

HALF YEAR RESULT 2013

Matrix Composites & Engineering

28 February 2013



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AGENDA

- CEO Overview
- 1HY 13 – Financial Results
- Operational Review
- Group Strategy
- Outlook

CEO OVERVIEW

Aaron Begley



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FINANCIAL OVERVIEW - 1H FY13

- Total revenue - \$81.6m ↓ 2.3%
 - MCM revenue ↓ 6.0%
 - MOSE revenue ↑ 23.2%
- MCM revenue adversely impacted by continuing strong AUD, lower than anticipated production output and continued unit pricing pressure
- EBITDA \$6.4 m ↑ 592%
- Balance sheet stabilised with strong working capital metrics
- Cash flow positive with significant debt reduction
- No dividend
- Order conversion strengthening in 2H13
- 0 Group LTIFR

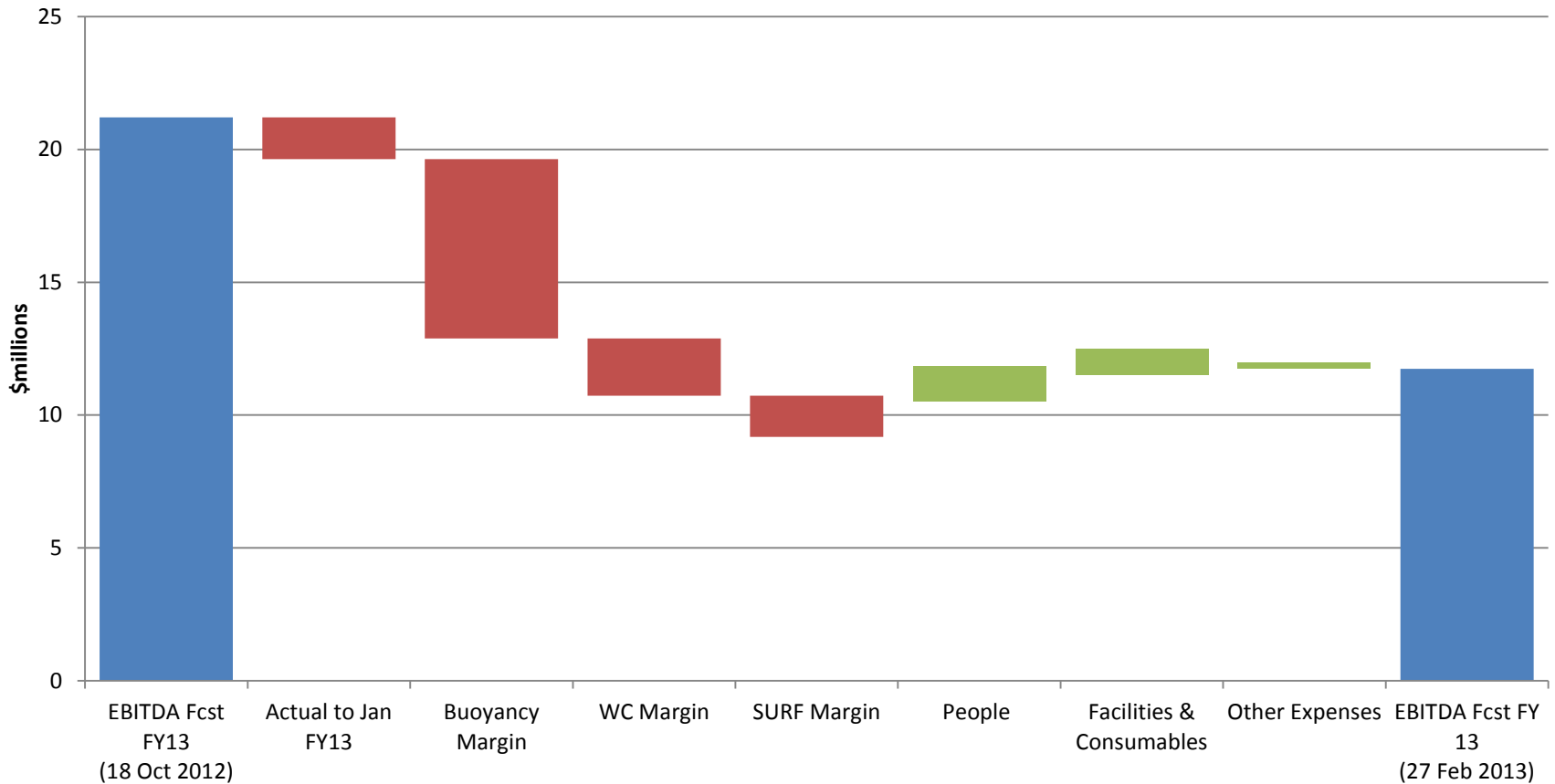
EARNINGS GUIDANCE UPDATE

		Revised Guidance	Previous Guidance	
			Low	High
Revenue	\$m	145.0	165.0	175.0
EBITDA	\$m	13.0	21.1	26.9
NPAT	\$m	1.0	6.6	10.9

- Forecast revenue adversely impacted by:
 - Lower buoyancy output
 - Lower centraliser sales
- Unit pricing remains relatively static

GUIDANCE BRIDGE

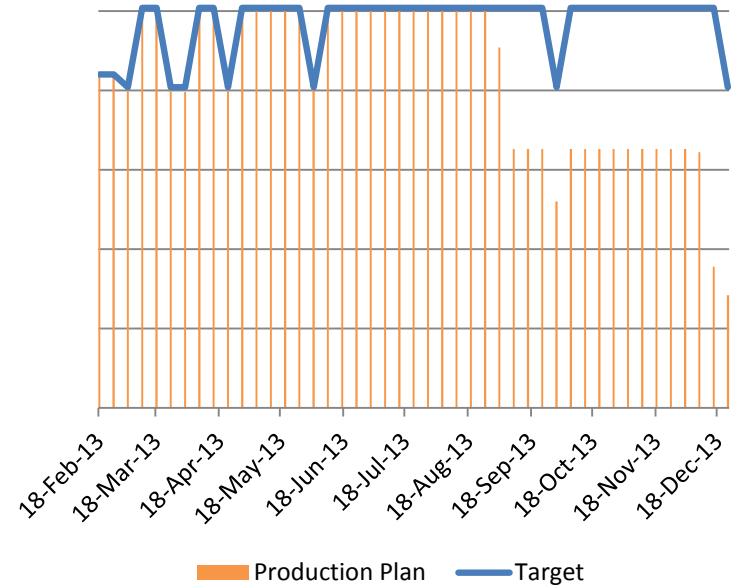
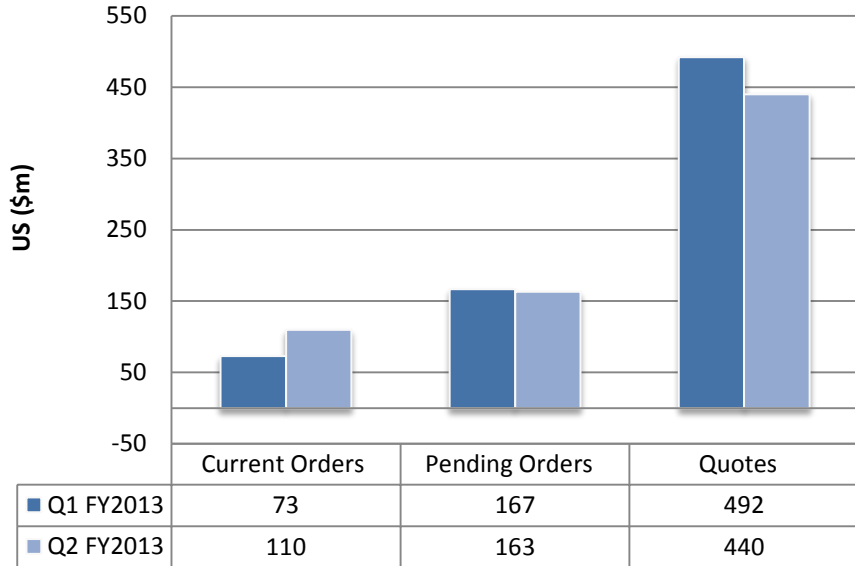
EBITDA Bridge from October Earnings Outlook to February Outlook



OPERATIONAL OVERVIEW - 1H FY13

- Rebuilding order book
 - Current backlog of 10 months (target 12 months)
 - Order conversion has improved since December 2012
- Continued strong quotation activity across all product lines
- Reconfigured plant shift roster and operational structure to improve flexibility and responsiveness to market demand
- Stabilisation of buoyancy production levels
- New centraliser product range developed to address customer requirements
- Continued to build SURF ancillary product line sales/ markets

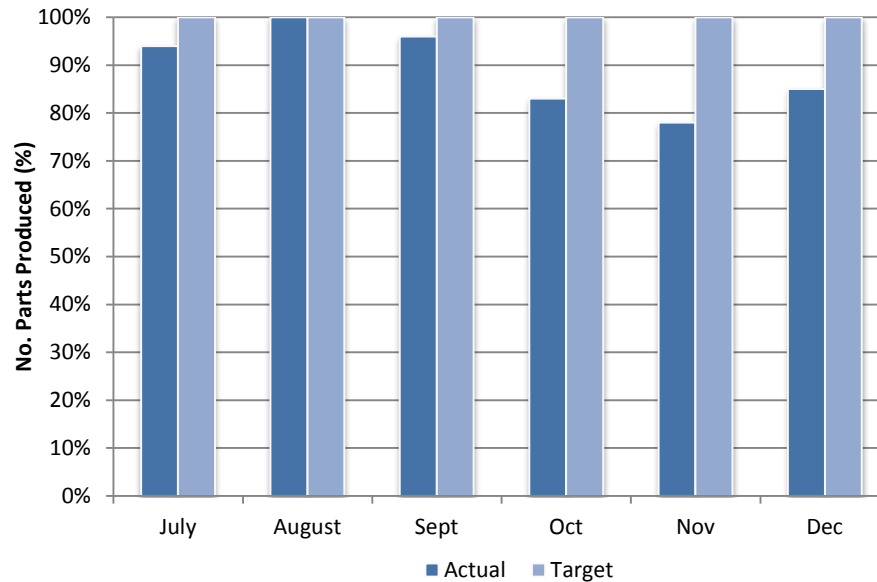
QUOTE & ORDER BOOK



- Growth in order book as order conversion rates improve
- Continued high quotation activity across all product lines
- Backlog growth to ten months
- US\$110m order backlog at 1 January
- US\$100m+ in new contracts awarded across all product lines

PRODUCTION

Actual v Target Production HY13



- Output adversely impacted by change in shift roster and Christmas shutdown
- Production has recovered to target shift rates by February 2013

OUTLOOK SUMMARY

- Strengthening order conversion for buoyancy products
- Production stabilised
- Cost and labour structures improving
- Centraliser volumes improving with new product development
- Services revenue softening

A photograph of a worker in a white protective suit and safety glasses, focused on a task. The worker is using a red and black power tool, possibly a sandblaster or grinder, connected to a yellow hose. The background is a blurred industrial setting with large windows and machinery. A decorative pattern of black dots is visible in the top right corner.

1H FY13 FINANCIAL RESULTS

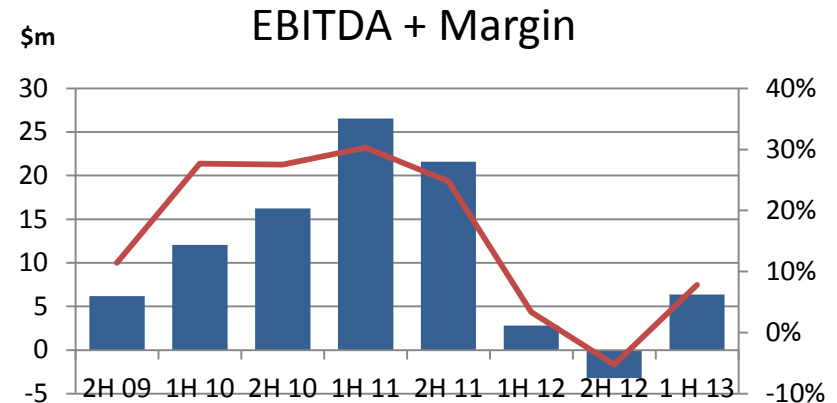
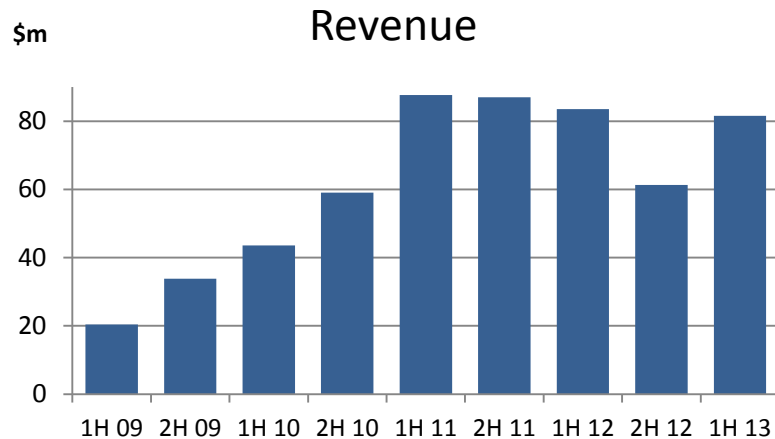
CFO – Peter Tazewell

FINANCIAL PERFORMANCE OVERVIEW

		1H 2013	1H 2012	Change (%)
Revenue	\$m	81.6	83.5	↓2.3%
EBITDA ¹	\$m	6.4	(1.3)	↑592.3%
Depreciation	\$m	(5.1)	(5.1)	-
EBIT	\$m	1.3	(6.4)	↑120.3%
Interest/Finance costs	\$m	(0.7)	(1.1)	↓33.7%
Pre-tax Operating Profit	\$m	0.6	(7.5)	↑107.8%
Tax (expense)/benefit	\$m	(0.1)	5.1	n/a
NPAT	\$m	0.5	(2.4)	↑107.8%
EPS (basic)	cps	0.6	(3.1)	↑119.4%
DPS	cps	-	2.0	↓100.0%

1 Includes overtime and redundancy costs of \$1.5m

FINANCIAL OVERVIEW - UPDATE



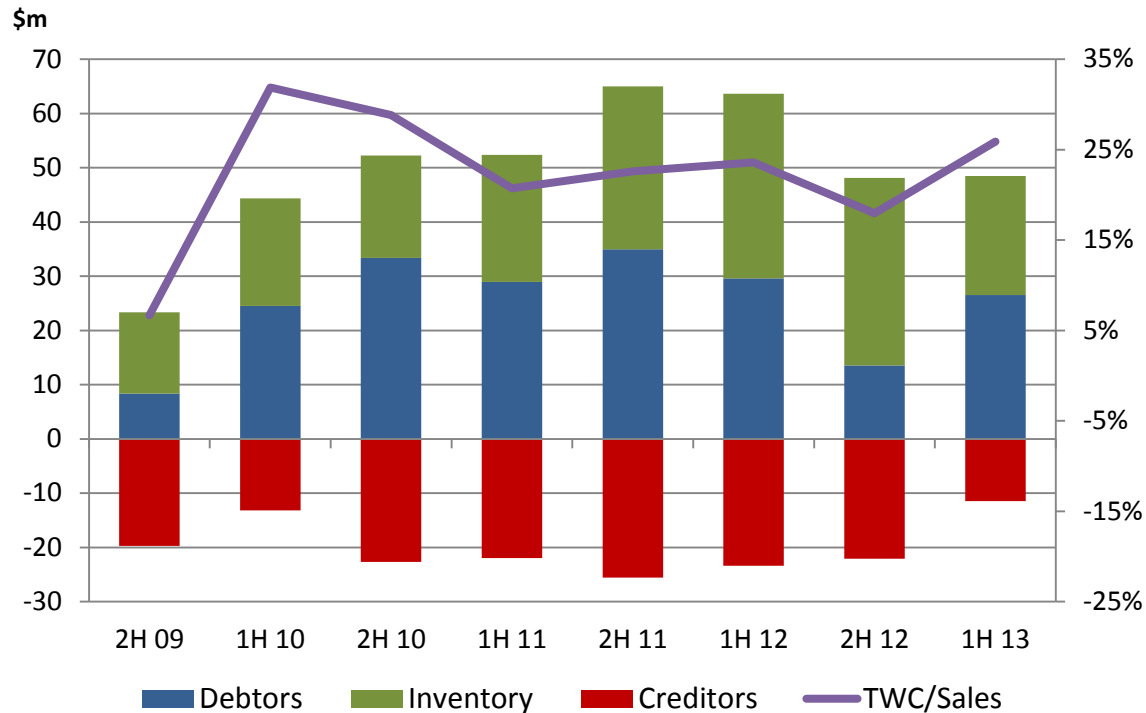
Revenue Analysis

- Production capacity constrained to meet market demand
- Continued high AUD
- A lag in market penetration for well construction products
- Significant revenue upside subject to market demand

Margin Impact

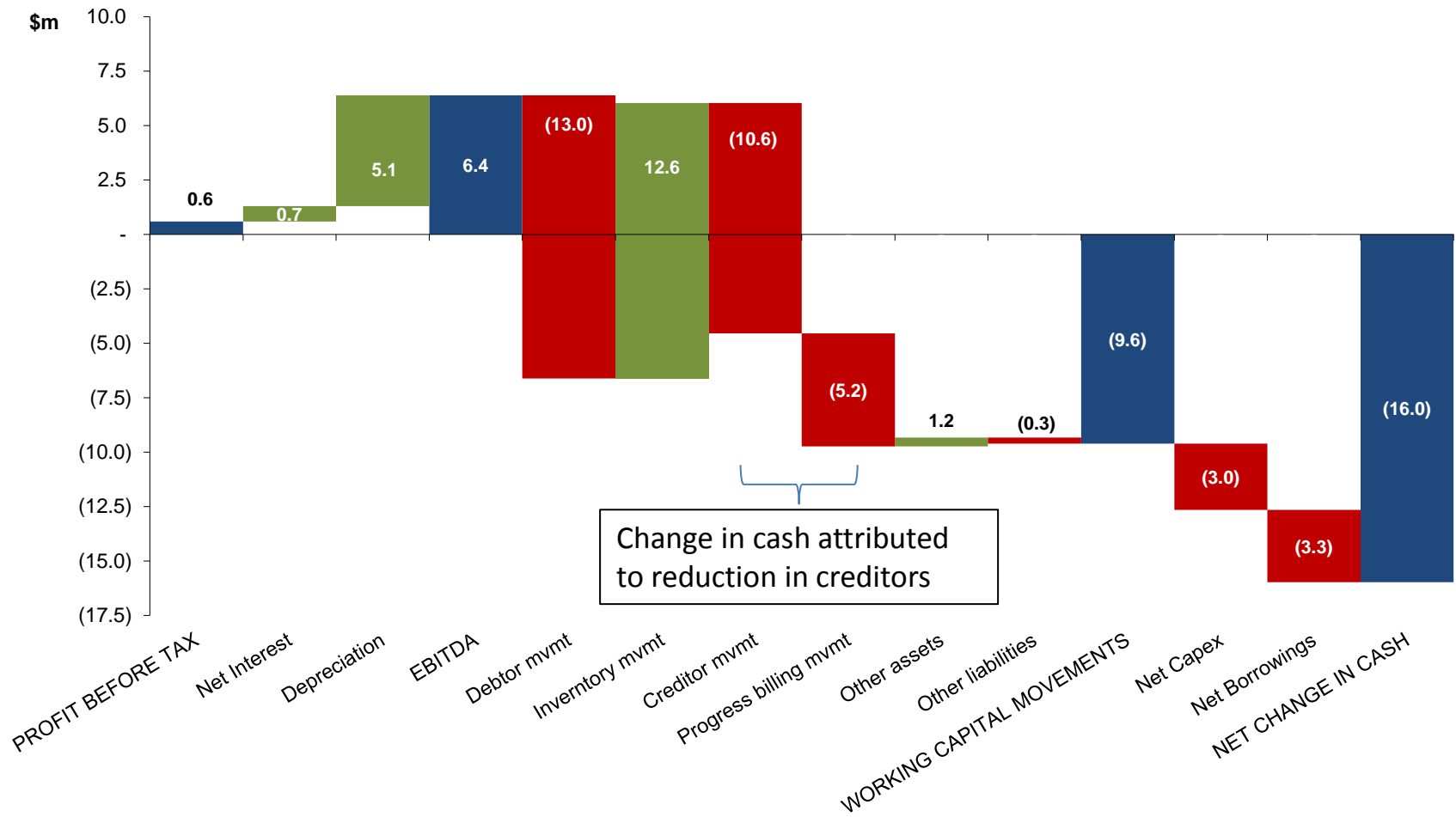
- Underutilised capacity
- Increased unit overhead costs
- Reduced revenue per unit

WORKING CAPITAL



- Working capital metrics stable
- TWC/ sales will decrease as raw materials reduce to meet new operating structure
- Creditors low due to disruption in ordering cycle

CASH FLOW FROM OPERATIONS



BALANCE SHEET

\$m	Dec 2012	June 2012	Dec 2011
Cash	13.9	29.9	17.9
Receivables	26.6	13.5	29.6
Inventory	21.9	34.6	34.0
Other	2.1	3.8	5.5
Fixed assets	107.9	110.0	101.8
Intangibles	19.5	18.6	11.4
Total Assets	191.9	210.4	200.2
Payables	11.5	22.1	23.4
Progress Claims	14.5	19.7	19.1
Bank debt	23.5	26.8	38.1
Provisions	1.8	2.1	2.6
Other	3.0	3.0	2.2
Total Liabilities	54.3	73.7	85.4
Total Equity	137.6	136.7	114.8

- Low net debt
- Working capital stabilised
- Major capex spend completed
- Gross bank debt reducing
- Net deferred tax asset position

BANKING METRICS

- Bank covenants renegotiated and achieved
- Gross debt amortising quickly (3 years)
- Low gearing levels
- Capex significantly reduced and controlled

	Dec 12	June 12	Dec 11
Total Assets	191.9	210.4	200.2
Total Equity	137.6	136.7	114.8
Net Debt	9.6	(3.2)	19.5
Interest Cover	9.0	(3.3)	(1.2)
Net Debt : Equity	7.0%	n/a	17.5%
Net Debt : EBITDA	1.5	0.2	(20.1)

	31 Jan 13	31 Dec 12
Cash on Hand	12.8	13.9
Facility Headroom	<u>9.7</u>	<u>9.7</u>
Total Liquidity	22.5	23.6



OPERATIONAL REVIEW

DRILLING PRODUCTS

- US\$100m+ contracts awarded over 1HFY13
- Order conversion for riser buoyancy began to strengthen over 1H
- Introduction of two-shift roster to align production with current market demand
- Production stabilised through Henderson plant
- Quotations near record highs as activity in shipyards continued to increase

SURF ANCILLARY EQUIPMENT

- Awarded contracts for new SURF products – installation/ ROV and distributed buoyancy
- Building sales in Australia/ Europe/ West Africa
- Qualified, and in the process of being qualified by a number of European operators, EPIC contractors and OEMs to supply particular SURF products
- Released new SURF ancillary products in Q1 FY13 – installation buoyancy, polyurethane field joint coating and a new range of ROV skid/ tooling buoyancy

WELL CONSTRUCTION PRODUCTS

- Delays in short term sales in Q2
 - sales volumes re-established and growing
- Earnings adversely impacted by reduced sales volumes
- Continued to supply centralisers to operators and equipment integrators in US/ Canada under supply contracts and direct sales
- No capacity constraints for current forecast
- Building sales in Asia, Australia, US, Canada and the Middle East
- Launch of high impact resistant centraliser (Ballistic) and other new sizes/ grades
 - orders received for new products in 1H13

OFFSHORE SERVICES & ENGINEERING

- Following a softening in construction expenditure in the mineral resources sector, MOSE has diverted resources towards:
 - Inspection, repair and maintenance – oil and gas
 - Specific engineering services to the iron ore industry
 - Offshore services
- Revenue and earnings tracking largely to budget

GROUP STRATEGY



DRILLING PRODUCTS SURF ANCILLARY EQUIPMENT

	Short Term	Medium Term
Drilling Products	<ul style="list-style-type: none"> • Continue to drive material costs down • Build relationships with major customers 	<ul style="list-style-type: none"> • Increase participation in aftermarket (inspection & servicing) • Improve unit prices through increased product and service differentiation
SURF	<ul style="list-style-type: none"> • Continue development of new SURF products 	<ul style="list-style-type: none"> • Actively pursue global projects

- Strengthen position as global leader in subsea buoyancy systems through continued investment in engineering capacity
- Optimise plant output by expanding product range
- Control costs and working capital

WELL CONSTRUCTION

- Capitalise on ongoing growth in the US horizontal well completions market
- Increase sales to blue chip operators in Asia, Australia, US, Canada and the Middle East
- Continue development of regional distribution network in North America
- Ongoing investment in new product development
- Assessment of new capacity options
- Build tooling library to optimise number of centraliser models for different markets

OFFSHORE SERVICES

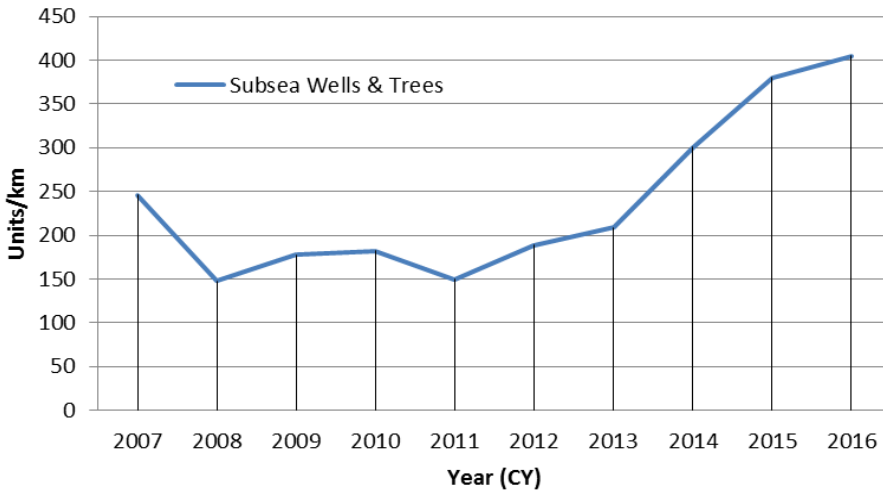
- Ongoing transition of greater maintenance capacity to the offshore services sector
- Service offering expanded by:
 - Increase range of services to OEMs
 - Increase services to drilling contractors operating in Australia
- Improve participation in local subsea installation projects

OUTLOOK



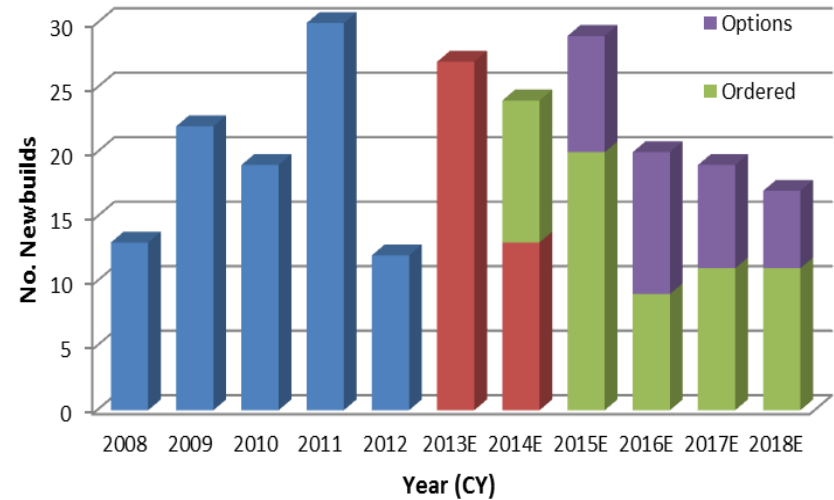
DRILLING PRODUCTS

**Subsea Wells & Trees - Global Capex
Units/km by Component**



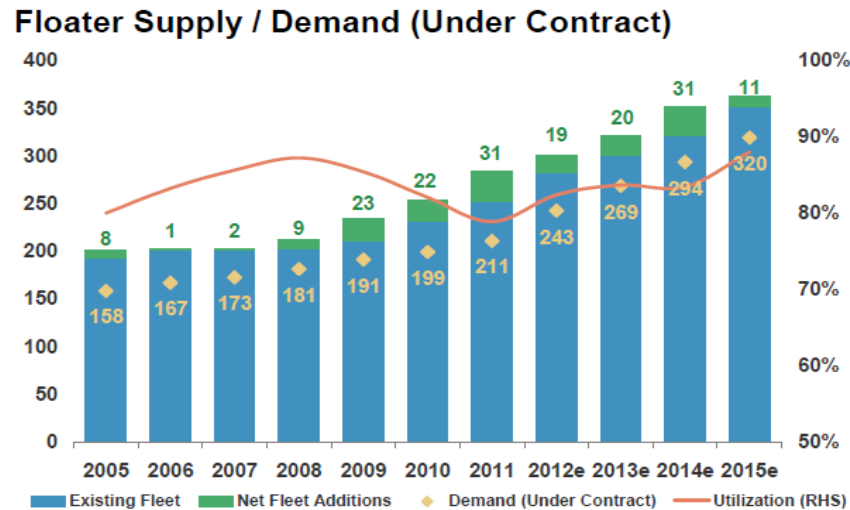
Data Source: Douglas-Westwood 2012

World Number of Confirmed Newbuilds



Source: Company Data, January 2013

DRILLING PRODUCTS



DRBM for Newbuilds

- Growth projections for subsea wells and tree installation is driving demand for deepwater drillships and semi-submersibles
- Number of inquiries to shipyards supports growth beyond current options and orders

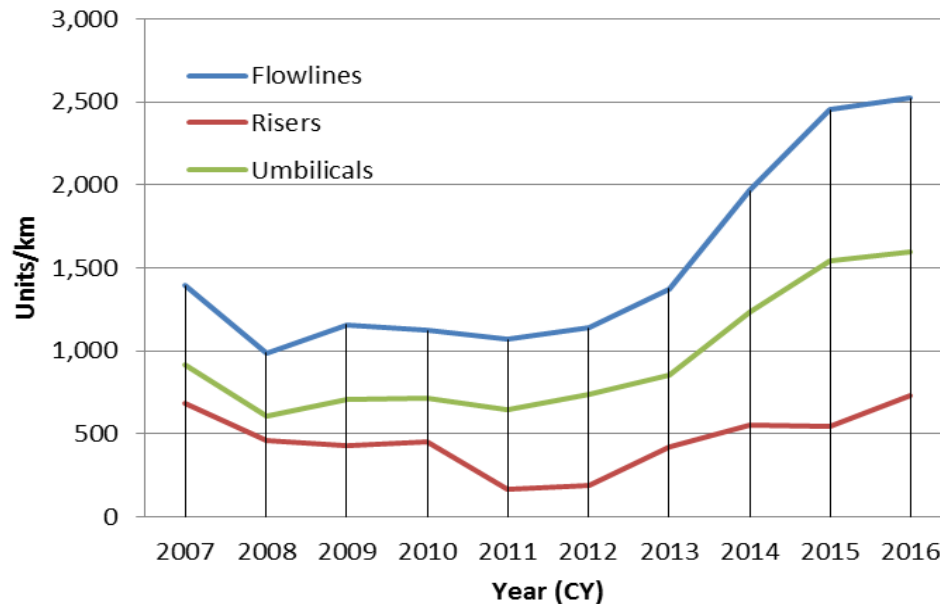
DRBM for Replacements & Upgrades

- Global floater contracted rig fleet has grown by more than 50% since 2005
- Approximately 150 floaters are older than 10 years

SURF ANCILLARY EQUIPMENT

- Forecast increase in deployment of subsea flowlines, risers and umbilicals
 - 2013 - 2016 – key demand driver for SURF products

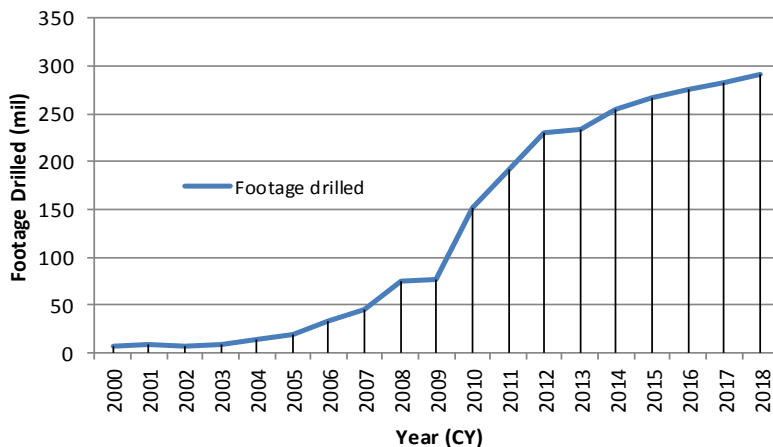
Global Capex - Units/km by Component



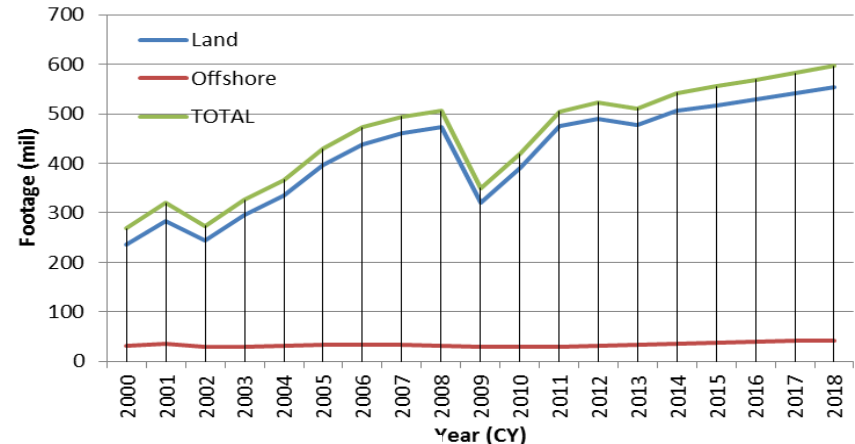
WELL CONSTRUCTION PRODUCTS

- Total footage drilled, especially in the US, continues to increase significantly - drives demand for our products designed for directional and horizontal wells
 - ↑ in horizontal well completions in the US underpinned by growth in fracking
- Growth opportunities for lateral, deviated and horizontal completions centralisers where low friction is advantageous, enabling longer reach wells

US Drilling & Production Outlook - Horizontal Footage Drilled (mil)



World Drilling & Production Outlook – Land & Offshore⁵



MATRIX OFFSHORE SERVICES & ENGINEERING

- Demand driven by:
 - ongoing oil and gas hardware capex
 - maintenance services (opex)
- Australian based project opportunities:
 - Wheatstone
 - Gorgon
 - Inpex
 - Julimar
 - Balnaves
 - Browse LNG

OUTLOOK – SHORT TERM

- Target a minimum 12 months of committed orders
- Aggressively penetrate and gain further market share for SURF ancillary equipment and well construction products
- Continue to expand product groups in line with market opportunities
- Drive productivity efficiencies from plant
 - Improve margins - focus on cost and working capital management
 - Materials improvement
- Tighten supply chain management
- Grow European sales and engineering presence

OUTLOOK – LONG TERM

- Offer integrated services and packages which utilise all aspects of the business
- Continued R&D, product and materials development
 - Focus on SURF ancillary equipment and well construction products
- Gain market share across all product groups through product and service differentiation
- Effectively leverage global network and supply chain

SUMMARY

- Total revenue \$81.6m (↓ 2.3%)
 - Adversely affected by strong AUD, lower production output and unit pricing pressure
- Earnings and cash flow positive
- Stabilised operations
- Rebuilding order book – target >12 months
- Record high quotations
- Continued to build SURF ancillary product line sales/ markets
- Short term delays for well construction products which have since been addressed
- Refocused MOSE's resources to higher growth areas
- Macro outlook for oil and gas sector remains strong

CONTACT DETAILS

AARON BEGLEY

CEO

T: +61 8 9412 1200

aaron.begley@matrixengineered.com

PETER TAZEWELL

CFO

T: +61 8 9412 1200

peter.tazewell@matrixengineered.com