



AGM 18 November 2014

MANAGING DIRECTOR'S ADDRESS

SAFETY

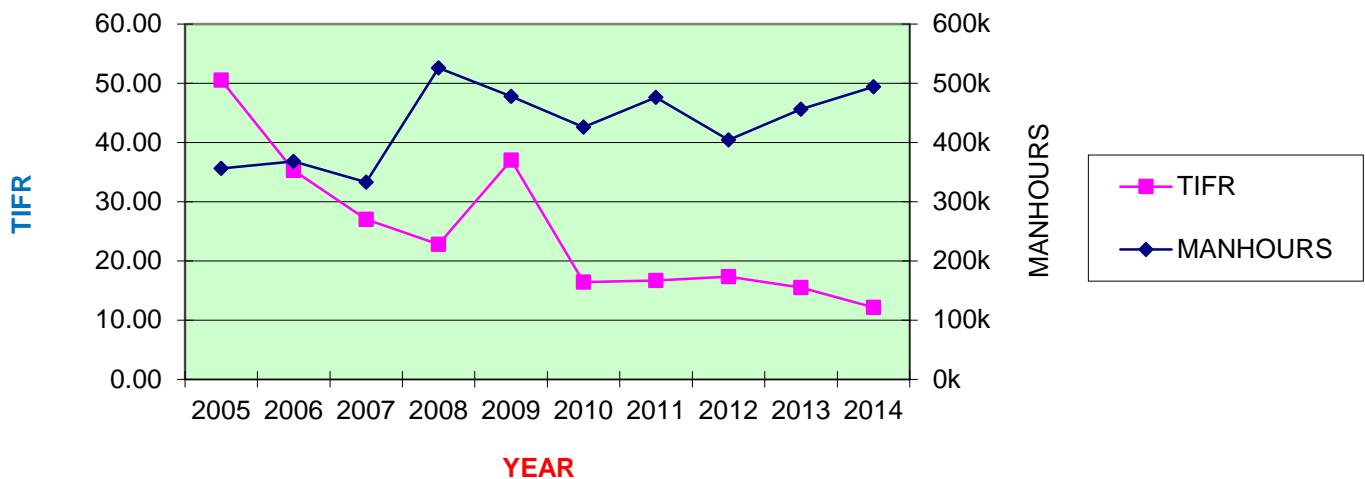
As usual at Saunders we begin with Safety.

As you will remember the industry mechanism for measuring Safety Performance is the T.I.F.R. – Total Injury Frequency Rate.

The FY2014 year was a successful year in that we continued to grow our workforce and also continued to reduce our T.I.F.R. (see below).

This is a great result and reflects the constant effort that all our people put into maintaining a safe workplace for all of us.

SAUNDERS SAFETY



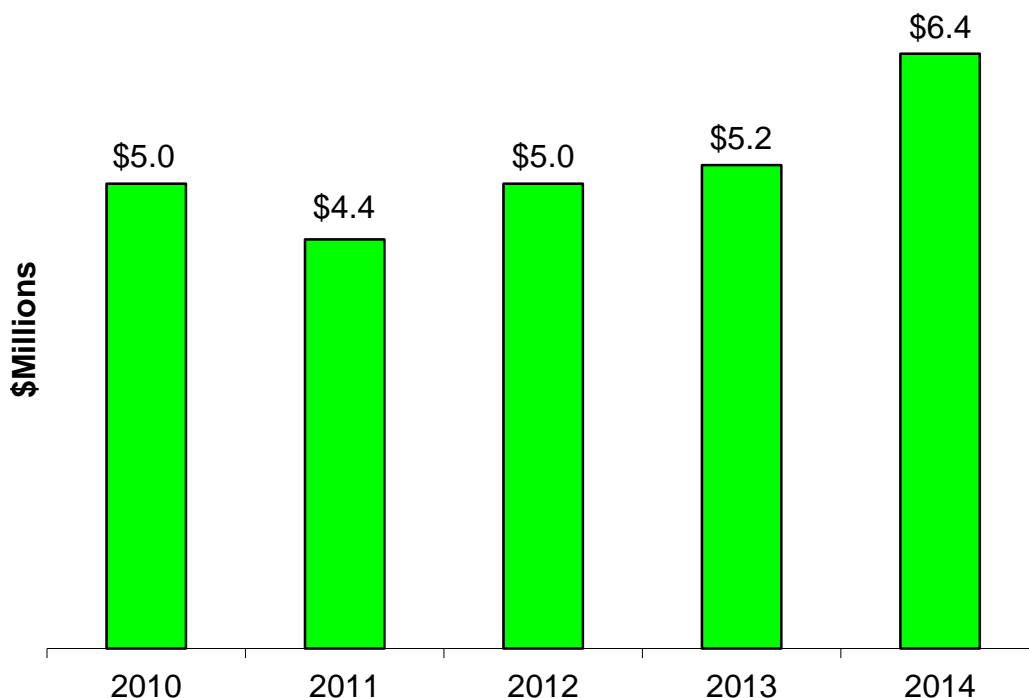
OPERATING RESULT

The net profit after tax for the 2014 financial year was \$6.4 million, return on equity was 33% and eps was 8.1 cents.

Let's take a look at the operating result (excluding legal costs and other abnormals). This will give you a better perspective of how the business operated in the last year.

Overall, our market remains very competitive and this improved result demonstrates our ability to operate profitability in less than optimal conditions.

NET OPERATING PROFIT AFTER TAX (excluding legal costs and other abnormals)



PROJECTS

This year we have worked on some impressive projects.

1. City West Water – West Werribee, VIC

2 x Ground Water Tanks

50m diameter

30 million litres



2. Caltex - Kurnell, NSW

50m diameter floating roof tank

Floating roof modules preassembled at Condell Park facility



3. Our Condell Park Workshop is an integral and critical part of every project.

This year we continued the upgrade of shop equipment with the installation of the new vertical blaster.



PEOPLE (roof high at Newcastle)

Our revenue climbed to \$69.4 million this year. Thanks to a great effort from all our people, we were able to execute this work safely and profitably. These are just some of the people who made it all possible. On behalf of the board I thank all our people and congratulate them for their efforts and achievement.



OUTLOOK

At year end we reported work in hand of \$28 million. The work in hand at the end of the first quarter stands at \$25 million. The pace of contract awards in this first half is slower than anticipated however, there are still some tenders scheduled for award in this first half and we are confident of adding to our work in hand. Whilst the delay in award of these tenders has impacted on FY 2015 first half revenue, proportionate adjustments have been made to resourcing and expenditure and first half profit is expected to be generally in line with the corresponding FY 2014 first half result.

Tendering activity remains strong and the value of live tenders (yet to be awarded) is approximately \$45 million. The pipeline of projects yet to be tendered remains strong at over \$100 million. As in prior years the timing of the award of these tenders will influence the financial outcomes of FY 2015 and FY 2016.

The conversion of Caltex, Kurnell refinery to terminal operations is well underway while the conversions at Shell, Clyde and BP, Brisbane are expected to get underway in the second half of FY 2015 and will provide opportunities for Saunders.

The increased activity that we foreshadowed from both Australian and International terminal operators is gaining momentum with all operators planning expanded storage facilities. The recent public discussion regarding energy security and in particular fuel security may add to this momentum. The increased requirement for new terminals and new tankage generated by these planned expansions will provide opportunities for the Company in the coming years.

In closing, I would like to thank you all for coming and I now hand you back to the Chairman.

For further information, please contact:-

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About Saunders International Limited

Saunders specialises in the design, construction and maintenance of steel bulk liquid storage tanks and associated infrastructure and services a variety of "blue chip" clients ranging from multinational oil, gas and mining companies to water authorities.