

First half sales up 82% to \$24.3 million Operating profit of \$0.8 million

Sydney, 23 February 2016 –Manufacturer of advanced carbon fibre composites company Quickstep Holdings (ASX: QHL) today reported that sales increased by 82% to \$24.3 million for the six months to 31 December 2015 (H1 FY15: \$13.4 million), in line with the company's full year sales forecast of \$48 million and consistent with guidance provided in June 2015. Total revenue including grants was \$24.6 million (H1 FY15: \$15.7 million).

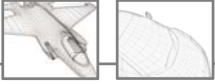
Operating profit for the half was \$0.8 million compared to an operating loss of \$3.0 million in the previous corresponding period (pcp). Following one-off non-cash costs of \$1.5 million related to accounting treatment of the \$3 million Newmarket working capital funding loan, NPAT for the half was a loss of \$2.1 million versus pcp loss of \$4.5 million.

Quickstep completed a fully underwritten \$22 million capital raising (before costs) in December 2015. The company has repaid all short-term debt of \$5 million and at 31 December, 2015 held cash of \$15.4 million and term deposits of \$0.7 million.

Quickstep managing director, David Marino, said: "This was a half of great progress in which we secured new business, delivered an operating profit, strengthened our management team and completed a successful capital raising to provide a strong platform for future growth.

"Aerospace parts manufacturing grew significantly as Joint Strike Fighter production for Northrop Grumman accelerated and Super Hercules aircraft sales for Lockheed Martin were maintained. These flagship projects underpin our \$120 million order book which includes scheduled sales through to 2019. We commenced investment in capital equipment to support JSF growth along with an increase in inventory for JSF vertical tail production for BAE Systems, and additional expenditure in R&D all directed at supporting revenue growth in future years. The company maintains FY16 revenue guidance of \$48 million.

"Securing an air intake contract with Ford was a watershed event that aligns us with one of the world's leading automotive companies. We have begun component production for the Falcon XR6 Sprint at our New Technology



facilities at Waurin Ponds near the Geelong automotive hub. This facility will also manufacture parts for Thales Australia's Hawkei military vehicle, and fit-out is nearing completion."

Aerospace manufacturing continues strong sales growth

Quickstep is the sole supplier to Northrop Grumman globally for 21 JSF components, through an overall agreement to supply JSF parts to several different original equipment manufacturers (OEMs) valued at up to \$700 million over two decades. During the half, 287 JSF parts were completed, compared to 200 JSF parts in the pcp. Post capital raise, the company commenced investment in capital equipment at its Bankstown facility to support increased production volumes, which are expected to rise threefold from FY15 levels over the next three years.

JSF vertical tail production for BAE Systems progressed. Qualification for vertical tail fairings was completed and four vertical tail fairings delivered during the half. Qualification processes for vertical tail skins and spars continued. Following approval of these remaining qualification processes, the company's 14-year program to deliver 700 sets of JSF vertical tails is expected to commence late in the second half.

Quickstep continued to manufacture C-130J wing flaps to Lockheed Martin at a rate of three ship-sets per month, and 18 ship-sets were delivered in the half.

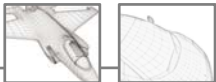
Discussions continued with a number of global aerospace and defence companies regarding possible new contracts, and the company has several new growth prospects in advanced negotiation.

New Technology gains momentum

Fit-out of Quickstep's New Technology premises at Waurin Ponds continues, and is expected to be completed in the third quarter. The company's Global R&D centre moved to the Deakin University campus during the half, supported by the State Government of Victoria's investment promotion arm Invest Victoria. This site manages all intellectual property and technology development for Quickstep, and will also produce components for the Ford Falcon XR6 Turbo Sprint and Thales Australia's Hawkei vehicle.

The Ford Falcon XR6 Sprint will feature an innovative carbon fibre air intake system which includes materials, resins, processes and manufacturing by Quickstep. This ground breaking technology, will provide a showcase for the company's automotive capability, and production has now commenced.

During the half the Australian government awarded Thales Australia a \$1.3 billion supply contract to build 1,100 Hawkei military vehicles and 1,000 trailers, and Quickstep is the exclusive supplier of the bonnet, side skirts and



mud guards composite parts. Design and development is underway and manufacturing tools are arriving in preparation for production to begin in the second half.

The company is investing to improve the production capability of its patented Qure and resin spray transfer (RST) technology, which can be used during composite manufacturing processes to complete highly complex carbon fibre components in volumes up to 10,000 parts per year. Funds are being focused to develop a faster, more efficient version of Qure which will be known as 'RapidQure' to support medium- to high-volume projects. This is expected to become a disruptive technology to the automotive industry's current resin transfer moulding and compression moulding processes.

Balance sheet and cash flow

Operating cash outflow of (\$0.8) million for the half reflected expenditure in business activities which will help drive sales in future years. Costs impacting cashflow included approximately \$0.5 million for the JSF vertical tail program and the building of inventory in preparation for equipment shutdowns as the business deploys capital equipment to support anticipated growth in JSF. During December 2015 the company completed repayment of short term debt including \$2 million from Efic, Australia's export credit agency, and the \$3 million loan from Newmarket Financing Pty Limited and associates. Quickstep maintains a fully drawn \$10 million loan which has \$1.8 million in capitalised interest. This will be repaid in instalments beginning May 2016 through to 2021.

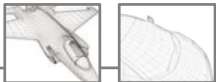
Outlook

The aerospace, defence and transportation industries continue to demand greater volumes of carbon fibre products. Quickstep has focused its business and products to provide components for these industries, and proven its ability to support global supply chains. The ramp-up to manage rising JSF production continues, with qualification for vertical tail parts expected to be completed in the second half. Manufacturing for the JSF program is expected to grow three-fold over the next three years. The company has a solid \$120 million order book which includes scheduled deliveries for JSF and C-130J programs through to 2019.

Quickstep is encouraged by its automotive sector progress and will begin production for its contracts with Ford and Thales Australia during the second half.

The company maintains a healthy balance sheet and funds are being invested for future growth at the company's premises at Bankstown for aerospace and Waurin Ponds for new technology.

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Background on Quickstep Holdings Limited

Quickstep Holdings (ASX:QHL) is a manufacturer of advanced carbon fibre composites for the aerospace and automotive industries. The company operates from state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, NSW; a production site for new technology in Waurin Ponds, Victoria; and an office 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. To date, more than 160 JSF aircraft have been delivered to the US Department of Defense, and this number is expected to grow rapidly. 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 is currently partnering with some of the world's largest aerospace/defence organisations, including the US Department of Defense, Lockheed Martin, Northrop Grumman and Airbus.

Quickstep is also developing patented manufacturing technologies to produce high-volume composite components for the automotive market. The company has secured a letter of intent to deliver components for Thales Australia's Hawkei protected mobility vehicle and an initial order from Ford.

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