



Commentary on Annual Results and Investor Update
9 August 2010

MATRIX EXCEEDS PROSPECTUS PROFIT FORECASTS BY 139%

Financial Highlights

- ✘ Total revenue up 89% on pcp to \$102m (FY09: \$54.3 m)
- ✘ EBITDA of \$28.1m up 105% on prospectus forecasts (\$13.7m)
- ✘ EBIT of \$25.02 million up 123% on prospectus forecasts (\$11.2m)
- ✘ NPAT of \$18.2 million up 139% on prospectus forecasts (\$7.6m)
- ✘ EBITDA margin improved from 10.2% in FY09 to 27.3% in FY10
- ✘ Earnings per share of 31.0 cents
- ✘ Full year dividend of 4.0 cents per share
- ✘ Strong Balance Sheet at the end of FY10

Operational Highlights

- ✘ Increased module production by over 100% for the period to 30 June 2010
- ✘ Order book of approximately \$188 million to underpin strong revenue growth in FY11
- ✘ Henderson Stage 1 Buildings and Plant is fully funded, construction has commenced and commissioning expected in Q2 FY11
- ✘ Several new product launches including Cryogenic Insulation, Downhole Products and Production Buoyancy to drive future revenue growth

Corporate Highlights

- ✘ Successfully completed IPO in November 2009, raising \$15m
- ✘ Secured \$13.5 m in funding for development of Henderson Stage 1 by way of share placement to Institutional and Sophisticated Investors in April 2010
- ✘ Secured \$28.75 million debt finance for the development of Henderson Stage 1 Development from NAB



Matrix Composites & Engineering Limited (ASX: MCE) (Matrix) is pleased to announce it has delivered a record full year profit for the year ended 30 June 2010, beating prospectus profit forecasts by \$10.6 million or 139%. The profit represents a 17.7% return on sales.

Revenue for the period grew \$48.3 million to \$102.6 million, representing an increase of 89% on the prior corresponding period due to strong organic growth and increased production capacity at the Company's Malaga plant.

EBITDA for the full year was \$28.1 million exceeding prospectus forecasts of \$13.7 million by 105%.

The EBITDA margin increased from 10.2% in FY09 to 27.3% in FY10 due to improved operating efficiencies, reduced costs of raw materials, an effective currency hedging policy and a shift towards new higher margin products.

Weighted earnings per share amounted to 31.0 cents (FY09: 6.3 cents) and Directors approved the payment of an interim dividend of 2.0 cents per share, and a final dividend of 2.0 cents per share, both fully franked. (FY09: 2.0 cents total). The final dividend of 2.0 cents per share will be paid on 28 October 2010.

Matrix has a strong cash position, with cash flows of \$26.3 million from operations representing a 199% increase on prior corresponding period. The Company has \$13.6 million in cash at 30 June 2010.

The Composite Materials division delivered strong growth due to margin improvement, new product development and favourable market fundamentals in the offshore oil & gas industry. This trend is expected to continue in FY11, with an increase in new product development following the commissioning of Henderson Stage 1 development.

The Heavy Engineering division also performed strongly, despite difficult operating conditions. This performance can be attributed towards the specialised nature of the business.



Matrix expects operating conditions to continue to improve in FY 11 and beyond and is confident it will continue to deliver strong profit growth.

The Company has an order book of \$188 million which will underpin revenue for FY11.

Matrix's Chief Executive Officer Aaron Begley was very pleased to deliver such strong profit growth to shareholders in the Company's maiden full year result.

" Matrix has delivered strong revenue and profit growth in its first full year as a listed company and we have established a platform to drive further growth in FY11 and beyond," Mr Begley said.

" The Composite Materials division continues to benefit from buoyant operating conditions which are expected to continue well into the future, underpinned by a shift towards deep water oil & gas exploration, drilling and production. "

" The oil & gas industry continues to grow, requiring new and innovative technologies and products – Matrix is uniquely positioned with the technology and capability to respond to these needs. "

" New product development continues to drive sales growth as it opens up new markets and allows Matrix to focus on high margin product segments. "

" Matrix is pioneering new products using composite materials, syntactic foam and subsea polymer chemistry and expects to launch several new products in FY11 including Subsea, Umbilical, Riser & Flowline "SURF" ancillary products, Downhole products and specialised high performance insulation products for the LNG processing industry. "

Mr Begley said that the Henderson development is an exciting milestone for Matrix as it will increase production capacity and apply state of the art automotive, chemical processing and aerospace production at a level and degree of sophistication never before seen in the industry, cementing the company as a global leader in its field.

" This facility will solidify our position as a major, critical supplier to the offshore oil & gas sector, drive strong production increases and provide a platform for future growth. "

" Construction on Henderson Stage 1 has commenced and we expect to commence commissioning trials in October 2010 with full commissioning expected in December 2010. "



ABOUT MATRIX

Matrix Composites & Engineering is a leading engineering and manufacturing company providing critical, engineered product solutions for the offshore, subsea, mineral processing, military and manufacturing industries. Matrix specialises in the design, application and manufacturing of products based on advanced composite materials, engineering plastics and elastomers. Matrix designs and manufactures high performance products through its oil & gas, mineral & industrial and advanced materials businesses. Matrix is an Australian based company that services the international market via a global network of agents, distributors and subsidiaries and derives the bulk of its income from exports to the USA, Korea, Malaysia and Singapore.



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