

23 January 2017

Quarterly Report

To 31 December 2016

HIGHLIGHTS

- Sales of \$11.3 million for Q2 FY17, in line with expectation, driven by key JSF and C-130J contracts
- Good progress on New Technology with completion of a number of demonstrator parts and commencement of Micro-X production
- Strong financial position with closing cash of \$5.0m after \$1.4m capital of investment in Q2 – the capital investment program is now nearing completion
- Firm order book in excess of \$115 million at 31 December 2016

AEROSPACE MANUFACTURING

JSF production

- 263 parts delivered in Q2; YTD parts delivered up 78% on the prior corresponding period (pcp)
- 149 JSF fuselage parts delivered in Q2; YTD parts delivered up 14% on the pcp
- 114 vertical tail components delivered
- YTD average production of 87 parts per month (FY16 average: 49 parts per month)

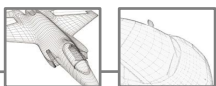
Lockheed Martin C-130J production

- 7 ship-sets delivered in Q2; 14 delivered in the YTD, in line with long-term production rates

NEW TECHNOLOGY

Key Activities

- Micro-X contract secured
- KIST factory acceptance testing achieved and delivery underway
- Manufacturing of a further ten sets of Thales Hawkei body parts underway
- R&D and product development investment of \$1.3 million.
- Automotive panel projects in prototype tooling phase
- Seat back panel development continuing



1.0 FINANCIAL PERFORMANCE

1.1 Q2 SALES

Production of F-35 Lightning II Joint Strike Fighter (JSF) parts continued to grow, while C-130J Hercules production remained at long-term rates (after higher volumes in FY16). Sales for Q2 FY17 were \$11.3 million, in line with expectation. KIST equipment delivery commenced in Q2 and project revenue will be booked in H2 when delivery is complete.

Sales for the year to date were \$24.6 million, up 1% compared to pcp.

1.2 FIRM ORDER BOOK

At 31 December 2016, Quickstep's firm order book was valued in excess of \$115 million.

2.0 AEROSPACE MANUFACTURING

2.1 JSF PROGRAM

Quickstep is the supplier globally to Northrop Grumman for 21 JSF components including doors, panels, skins and other composite parts for the JSF program. Quickstep will also supply 700 sets of vertical tails composite parts including skins, spars and fairings over the next 14 years under an agreement with BAE System's supplier, Marand Precision Engineering.

In Q2 FY17 Quickstep delivered 263 parts compared to 142 parts in Q2 FY16, an increase of 85%. Capital expenditure at Bankstown has enabled higher levels of production for JSF to meet the expected significant increase over the next three years. Quickstep delivered 519 parts in H1, compared to 291 in the pcp and 590 for total FY16.

2.2 C-130J PROGRAM

Quickstep is the exclusive supplier of composite wing flaps to Lockheed Martin for the C-130J Hercules aircraft under an initial five-year memorandum of agreement (MoA). Lockheed Martin has recently received a further order from the US Government which extends production to 2024 and Quickstep is in a strong position to benefit from this.

During the second quarter 7 ship-sets were delivered, in line with plan.

2.3 CAPITAL EXPANSION AND GROWTH OPPORTUNITIES

Quickstep's \$10m program of capital investment at Bankstown to enable higher levels of JSF production and automation for C-130J is nearing completion. The JSF capital investment program is expected to be completed in the next quarter.

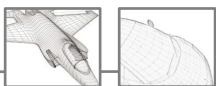
Robotic drilling equipment has been installed at Bankstown. This automation equipment will be used to manufacture wing flaps for the C-130J aircraft and will enter production in January 2017.

Quickstep continues to engage with customers regarding growth opportunities on new and existing platforms and other defence projects.

3.0 NEW TECHNOLOGY

3.1 NEW TECHNOLOGY UPDATE

Quickstep is continuing to commercialise its advanced manufacturing process technology. The company now employs 30 technical and process manufacturing staff dedicated to the development and deployment of new technology in Waurnd Ponds and Ottobrunn.



During the quarter, the business delivered a number of demonstrator parts to key customers. These support production opportunities being pursued in panels, seats and structures.

3.2 CURRENT PROJECTS UPDATE

KIST Equipment: The Korea Institute of Science and Technology (KIST) project which involves delivery of a Qure machine and RST cell to Korea has achieved factory acceptance, and equipment delivery is underway. Some delays with export documentation and shipping have shifted the project delivery to Q3 FY17 and revenue will be recognised in the second half. This project opens up opportunities for Quickstep to partner and manufacture in South Korea, one of the world's largest automotive production markets.

Thales Hawkei: Quickstep commenced production of a second group of 10 sets of composite body parts for the Hawkei military vehicle in Q2. The sets comprise 190 individual parts, and will be used on test and evaluation vehicles.

Micro X: Quickstep secured a contract to manufacture a range of carbon fibre composite components for a new portable, ultra-lightweight X-ray device being developed by Micro-X Limited. Quickstep's Qure process will be used to provide effective high-volume production. Initial production has commenced with first deliveries in Q3 FY17.

3.3 RAPIDQURE UPDATE

Quickstep's new technology capability is being extended through its RapidQure process, which will expand the addressable market. A seating development project in collaboration with Futuris Automotive is underway, and this targets using a single Quickstep Qure machine to deliver annual volumes in excess of 20,000 units.

3.4 NEW BUSINESS

Quickstep is engaged in a number of other new technology development projects through its Waurnd Ponds and Ottobrunn facilities. These projects, with tier-1 industry suppliers, include work for two leading vehicle manufacturers and a global aircraft manufacturer, co-funded by Quickstep and its collaboration partners, and are expected to lead to further volume production contracts. Development projects currently underway include composite seat structures, a composite front fender and composite body panels.

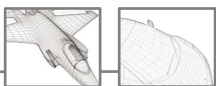
4.0 CORPORATE

4.1 CASH POSITION

At the end of the quarter, the consolidated group cash balance was \$5.0 million compared to \$8.1 million at 30 September 2016. This was after a \$1.8 million VAT payment in Germany relating to prior periods that is expected to be fully recovered in the next quarter. The company additionally held \$1.0 million in restricted term deposits to be held to maturity.

4.2 CASHFLOW

Operating cashflow for the quarter was an outflow of \$1.1 million, including the impact of a \$1.8 million German VAT payment made in Q2, which is expected to be recovered in Q3. The quarter included an inventory decrease of \$0.9 million and the business invested \$1.3 million in R&D and product development, up \$0.6 million compared to the pcp. Total capex for the quarter was \$1.4 million, as the business completes installation of new equipment at Bankstown to facilitate JSF growth and robotic drilling for C-130J production. Additionally, the business made a long-term loan payment of \$0.6 million in Q2.



5.0 OUTLOOK

Sales for the second half of FY17 are expected to be higher than the first half, and FY17 sales are forecast to be \$54 million in line with previous guidance.

Quickstep's long-term vision is to become a world leader in advanced composites manufacturing and the Company is focused on expanding its business in the aerospace, defence, automotive and other transport sectors.

-ENDS-

Background on Quickstep Holdings Limited

Quickstep Holdings Limited (ASX: QHL) is an Australian publicly listed company, at the forefront of advanced composites manufacturing and technology development. Quickstep is the largest independent aerospace-grade advanced composite manufacturer in Australia, partnering with some of the world's largest Aerospace/Defence organisations including: Lockheed Martin, Northrop Grumman, BAE Systems and Airbus.

Quickstep operates from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW; a newly established production site for automotive parts manufacturing and R&D/ process development centre in Waurn Ponds, Victoria; and a development and customer support operation in Munich, Germany.

Quickstep is an approved supplier for the international F-35 Lightning II Joint Strike Fighter (JSF) program - the largest military aerospace program in the world, valued in excess of US\$300 billion worldwide. The company has also been selected by Lockheed Martin as the sole supplier of composite wing flaps for the C-130J "Super Hercules" military transport aircraft.

Quickstep has developed significant capabilities and expertise in the production of automotive and aerospace grade, advanced composite components, using both conventional autoclave-based manufacturing and leading out-of--autoclave production technologies (developed in-house and patented).

For further information:

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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

QUICKSTEP HOLDINGS LIMITED

ABN

55 096 268 156

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	11,731	27,377
1.2 Payments for		
(a) research and development	(1,334)	(2,604)
(b) product manufacturing and operating costs	(7,383)	(16,153)
(c) advertising and marketing	(56)	(89)
(d) leased assets	(52)	(117)
(e) staff costs	(3,838)	(7,649)
(f) administration and corporate costs	(533)	(1,133)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	8
1.5 Interest and other costs of finance paid	(2)	(11)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	366	493
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,096)	121

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,426)	(2,018)
(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)	-	-
2.6 Net cash from / (used in) investing activities	(1,426)	(2,018)

3. Cash flows from financing activities		
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	-	-
3.6 Repayment of borrowings	(583)	(583)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(204)	(204)
3.10 Net cash from / (used in) financing activities	(787)	(787)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	8,143	7,578
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,096)	121
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,426)	(2,018)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(787)	(787)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	157	97
4.6	Cash and cash equivalents at end of quarter	4,991	4,991

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,991	4,991
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,991	4,991

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

Current quarter \$A'000

219

-

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

Current quarter \$A'000

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-

N/A

8. Financing facilities available <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	9,000	9,000
8.2 Credit standby arrangements	-	-
8.3 Other (capitalised interest)	3,333	1,985
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.		

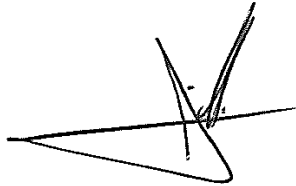
The Group has a single loan facility: -
A \$10 million facility with additional capability to capitalise interest up to \$3.3 million. To date, \$1 million has been repaid. The loan is secured with Efic (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest is variable at a capped rate with a fixed margin and guarantee payable. The effective rate is currently 8.4%.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(1,460)
9.2 Product manufacturing and operating costs	(6,567)
9.3 Advertising and marketing	(64)
9.4 Leased assets	(70)
9.5 Staff costs	(4,265)
9.6 Administration and corporate costs	(580)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(13,006)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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: 23 JANUARY 2017

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.