FULL YEAR RESULT 2012

Matrix Composites & Engineering Ltd

16 August 2012

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OVERVIEW

- Overview
- Financial Results
- Strategy & Outlook

OVERVIEW – HIGHLIGHTS FY2012

- Ramp-up to target production rates
  - 72 per cent of target production output achieved in Q4 FY12
  - Target production output achieved in August 2012
- Development of a strong safety culture
- Recapitalisation of balance sheet
- Expansion of well construction and SURF ancillary product ranges
- Strengthened global network
- Record earnings from MOSE

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OVERVIEW – CHALLENGES FY2012

Internal - Addressed

- Commissioning of the syntactic foam plant
  - Lower than anticipated production
- Major capital expenditure completed
- Development of financial and commercial processes

External

- Adverse impact on revenue and margins
  - Competitive pricing pressure
  - Continuing strong AUD against USD

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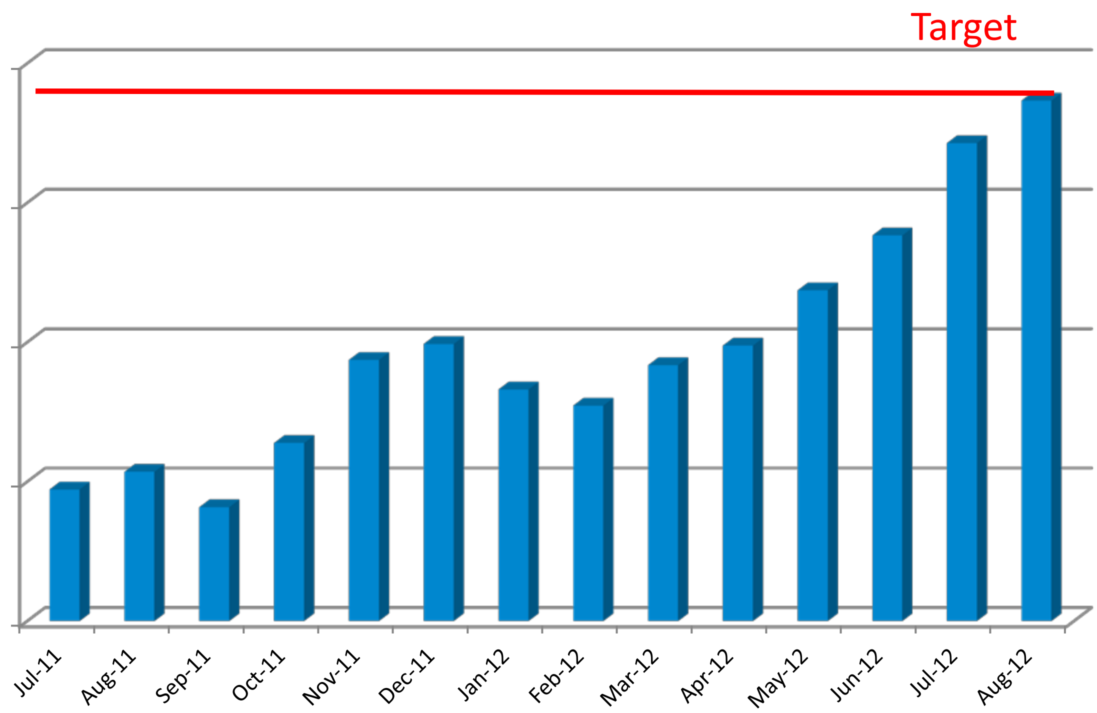
OVERVIEW - PRODUCTION

- New safety initiatives
  - lowest LTIFR (1.1) ever achieved across the Group (as of 1/8/12)
  - lower than the average recorded by PACIA's chemical and plastic industry members (3.6 and 15.2 respectively)
- Final stages of commissioning at Henderson plant
  - 72 per cent of target production output achieved in Q4 FY12
  - 90 per cent of target production output achieved in first six weeks of Q1FY13
  - Target production output achieved in August 2012
- Completed decommissioning of Malaga composite operations

OVERVIEW – TARGET PLANT CAPACITY

Henderson Plant Target Capacity: July 2011 – 11 August 2012



- 90 per cent of target production achieved in first six weeks of Q1FY13

OVERVIEW - SALES

- USD757 million pipeline and quote book
- Current USD98 million order book (as at 1/8/12)
- New contracts, new clients, new regions

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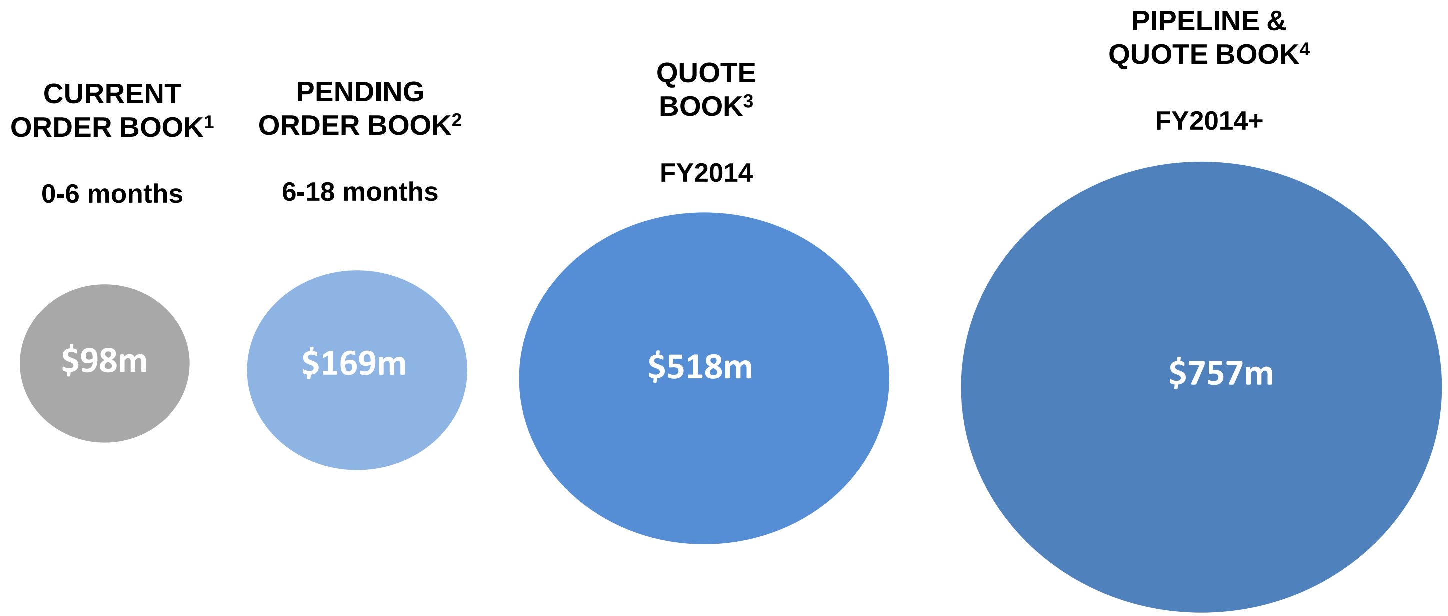
OVERVIEW – ORDER BOOK & PIPELINE

Order Book & Pipeline (USD) as at 1/8/12



- Pipeline & quote book - $757m and rising
  - See following page for order book/ pipeline definitions

OVERVIEW
ORDER BOOK & PIPELINE KEY

[1] Current order book – the value of contracted work (where a purchase order (PO) has been received) that has not been produced/ delivered to client

[2] Pending order book – the value of contracts under negotiation where no formal PO has been received although Matrix has a high degree of confidence in securing the contract

[3] Quote book – the value of all contracts that Matrix has quoted on or responded to via tender (includes pending order book)

[4] Quote book and pipeline – the value of the quote book plus opportunities that Matrix has identified and tracked that will require goods and services manufactured and supplied by the Company

FY 2012 FINANCIAL RESULTS

FINANCIAL PERFORMANCE OVERVIEW

		FY2012	May guidance	FY2011
Revenue	$m	144.8	140 to 150	174.6
EBIT (reported)	$m	(23.2)	-	43.5
Non-recurring	$m	20.9	-	-
Adjusted EBIT	$m	(2.3)	-	43.5
OPBT (excl forex/int rate)	$m	(22.5)	(20) to (23) [1]	40.6
OPBT (reported)	$m	(25.7)	-	42.5
NPAT	$m	(14.4)	-	30.2
EPS (basic)	cps	(18.4)	-	41.4
DPS	cps	2.0	-	8.0

[1] Excluding forex and interest rate movements

FINANCIAL PERFORMANCE OVERVIEW

- Group result consistent with May guidance
- MOSE generated strong earnings
- Buoyancy revenue impacted by:
  - Lower than anticipated production
  - High AUD exchange rate
  - Competitive pricing pressure
- Buoyancy margins adversely impacted by:
  - production below breakeven during commissioning phase (48 per cent of potential capacity)
  - Higher than anticipated fixed costs during commissioning
  - Increased raw material consumption during commissioning
  - Non-recurring costs associated with commissioning Henderson and decommissioning of Malaga operations
  - Duplicate fixed manufacturing costs

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FINANCIAL PERFORMANCE NON-RECURRING ITEMS

	$m
Duplicate manufacturing costs	6.9
Malaga decommissioning costs	4.5
Warranty claim	1.0
Foreign exchange losses	2.4
Interest rate swap	0.8
Write-off of plant & equipment	4.8
Malaga redundancy costs	0.5
Total non-recurring costs	20.9

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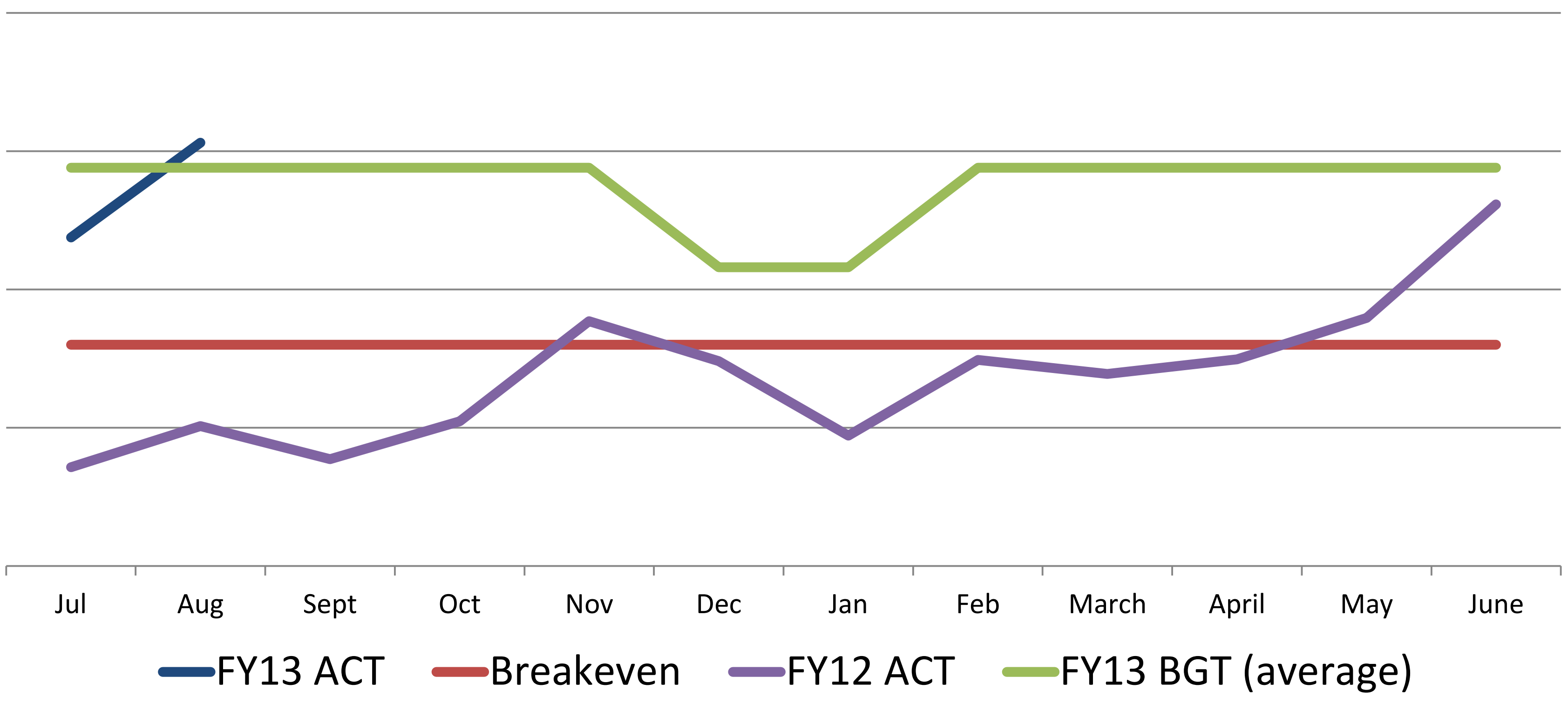
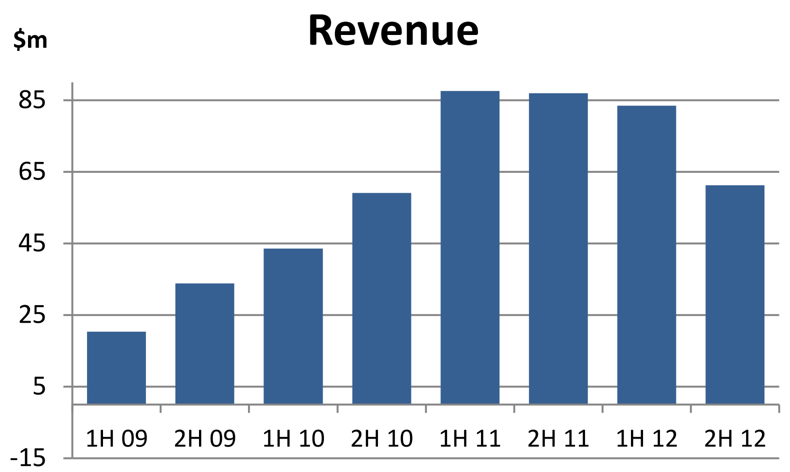
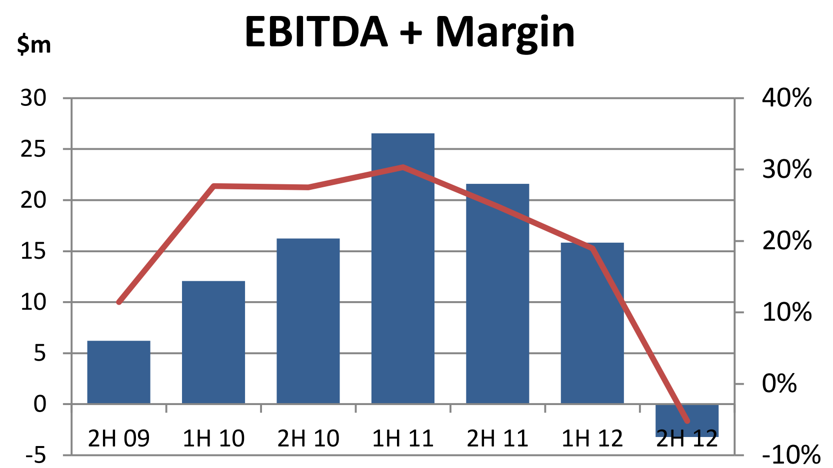
PRODUCTION V FIXED COSTS



- FY12 operated below cash breakeven for much of the year
- FY13 targeting production well above breakeven
- FY13 actual (to date) ahead of budget

FINANCIAL OVERVIEW





Revenue Analysis

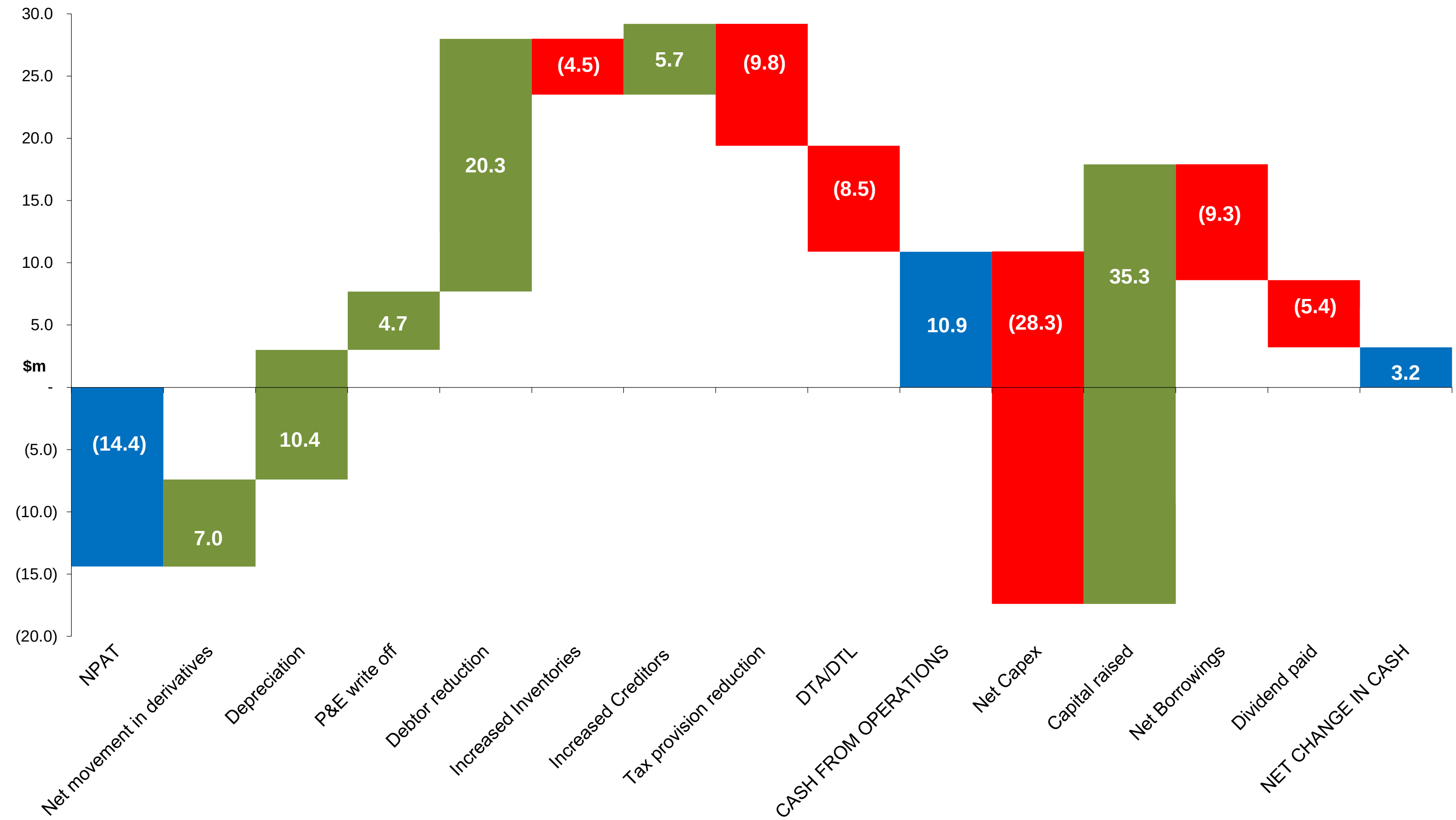
- AUD Revenue growth slowed in FY12
  - Capacity constraints
  - Impact of high AUD
  - Competitive pressures
- Plant now operating at capacity

Margin Analysis

- EBITDA & Margin impacted by:
  - Lower production arising from commissioning
  - AUD appreciation
  - Competitive pressures

* 2012 normalised

CASH FLOW



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BANKING FACILITIES

- Matrix breached its Operating Leverage covenant at 30 June 2012. Breach caused by:
  - Cumulative losses in FY2012
  - Non-cash adjustments to balance sheet
- Debt temporarily reclassified as current due to technical requirements of Accounting Standards
- Subsequent to 30 June 2012 Matrix has secured new increased facilities with its bank providing:
  - Guarantee facilities for provision of performance bonds
  - US$10 million working capital facility
- Bank waiver provided and Matrix not in breach of any covenants

BALANCE SHEET

Balance sheet

- Negative net debt
- Reduced gearing
- Strong TWC position

Debt facility

- New Debt facility established
- Core debt reduced
- Inc. working capital facility
- Inc. guarantee facilities

$m		June 12	June 11	June 10
Total Assets		210.4	206.3	134.1
TWC		25.6	37.1	26.3
Total Equity		136.7	121.9	58.4
Net Debt/(Cash)		(3.2)	8.6	(5.5)
Interest Cover	(times)	n/a	49.9	73.7
Net Debt : Equity	%	(2.3)	7	(9.4)
Net Debt : EBITDA	%	n/a	18	63

$m	31 July 2012	30 June 2012
Debtors	30.5	12.1
Cash on Hand	15.4	29.9
Facility Headroom [1]	10.0	-
Total Liquidity	55.9	42.0

1. Based on new facilities

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FINANCE PRIORITIES

Process Improvement		ERP Review	
Improve finance processes	✓	Identified requirement for systems upgrade	✓
Identify process improvements	✓	Process mapping project - integration of finance with operations (Phase 1)	✓
Purchasing processes for working capital efficiencies	◁▷	Process review to improve processes (Phase 2)	✓
New chart of accounts - cost centres for accountability	✓	ERP selection (Phase 3)	◁▷
Budget and corporate planning processes	◁▷	ERP implementation (Phase 4)	◁▷

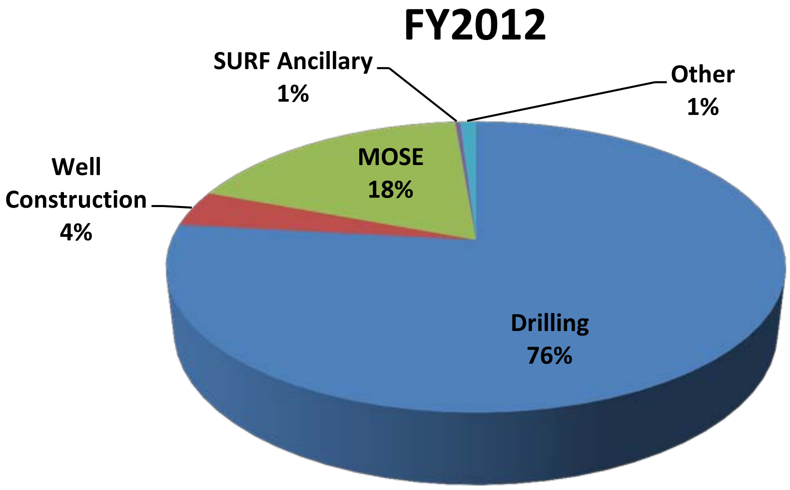
STRATEGY AND OUTLOOK

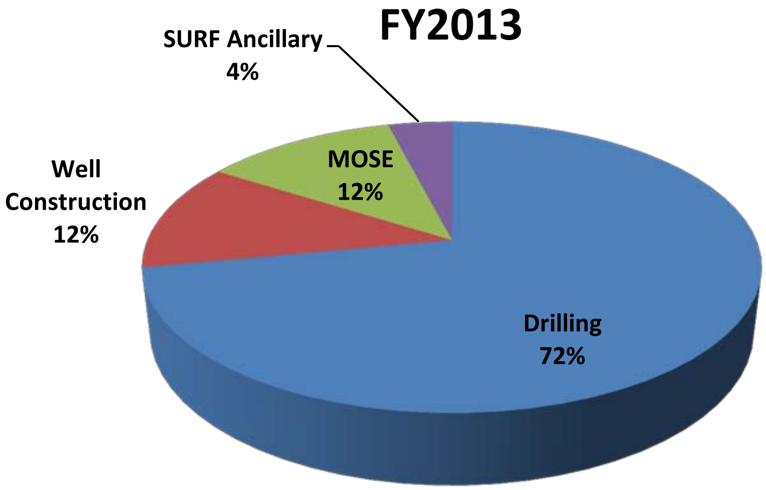
GROUP STRATEGY

- Optimise plant revenue
  - Focus on high value syntactic foam products
  - Continue to achieve target production rates
- Cost control
- Closely manage working capital
- Develop a high performing organisational structure
- Diversify revenue sources and product applications

IMPROVING REVENUE DIVERSIFICATION

- Increasing revenue diversification reflects aggressive market penetration in ‘new’ product groups





HENDERSON BENEFITS REALISATION

	Status
Increased production capacity over Malaga by 75 per cent	✓
Ability to meet tighter client deadlines – Improved turnaround times	✓
Operational efficiencies	✓
– Lower direct labour costs at target production output	✓
– Lower internal logistics and warehousing costs	Ongoing
– Total number of sites reduced from 7 to 1	✓
– Warehousing consolidation	Ongoing

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HENDERSON BENEFITS REALISATION

	Status
Safer production processes – lowest LTIFR (1.1) ever achieved across the Group (as of 1/8/12)	✓, Ongoing
Ability to produce a diverse range of product lines	✓, Ongoing
Improved product quality and consistency	✓, Ongoing

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SHORT TERM OBJECTIVES

- Continuous process improvement to achieve increased target production rates and productivity
- Generate target revenue from global network
- Increase tooling capacity to support growth in well construction product line (centralisers)
- Aggressively market new SURF ancillary and well construction products
- Continue to develop offshore maintenance and site services capability

OUTLOOK

- Macro outlook for oil and gas sector remains strong
- Drilling/ SURF ancillary products
  - structural shift to deepwater drilling and production underpins demand
- Drilling products
  - global capex for subsea well and trees to increase significantly from 2012 to 2016
  - no. of ordered/ optional new-builds steady until 2018
  - no. of existing rigs increasing to 2018
  - drives demand for replacement riser buoyancy market

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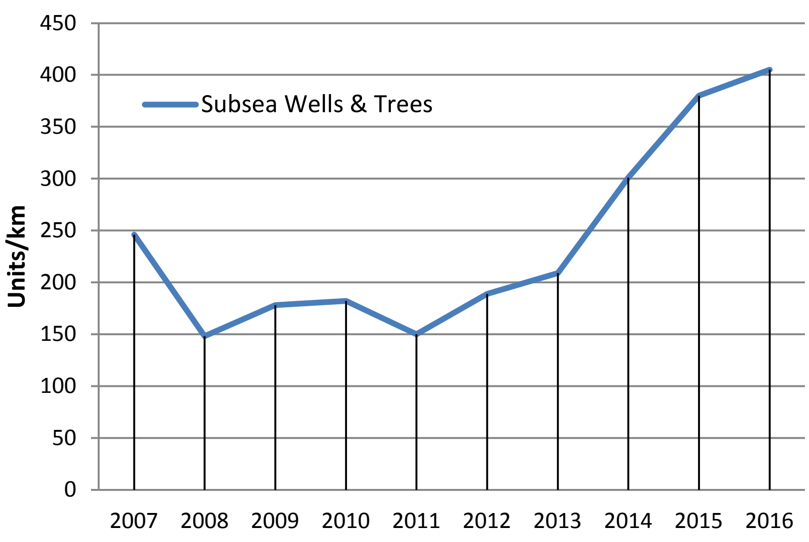
OUTLOOK

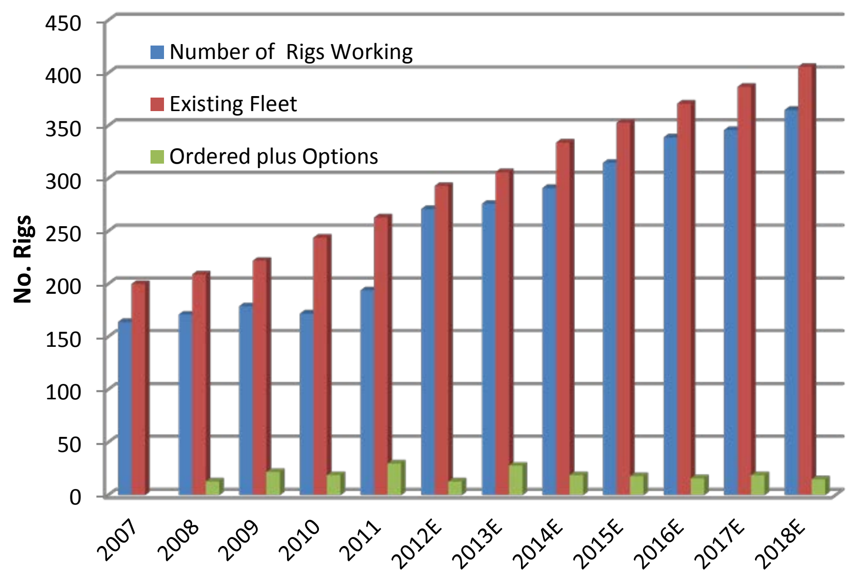
Drilling Products

Subsea Wells & Trees – Global Capex Units/km by Component



Source: Douglas-Westwood

World Floater Supply



Source: Morgan Stanley, Matrix Composites & Engineering

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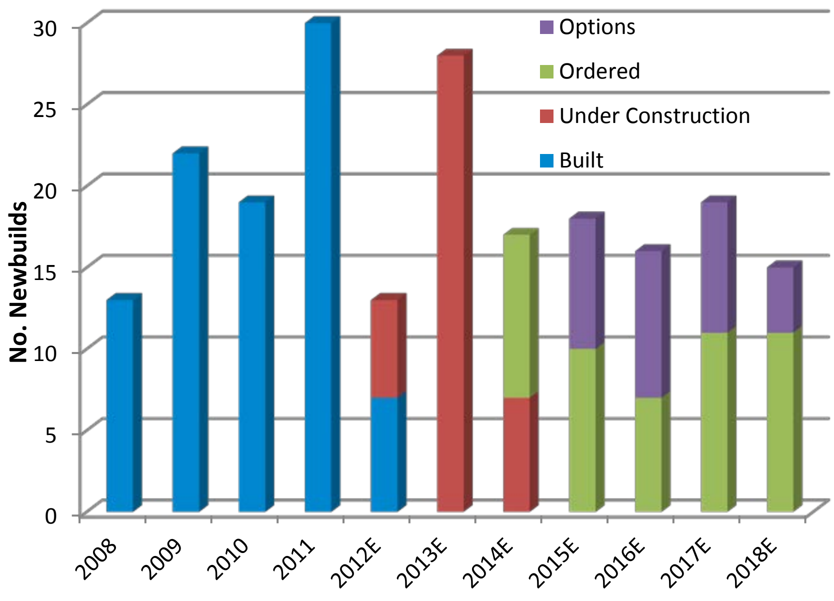
OUTLOOK

Drilling Products

No. Newbuilds by Delivery Year



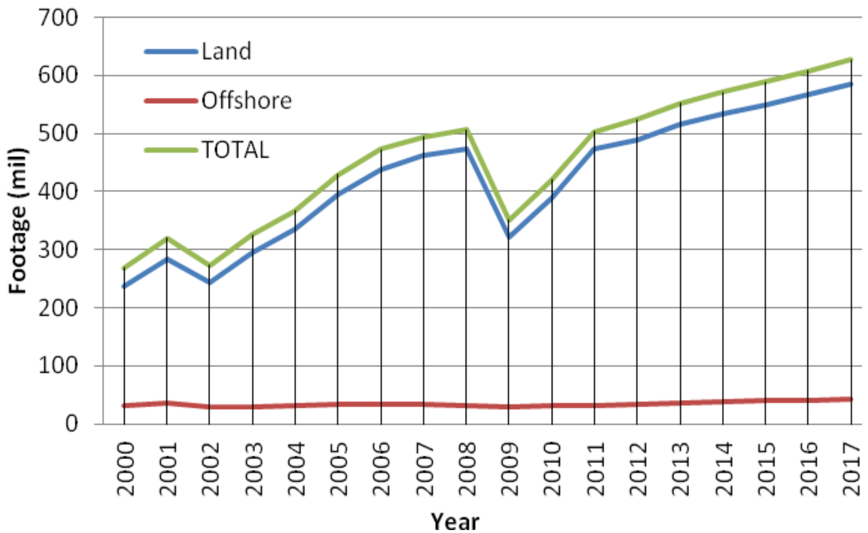
Source: Morgan Stanley, Matrix Composites & Engineering

OUTLOOK

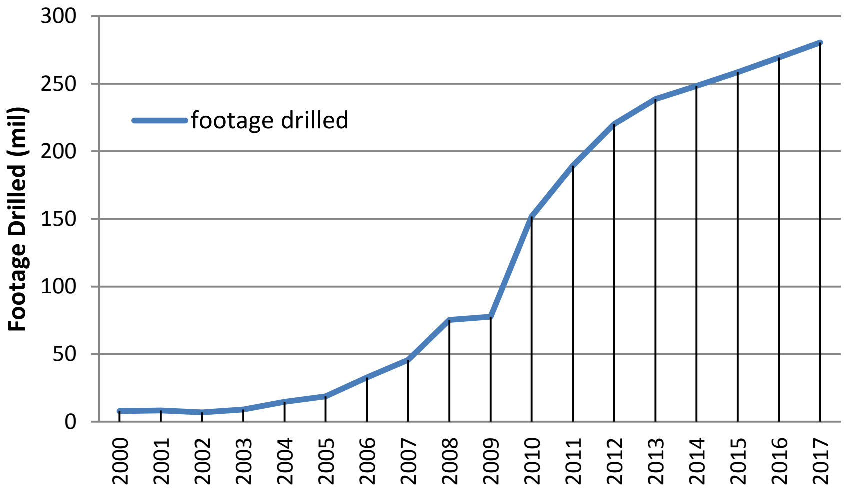
Well Construction Products

- Total footage drilled worldwide increasing, especially in the US
  - drives demand for new low friction centralisers

World Drilling & Production Outlook
Land & Offshore (excludes Russia, China, Central Asia)



US Drilling & Production Outlook
Horizontal Footage Drilled (mil)



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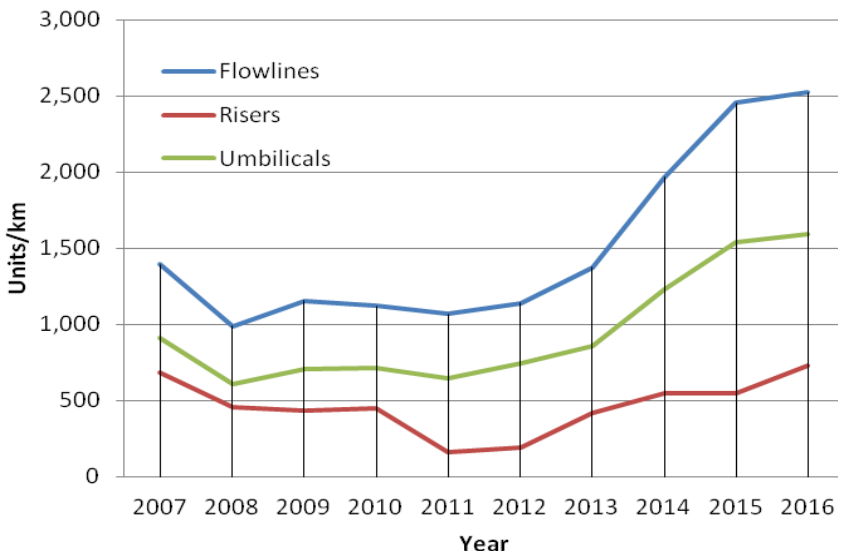
Source: Baker Hughes, Spears & Associates

OUTLOOK

SURF Ancillary Products

- Deployment of subsea flowlines, risers and umbilicals forecast to increase significantly
  - Drives demand for SURF ancillary products

Global Capex – Units/km by Component



Source: Douglas-Westwood

OUTLOOK

- MOSE – backlog of mining equipment related work likely to soften in the medium term. This will be offset by the growing offshore and maintenance services market.

SUMMARY

- 2012 – a year of transition
- 90 per cent of target production output achieved in first six weeks of Q1 FY13. Target production output achieved in August 2012
- Completion of heavy capex programme
- Strong quote book and growing order book
- Expansion of well construction & SURF ancillary product lines
- Strengthened global network
- Investing in operational and commercial processes, and systems to support future growth
- Continued strong capital expenditure in oil & gas sector
- **Well positioned for 2013 and beyond**

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