

Project introduction

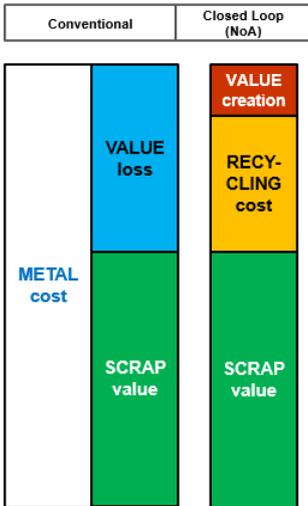


In 2014, Agfa Graphics launched a *revolutionary business model* (called *NoA*) for Offset printing plates, shifting its value proposition from a *Product* to a *Service*. While *keeping the ownership* of the aluminum during its full life-cycle, and hence avoiding its downgrading, Agfa provides a more *sustainable* solution supporting the *circular economy* and generating *benefits* (profitability, working capital, risk management...) for *all parties* in the supply chain. A tool was developed to monitor the aluminum commodity market and scrap value fluctuations to ensure *profit optimization*.

Project update

Today, we can confirm that the NoA business model for printing plates has been growing fast. By end of this year, the *volume* as well as the *customer base* will have **doubled** compared to 2015. Growth was realized in Europe not only by approaching new customers, but also thanks to scope extension: we started to offer this model to *customers served via our dealers*. Furthermore, as of last year, the model was rolled-out in the US.

As a result, this model represents close to 20% of the Agfa Graphics printing plate volume in Europe and NAFTA.



One of the **benefits** of the NoA closed loop model is the *profit* that can be generated in *specific market* circumstances.

In 2015, Agfa was able to create 2Mio€ profit by keeping the scrap in a closed loop with our aluminum suppliers.

As of 2016, the profit was trending negative because of the changed ratio *Metal cost* versus *Scrap value*. As a result, the **value loss** in the conventional model (scrap sale) was becoming smaller than the **cost for recycling**, resulting in a **negative value creation for Agfa**.

In order to safe-guard the profit, it was decided early 2017 to break the *closed loop* for scrap@customers and sell this volume on the recycling market. Only the scrap produced in Agfa's factories was kept in the closed-loop because of lower *reverse logistics costs* (=lower recycling costs).

The diagram visualizes the significant *profit* drop in 2016, and as earlier indicated one year later the *closed-loop volume* drop. As profit is increasing again this year, we might switch back to *closed loop* as soon as this becomes favorable. As such, this business model driven by supply chain has been proven flexible to market conditions resulting in a continuous optimization of the profits.

Project Summary

The growth of the NoA model via scope extension and roll-out demonstrates Agfa Graphics' customer base appreciates the value proposition. Hence the model strengthens Agfa Graphics' market position. Additionally, the project equipped Agfa Graphics' management with tools to enable continuous internal profit optimization. Profit heavily depends on external variables, this year yielding to 1.1 Mio€.

