

28 April 2017

Quarterly Report

To 31st March 2017

HIGHLIGHTS

JSF sales continue to grow and KIST project delivered

- New managing director, Mark Burgess, to succeed David Marino in May 2017
- Sales of \$12.7 million for Q3 FY17, with year to date sales up 5% compared to FY16 and JSF production averaged more than 100 parts per month through Q3
- Qure installed by Korean Institute of Science and Technology (KIST) in South Korea
- Cash \$4.5 million at 31 March 2017 and firm order book in excess of \$115 million

AEROSPACE MANUFACTURING

Joint Strike Fighter (JSF) production

- 310 parts delivered in Q3, up from 136 parts in Q3 FY16
- JSF production up to 829 parts for the year to date, up 94% up the same period in FY16

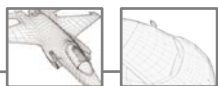
Lockheed Martin C-130J production

- 4 ship-sets and two spares delivered in Q3, in line with customer demand

NEW TECHNOLOGY

Key Activities

- KIST's Qure equipment installed in South Korea
- Micro-X production commenced using Qure process
- Ten further Thales Hawkei sets of body parts nearing completion
- Automotive panel projects in prototype tooling phase
- \$1.65 million grants secured from Co-operative Research Centre Project and Advanced Manufacturing Growth Centre
- Several development projects underway with OEM and Tier-one customers



1.0 FINANCIAL PERFORMANCE

Total sales for Q3 FY17 were \$12.7 million, in line with expectations. F-35 Lightning II Joint Strike Fighter (JSF) production grew strongly, offsetting lower C-130J Hercules production, with the program returning to long-term rates after higher-volume deliveries in FY16. The quarter included sales of \$1.5 million following completion of the company's first export sale to KIST in South Korea, which represents a significant milestone for Quickstep.

Sales for the nine months 1 July 2016 to 31 March 2017 (year to date) were \$37.3 million, up 5% compared to the same period in FY16.

At 31 March 2017, Quickstep's firm order book was valued in excess of \$115 million.

2.0 AEROSPACE MANUFACTURING

2.1 JSF PROGRAM

Quickstep is the key 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 Q3 FY17, JSF deliveries increased to 310 parts, up 128% from 136 parts in Q3 FY16. Quickstep has manufactured 829 parts in the year to date, up 94% from 427 parts. Quickstep's JSF program has a fast growth trajectory, with manufacturing expected to triple from FY16 to FY19.

2.2 C-130J PROGRAM

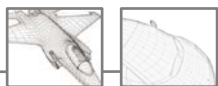
Quickstep is the exclusive supplier of composite wing flaps to Lockheed Martin for the C-130J Hercules aircraft under an initial five- year memorandum of agreement (MoA), which has been extended through to 2019 in line with Lockheed Martin's C-130J Multiyear II contract with the US Department of Defense.

Four ship-sets and two sets of spares were delivered in Q3, taking production for the year to date to 18 ship-sets and five spares. Robotic drilling equipment has been successfully installed and is in production.

2.3 CAPITAL EXPANSION AND GROWTH OPPORTUNITIES

The company's \$10 million Bankstown capital expansion program, to enable increased JSF production, was completed during the quarter. Over \$30 million has now been invested in Quickstep's state of the art manufacturing facility, and the business is now in a position to deliver additional contract volumes.

Quickstep is negotiating with new customers for additional volume opportunities at the Bankstown site.



3.0 NEW TECHNOLOGY

3.1 CURRENT PROJECTS STATUS

KIST Equipment: The Korea Institute of Science and Technology (KIST) project has been completed, and Quickstep's Qure system has been installed in South Korea. KIST plays a leading role in national automotive industry development; this delivery provides exposure to South Korea's conglomerates and opens up opportunities for Quickstep in one of the world's largest automotive production markets.

Thales Hawkei: Production of a second lot of 10 sets of composite body parts for the Hawkei military vehicle is nearing completion. The sets comprise 190 individual components, and the parts will be used for testing and evaluation.

Micro-X: Production of parts for Micro-X's portable, ultra-lightweight X-ray device commenced in Q3 FY17 using Qure technology. This follows the contract awarded to Quickstep in the previous quarter. The mobile X-ray will be sold in North America and other export markets.

3.2 RAPIDQURE UPDATE

Commercialisation of Quickstep's New Technology 'RapidQure' process continued, with a front fender project for a European original equipment manufacturer (OEM) now underway. The aim of the project is to demonstrate the effectiveness of Qure as a substitute for traditional autoclave technology. Quickstep is focused on increasing production rates to meet growing customer vehicle volumes.

3.3 NEW GRANTS SECURED

Quickstep announced in February that it has secured a Cooperative Research Centre Project (CRC-P) grant of \$1.45 million from the Australian Government, for a new project to develop 'Bespoke lightweight automotive carbon fibre composite seats'. This project is expected to lead to global seat parts supply opportunities for Quickstep.

The company was also awarded an Advanced Manufacturing Growth Centre (AMGC) grant of \$250,000 to develop a 'Low cost carbon composite fender for the European automotive market' with the potential to generate export revenue of \$25 million over time.

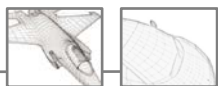
3.5 NEW BUSINESS

Quickstep remains engaged in a number of other New Technology development projects, including with two tier-1 vehicle manufacturers and a global aircraft manufacturer. These projects are co-funded by Quickstep and its collaboration partners, and are expected to lead to further volume production contracts.

4.0 CORPORATE

4.1 CASH POSITION

At 31 March 2017, the group held \$4.5 million in cash, compared to \$5.0 million at 31 December 2016. The company also held \$0.8 million in restricted term deposits to be held to maturity. Post quarter close, the business received a \$1.8 million payment of VAT from the German Tax Office. This is not included in the closing cash balance of \$4.5 million and is to be held in trust pending finalisation of the VAT review by the German tax authorities.



4.2 CASHFLOW

Operating cashflow was flat, reflecting strong Aerospace manufacturing performance, offset by R&D investment of \$0.9 million and an increase in inventory of \$0.7 million to support higher JSF volumes.

Total capex spend for the quarter was lower at \$0.2 million, post installation of new equipment at Bankstown to facilitate JSF growth and robotic drilling for C-130J production. Final capex completion payments for these projects will be made in Q4 FY17.

4.3 MANAGEMENT CHANGES

On April 3, 2017, Quickstep announced the appointment of Mark Burgess as Managing Director and Chief Executive Officer following David Marino's decision to step down from the role for personal and family reasons. Mark Burgess will commence in the role on 8 May 2017.

Mark was previously Vice President Honeywell Aerospace Asia Pacific, responsible for driving sustained profitable growth during his four years in that role across a defence, space and commercial helicopter portfolio. Previously he had a successful career with BAE Systems in the UK, Middle East and South East Asia in sales, contracts, project and general management roles.

The Quickstep board acknowledges David Marino's significant work and achievement. He has established the company as a reliable supplier for the C-130J and JSF programs, and has completed the investment which will enable Quickstep to manage JSF production growth and exploit other opportunities in Aerospace manufacturing. He also led the program to commercialise Quickstep's New Technology which is now proven, establishing a number of key contracts and further opportunities which will see significant progress in the near future.

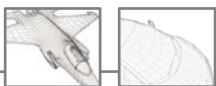
In addition, Ross Mahon joined Quickstep in January 2017 in the newly-created role of Executive General Manager, New Technology. Ross has responsibility for all Waurn Ponds and Munich operations and brings to Quickstep a wealth of engineering and manufacturing capability. His experience includes over 30 years' in the global automotive industry, having previously worked for Futuris Automotive as COO Asia Pacific and prior to that holding senior roles at Plexicor (automotive interior parts), Venture Industries (automotive plastics) and Ford Australia. Ross has worked internationally in the USA and China.

With Ross's appointment, the business now has a strong and experienced team with exposure to a blend of aerospace, automotive and other large scale manufacturing.

5.0 OUTLOOK

Quickstep anticipates FY17 revenue in excess of \$51 million, with FY17 C-130 deliveries lower than expected, but no change to the overall program volume.

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.



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 Waurin 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 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,917	40,294
1.2 Payments for		
(a) research and development	(907)	(3,510)
(b) product manufacturing and operating costs	(6,842)	(22,996)
(c) advertising and marketing	(93)	(182)
(d) leased assets	(36)	(154)
(e) staff costs	(4,630)	(12,279)
(f) administration and corporate costs	(580)	(1,713)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	15
1.5 Interest and other costs of finance paid	(45)	(56)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	162	655
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(47)	74

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(246)	(2,264)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(246)	(2,264)

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)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	179	(25)
3.10	Net cash from / (used in) financing activities	179	(608)

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	4,991	7,578
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(47)	74
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(246)	(2,264)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	179	(608)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(393)	(296)
4.6	Cash and cash equivalents at end of quarter	4,484	4,484

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	4,484	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)	4,484	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

332

-

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

-

-

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	2,196
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.		

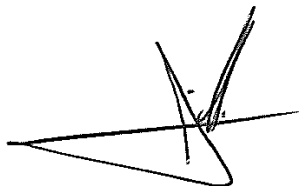
The Group has a single loan facility: -
A \$10 million facility with additional capability to capitalise interest up to \$3.3 million. To date, \$1 million has been repaid. The loan is secured with Efic (Export Finance and Insurance Corporation) as guarantor and the ANZ Bank as financier. Interest is variable at a capped rate with a fixed margin and guarantee payable. The effective rate is currently 8.7%.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(1,309)
9.2 Product manufacturing and operating costs	(6,167)
9.3 Advertising and marketing	(65)
9.4 Leased assets	(50)
9.5 Staff costs	(4,790)
9.6 Administration and corporate costs	(610)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(12,991)

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:
Company secretary

Date: 28 APRIL 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.