

2 November 2016

Chairperson's Statement – 2016 Annual General Meeting

Introduction

Ladies and Gentlemen, I would now like to provide an overview of Matrix's performance and key developments in the year before we commence the formal business of today's meeting.

FY2016 performance

It is well known that global energy prices declined further and remained at depressed levels throughout the 2016 financial year. As a result, there was subdued demand for equipment and services provided to the sector. While our standing in the market as a supplier of choice is unquestionable, this did not make us immune from these global factors, with demand for our buoyancy products in particular impacted as drillship utilisation and day-rates declined to low levels.

Despite the challenges, I am pleased to say that we have been able to readily adapt in a low oil price environment. The Company was able to fully repay its term debt and Matrix ended the year with a strong, clean balance sheet in a net cash position. Alongside that, we have also invested in new technology for future growth.

Turning more specifically to the financial performance, our FY2016 revenue of \$95.7 million was approximately one-third lower than FY2015. However, our operating margins remained positive, with the Company reporting an underlying EBITDA of \$11.3 million. Matrix reported a small net loss after tax of \$2.1 million, which included a number of one-off costs such as redundancies, a loss on the sale of our former Malaga workshops, and foreign exchange losses.

Matrix's positive cash flow of \$2.8 million from operations despite the subdued oil and gas environment reflected improvements to our cost base throughout the year and an ability to target new markets, such as the Middle East and Asia for our well construction products. In terms of our debt position, the Company turned around to a \$3.6 million adjusted net cash position at 30 June 2016 from a \$7.8 million net debt position 12 months earlier.

The Board elected to not declare a dividend to ensure that the business maintained liquidity and retained its strong balance sheet. In the year, Matrix also concluded an on-market buyback of shares that commenced in FY2015 as part of our ongoing capital management strategy. In total, 6.6 per cent of all shares traded over the period the buyback was active were acquired.

Strategic initiatives

We have been unwavering in our commitment to develop and grow Matrix's operations to ensure the business can capture opportunities in the short to medium-term, as well as positioning Matrix to benefit from a recovery in energy prices over the longer-term.

In the year, we ensured Matrix continued its commitment to research and development to protect and strengthen our market and technology-leading position. We also developed and launched new products tailored to current conditions, such as the revolutionary drag reduction product LGS.

Whilst Matrix was working to reduce and eventually eliminate its term debt, we continued to align the business's cost base to reflect the current environment, whilst maintaining the flexibility to increase production when the time is right. These measures have continued into the current year as we adapt to changing conditions. Our Managing Director and CEO Aaron will expand on these achievements and the current initiatives in his presentation to be delivered to you shortly.

Safety

In this market, safety remains of critical importance - and I am proud that our strong commitment to the welfare of our people has ensured Matrix stands out in this regard. In the year, we built on the strong safety record achieved in the 2015 financial year, with the Company once again recording a Lost Time Injury Frequency Rate of zero. This marked 25 months of no lost time injuries across the business at 30 June 2016 and we have pleasingly recorded no lost time injuries to date in FY2017. In addition, our Total Recordable Injury Frequency Rate in FY2016 was less than a third of FY2015.

Executive changes

I would like to acknowledge some executive appointments and resignations that have taken place during the 2016 financial year and into the current year.

In October 2015, Matrix welcomed Adam Santa Maria as Joint Company Secretary and Group Legal Counsel. Adam has brought a wealth of experience to Matrix, gained through providing advice through a number of significant corporate transactions as well as to leading Western Australian companies.

In August 2016, we announced that Brendan Cocks would succeed outgoing Chief Financial Officer Peter Tazewell. Brendan has more than 20 years' experience across a broad range of industries, including manufacturing, resources, retail, and professional services, and has seamlessly fitted into the team since joining Matrix. On behalf of the Board, I would like to take this opportunity to welcome Brendan to the role and thank him for his contribution to date.

Outlook

While the Company continues to experience subdued markets, the Company's strong balance sheet position ensures Matrix is well placed to capitalise on a rebound in the energy sector and future growth opportunities. The Company will continue to focus on its core market in subsea buoyancy and will look to capitalise on new innovation with our Matrix LGS system and step out strategies identified by Matrix to drive business growth and development.

Conclusion

On behalf of the Matrix Board I would like to thank our senior management and employees for their commitment and hard work during the year. Low global energy prices have made it a challenging year for Matrix but one in which we have pleasingly maintained a positive operating margin and cash flow, eliminated our term debt, launched new products, and delivered on a number of important strategic initiatives that best position the business to be adaptable to the changing environment. I would like to thank shareholders for their support throughout the year and we look forward to building on opportunities in FY2017 that are targeted at generating shareholder value.

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About Matrix Composites & Engineering (MCE)

Matrix Composites & Engineering ('Matrix') manufactures and supplies engineered products and services to the global energy sector. Matrix has an established reputation for developing and utilising advanced composite and polymer materials technologies and innovative manufacturing processes. This means its products are stronger, lighter and longer lasting, and can be manufactured and delivered within shorter timeframes.