ASX ANNOUNCEMENT

Matrix
Composites & Engineering

TRADING UPDATE - FY 2013

In February 2013, Matrix Composites & Engineering Ltd (ASX:MCE) ("Matrix" or "the Company") advised that it expected to report EBITDA of approximately $13 million for FY13. The Board has reconsidered its anticipated earnings for the full year to 30 June 2013 having regard to the recent sharp increase in the value of the USD and market conditions generally.

EBITDA for FY13, exclusive of any exchange rate movements, is now expected to be approximately $8 million. The reduction in forecast EBITDA is attributed to the following:

- Matrix has experienced continued lower than anticipated sales volumes from the Company's well construction products resulting in an EBITDA shortfall of approximately $2 million;
- Matrix has been subject to a review of its employer obligations by the ATO which identified that Matrix had inadvertently excluded shift loading from its calculation of its superannuation obligations during the period 1 July 2010 to 30 June 2012. As a result of this system error Matrix is required to contribute approximately $2 million in additional superannuation contributions and associated penalties. This system error has been rectified;
- The decline in the capital expenditure profile for the minerals industry in Western Australia has reduced the volume of work undertaken by Matrix's engineering subsidiary, MOSE. This is expected to reduce EBITDA in this division by approximately $0.5 million; and
- Above budget maintenance and operating costs of approximately $0.5 million necessarily incurred to maintain production rates.

EBITDA reconciliation	$m
February forecast	13.0
Well construction shortfall	(2.0)
Superannuation obligations	(2.0)
MOSE (minerals capital expenditure)	(0.5)
Maintenance & operating costs	(0.5)
Re-forecast EBITDA	8.0

Matrix re-iterates that the above forecast does not include the impact of any foreign exchange movements.

While the revised guidance is disappointing, and below previous expectations, the Board considers that market conditions have improved, as evidenced by the strength in the buoyancy order book and the continued strengthening of the USD, and look forward to a stronger performance in FY14.

Outlook

Since April 2013 Matrix's production rates have operated at approximately 95 per cent of target and the Company considers that production capacity has now stabilized with future improvements to be gained from plant and labour optimization.

Matrix continues to win major buoyancy contracts for the drill ship market (both new builds and replacements/extensions) and enjoys a strong order book into FY14 and beyond. Matrix has continued to enjoy strong tender activity for both drill ship and SURF projects and anticipates this tender activity to support a growing revenue base for FY14 onwards.

A continuing weakening of the AUD relative to the USD is strongly beneficial to Matrix's longer term competitiveness in the global market, and will benefit the company's financial performance in future years.

Matrix expects to report its full year result for FY13 on or about 15 August 2013.

For further information please contact the undersigned

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About Matrix Composites & Engineering

Matrix Composites & Engineering design, test, manufacture, distribute and service a range of engineered products used in the oil and gas, and resources industries. Matrix manufactures technically advanced products using composite and polymer materials that originate from the aerospace and defence industries. It is through the use of innovative and advanced materials technology that has given the Company a market leading position in the manufacture of subsea buoyancy systems.