

Quarterly Report

To 30 September 2014

HIGHLIGHTS

AEROSPACE MANUFACTURING

Lockheed Martin C-130J production continues to build

- C130J ship-sets completed at virtually twice the rate achieved last year.

Joint Strike Fighter production continues to build

- Q1 JSF parts completed at twice the rate of previous year
- Pre-production activities commenced on supply of parts for JSF vertical tails

QUICKSTEP PROCESS: AEROSPACE

Quickstep Process contract on track

- Manufacture of first commercial Quickstep Process plant on track
- Integration under way at Quickstep's Munich facility

Agreement with Vector Composites

- Agreement to integrate Quickstep's US facility with long term licensee, Vector Composites
- Vector Composites can manufacture composite parts in-house using Quickstep technology

QUICKSTEP PROCESS: AUTOMOTIVE

Technology commercialisation

- Letter of Intent signed with Thales Australia for first production contract for Quickstep RST
- Negotiations continuing with a number of Automotive companies
- Rate production testing to meet Automotive industry needs is continuing

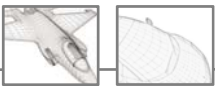
CORPORATE

Efic increases support

- Efic provides Quickstep with new A\$7 million multi-option facility
- New Efic facility in addition to existing A\$10 million facility

Firm order book A\$43 million

- At 30 September 2014, Quickstep's firm order book was valued at A\$43 million
- Majority of work to be completed during FY2015 and FY2016



1.0 AEROSPACE MANUFACTURING

1.1 LOCKHEED MARTIN C-130J PRODUCTION CONTINUES TO BUILD

In the quarter, Quickstep completed 6 ship-sets for Lockheed Martin, compared to 7 ship-sets completed in FY2014. Ship-sets comprise four wing flaps, each including more than 200 individual parts manufactured at Bankstown Airport, NSW.

Quickstep is the sole global supplier of wing flaps for Lockheed Martin's C-130J Super Hercules aircraft. Quickstep's memorandum of agreement with Lockheed Martin is valued at US\$75 million over five years. Over the life of the agreement, Quickstep will supply 120 sets of carbon fibre wing flaps. Purchase orders are in place for the first 55 ship-sets of wing flaps.

1.2 JOINT STRIKE FIGHTER UPDATE

The F-35 Lightning II Joint Strike Fighter (JSF) is Australia's next generation military combat aircraft.

Quickstep produces 21 JSF composite components for Northrop Grumman at Bankstown Airport, NSW including lower skins, fuel tank covers and maintenance access panels. During the quarter, Quickstep delivered parts to the JSF program at twice the rate of that achieved in FY2014. The overall agreement to supply JSF parts to several different Original Equipment Manufacturers (OEMs) is valued at up to A\$700 million over two decades. Pre-production activities have begun on the company's US\$139 million agreement to supply parts for 700 vertical tails for BAE Systems and Marand.

Australia's first JSF aircraft took its maiden flight on 29 September 2014. The first two of 72 JSF aircraft for Australia were rolled out of Lockheed Martin's production facility in Fort Worth, Texas on 24 July 2014. Following flight testing and acceptance the aircraft will be sent to Luke Air Force Base, Arizona in 2015 to support the commencement of Australian pilot training. The first JSF aircraft will enter service in Australia in 2018.

2.0 QUICKSTEP PROCESS: AEROSPACE

2.1 FIRST COMMERCIAL QUICKSTEP PROCESS FOR AEROSPACE ON TRACK

Quickstep continues to make steady progress toward completion of its EUR4.2 million (A\$6.0 million) contract with leading European aircraft composites manufacturer, ORPE Technologiya.

Manufacture of the Quickstep Process plant is underway at Quickstep's Munich facilities, and delivery is expected in the second half of FY2015. Using Quickstep's technology ORPE will manufacture large carbon fibre shielding for satellites used during the launch. Once the plant is fully operational, it will produce 6-metre by 4-metre carbon fibre parts.

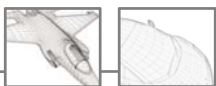
2.2 QUALIFICATION OF QUICKSTEP PROCESS FOR JSF

Quickstep is working with the Australian Department of Defence, the US JSF Program Office, BAE Systems and Lockheed Martin Aerospace to qualify the Quickstep Process for manufacturing spars for the JSF tail structure. This will provide significant cost savings to the JSF program.

2.3 QUICKSTEP AGREEMENT WITH VECTOR COMPOSITES

Subsequent to the end of the quarter, Quickstep entered into an agreement with its US licensee Vector Composites Inc., which will transfer Quickstep equipment and technology to Vector Composites. As a result, Quickstep's existing US facility will be closed.

Vector Composites has acquired specific assets and leased equipment including a Quickstep curing machine, allowing the American firm to manufacture composite parts in house. The agreement provides Quickstep access to a US facility with reduced operating costs.



3.0 QUICKSTEP PROCESS: AUTOMOTIVE

3.1 AUTOMOTIVE COMMERCIALISATION

The company continues to commercialise its Quickstep Process and Resin Spray Transfer (RST) technology for the automotive industry. Sales discussions are continuing with a number of original equipment manufacturers (OEMs).

The PRESCHE project, led by Quickstep in collaboration with Audi and the German Government, is continuing. The program aims to develop a cost effective volume production method of manufacturing automotive parts, completion is expected in FY2015.

After the end of the quarter, Quickstep was awarded a Geelong Region Innovation and Investment Fund (GRIIF) grant of A\$1.76 million. The funds will help Quickstep establish a dedicated automotive division based at Deakin University's Waurn Ponds campus in Geelong. The division will offer complete tailored automotive production cells utilising the Quickstep RST and curing systems.

Subsequent to the end of the quarter, Quickstep signed its first production agreement using the Quickstep Process and its revolutionary Resin Spray Transfer (RST) technology for an automotive application. A letter of intent (LOI) with defence contractor Thales Australia confirms Quickstep's selection as exclusive supplier of the bonnet, side skirts and mud guards for Hawkei armoured vehicles. Thales is currently bidding to supply the Australian designed and manufactured Hawkei to the Defence Materiel Organisation, to replace Army Land Rovers. Final approval is expected in 2015, which could lead to the production of up to 1300 Hawkei vehicles over four years. The agreement is expected to be valued in excess of A\$8 million.

4.0 CORPORATE

4.1 CASH POSITION

At the end of the Quarter, the consolidated group cash balance was A\$2.64 million, which includes A\$1.57 million held in restricted term deposits to be held to maturity.

A payment was received from Lockheed Martin of A\$2.8 million on 3 October, 2014.

4.2 SALES

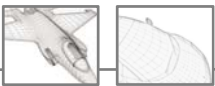
Sales of A\$5.9 million were achieved in the first quarter compared to total sales of A\$12 million for the 2013/2014 financial year.

4.3 EFIC INCREASES SUPPORT

The Australian Government's export credit agency, Export Finance and Insurance Corporation (Efic), has agreed to provide a new A\$7 million 'multi option' facility to Quickstep. The new guarantee includes a performance bond facility for Quickstep's technology export contracts and an export working capital guarantee to support growth in existing aerospace contracts.

The performance bond facility, valued at approximately EUR 3 million, provides support for Quickstep's EUR 4.2 million (A\$6 million) sale of its Quickstep Process technology to ORPE Technologiya. The facility enabled ANZ Bank to provide a guarantee to ORPE. Efic's export working capital guarantee enabled Quickstep to secure additional facilities of up to A\$2.5 million through to 31 October 2015. The ANZ Bank provided a A\$2.5 million facility secured by this guarantee.

The new facilities are additional to the A\$10 million Efic backed loan facility arranged in November 2011.



5.0 OUTLOOK

The company's near-term goals are:

1. Aerospace manufacturing
 - Maintaining production of C-130J wing flaps at three ship-sets per month
 - Delivering JSF program production at twice the FY2014 rate
 - Pursuing additional manufacturing contracts
2. Quickstep Process: Aerospace
 - Delivery of the ORPE Technologiya plant in early 2015
3. Quickstep Process: Automotive
 - Progressing commercialisation of the Quickstep Process and resin spray transfer (RST) technology
 - Pursuing contracts with automotive original equipment manufacturers

-ENDS-

For further information:

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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 defence and automotive industries. The company operates state-of-the-art aerospace manufacturing facilities at Bankstown Airport in Sydney, Australia.

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 93 JSF aircraft have been delivered to the US Department of Defense, and this number is now 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 "Hercules" military transport aircraft.

Quickstep is also developing patented manufacturing technologies to produce 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 to qualify its patented Quickstep Process for the F-35, and is also conducting major research and development programmes with car makers aimed at delivering high-quality 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 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

QUICKSTEP HOLDINGS LIMITED

ABN

55 096 268 156

Quarter ended ("current quarter")

30 SEPTEMBER 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	5,627	5,627
1.2 Payments for		
(a) staff costs	(2,661)	(2,661)
(b) advertising and marketing	(42)	(42)
(c) research and development	(768)	(768)
(d) leased assets	(2)	(2)
(e) other working capital	(6,408)	(6,408)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	83	83
1.5 Interest and other costs of finance paid	(94)	(94)
1.6 Income taxes paid	-	-
1.7 Other (government grants)	141	141
Net operating cash flows	(4,124)	(4,124)

+ 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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(4,124)	(4,124)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets*	-	-
(e) other non-current assets	(76)	(76)
<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 (proceeds from term deposits)	2,213	2,213
Net investing cash flows	2,137	2,137
1.14 Total operating and investing cash flows	(1,987)	(1,987)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	2,500	2,500
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	2,500	2,500
Net increase (decrease) in cash held	513	513
1.21 Cash at beginning of quarter/year to date	566	566
1.22 Exchange rate adjustments to item 1.20	(7)	(7)
1.23 Cash at end of quarter	1,072	1,072

* 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 AASB 107 *Cash Flow Statements* hence do not form part of Cash at the end of quarter. As at 30th September 2014 the total of Cash and investments in restricted term deposits is \$1,570k. (30th June 2014: \$3,849k).

+ 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	316
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

	\$A'000
- Directors' remuneration (Item 1.24)	316
- Staff costs - marketing and promotion (Item 1.24)	-

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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	20,682	18,025
3.2	Credit standby arrangements	NIL	NIL

Loan facility includes \$10.0M facility with capability to capitalise interest up to \$3.3M which is partly utilised.

A multi-option facility of which the \$2.5M working capital facility is fully drawn and the Eur3M (\$A4,349M) performance bond is also fully drawn.

+ See chapter 19 for defined terms.

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

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	1,072	566
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,072	566

As at 30th September 2014, the total of cash and investments in restricted term deposits is \$1,570k. (30th June 2014: \$3,849k).

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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.

Sign here: Date: 31/10/14
 (Company secretary)

Print name: Jaime Pinto

+ 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 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting 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.