

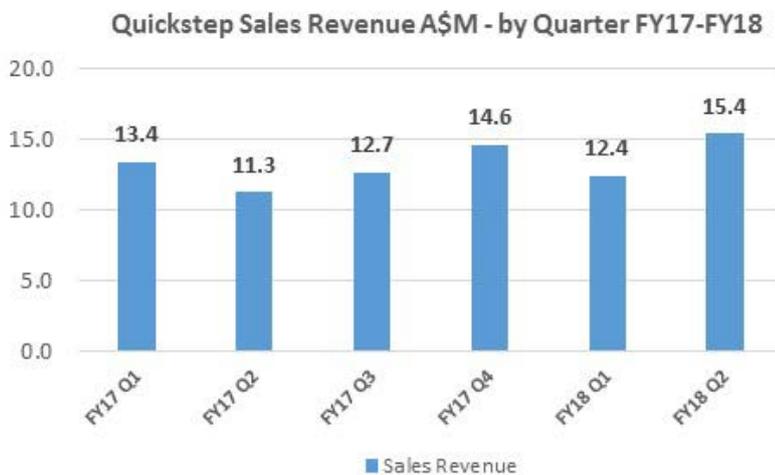
## SECOND QUARTER FY18 UPDATE

**29 January 2018:** Quickstep (ASX: QHL), Australia's leading independent carbon fibre composites manufacturer, today announced its quarterly update for the second quarter of FY18.

### DECEMBER 2017 QUARTER HIGHLIGHTS

- » Total sales of \$15.4 million, up 37% on the same period last year
- » **OneQuickstep** program delivers positive impact and future cost savings
- » Two new Boeing programs awarded and development commenced
- » F-35 Joint Strike Fighter Program production on track to more than double over the current three-year period
- » On track to achieve positive EBIT in the second half of FY18 and full year FY19

### SALES REVENUE



## FINANCIAL UPDATE

Quickstep achieved strong sales growth with total Q2 sales revenue of \$15.4 million, an increase of 37% on same period last year and 24% on the prior quarter. First half sales were \$27.9 million, an increase of 13% over last year. Total JSF parts delivered in Q2 continued to increase, mainly driven by doors and panels supplied to Northrop Grumman. Vertical tails components were higher than the prior quarter, but lower than last year when an incremental order was received and filled. Six C-130J shipsets and 1 spare (6.25 shipsets) were delivered in the quarter, in line with plan. All components were supplied on time and in line with program demand. The business remains on track to deliver the higher JSF volumes in FY18 and the following two years.

Operating cash outflow of \$4.4 million included: working capital increase of \$1.6 million, R&D costs of \$0.7 million, movement in advanced payments (deferred income) of \$2.4 million and initial **OneQuickstep** activities.

- » The business remains committed to delivering a positive EBIT in H2 FY18, with stronger H2 sales and **OneQuickstep** benefits
- » Cost savings from **OneQuickstep** activities are expected to be around \$3.5 million per annum
- » The business expects to deliver positive cashflow in Q3
- » Deferred income will have a positive cash impact in Q3 (deferred Income is driven by timing of half-yearly advance payments that are received Q1 and Q3 for C-130J production - total Q2 sales were \$15.4 million, but cash receipts in the quarter were only \$12.8 million)

At 31 December 2017, the group held \$2.3 million in cash (September quarter: \$4.3 million) and \$0.7 million in restricted term deposits (September quarter: \$0.7 million).

- » In November 2017, Quickstep entered into a new secured \$2 million loan agreement with Dorrigo Capital Pty Ltd to fund working capital to support growth, new business activities and support the initial impact of **OneQuickstep** initiatives
- » Total loans, including capitalised interest, were \$15.6 million at 31 December

## OPERATIONAL UPDATE

### OneQuickstep program delivers positive impact and cost savings

On 1 August 2017, CEO Mark Burgess outlined Quickstep's new strategic direction -- **OneQuickstep** -- to accelerate profitability and growth. During the second quarter the following actions were delivered:

OneQuickstep Initiatives	Actions and Achievements
<b>Aligned strategy</b>	<ul style="list-style-type: none"> <li>» Strategic and operational review completed</li> <li>» Focus on high value, growing markets</li> </ul>
<b>People, structure</b>	<ul style="list-style-type: none"> <li>» Simplified management and board structure finalised and in place</li> </ul>
<b>R&amp;D, technology</b>	<ul style="list-style-type: none"> <li>» R&amp;D realigned to revised strategy, commercial opportunities and business development team</li> <li>» Single global centre of excellence in Geelong</li> </ul>
<b>Lean enterprise, cost efficiency</b>	<ul style="list-style-type: none"> <li>» German operations closed</li> <li>» Geelong operations consolidated</li> <li>» Ceasing non-core programs, including Hawkei project in H2</li> <li>» Lean programs commenced at Bankstown and Geelong</li> </ul>
<b>Growth, expansion</b>	<ul style="list-style-type: none"> <li>» Business Development function expanded</li> <li>» Initial Boeing programs awarded</li> <li>» Continuing development of proprietary Qure and QPS solutions</li> <li>» On track to increase sales 10% in FY18 over prior year</li> </ul>

<b>Profitability</b>	<ul style="list-style-type: none"> <li>» Executive pay freeze and continuing freeze on Directors' fees</li> <li>» On track to deliver \$3.5 million reduction in costs delivered in FY18, which will be ongoing</li> <li>» On track to deliver positive EBIT H2 FY18</li> </ul>
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**Significant new actions and activities during the quarter included:**

- » **Boeing:** Quickstep was awarded two new small contracts from Boeing Defense for F-15 and F-18 components. These contracts add a new tier 1 customer, platforms and part families to our portfolio. Most importantly, they provide a pathway to Boeing supplier accreditation which will open significant future business opportunities across the Boeing Company.
- » **General Atomics:** Quickstep is partnering with General Atomics in 'Team Reaper' tender for Remotely Piloted Aircraft (RPA) systems. This partnership is progressing well and may lead to additional project opportunities with General Atomics.
- » **Europe:** Quickstep is in advanced partnership discussions in the European market with a focus on specific automotive and commercial aerospace growth opportunities.

**OUTLOOK**

Quickstep remains on track to deliver **OneQuickstep** initiatives to assist margins and cash flow, and we expect positive EBIT in the second half of FY18 and full year FY19. Over the next three years the company will benefit from the doubling of JSF production, and as economies of scale improve also higher margins; and our increased business development function and project pipeline has us well positioned for future profitable growth.

<b>Key facts about Quickstep's major contracts</b>	
<b>Joint Strike Fighter (JSF)</b>	<ul style="list-style-type: none"> <li>» Over the life of the JSF program, Quickstep will manufacture and supply more than A\$1 billion in JSF composite components and assemblies</li> <li>» The F-35 Lightning II JSF Program is the world's largest military aerospace program, valued in excess of US\$300 billion</li> <li>» Quickstep is the key supplier globally to Northrop Grumman for 21 JSF components including doors, panels, skins and other composite parts</li> <li>» QHL will also supply 700 sets of vertical tail parts over 14 years under an agreement with BAE Systems' supplier, Marand Precision Engineering</li> </ul>
<b>Super Hercules C-130J</b>	<ul style="list-style-type: none"> <li>» Lockheed Martin awarded Quickstep the sole supplier of composite wing flaps for the C-130J "Super Hercules" military transport aircraft</li> <li>» Quickstep's initial five-year memorandum of agreement (MoA) extends through to 2019 in line with Lockheed Martin's C-130J Multiyear II contract with the U.S. Department of Defense</li> <li>» Discussions are underway for a further 5-year contract for the period 2020 to 2024</li> <li>» The business supplies wing flaps in shipsets, which comprise of four main structures – an inner and outer left and right flap. Spares supplied can be a partial shipset (one quarter) through to a full shipset.</li> </ul>

**For further information:**

**Investors**

Mark Burgess – Managing Director  
Quickstep Holdings Limited  
Telephone: +61 2 9774 0300

E: [mburgess@quickstep.com.au](mailto:mburgess@quickstep.com.au)

**Media**

Ashley Rambukwella or Antonino Blancato  
Financial & Corporate Relations  
Telephone: +61 407 231 282 or +61 2 8264 1009

E: [a.rambukwella@fcr.com.au](mailto:a.rambukwella@fcr.com.au)

**About Quickstep Holdings**

Quickstep Holdings Limited (ASX: QHL) is the largest independent aerospace-grade advanced composite manufacturer in Australia, operating from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW and a manufacturing and R&D/ process development centre in Geelong, Victoria. The group employs more than 200 people in Australia and internationally. More information about Quickstep is available at [www.quickstep.com.au](http://www.quickstep.com.au)

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

<b>QUICKSTEP HOLDINGS LIMITED</b>
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**ABN**

<b>55 096 268 156</b>
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**Quarter ended ("current quarter")**

<b>31 DECEMBER 2017</b>
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	12,814	28,147
1.2 Payments for		
(a) research and development	(975)	(2,058)
(b) product manufacturing and operating costs	(10,910)	(20,048)
(c) advertising and marketing	(80)	(115)
(d) leased assets	(42)	(82)
(e) staff costs	(4,686)	(9,193)
(f) administration and corporate costs	(560)	(1,115)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	10
1.5 Interest and other costs of finance paid	(68)	(95)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	54	234
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash used in operating activities</b>	<b>(4,448)</b>	<b>(4,315)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	67	(478)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>67</b>	<b>(478)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	2,500	3,500
3.6 Repayment of borrowings	(50)	(50)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(155)	(155)
<b>3.10 Net cash from financing activities</b>	<b>2,295</b>	<b>3,295</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,344	3,722
4.2 Net cash from operating activities (item 1.9 above)	(4,448)	(4,315)
4.3 Net cash used in investing activities (item 2.6 above)	67	(478)
4.4 Net cash from financing activities (item 3.10 above)	2,295	3,295

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	87	121
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,345</b>	<b>2,345</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,345	2,345
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,345</b>	<b>2,345</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
217
-

Executive and Non-Executive Directors' remuneration included in item 6.1

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

N/A

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	13,200	13,200
8.2 Credit standby arrangements	-	-
8.3 Other (capitalised interest)	3,333	2,369
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Group has three loan facilities: -

A long term facility that was originally \$10 million with additional capability to capitalise interest up to \$3.3 million. To date, \$1.80 million has been repaid, with the facility now at \$8.20 million with a capitalised interest cap of \$3.33 million. The loan is secured with Efic (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest is variable at a capped rate with a fixed margin and guarantee payable. The effective interest rate is currently 7.2%.

A \$3 million Export Contract Loan (ECL) was created with Efic in June 2017. This is a short term facility to fund working capital for growth of booked business and \$0.5 million was drawn down in the quarter, with \$3.0 million drawn down at 31 December 2017. The effective interest rate is currently 8.1%.

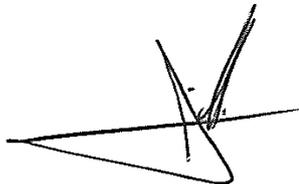
Quickstep commenced an additional \$2 million secured loan facility with Dorrigo Capital Pty Ltd in November 2017. The facility is for six months and was fully drawn at 31 December. The interest rate is 12% on drawn funds. Further details were provided in an ASX announcement on 27 November.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(420)
9.2 Product manufacturing and operating costs	(9,107)
9.3 Advertising and marketing	(120)
9.4 Leased assets	(45)
9.5 Staff costs	(5,116)
9.6 Administration and corporate costs	(600)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(15,408)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: .29 JANUARY 2018

Print name: .JAIME PINTO

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.