with a lower cost base whilst delivering high quality products and services to our customers.

As a result of the previously disclosed performance on projects, management has reviewed the risk and governance framework and are now confident that there is the right blend of business and project reviews in place across the business. This includes but is not limited to rigorous monthly project reviews and revised bid gate review processes, leading to management and the board being presented with improved information to make decisions.

Strategic Objectives

We deliver high quality engineered solutions across the complete asset life cycle.



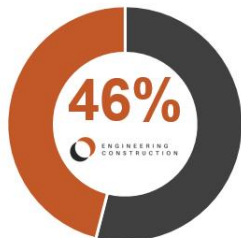
We are working towards a standard and consistent operating methodology being implemented across the company for the delivery of our core services.

Our Strategic Objectives:

- Expanding on recent project delivery in the mining and minerals sector and leveraging this performance in adjacent markets for our Engineering Construction group
- Expanding our maintenance offering to existing and new clients to achieve a balanced project portfolio for the business
- Expanding the Civilbuild business and taking advantage of the current infrastructure boom.
- Leverage on recent experience in the Pacific region and continue to pursue international opportunities

Engineering Construction

Revenue
Contribution
FY18



1. Lake Cowal project



2. Port Moresby Terminal



3. Yarraville Terminal



4. New Caledonia Acid Tank

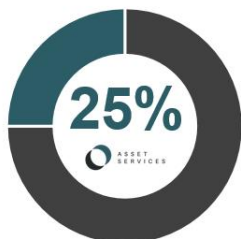
SAUNDERS
INTERNATIONAL

Some key Engineering Construction projects contributing 46% of Revenue are outlined on the slide:

Included on the above list are recently completed tanks for clients in the mining and minerals sector at Lake Cowal and New Caledonia.

Asset Services

Revenue
Contribution
FY18



1. Viva Refinery



2. Caltex Refinery



3. Altona Refinery



4. Peats Ferry Bridge

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INTERNATIONAL

Some key Asset Services projects contributing 25% of Revenue:

We continue to work with the oil and gas majors to execute maintenance and minor capital works projects through the Asset Services group.

Civil Build

Revenue
Contribution
FY18



1. Bullockey's Bridge Replacement



2. Mt Pleasant Road Rail Bridge



3. Hebden Road Rail Bridge



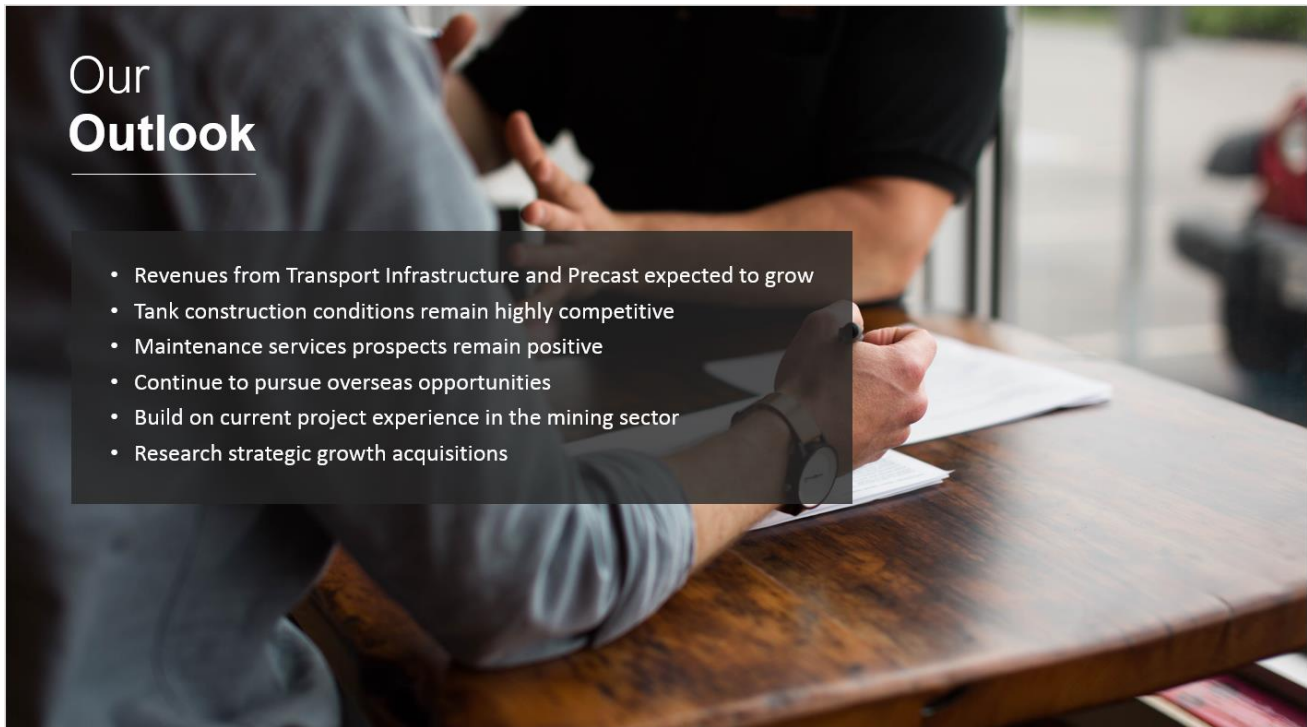
4. Mossvale Pedestrian Bridge



Saunders Civilbuild completed a full year of revenue with the group contributing 29% of revenue:

The group delivered multiple design and construction projects including complex road over rail and road over water projects during the year.

Saunders Civilbuild are now fully integrated into the Saunders group after recently moving onto the group ERP system in July.



Our Outlook

- Revenues from Transport Infrastructure and Precast expected to grow
- Tank construction conditions remain highly competitive
- Maintenance services prospects remain positive
- Continue to pursue overseas opportunities
- Build on current project experience in the mining sector
- Research strategic growth acquisitions

Our Outlook:

We have commenced the financial year with a sound order book for the Asset Services and Civilbuild groups and we will be looking to build on this during the year.

The current order book in the Engineering Construction group is less than optimal which will impact on FY19 Q1/Q2, but the pipeline of opportunities is solid and if successful we will recognise the contribution starting FY19 Q3/Q4.

The positive trends for infrastructure spending in NSW through 2019 and beyond represent a great opportunity for our Civilbuild group.

We are looking to leverage our recent experience in PNG, New Caledonia and Lake Cowal and secure further works in the blossoming mining and minerals sector.

The footprint created by the successful completion of international contracts has provided future opportunities for Saunders International and Saunders (PNG) Limited in the Pacific region.

We have progressed with some opportunities for our Asset Services group with our oil and gas clients.

However, all these opportunities are dependent on the customers proceeding with the above-mentioned projects and Saunders being successful in our share of contract awards.

Our Vision

We are driven by a commitment to safety, innovation, excellence and growth while delivering high quality engineered solutions across the complete asset life cycle



Our Values

Saunders Company Values

SAFETY

One team, one goal,
Zero harm

INTEGRITY

In all of our decisions

INNOVATION

Application of information,
Imagination & initiative

TEAMWORK

Passionate people working
together to deliver excellence

LEADERSHIP

The courage to shape our future

Values Aligned Employee Behaviours

- Safety first culture imbedded in everything we do
- Empowered to stop work
- In our behaviour at work and home
- Be accountable for our actions, results, successes and failures
- Be honest and reliable
- Deliver on our commitments
- Continually challenge ourselves to improve
- Anticipate and create solutions that meet our customers' needs and exceed their expectations
- Collaborate with others to bring ideas to life
- Inspire others to reach their full potential
- Collaborate with ourselves and our customers in finding solutions
- Recognise and reward high performance
- Show personal drive – engage with and motivate others
- Demonstrate the leadership to speak up and challenge the status quo
- Give clear, candid and timely feedback

In closing, even though it has been a tough year from a results perspective there have been positive outcomes, and in conjunction with the current business improvement program, this will hold us in good stead for future years. We remain in a leadership position in our core market and our diversification into the infrastructure market will position us for growth over the coming years.

I would like to take this opportunity to thank our Board for their guidance, all our stakeholders for their loyalty and support during this year, and particularly our people for their ongoing dedication, commitment and highly valued contribution.



Construction



Tank Maintenance



Bridge Construction & Maintenance



Structural Mechanical Piping



Wharf Repairs



Tank & Civil Construction



Fabrication



Concrete Repairs



Precast Manufacture

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