

Quickstep delivers positive EBIT pre significant items

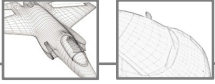
- Quickstep sales increase 27% to \$50.1 million
- Strong JSF growth drives Aerospace Manufacturing sales to \$49.2 million, up 46% and gross profit increased 49%
- EBIT pre R&D and significant items of \$4.0 million
- R&D and New Technology investment boosted to \$3.5 million, up from \$2.1 million

Sydney, 29 August 2016 – Quickstep Holdings (ASX:QHL), the manufacturer of advanced carbon fibre composites, today announced that revenue for the financial year ended 30 June 2016 increased to \$50.1 million, up 27% from \$39.5 million in the previous corresponding year. Aerospace Manufacturing grew strongly as Quickstep's long-term agreement in component supply for the Joint Strike Fighter (JSF) ramped up, supported by higher-than-average production of wing flaps for the C-130J military aircraft.

Earnings before interest, tax, research and development and significant items was \$4.0 million, up 200% from \$1.3 million, driven by Quickstep's Aerospace Manufacturing activities. The group's firm order book at 30 June 2016 was \$125 million, up 67% on prior year. Capital expenditure increased to \$3.4 million in FY16 to facilitate increased production of JSF components at Bankstown and to initiate automotive production at Waurin Ponds. This was an increase from \$1.0 million in the prior year.

The company focused on product development for aerospace and automotive clients and as a result new technology investment increased in the second half. R&D expenditure is fully expensed and was \$3.5 million in FY16, up from \$2.1 million in the prior year. The R&D team are delivering projects to reduce production cycle time for automotive part manufacture, optimised material science and customer-specific demonstrator parts. Establishment of the group's automotive division was part-funded by grants from the Geelong Region Innovation and Investment Fund (GRIIF).

Results summary* - full year to 30 June	2016 (\$m)	2015 (\$m)	% Change
Revenue	50.1	39.5	27
Gross Profit	10.4	7.0	49
Earnings before R&D expenditure, interest, tax and significant items	4.0	1.3	200
R&D/new technology expenditure	(3.5)	(2.1)	70
Earnings before interest, tax and significant items	0.5	(0.7)	up
Net financing costs	(2.1)	(3.2)	-
Significant items (after tax)	(4.2)	(0.0)	-
Net loss after tax	(5.8)	(3.9)	(47)



David Marino, CEO and Managing Director of Quickstep, said: “Quickstep’s Aerospace Manufacturing business performed profitably with sales of \$49.2 million compared to \$33.7 million in the prior period, an increase of 46% over the prior year. The resulting increase in profitability ensured that new capital expenditure at Bankstown was funded by its own earnings.

“During the year we completed 590 JSF parts and invested in our Bankstown production facilities to support scheduled growth, including JSF vertical tail production for BAE Systems and Marand Precision Engineering.

“Inventory increased during the year to safeguard customer deliveries as a result of scheduled production stoppages for installation of new equipment to meet increasing JSF volumes. As production levels increase with capital investments in place, excess inventory will reduce, returning cash of approximately \$2 million by December 2016.

“Fit-out at Waurin Ponds is complete, including relocation of global R&D operations from Munich. Automotive production commenced for Thales' Hawkei armoured vehicle and the Ford Falcon XR6 Turbo. The relationship with Ford provides a strong partnership with an original equipment manufacturer (OEM) focused on carbon fibre production globally. The team commenced working on a new project with the Korean Institute of Science and Technology (KIST), which targets opportunities in the Korean automotive market.

“We strengthened our management team and, in line with our commitment during our capital raising last year, accelerated investment to increase product capability. The business has significantly reduced composite part manufacturing cycle times to create better engineering solutions for the automotive market.

“With the JSF program ramping up and Quickstep's new technologies beginning to secure commercial contracts, Quickstep is a much stronger company today.”

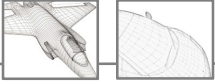
Significant items

Total significant items of \$4.2 million were recognised FY16. During the year Quickstep discovered and recognised a significant item of \$1.6 million relating to legacy issues for potential tax and social security liabilities for prior employment arrangements in Quickstep Germany. Depending on the outcomes of these matters, Quickstep will explore recovery options. Additional items including vertical tail start-up costs of \$0.6 million, restructuring costs of \$0.5 million and non-cash financing costs of \$1.5 million were also included. These financing costs related to foreign currency translation of \$0.3 million and interest expense together with the valuation of options granted as part of a loan provided by Newmarket Financing Management. This short term loan has now been repaid.

Aerospace Manufacturing

Quickstep has long-term agreements to manufacture components for the F-35 Lightning II JSF Program, the world's largest defence aerospace program, and Lockheed Martin's C-130J "Super Hercules" aircraft.

Quickstep is the sole supplier globally to Northrop Grumman for 21 JSF components including doors, panels, skins and other composite parts, and also the supplier of JSF vertical tail components for BAE Systems and Marand. During FY16 Quickstep completed qualification processes to manufacture vertical tail fairings, spars and skins. In June 2016, Quickstep delivered the first of 700 vertical tail sets to be supplied over the next 14 years.



Quickstep is the exclusive supplier of composite wing flaps to Lockheed Martin for the C-130J Hercules aircraft under a five-year Memorandum of Agreement (MoA) valued at US\$75 million. During the year 35 ship-sets were completed at an accelerated rate of approximately three ship-sets per month to meet customer demand. As the production schedule returns to the normal rate of two ship-sets per month, the company's skilled employees will be reassigned to support growing JSF production.

David Marino commented: "Delivery of the first sets of vertical tail components in the second half was a significant milestone that increases manufacturing throughput, and volume is anticipated to grow substantially in the next three years. C-130J manufacturing progressed well, fulfilling demand for additional spares, and we are in discussions to extend the program beyond 2019.

"We continue to pursue further aerospace manufacturing contracts with existing and new customers."

New technology and automotive sales progress

The group made significant progress toward commercialising its technologies in FY16, including partnering with Ford Motor Company to deliver a global-first solution for under-bonnet composite air ducts. By the end of FY16 Quickstep had completed 377 carbon fibre air intake ducts for the Falcon XR6 Turbo, demonstrating the commercial capability of its carbon composite solutions for the automotive industry.

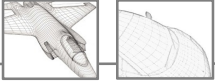
Quickstep commenced production of bonnet, side skirts and mud guards for Thales Australia's Hawkei light protected vehicle. The first of ten sets of parts, comprising more than 190 individual components, are due to be delivered to Thales by September 2016.

Quickstep also secured a sales contract with the Korean Institute of Science and Technology (KIST), the multi-disciplinary research institute which is a technology incubator for South Korea's growing carbon fibre composite materials industry. KIST has purchased Quickstep's composite manufacturing equipment including RST and Qure to develop prototype, demonstrator and niche-volume composite parts. Delivery is expected by the end of 2016.

Quickstep signed a Memorandum of Understanding (MoU) with DCNS in June 2016, following the Australian Government's selection of DCNS Group, the largest ship builder in France, as the government's preferred international partner for the design of twelve submarines for the Royal Australian Navy. It facilitates Quickstep's entry into the marine defence industry and participation in supply chain contracts for the SEA 1000 Future Submarine Program. Planning is underway to enable testing of Quickstep's technologies for naval applications.

David Marino commented: "We are encouraged by new contracts and are working on a number of collaborative projects which are expected to lead to further international sales. Our material science, process and engineering solutions have greatly improved production speed and component surface quality.

"We are increasing our skills as we work closely in product development programs with potential clients to manufacture demonstration parts. Our clients' confidence is building as they become familiar with our systems and this, we believe, will lead to part manufacturing opportunities in line with Quickstep's global parts production strategy. Carbon fibre is increasingly becoming a raw material of choice for aerospace and automotive companies with environmental regulation driving change as companies prioritise lighter vehicles that consume less fuel. Light, strong carbon fibre is helping to increase environmental efficiency, and the price of raw carbon fibre is decreasing."



Balance sheet and cash flow

Following a fully underwritten \$22 million equity capital raising (before costs) completed in December 2015, Quickstep repaid all short-term debt of \$5 million. The company also repaid a \$0.5 million first instalment of a long-term \$10 million loan from Efic which has \$1.8 million in capitalised interest. This loan will be repaid in instalments through to 2021.

Quickstep increased inventory during FY16, protecting customer supply while planned equipment stoppages took place at Bankstown. This enabled Quickstep to meet Aerospace Manufacturing's sales growth targets as well as supporting the KIST contract. Inventory rose to \$11.9 million at 30 June 2016 compared to \$6.0 million at 30 June 2015 and this is expected to reduce by approximately \$2 million over the next six months.

Income from grants including the Geelong Region Innovation and Investment Fund (GRIIF) was \$0.5 million in FY16, reduced from grant income of \$1.8 million in the previous year. The GRIIF grant will provide a total \$1.76 million to June 2017. While Quickstep is no longer eligible for an R&D tax offset rebate having exceeded the rebate's \$20 million annual revenue threshold, the company received a \$1.8 million R&D tax offset rebate in FY15.

At 30 June 2016 the group held \$7.6 million in cash, and subsequently has received \$0.6 million from a major customer which was expected before 30 June. Quickstep also holds \$1.0 million in restricted term deposits. The group's cash balance is in line with management expectations and will support delivery of the group's booked orders as well as its scheduled investment in R&D and new technology development for FY17. Net assets at 30 June 2016 were \$14.2 million.

Outlook

Quickstep will continue to focus on composite materials solutions and its global expansion in aerospace, defence, automotive and transportation. Specific focus areas are as follows -

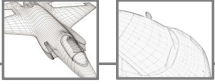
Aerospace Manufacturing

- Leverage the strengthening relationship with existing customers on new project opportunities
- Deliver new customer build-to-print aerospace and defence programs at the Bankstown site
- Complete the planned capital investment program to support growth
- Target doubling Aerospace Manufacturing sales over the next three years to improve segment performance

New Technology

- Continue the strategic shift to new technology parts manufacturing through the maturing of RapidQure solutions for volumes of 10,000 – 30,000 units per annum
- Work with global customers on product development programs and demonstrator parts to integrate the new technology into future automotive product programs
- Continue to grow the engineering and design capabilities to become a full-service supplier with a focus on industrializing composites manufacturing to the automotive and other transport sectors
- Match material and process technologies to meet the increasing rate requirements of the transport sectors
- Work with partners (Deakin, CSIRO & key suppliers) on material science programs
- Deliver Qure and RST equipment for KIST with a 30-minute part cure time and A-Class surface performance
- Securing increasingly larger contracts with global 'original equipment manufacturers' as the capability of Quickstep's carbon composites processes mature

-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 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 aerospace grade, advanced composite components, using both conventional autoclave-based manufacturing and leading out-of-autoclave production technologies (developed in-house and patented).

Automotive activities include contracts with Ford Australia for a carbon fibre air intake duct and the development and supply of a range of composite parts and assemblies for the Thales Hawkei military vehicle.

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