

# Quarterly Report

To 30 June 2014

## HIGHLIGHTS

### CONTRACT MANUFACTURING

#### **Quickstep signs US\$139 million F-35 Lightning II JSF component agreement with Marand**

- Vertical tails agreement with Marand valued at US\$139 million over 14 years
- Quickstep to supply about 700 sets of composite parts for F-35 Lightning II Joint Strike Fighter vertical tails
- First deliveries scheduled for second half of 2015

#### **Quickstep's JSF program continues to grow**

- At 30 June, Quickstep had delivered 277 parts since the beginning of the program
- Overall JSF agreement to manufacture F-35 parts is valued at up to \$700 million over the next two decades

#### **Lockheed Martin C-130J US\$11 million purchase order signed in July**

- New purchase order for 19 sets of C-130J wing flaps
- Quickstep has now delivered seven sets of wing flaps for Lockheed Martin C-130J
- Overall C-130J flap program expected to generate US\$75 million over five years

### TECHNOLOGY DEVELOPMENT

#### **A\$6 million ORPE Technologiya contract progresses**

- Quickstep has completed preliminary design and critical design review phases
- Quickstep Process will enable ORPE to manufacture large carbon fibre shielding for satellites during launch
- Paves the way for Quickstep to enter the aerospace large integrated parts market

#### **Resin spray transfer technology commercialisation**

- Marketing of demonstration parts and quotes submitted to automotive manufacturers
- Negotiations continuing on possible supply of parts using RST

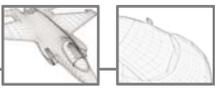
### CORPORATE

#### **Changes to executive team**

- Mr Tony Quick, appointed as Executive Chairman to oversee operational matters for an interim period
- Mr Philippe Odouard appointed executive director to focus on driving growth

#### **Firm order book A\$49 million**

- Including the recent US\$11 million purchase order for C-130J wing flap sets, Quickstep's firm order book is valued at A\$49 million.



## **1.0 CONTRACT MANUFACTURING**

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### **1.1 QUICKSTEP SIGNS LONG-TERM JSF COMPONENT AGREEMENT WITH MARAND**

On 10 April 2014, Quickstep entered a long-term agreement (LTA) with Marand Precision Engineering Pty Ltd ("Marand") to supply approximately 700 sets of carbon fibre composite parts for the F-35 Lightning II Joint Strike Fighter aircraft vertical tails over a period of 14 years.

The estimated value of this LTA to Quickstep is US\$139 million. Quickstep expects to deliver the first parts to Marand in the second half of 2015. At peak production rates, the new LTA is expected to provide \$13 million p.a. sales revenue for Quickstep.

Each ship set of vertical tails entails 18 individual parts, including skins, spars and fairings. These and parts from other suppliers, will be assembled by Marand into vertical tails for their customer, BAE Systems in the UK, with delivery to Lockheed Martin's facility in Fort Worth, Texas, where they will be incorporated with other components for the F-35A variant of the JSF.

### **1.2 JOINT STRIKE FIGHTER UPDATE**

Quickstep's JSF program continues to ramp up to schedule. At the end of the quarter, the company had delivered 277 parts since the program began. Quickstep is producing 21 JSF composite components from its Bankstown Airport facility including lower skins, fuel tank covers and maintenance access panels for leading global aerospace and defence company Northrop Grumman.

In addition, the company is producing composite parts for 700 vertical tails for BAE Systems and Marand. At peak production rates, the company is expected to generate JSF revenue of approximately \$40 million per annum.

In April, the Australian Government announced its decision to purchase a further 58 JSF, taking its total order to 72 aircraft. The first two Australian F-35A aircraft rolled out of the Lockheed-Martin F-35 facility in Fort Worth on 24 July 2014.

### **1.3 QUICKSTEP RECEIVES NEW C-130J US\$11 MILLION PURCHASE ORDER**

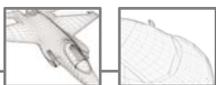
Quickstep is manufacturing 120 C-130J wing flap sets for Lockheed Martin's C-130J 'Super Hercules' aircraft under a US\$75 million memorandum of agreement (MOA) signed in December 2013. Quickstep recently announced a new US\$11.2 million purchase order for 19 sets of wing flaps. This is part of the overall US\$75 million MOA and takes Quickstep's firm production orders to 55 sets of wing flaps.

The wing flaps are made of carbon fibre, and include complex assemblies of skins, ribs and spars up to 13 metres long.

To the end of June, Quickstep has now delivered seven sets of C-130J Super Hercules wing flaps to Lockheed Martin. Production is continuing at an approximate rate of two sets a month and this is expected to accelerate to three sets a month during the second half of 2014.

### **1.4 TENDERS**

Quickstep continues to submit and advance a number of commercial-in-confidence tenders to aerospace and defence companies regarding potential new contracts.



## **2.0 TECHNOLOGY DEVELOPMENT**

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### **2.1 QUICKSTEP PROGRESSES A\$6 MILLION ORPE TECHNOLOGIYA CONTRACT**

Quickstep continues to make good progress towards fulfilling its EUR4.2 million (A\$6.0 million) contract with leading European aerospace composites manufacturer, ORPE Technologiya (ORPE). The company is supplying ORPE with its Quickstep Process technology to manufacture large carbon-fibre composite components.

Quickstep has completed its preliminary design review and critical design review milestones. The design of the Quickstep Process system which will be delivered to ORPE is complete, and the project has moved into production. Integration of the system is expected to begin at Quickstep's facilities in Germany towards the end of the third quarter of 2014. Quickstep anticipates delivery of the Quickstep Process technology to ORPE in early 2015.

The technology will be used to produce large carbon-fibre shielding for satellites during launches. This deal demonstrates the technology's benefits, and opens up opportunities within other markets such as manufacturing of large integrated parts for aerospace.

### **2.2 PROGRESS ON RST**

During the quarter, the company continued to progress commercialisation opportunities for its patented Resin Spray Transfer (RST) technology. The company considers RST to be a revolutionary technology for automotive manufacturers, due to its unique ability to meet the three most important automotive manufacturing objectives: rolling out composite parts at high speed, low cost and with a "spectacular" finish. The technology is the first to produce carbon fibre surfaces with top quality paint finish and keep quality over time.

Quickstep is continuing negotiations to supply parts made using RST with various original equipment manufacturers, including automotive manufacturers. The company has provided quotes and demonstration parts to several companies internationally.

## **3.0 CORPORATE**

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### **3.1 CASH POSITION**

At the end of the quarter, the consolidated group cash balance was A\$4.4 million, which includes A\$3.8 million held on restricted term deposit .

### **3.2 FIRM ORDER BOOK**

Following the LTA with Marand and the C-130J orders, Quickstep's firm order book is now valued at A\$49 million.

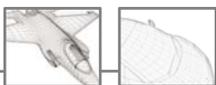
### **3.3 Efic A\$7 MILLION 'MULTI-OPTION' FACILITY**

On 15 July 2014 the Australian Government's Export Finance and Insurance Corporation (Efic) agreed to provide a new A\$7 million 'multi-option' facility to Quickstep. The new guarantee provides a performance bond facility to support delivery of Quickstep's contract to ORPE Technologiya, releasing \$2.5m held in investments, and an export working capital guarantee to support the growth in Quickstep's aerospace and defence contract manufacturing.

### **3.4 CHANGES TO EXECUTIVE TEAM**

During the quarter, Quickstep restructured its executive management team in order to better position the company for future growth. In May 2014 the Board appointed its non-executive chairman, Tony Quick, as executive chairman to assist in the management of the company's current operations for an interim period, and Philippe Odouard has become an executive director.

With this change, the Board has decided to free up some of Mr Odouard's time to pursue commercialisation of the company's innovative new technologies, the Quickstep Process and RST. Mr Quick will manage the day-to-day growth of the company on an interim basis as Executive Chairman.



## 4.0 OUTLOOK

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The company's near-term goals are:

### 1. Contract manufacturing

- Ramping up the production for the JSF program
- Continue to deliver C-130J parts to schedule
- Pursuing additional manufacturing contracts in the aerospace and defence sector

### 2. Technology development

- Progressing commercialisation of the RST technology for the automotive industry
- Further progression of development work to incorporate the Quickstep Process within Aerospace manufacturing
- Delivery of the ORPE Technologiya contract

-ENDS-

### **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 manufacturing facilities at Bankstown Airport in Sydney, Australia, and has offices in Germany and the United States.

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 U.S. \$300 billion worldwide. To date, more than 93 JSF aircraft have been delivered to the U.S. 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 U.S. 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 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 a major research and development program with car maker Audi aimed at delivering high-quality finish, low-cost, fast processing of carbon fibre composite, together with specialised resins, particularly adapted to the automotive industry.

### **For further information:**

#### **Investors**

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# 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 2014**

### 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	1,243	15,601
1.2 Payments for		
(a) staff costs	(2,641)	(9,100)
(b) advertising and marketing	(19)	(254)
(c) research and development	(364)	(2,680)
(d) leased assets	(6)	(17)
(e) other working capital	(4,342)	(14,490)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	23	97
1.5 Interest and other costs of finance paid	(34)	(342)
1.6 Income taxes paid	-	-
1.7 Other (government grants)	601	5,227
<b>Net operating cash flows</b>	<b>(5,539)</b>	<b>(5,958)</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)	(5,539)	(5,958)
<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*	-	-
(e) other non-current assets <i>*including in-house asset construction</i>	(129)	(2,011)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	3
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (payments to term deposits)	10	(3,679)
<b>Net investing cash flows</b>	<b>(119)</b>	<b>(5,687)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(5,658)</b>	<b>(11,645)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	(53)	12,625
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	(1,751)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>(53)</b>	<b>10,874</b>
<b>Net increase (decrease) in cash held</b>	<b>(5,711)</b>	<b>(771)</b>
1.21 Cash at beginning of quarter/year to date	6,291	1,393
1.22 Exchange rate adjustments to item 1.20	(14)	(56)
1.23 <b>Cash at end of quarter</b>	<b>566</b>	<b>566</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 2014 the total of Cash and investments in restricted term deposits is \$3,849k. (31<sup>st</sup> March 2014: \$3,940k).

+ 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	319
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)	319
- 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
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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	13,333
3.2	Credit standby arrangements	NIL

Loan facility includes \$10.0M 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**

**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	566	6,291
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>566</b>	<b>6,291</b>

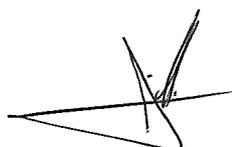
As at 30<sup>th</sup> June 2014, the total of cash and investments in restricted term deposits is \$3,849k. (31<sup>st</sup> March 2014: \$3,940k).

**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: 30 July 2014  
 (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.

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