

# Quarterly Report

## To 31 March 2013

### HIGHLIGHTS

#### CONTRACT MANUFACTURING:

##### **Quickstep delivers first JSF parts from Bankstown Airport facility**

- First F-35 Lightning II Joint Strike Fighter (JSF) parts delivered from Bankstown Airport facility on schedule
- Orders now received for all three groups of parts on JSF
- Total agreements worth up to \$700 million cement foundation for long term activity for next two decades
- Firm order book now ~\$20 million mostly for delivery by end CY2014

#### TECHNOLOGY DEVELOPMENT

##### **RST technology advances**

- Progress continues on Resin Spray Transfer (RST) technology targeting the automotive industry
- Production cell installed at Bankstown facility enabling production of demonstration parts

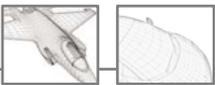
#### CORPORATE

- New chairman, Tony Quick, appointed
- Bruce Griffith OAM (previously chairman of Futuris Automotive) appointed non-executive director
- Cash and investments in term deposits at the end of the quarter of \$3.6 million.

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The March 2013 Quarter saw the first JSF parts manufactured at the recently commissioned Bankstown Airport facility delivered on schedule. The orders were raised under the company's long term agreements (LTAs) with aerospace and defence leader Northrop Grumman.

Production from the state of the art Bankstown facility - among the most advanced carbon composite manufacturing facilities in the world today - will ramp up as more JSF parts are delivered, and ahead of the US\$12 million order to supply composite wing flaps for Lockheed Martin's C-130J Hercules military transport aircraft commencing in 4Q2013.



## **1.0 CONTRACT MANUFACTURING**

### **1.1 FIRST DELIVERY OF JSF PARTS FROM NEW MANUFACTURING FACILITY**

During the quarter, Quickstep delivered its first parts for the F-35 Lightning II Joint Strike Fighter (JSF) program from its new Bankstown Airport facility to global aerospace company Northrop Grumman Corporation.

The complex panels delivered are the first to be manufactured by Quickstep under its JSF contracts, and were completed to schedule and specification. The company has continued to meet all JSF delivery deadlines agreed with Northrop Grumman while establishing, qualifying and now delivering from the new facility. As such, Quickstep is building its reputation as a reliable manufacturer able to service large global supply chain contracts, important in securing other contracts.

The company will now focus on ramping up production of JSF parts, having received purchase orders for all three groups of JSF parts.

Quickstep has a Memorandum of Understanding (MOU) in place to supply the international JSF program with carbon fibre composite components, worth up to \$700 million over the next two decades. At peak production rates, Quickstep is expected to generate JSF revenue of approximately \$40 million per annum.

Globally, approximately 3000 JSF aircraft are expected to be delivered over the life of the program, which is valued at more than US\$300 billion, making it the largest military aerospace program in the world. More than 58 JSF aircraft have been delivered to the US Department of Defence to date and the current production rate is around 3 aircraft per month.

### **1.2 LOCKHEED MARTIN C-130J CONTRACT**

Besides the JSF contracts, Quickstep is preparing for the manufacture of C-130J Super Hercules wing flaps as part of an agreement with Lockheed Martin worth up to \$100 million over five years.

Preliminary work including planning, tooling and training activities continued during the quarter, with the company on track to commence supplying composite wing flaps for the initial \$12 million purchase order from 4Q2013. Under the initial purchase order, Quickstep will deliver 24 wing flaps over 12 months.

### **1.3 TENDERS**

The company is continuing to submit a number of commercial-in-confidence tenders to aerospace companies regarding potential new contracts.

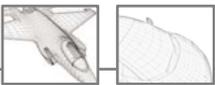
## **2.0 TECHNOLOGY DEVELOPMENT**

### **2.1 Progress on RST**

Quickstep continues to advance its patented Resin Spray Transfer (RST) technology, which produces high-volume A-grade finished composite components ideally suited for the automotive industry. Testing programs are in train or planned with 8 different car or car parts manufacturers.

Quickstep is developing an innovative 'robotised' process which fully automates production of lightweight carbon fibre composite parts, and has demonstrated that the technology can deliver consistent and repetitive high quality finishes on complex shaped parts, further increasing confidence in reliability and de-risking the technology.

A production cell has now been installed at the Bankstown Airport facility, enabling production of demonstration parts for potential customers. The company has commenced a marketing program to the automotive industry.



## 3.0 CORPORATE

### 3.1 CASH POSITION

At the end of the quarter, the consolidated group cash balance was \$3.6 million. This included proceeds from an R&D tax rebate received in February.

### 3.2 NEW APPOINTMENTS

During the quarter, the Board appointed Tony Quick and Bruce Griffiths OAM as independent non-executive directors of the company. Mr Quick succeeds Mark Jenkins as chairman of the board.

Mr Quick joins Quickstep following a highly successful career in the aerospace and defence industries. He is currently Chair of the Defence Materials Technology Centre. In 2001 he helped establish GKN Aerospace Engineering Services to service global demand for engineering services. This company provided design services to the F-35 Joint Strike Fighter program for Lockheed Martin and Northrop Grumman and grew to employ more than 240 aerospace engineering staff in Australia. Its parent company, GKN Aerospace, is one of the world's largest independent first-tier suppliers to the global aviation industry providing integrated metal and composite assemblies for aerostructures and engine products.

Mr Griffiths has been involved in Australian manufacturing for more than 40 years and brings substantial global automotive and rail experience to assist Quickstep as it commercialises its technologies. He is former chairman (2007-2012) and managing director (1992-2007) of Futuris Automotive, an Australian company which is a leader in automotive innovation, and believes strongly that Quickstep's business model and technology represent the future for Australian manufacturing. He joined Air International, which became Futuris, when it was a small company in 1974. Today, Futuris' automotive heating, ventilation and air-conditioning, seating and interiors business employs 1,100 people and competes successfully in a global.

Mr Mark Jenkins will remain an independent non-executive director of the company. Mr Deryck Graham Jnr steps down after 12 years' service in both non-executive and executive director roles; where he has represented Quickstep's largest founding shareholder. Dale Brosius has also stepped down as director, while retaining his prime role as president of Quickstep Composites LLC.

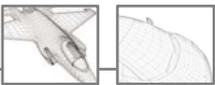
## 4.0 OUTLOOK

With production ramping up from the Bankstown facility, Quickstep is focussed on delivering on its LTAs with major aerospace leaders Northrop Grumman and Lockheed Martin. In addition, Quickstep's near-term goals are:

1. Contract manufacturing
  - Ramping up the production in Bankstown towards becoming cash flow positive
  - Pursuing additional manufacturing contracts
2. Technology development
  - Further progression of R&D work to incorporate the Quickstep Process within JSF manufacturing
  - Maturing the RST technology to make relevant to larger production runs
  - Progressing commercialisation of the RST technology for automotive manufacture

**-ENDS-**

**For further information:**



### **Investors**

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### **Background on Quickstep Holdings Limited**

Quickstep is an Australian company at the forefront of advanced composites manufacturing and technology development. The Company has significant capabilities and expertise in the production of high-end advanced composites for aerospace, defence and automotive use, and is creating a unique advanced composites manufacturing business in Australia using both traditional autoclave and its own world-leading non-autoclave production technologies.

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, currently valued at in excess of US\$300 billion worldwide. The Company delivered its first production JSF part in October 2011 and commenced serial production of flying parts in March 2012. Quickstep expects to secure agreements to manufacture more JSF parts before the end of 2012, increasing the variety of different parts being manufactured.

The Company is seeking to secure additional manufacturing contracts in the global aerospace and defence industries, and in March 2012 announced that it had been selected by Lockheed Martin as the future sole source supplier for composite wing flaps for the C-130J 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, Airbus and EADS.

Quickstep has a fully-commissioned aerospace-grade manufacturing facility located in North Coogee, Western Australia, and will soon relocate its manufacturing operations to the former Boeing facility at Bankstown, New South Wales, which offers the scale, resources and facilities necessary to undertake large-scale, long term aerospace manufacturing contracts.

In addition to its contract manufacturing business unit, Quickstep has also developed a patented manufacturing technology called the Quickstep Process for the production of high-volume A-grade finished composite components for automotive and specialist thick parts such as spars and wing skins for large defence and commercial aircraft.

The Company is currently working with the US Department of Defence to qualify the patented Quickstep Process for JSF manufacturing, and is also conducting a major Research & Development program with car maker Audi aimed at delivering high surface finish, low cost fast processing of carbon fibre composite, together with specialised resins, particularly adapted to the automotive industry.

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

**QUICKSTEP HOLDINGS LIMITED**

ABN

**55 096 268 156**

Quarter ended ("current quarter")

**31 MARCH 2013**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (09 months) \$A'000
1.1 Receipts from customers	6,814	7,985
1.2 Payments for		
(a) staff costs	(1,368)	(5,089)
(b) advertising and marketing	(52)	(76)
(c) research and development	(44)	(643)
(d) leased assets	(8)	(30)
(e) other working capital	(3,151)	(7,008)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	60
1.5 Interest and other costs of finance paid	(59)	(286)
1.6 Income taxes received/(paid) – R&D	3,537	3,537
1.7 Other Income	6	725
<b>Net operating cash flows</b>	<b>5,680</b>	<b>(825)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (09 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>5,680</b>	<b>(825)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	(454)	(3,511)
(e) other non-current assets	-	-
<i>*including in-house asset construction</i>		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other – investment in term deposits	-	300
<b>Net investing cash flows</b>	<b>(454)</b>	<b>(3,211)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>5,226</b>	<b>(4,036)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc (net)	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	7,449
1.18 Repayment of borrowings	(2,823)	(2,823)
1.19 Dividends paid	-	-
1.20 Other	-	-
<b>Net financing cash flows</b>	<b>(2,823)</b>	<b>4,626</b>
<b>Net increase (decrease) in cash held</b>	<b>2,403</b>	<b>590</b>
1.21 Cash at beginning of quarter/year to date	1,187	3,001
1.22 Effects of exchange rate changes on cash held in foreign currencies	(17)	(18)
<b>1.23 Cash at end of quarter</b>	<b>3,573*</b>	<b>3,573</b>

\* Investments in term deposits with an original maturity of greater than 3 months are cash flows related to investing activities. These deposits do not meet the strict definition of a cash equivalent within *AASB107 Cash Flow Statements* hence do not form part of Cash at the end of quarter. As at 31 March 2013 the total of Cash and investments in term deposits with an original maturity of greater than 3 months is \$390k (31<sup>st</sup> December 2012 - \$390k)

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	216
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

	<u>\$A'000</u>
- Directors' remuneration (Item 1.24)	216
- Staff costs - marketing and promotion (Item 1.24)	10

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	17,833	11,325
3.2	Credit standby arrangements	NIL	NIL

Loan facility includes \$14.5M facility with capability to capitalise interest up to \$3.3M.

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	3,573	1,187
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.23)	<b>3,573</b>	<b>1,187</b>

As at 31<sup>st</sup> March 2012, the total of cash and investments in term deposits with an original maturity of greater than 3 months is \$390k. (31<sup>st</sup> December 2012: \$390k).

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	NIL	NIL
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Date: 30 April 2013  
 (Company Secretary)

Print name: **JAIME PINTO**

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+ See chapter 19 for defined terms.

## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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