

# Quarterly Report

To 30 June 2015

## HIGHLIGHTS

### SALES

#### Record annual sales

- Quickstep sales for the year ended 30 June 2015 were \$40.4 million, compared to \$12.0 million in FY2014.

#### Firm order book A\$74.9 million

- Quickstep's firm order book was valued at A\$74.9 million up from \$52m last quarter.

### AEROSPACE MANUFACTURING

#### Lockheed Martin C-130J production rate maintained

- 11 C-130J ship-sets delivered in the quarter.
- 32 ship-sets completed in FY2015.

#### Increasing production rate of Joint Strike Fighter (JSF) parts

- 466 JSF parts delivered in the year; with a June run rate of 50 parts for the month achieved
- Qualification for JSF vertical tails progressing to plan.

### TECHNOLOGY COMMERCIALISATION: AEROSPACE

#### Qure contract

- First Qure contract achieved customer acceptance and approval for client installation.
- Quickstep has received €4 million (\$5.8 million AUD) payment.

### TECHNOLOGY COMMERCIALISATION: AUTOMOTIVE

#### Technology commercialisation

- Niche volume production agreement with global OEM secured after year end
- Negotiations with leading global original equipment manufacturers (OEMs) continued during the quarter.
- Automotive division facility set-up and planning for production commenced.

#### Thales Hawkei

- First project using Quickstep's automotive resin spray transfer (RST)
- Design activity underway jointly with Thales.



## **1.0 SALES**

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### **1.1 RECORD ANNUAL SALES**

Fourth quarter sales were A\$11.9 million. The company's annual sales exceeded guidance and includes recognition of A\$5.8 million related to the Qure contract with ORPE Technologiya. This resulted in record sales of \$40.4 million for the year to 30 June 2015 (\$12.0 million for FY2014).

### **1.2 FIRM ORDER BOOK**

At 30 June 2015, Quickstep's order book was valued at A\$74.9 million, increasing from A\$52 million at the end of the previous quarter. This reflects increased orders for Quickstep's JSF and C-130J aerospace contracts, and it is anticipated that the majority of this work will be completed during the next two years.

## **2.0 AEROSPACE MANUFACTURING**

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### **2.1 LOCKHEED MARTIN C-130J PRODUCTION RATE STEADY**

During the quarter, eleven ship-sets were completed, bringing shipments for the year ended 30 June 2015 to 32 ship-sets (7 ship-sets in FY2014). This exceeded the C-130J wing flaps production rate of about three ship-sets per month established earlier in the year. Following a recent production order Quickstep's firm order book has increased substantially. A new memorandum of understanding, including an extension to the existing agreement, is expected to be signed in early FY2016.

Quickstep is the sole global supplier of wing flaps for the C-130J Super Hercules aircraft, under a five year memorandum of agreement.

### **2.2 JOINT STRIKE FIGHTER UPDATE**

During the quarter, Quickstep completed 136 F-35 Lightning II Joint Strike Fighter (JSF) parts, and 466 parts were completed during the year. This compares with 188 JSF parts completed in FY2014. Discussions with original equipment manufacturers regarding increasing production volumes are continuing.

The company continued to progress the qualification process for production of JSF Vertical Tail components. Under its agreement with Marand Precision Engineering, Quickstep will supply 700 sets of carbon fibre composite parts including skins, spars and fairings over a period of 14 years, with first deliveries expected to commence this year.

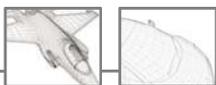
Quickstep has overall agreements to supply JSF parts to several different original equipment manufacturers (OEMs) valued at up to US\$700 million over two decades.

## **3.0 TECHNOLOGY COMMERCIALISATION: AEROSPACE**

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### **3.1 ORPE & COMMERCIAL CONTRACTS**

The company has branded its patented curing and moulding machine to manufacture carbon-fibre parts 'Qure', recognising its unique capability and the potential for its technology to lower the cost of manufactured components. Qure represents an industry-disruptive technology which provides the aerospace industry greater flexibility and more control over the curing cycle than traditional autoclave manufactured carbon fibre composite parts.



Leading European aerospace manufacturer ORPE Technologiya has now formally tested and accepted its custom-tailored Qure machine for installation. This bespoke Qure which uses two machines working in unison has successfully produced 6 metre by 4 metre carbon fibre parts which will be used to shield satellites during launch.

Quickstep recognised €4.0 million (A\$5.8 million) revenue in FY2015 and has received cash payment. The installation is expected to be completed during FY2016 and the balance of €0.24 million will be recognised at that time.

Development programs with Airbus and negotiations with a number of light commercial and long-range commercial customers continue. Development activities are focused on the use of Quickstep's technologies in aerospace such as; cored structures, large integrated structures, spars, beams and complex cure cycles.

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## **4.0 TECHNOLOGY COMMERCIALISATION: AUTOMOTIVE**

### **4.1 AUTOMOTIVE COMMERCIALISATION**

During the quarter, the company continued to advance the commercialisation of its Qure and Resin Spray Transfer (RST) technologies for the automotive industry, advancing sales discussions with a number of OEMs and tier-1 automotive manufacturers. This culminated in an agreement announced on 9 July 2015 with a global OEM to manufacture a series of up to 1,000 lightweight carbon fibre interior parts.

Whilst small this agreement demonstrates Quickstep's serial production capabilities and represents early success for the first phase of its automotive strategy. Over the course of the next two years, the company will target niche volume automotive projects, while developing its automotive technology and increasing volume capability to secure larger projects. This technology incorporates the patented RST process technology and Qure which uses fluid heat transfer to mould and cure components.

Initial fit-out of the company's Automotive division facility at the Waurin Ponds campus is due to commence in Q1 FY16.

### **4.2 HAWKEI**

Design activity is underway jointly with Thales Australia to prepare carbon fibre composite components for a pilot build of the Hawkei protected mobility vehicle in late 2015/early 2016. Subject to an Australian Federal Government sourcing decision expected this year, production is expected to commence in early 2016.

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## **5.0 CORPORATE**

### **5.1 CASH POSITION**

At the end of the quarter, the consolidated group cash balance was A\$1.2 million and the company held, in addition, A\$0.71 million in restricted term deposits to be held to maturity.

Short term debt repayments to Efic of A\$0.5 million occurred in accordance with the required schedule.

It is anticipated that operating cash from Aerospace manufacturing activities will achieve positive cash flow in Q1 FY16.

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## **6.0 OUTLOOK**

The company's near-term goals are:

1. Aerospace manufacturing
  - Maintaining production of C-130J wing flaps at three ship-sets per month
  - Complete the JSF Vertical Tail qualification program
  - Increasing capacity for JSF future growth



- Pursuing additional manufacturing contracts
- 2. Technology commercialisation: Aerospace
  - Complete installation of the first commercial Qure plant in FY2016
- 3. Technology commercialisation: Automotive
  - Progressing commercialisation of the Qure and RST technology
  - Develop the RapidQure technology
  - Prepare for production of first automotive contract
  - Prepare for first parts supply for Thales
  - Pursuing contracts with automotive OEMs

-ENDS-

**For further information:**

**Investors**

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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 automotive 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 130 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 "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 A-grade finished composite components for automotives. The company has secured a letter of intent to deliver components for Thales Australia's Hawkei protected mobility vehicle.

# 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 JUNE 2015**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$A'000	\$A'000
1.1 Receipts from customers	9,366	27,967
1.2 Payments for		
(a) staff costs	(2,467)	(13,659)
(b) advertising and marketing	(43)	(213)
(c) research and development	(282)	(1,649)
(d) leased assets		-
(e) other working capital	(7,349)	(24,790)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	17	34
1.5 Interest and other costs of finance paid	(176)	(492)
1.6 Income taxes paid	-	-
1.7 Other (government grants)	-	6,053
<b>Net operating cash flows</b>	<b>(934)</b>	<b>(6,749)</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 (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(934)	(6,749)
<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*	(198)	(1,004)
(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	223	257
(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)	-	3,151
<b>Net investing cash flows</b>	<b>25</b>	<b>2,404</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(909)</b>	<b>(4,345)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	5,500
1.18 Repayment of borrowings	(500)	(500)
1.19 Dividends paid	-	-
1.20 Other, Finance lease payments	(19)	(44)
<b>Net financing cash flows</b>	<b>(519)</b>	<b>4,956</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,428)</b>	<b>611</b>
1.21 Cash at beginning of quarter/year to date	2,592	566
1.22 Exchange rate adjustments to item 1.20	48	35
1.23 <b>Cash at end of quarter</b>	<b>1,212</b>	<b>1,212</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 *AASB 107 Cash Flow Statements* hence do not form part of Cash at the end of quarter. As at 30<sup>th</sup> June 2015, the total of Cash and investments in restricted term deposits is \$709k. (31<sup>st</sup> March 2015: \$709k).

**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	278
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

<p style="text-align: right;"><u>\$A'000</u> - Executive and Non-Executive Directors' remuneration (Item 1.24) 278</p>
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**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.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	18,333	16,524
3.2	Credit standby arrangements	NIL	NIL

Loan facilities include:

- A fully drawn \$10,000k facility with additional capability to capitalise interest up to \$3,333k which is partly utilised.
- A multi-option facility of \$2,000k for working capital, which is fully drawn. (Original facility was \$2,500k of which \$500k was paid in June 2015)
- A \$3,000k loan for an 18 month term from Newmarket subordinated to senior debt, which is fully drawn.

+ 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	1,212	2,592
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1,212</b>	<b>2,592</b>

As at 30<sup>th</sup> June 2015, the total of cash and investments in restricted term deposits is \$709k. (31<sup>st</sup> March 2015: \$709k).

**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		

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+ See chapter 19 for defined terms.

## 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: 29 July 2015  
(Company secretary)

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 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.

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