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Chairman



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Managing Director &
Chief Executive Officer



GREG FLETCHER
Non-Executive Director



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Company Secretary



RUDY SHERIFF
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JONATHON BROMILOW
General Manager
Civilbuild



MATTHEW REDMOND
Operations Manager



STEVE BAILEY
Operations Manager



RICK BURKE
SHEQ Manager



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

The Company delivered a disappointing financial result for the full year to 30 June 2019.

The revenue in FY19 of \$50 million was 33% less than the record \$75 million achieved in the prior year.

This year's revenue reduction is primarily due to tank construction activities contributing \$25 million less revenue than the prior year. The tank construction sector in Australia is experiencing a very price competitive cycle and it has been difficult for Saunders to win work, even at aggressively low margins. Tank construction opportunities in PNG and the Pacific Islands have been slower to come to market this year than we expected. The other business divisions contributed a similar amount of revenue in FY19 as in the prior year

The net loss after tax for FY19 of \$1.6 million is disappointing. This afore mentioned low revenue from tank construction activities was a significant contributor to the loss.

In view of the financial result in FY19, no dividend is being paid.

The previously advised operational and organisation restructure of the Company during FY19 is essentially complete. The severe revenue contraction experienced by the tank construction business in FY19 is vindication of the tough decision taken to shut down the workshop and move to a more flexible outsourcing model. Due to timing factors, the benefits of the restructure only marginally impacted on FY19. The full benefits are expected in FY20 and beyond.

Mark Benson will expand in more detail on the FY19 financial result and the restructure.

The pipeline of opportunities for all parts of the business looks positive and this and the restructure supports the objective of return to profitability in FY20.

The safety of our employees is our highest priority. 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 Company to achieve the milestone of 2 million manhours without a lost time injury. The board and management are committed to continual improvement of our systems, procedures and safety culture.

I wish to thank Malcolm McComas for his very valuable contribution to the board over the 7 years until his resignation in May. I thank my fellow directors and on behalf of the board, I wish to thank all the Company's employees for their efforts during the year.



Thank you Tim.

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

Our people have been the driving force behind Saunders International and with the recent material changes to our operating model, the board and management team are focussed on ensuring people and culture remains a high priority. I am confident that the future success of Saunders will be through building on the strengths of our people and our capabilities. I am also pleased that in line with our diversity program we have continued to attract high quality female employees, increasing 45% on FY18.

Managing Directors Address



Mr. Mark Benson
Managing Director &
Chief Executive Officer







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Although the 2019 financial results were unsatisfactory, the completion of the restructure program marks a significant turning point in Saunders International history. The measures taken as part of the restructure program have updated the operating model and strengthened the Group for future growth. The fundamental changes in the business will provide us the opportunity to shape a new business whilst maintaining our 68 year old core values.

Over the next few slides I will go into a bit more detail on our;

- Safety Performance
- Financial results for FY19
- what we have achieved as part of the restructure program
- Our current position for future growth
- Our strategic priorities and
- The Outlook for the Group

Safety Scorecard



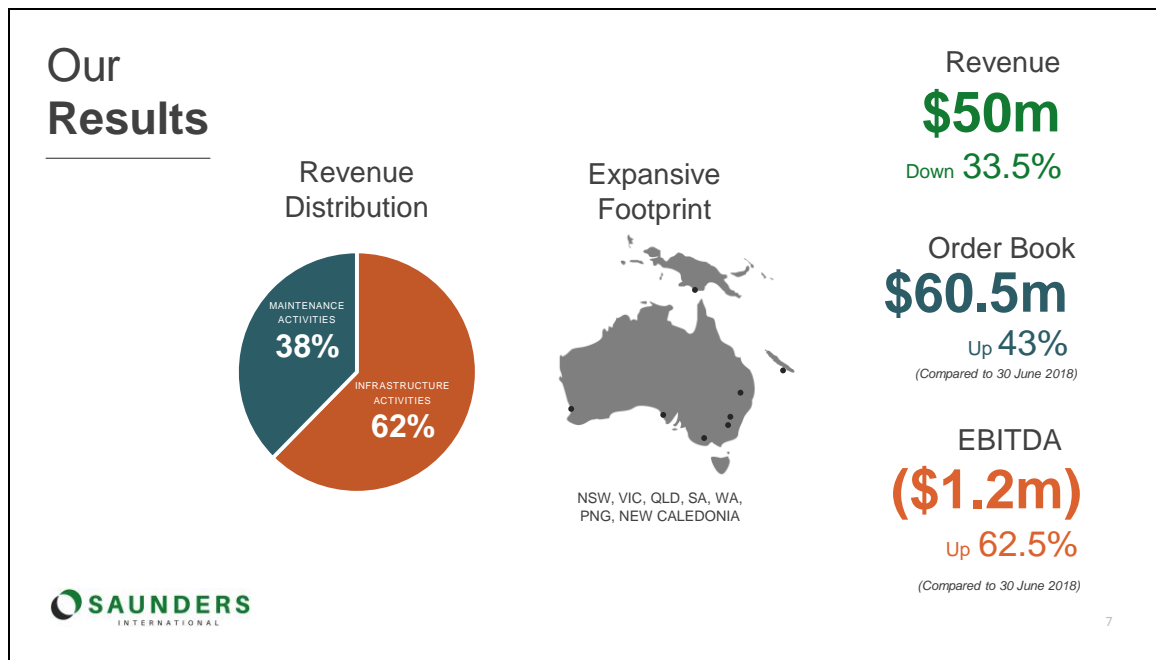


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The safety of our people remains a core value at Saunders and we have been working hard to ensure that this is embedded in our corporate culture. Safety represents one of the foundations on which our success is built and our safety culture starts with the Board and myself and extends throughout our management team to every individual who represents Saunders International.

During the year Saunders achieved improvements in safety performance with the Total Recordable Injury Frequency Rate or TRIFR over the past 12mths has reduced from 8.92 at 30 June 2018 to zero at 30 June 2019. We are also proud that in FY19 Saunders achieved 2 million man hours Loss Time Injury free.

We have also achieved ISO45001 safety accreditation 12 months ahead of July 2020 legislation requirement.



This financial year has seen revenue for the Group, decrease 33.5% to \$50m. The following factors contributed to the FY19 EBITDA result:

- a highly competitive market in the core tank construction sector has resulted in significantly reduced revenue and margins, with the tank construction group down \$25m on revenue from last year.
- Further losses on the now completed NSW bridge maintenance project, with a further \$0.9m spilling into FY19.
- There was an adverse \$0.6m impact on EBITDA due to our customer on the Lake Cowal project, EC&M Limited, entering voluntary administration.

Despite the challenges in our core tank construction sector the Group achieved revenue of \$50m through positive margin contributions from the Assets Services maintenance and Civil Infrastructure groups.

Upgraded Operating Model

“Saunders has successfully executed a revitalised operating model to deliver greater value to our customers and shareholders, through a lean and agile organisation”



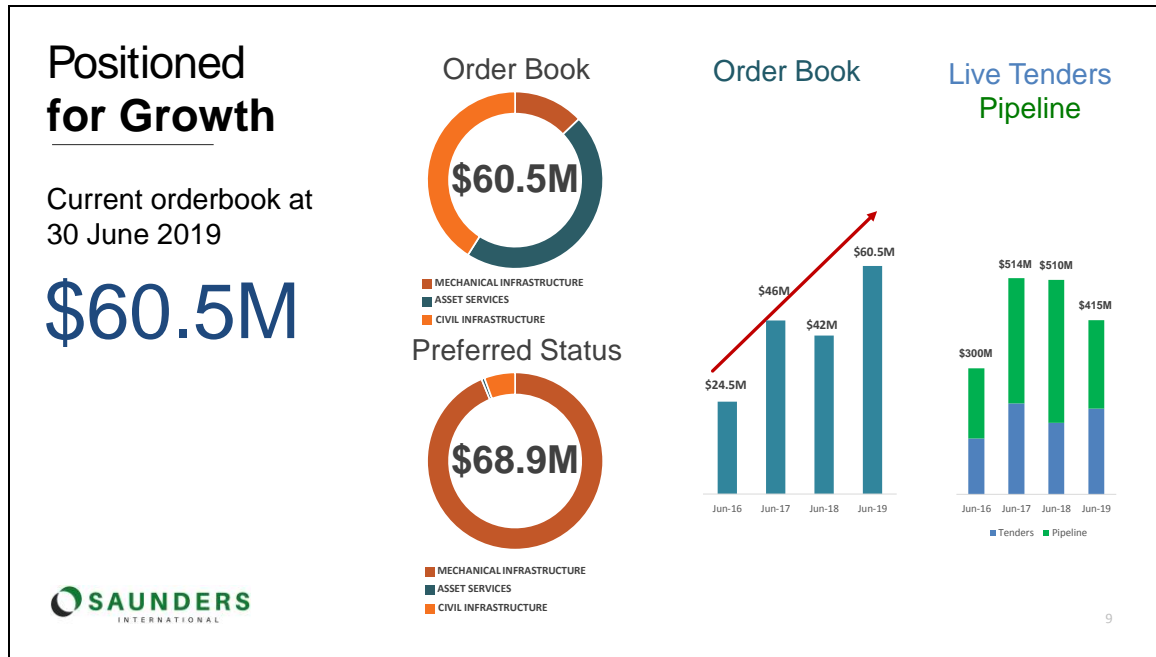
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In conjunction with the leadership team and our employees we have completed a significant amount of work to review our operating model and reposition Saunders. The renewed operating model has solid business foundations and when combined with our new strategic priorities, the Group has a clear path forward to achieving a turnaround in FY20 and beyond.

I am pleased that the key objectives that were set for this program were delivered on time and within budget.

The following outlines what was delivered in FY19:

- Closure of the Sydney workshop and relocation of head office to Rhodes which will reduce fixed costs by approximately \$1m per annum and our major plant and equipment was relocated to our Newcastle premises.
- Right-sizing of the organisational structure with the ability to flex in line with workload, without limiting the ability to service the current pipeline of projects.
- We established a national and international panel of fabricators
- We have gained new leadership at the senior management level and have seen our board composition change.
- We have further strengthened the risk and governance frameworks across the Group, which will ensure consistency, predictability and transparency across the bid, win deliver functions.
- Development and implementation of Saunders Project Management System (SPMS) to ensure that all projects are delivered uniformly across the business.
- The IT architecture and security was upgraded
- And the development of the 2025 strategic priorities for Saunders.



Despite the Group being in a period of transition and the continued high competition in the Mechanical Infrastructure market we have continued to win projects resulting in an orderbook increase of 43% from 30 June 2018 to a value of \$60.5M at June 30 2019, with a majority of this to be delivered in FY20.

The Mechanical Infrastructure division has been awarded a \$4.5M project in FY20 and has recently been advised of preferred contractor status for a \$7.3M project. Both are in the Defence sector. The Civil Infrastructure group reported a record orderbook, with forecasted strong spending to continue in the road and rail infrastructure sector.

There are a further \$415M of opportunities in tenders and pipeline and we are preferred for \$68.9M. We are seeing increased tendering activity in the Defence and Asset Services sectors with stable margins forecast.

Strategic Objectives

"Building on our foundations to deliver for our shareholders"



MECHANICAL INFRASTRUCTURE

- Position the Group for success on upcoming new terminal projects through strategic partnering.
- Integrated Services offering for terminal and refinery maintenance
- Expand on our SMP success.



ASSET SERVICES

- Expand our maintenance and shutdown offering into industrial markets.
- Position the Group for upcoming long term maintenance contracts.
- Expand our geographical footprint



NEW SECTORS

- Expansion into Defence, Energy, Paper and Sugar sectors.
- Continue to pursue PNG and other international opportunities with our key clients.
- Expand core business offering, partnering with the Civil Group.





CIVIL INFRASTRUCTURE

- Develop long term relationships with local government authorities.
- Expand our national footprint.
- Develop bridge maintenance business.

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Our new 2025 strategy was recently endorsed by the board and includes clear initiatives to continue the diversification and growth of the business, with a focus on higher margin projects driven by our technical engineering capabilities. During the year Saunders accelerated its plan to move into new markets,

The following are some key achievements during the year:

- Secured new contracts in the Defence sector,
- The Mechanical Infrastructure group was recently advised of preferred status for the construction of tanks, on a major project in the Defence sector.
- We launched our integrated maintenance service offering to customers – including SMP, Electrical, Shutdown services, Protective coatings and Civil.
- Secured our first Industrial shut down project in the Pulp and Paper sector through the Assets Services division.
- Recently added to the National Maintenance panel for an oil major.
- Awarded maintenance projects in our non-traditional Victorian regions.
- Commenced our entry into the Victorian Civil Infrastructure markets, with four bids already submitted in FY20.

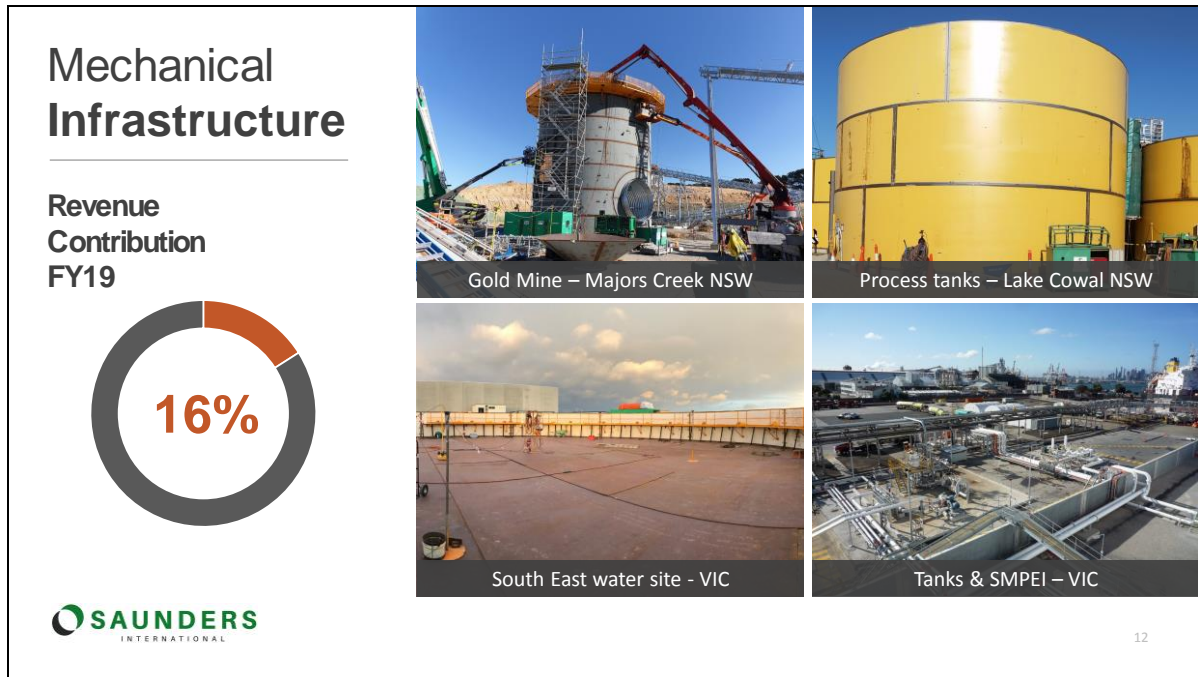
With the organisation restructured, overhead resized, improved systems and processes and the implementation of a stronger risk management framework the focus for the Group will be to deliver improved project profitability and stronger cash conversion. Through these changes the medium term plan should result in a step change in the business through FY21. We will also continue to look at new and adjacent opportunities if they are aligned to our strategic plans.



Our Projects

"Delivering project excellence enabling our clients to meet their challenges today & into the future"

I will now take you through our three groups and show you a few example projects. These projects give an insight into the diversification of the Saunders Group, the services we perform and the strength of our client relationships.



The Mechanical Infrastructure group’s FY19 result was impacted by challenging operating conditions. This is mainly due to a combination of delays in project opportunities available and margin pressure due to high competition.

This group contributed 16% of the full year revenue in FY19, down \$25m from FY18.

We are pleased that our entry into the Defence sector is tracking ahead of schedule. We have been awarded a tank construction project in this sector with this project commencing in Q3. This group has recently been notified of preferred contractor status for another tank construction project in Defence, estimated at approximately \$7.3M.

The project pictures above include the completed tanks for clients in the mining and minerals sector at Lake Cowal,

The Design and Construction of a water tank in Victoria
and a Structural Mechanical Piping project for a major oil customer.



The Civil Infrastructure group contributed 46% of the full year revenue in FY19.

The group delivered multiple design and construction projects including complex road over rail and road over water projects during the year. The Sydney Jane Street Bridge project represented two of the longest precast girders at 75m to ever travel to Sydney in a 200 metre long convoy, each beam weighing over 180 Tonnes.

With the continuing Infrastructure boom in NSW there will be more opportunities available in this group over the coming years. We will continue to ensure leaner production of our precast components and expand our bridge design and construction capabilities to other regions including Victoria.

At a gross margin level, the civil infrastructure group achieved a 50% improvement in its contribution to the bottom line in FY19.



The Asset Service division contributed 38% of the FY19 revenue.

We announced a letter of intent in H1 FY19, for a program of works with an oil major in Brisbane. We have successfully completed one tank in this program of works, with three more to complete in FY20. There are a further two more tanks currently being tendered at this site.

Saunders has recently been placed on a new supplier panel for mechanical maintenance works across Australia for an oil major.

As discussed, the Asset Services group has been awarded a new contract for shut down services in the pulp and paper Industrial sector and is in the final stages of completing their first piping contract in the Defence sector.

Our Outlook

- Increasing opportunities in Asset Services division
- Opportunities in the Civil Infrastructure division remains healthy, with good prospects with Local Government Authorities.
- FY20 revenue expected to be higher than the previous corresponding period
- Major Mechanical Infrastructure projects in pipeline expected to generate revenue opportunities in FY21 and beyond
- Strong balance sheet provides advantage over competitors and potential capacity for future investment.
- Continue to research and track acquisition opportunities to deliver strategic growth



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Turning to the FY20 outlook, there are positive signs in the markets that the Asset Services and Civil Infrastructure divisions operate within. We will be leveraging our recent successes to position these divisions to continue to win and deliver new projects in FY20 and beyond.

Despite the continued challenges in the tank construction market, we are confident that the recent changes made in the business will ensure that Saunders continues to be the market leader in the design and construction of tanks, and rebuild the order book. There is a good pipeline of opportunities and we expect that the tank construction sector will return to some regular state over FY20.

The Civil Infrastructure group has reported the highest order book in its 50 year history.

At present the overall Group's revenue for FY20 is forecast to be above the FY19 result and we believe the diversified business model now positions the company well for future growth with exposure to key sectors in the current economy, being Defence and Infrastructure.

We see PNG being quiet in FY20 but there are signs that FY21 will see increased project spending and we are now positioned to take advantage of these projects.

We have commenced the financial year with a sound order book and have added to this with some good wins across all our group's in FY20.

Our key business issue continues to be scale, with current competitive gross margins versus fixed overheads levels. We will continue to explore options to increase our scale over the coming years.

Overall, I am very happy with the changes made and the energy in the business. The entire management team is focused on returning the company to profitability in FY20.



Our company

Our future

Our time

MARK BENSON

Managing Director & Chief Executive Officer

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In closing FY19 was a demanding but critical year for Saunders International as we took the necessary steps to position the business for profitability and growth into the future.

I would like to take this opportunity to acknowledge the contribution of our people. Without their dedication and commitment, the achievements of FY19 would not have been possible.

My thanks to the Board and our shareholders for your continued support and confidence in the future of Saunders International.

Thank you and I will now handover to Tim to conduct the formal business.

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