

**Carbon Revolution Limited**

Geelong Technology Precinct
75 Pigdons Road
Waurin Ponds, 3216
Australia

ABN: 96 128 274 653



Automotive
TS 16949



Quality
ISO 9001



Environment
ISO 14001

**Carbon Revolution (ASX code: CBR)
ASX Announcement**

Geelong, Australia, Friday 6 November 2020

The Chair and CEO's addresses to the Carbon Revolution Limited 2020 Annual General Meeting on 6 November 2020 are attached, as required by Listing Rule 3.13.3.

Authorised for release by the Company Secretary of Carbon Revolution Limited

Contact details:

Investor relations contact
Andrew Keys
andrew.keys@carbonrev.com
+61 (0)400 400 380

CARBON REVOLUTION LIMITED - 2020 ANNUAL GENERAL MEETING

Friday 6 November 2020

Address by the Chair, James Douglas

Good morning shareholders and guests. My name is James Douglas and I am the Chair of Carbon Revolution. On behalf of the Board and management of Carbon Revolution, I extend a warm welcome to you all to the Company's first Annual General Meeting after our listing.

I am informed that we have a quorum present and accordingly I declare this meeting open.

I am disappointed that we cannot be together in person, but in response to Government restrictions and the potential health risks arising from the COVID-19 pandemic, the Board determined to hold this year's Annual General Meeting virtually. We very much appreciate your understanding at this challenging time and we thank you for joining our virtual meeting.

We have published on our website and on the ASX an online AGM guide. This is also available to download at the bottom your screen. I will go through the technical and procedural matters for the AGM shortly.

Before proceeding with the formal parts of the meeting, I would like to acknowledge the many traditional owners of the lands which we are joining the meeting from today. For those of us here at Coventry Street, Southbank, we acknowledge the Traditional Owners of the land on which we are meeting and we also acknowledge the Wadawurrung People, the Traditional Owners of the land where our Geelong facility is located. We pay our respects to elders past present and emerging of all the traditional owners of the many lands we are joining the meeting from today.

Let me now introduce your Board of Directors, [who are all present with me today].

- Jake Dingle, CEO and Managing Director
- Bruce Griffiths
- Lucia Cade
- Dale McKee
- Mark Bernhard
- Peter Lewinsky

Also joining us virtually today is Stephen Roche from our external auditor, Deloitte Touche Tohmatsu, he is available to answer questions shareholders might have concerning the conduct of the audit, preparation and content of the auditor's report, the Company's accounting policies and the auditor's independence. We welcome and thank Stephen for his attendance today.

I'll now talk through the procedural matters for this meeting.

Firstly, in relation to shareholder questions. We are only taking questions from shareholders today, or their representatives. You can submit questions at any time, you do not need to wait until the relevant item of business. We encourage you to submit your questions as soon as possible. We will then seek to address your questions during the discussion on the appropriate item of business. We will endeavour to answer as many questions from shareholders as we can.

To ask a question please click on the "Ask a Question" button, type your question and click "Submit". You will need to provide your details (including Shareholder Reference Number (SRN) or Holder Identification Number (HIN)) to be verified as a shareholder or proxy holder. Questions sent via the online meeting platform will be moderated to avoid repetition, and if questions are particularly lengthy we may need to summarise them in the interests of time. I ask that all questions be directed to me as Chair.

We have also received some questions from shareholders in advance of the Meeting today, and these will be addressed during my or the CEO's address.

Secondly, voting today will be conducted by way of a poll on all items of business. In order to provide you with enough time to vote, polling on all items is open now.

Shareholders attending the meeting via this online platform will be able to cast their vote using the electronic voting card received after clicking the 'Get a Voting Card' button. Please refer to the Online Portal Guide or use the help line specified. You will need to provide your details (including Shareholder Reference Number (SRN) or Holder Identification Number (HIN)) to be verified as a security holder or proxy holder. You can change your vote up until the time I declare the voting closed. I will give you a warning before I close voting towards the end of the meeting.

Any appointed proxy who has been given discretion on how to vote should vote in the same manner. Any appointed proxy that has been directed to vote in a certain manner and has no discretionary votes to cast, does not need to vote as those votes will automatically be counted in accordance with those directions.

If you experience any difficulties with the online platform, the help line number is displayed at the top of the page and is 1800 990 363.

If we do experience technical difficulties during the meeting, we will assess the next steps based on the nature of the problem. In the event of a complete failure of technology, our share registrar Link Market Services will contact shareholders directly via email and text to advise of a recess or adjournment and we will also provide an update on ASX.

I will now give a short overview of the past year, after which Jake will give you a more detailed presentation on the business and its performance and expectations for 2021.

Carbon Revolution was established in 2007. It is an advanced manufacturing company that designs, manufactures and markets single piece carbon fibre wheels. We are proud to be an Australian technology company with our heritage in Geelong.

Our wheels are currently available on a number of cars made by Ford, Ferrari and Renault and we have contracts to supply wheels to a number of other car makers for future models. We are also designing a wheel for aerospace applications.

Our wheels are materially lighter than steel and aluminium alternatives and as a result deliver significant efficiency gains. These efficiency gains translate into enhanced performance and increased fuel efficiency or range enhancement for electric vehicles.

The past year has been a very significant one for the Company. We made good progress in the industrialisation of our production processes, delivered strong growth and completed a successful listing on the Australian Securities Exchange (ASX).

However, we also faced significant challenges. In particular, issues associated with the COVID-19 pandemic materially impacted our business, affecting our customers, our supply chains, our production and ultimately our ability to deliver on our prospectus forecasts.

We are disappointed that we were not able to deliver on our expectations for this year, but we also believe that these impacts are relatively short-term in nature and that our long-term growth prospects are unchanged.

There are a number of highlights from 2020 which I would like to touch on.

As I mentioned, during the year, we completed a successful Initial Public Offering (IPO) on the ASX on 29 November 2019. We are grateful for the support shown by our long-term shareholders up to the IPO and by all shareholders since then.

After a terrific start, the second half of the financial year was heavily impacted by the global COVID-19 pandemic. Our two largest customers, Ferrari and Ford, shut down manufacturing during this time. The pandemic impacted our global supply chain and affected our ability to procure key raw materials. We also took steps to safeguard our team at our facility in Geelong, Victoria which affected production. As a result of these issues and uncertainty created by the pandemic, we withdrew our prospectus forecasts for the 2020 financial year on 25 March.

Around that time we also took steps to ensure the company was in as strong a financial position as possible to deal with uncertainty created by the pandemic by raising \$25m through an institutional placement in March 2020 and a further \$2.7m raised via a share purchase plan immediately after the placement.

During the year our operational focus for the business was on increasing production capacity, particularly within our moulding processes. It is pleasing to report that monthly annualised moulding output increased to 30,000 wheels per annum by the June quarter. However, as you may know, as a result of challenges in finishing wheels to the required aesthetic quality, compounded by the constraints that we had to impose due to the pandemic, our finishing rates were lower than our moulding rates. This resulted in lower sales and higher work-in-progress inventory levels than planned.

The issue of finish quality, particularly as we industrialise our process to increase rate and lower costs, has therefore been a major focus for our team. During the year we completed development work on a new technology that addresses these challenges. This new technology, known as 'fascia', will address the majority of our quality issues and provide a materially enhanced aesthetic finish to our wheels. In addition, it will reduce costs and allow us to sell through excess inventory carried over from the 2020 financial year. This fascia technology is being implemented with customers now and the first commercial sales of wheels featuring it will occur this quarter. It will be progressively introduced over most of our existing programs and all future programs.

We have applied for a patent for the fascia technology which will add to the valuable intellectual property portfolio developed and owned by the Company. We currently have 43 granted patents in eight patent families, with further patents pending in an additional four patent families. Research and development will continue to be a focus for us and is critical to the success of the Company. We are proud to have developed this technology here in Australia and in Geelong.

Customer demand for our wheels has continued to be very strong – both from our car maker partners and their customers.

Our carbon fibre wheels have been in the market for over 5 years and are validated across numerous programs and car makers. Our wheels are no longer seen as an emerging technology, but a technology that needs to be considered for new vehicles. At present we have 11 programs for specific vehicles with five car maker partners and a further program in engineering validation stage with a sixth car maker based in Asia.

During financial year 2021 we expect to enter into new supply arrangements with existing customers for new vehicle programs as well as with new customers.

The Company's 2020 revenue of \$38.9m exceeded the prior year by 158%. Carbon Revolution reported a loss after tax of \$114.0m (FY19: \$27.2m). The 2020 loss after tax includes \$87.2m of non-cash items associated with the IPO.

Looking forward to 2021, we expect strong sales growth and continued progress with our industrialisation strategy. Jake will speak more to the strong progress we have made with the industrialisation of our production processes, industry leading safety outcomes, positive employee engagement results and with our customers.

Lastly, I want to note that Bruce Griffiths is retiring from the Board today. I want to acknowledge the extraordinarily valuable contribution Bruce has made to Carbon Revolution. He is leaving the Board today after 7 years of involvement including being Chair of the Remuneration and Nomination Committee. Bruce has been a key influence in the development of the Company and an incredible mentor to Jake and me. His long experience supplying components to the automotive industry, first at Air International and later as Chair of Futuris, was invaluable for us as we commercialised our technology and built customer relationships. As many of you will know technology development can be a bumpy ride and Bruce provided leadership and insight through many of the issues we dealt with in our early days. He is stepping off the Board, but we hope we can still continue to benefit from his guidance and insight over the journey. Thank you Bruce!

With Bruce's departure the Board will reduce to five non-executive directors. This is a more appropriate size Board for a company such as Carbon Revolution. We have noted that Peter Lewinsky has indicated that he will step down in July 2021 and I will thank him at the appropriate time.

On behalf of the Board, we would like to thank each and every member of the Carbon Revolution team for their considerable efforts and achievements throughout the financial year, particularly in the face of the unusual and difficult challenges of COVID-19. Carbon Revolution builds a unique and highly sophisticated product, and it has a unique team and culture which we are confident will deliver long-term, profitable growth for our shareholders. We would also like to thank our customers, suppliers, partners, financiers and advisors for their contribution and collaboration through the year.

I would also like to thank you, all of our shareholders for your support this year. I am excited about the growth journey that we are on and very delighted to have you on that journey with us. I now hand over to our CEO and Managing Director Jake Dingle.

--ENDS--

CARBON REVOLUTION LIMITED - 2020 ANNUAL GENERAL MEETING

Friday 6 November 2020

Address by the Managing Director & CEO, Jake Dingle

Thankyou James and Good morning everyone.

Whilst the challenges of Covid-19 continue and are being faced by industry globally, we have seen a level of stability gradually return to our business environment compared to earlier in the year when the pandemic first took hold. Our team have been doing an exceptional job of driving the business forward through this challenging time and showing the benefits of having an agile and dynamic culture. Maturing the business while retaining the great startup culture and agility that have been the foundations of the business to date.

Before I come to my review of FY20 I will start by outlining the 3 primary areas of activity and priority across the business. These activities are underway concurrently however they deliver outcomes in successive timeframes.

Firstly, the team is working to deliver our FY21 priorities. These include driving the business to positive operating cashflow, and I'm pleased to say that we've exited the last quarter with a positive September and expect each subsequent quarter to be positive. This means continuing to execute on our aggressive direct production cost reduction and inventory reduction initiatives. So FY21 is all about disciplined capital management and driving to profitability to set the business up for the next phase of growth.

The second focus area relates to delivering the contracted volumes and growth that we anticipate in the current awarded programs, including those that are awarded but not yet in production. We now have installed capacity to produce around 80,000 wheels per year. We believe this will provide sufficient capacity for these contracted programs unless there is significant further expansion due to increased customer demand. This equipment is now on the shop floor and well understood. It includes the fascia technology that we've recently launched.

And our third and final area of focus is on the medium to longer term strategy of securing significantly higher volume programs with our customers. These will be underpinned by the next phase of our industrialisation strategy, which involves the establishment of even more highly automated production units that we refer to as mega-lines. These lines utilize all of the discrete production steps that are represented on our factory floor today, producing for our latest programs such as the GT500 Mustang, but with the addition of state-of-the-art transport systems added to them in order to dramatically reduce the amount of labour involved on a per wheel basis.

These mega-lines will also feature a suite of cutting-edge digital technologies that are world leading within manufacturing environments. These really will make this business a true hybrid of advanced physical AND digital technology.

Extensive virtual design and validation has been completed for these megalines already and we have a high level of confidence in the strong economics that will be delivered at that stage. Pleasingly a number of customers are already engaged with us on this next phase and developing these programs in a collaborative manner.

Despite the impacts of COVID-19 through this year we delivered very strong revenue growth. FY20 revenue was more than 2.5x FY19. We generated almost \$37 m of revenue from around 14,000 wheels sold. Engineering and tooling revenue of \$2.1m was on top of that.

There was another \$4.5m of wheels shipped that we couldn't book as revenue due to the accounting treatment following our switch to sea freight for one customer.

Pleasingly our all-important Industrialisation activities, which are central to the strategic direction of the business, progressed well.

Whilst our sales volumes was negatively impacted by COVID19 and issues with finishing wheels in the latter part of the year, pleasingly our ability to mould wheels through what is the most sophisticated part of our manufacturing facility was clearly demonstrated. We averaged a run rate of approximately 30,000 moulded wheels per annum across the final quarter, which was broadly in line with our prospectus targets.

In combination with the COVID impacts, we were challenged by finishing related issues which impacted our ability to move wheels rapidly enough through the back end of the process.

Our new fascia technology is now entering production and is a game changer that enables us to overcome one of the challenges that the automotive industry has always grappled with when it comes to sophisticated composite products that need to deliver to aesthetic perfection.

This technology is now being successfully introduced for our first wheel program, having been in development as part of an important family of “finishing” technologies for around 2 years now. It will be a feature of all future programs but importantly it is being applied retrospectively to our current programs.

The two major customers that have been involved with our first transition to fascia have been astonished at the level of quality and consistency that we’ve now demonstrated to them. This kind of technological step change and our ability to successfully deliver on what we promise is a significant factor in securing new business both with existing and new customers.

Including fascia, we have invested heavily in technology and capacity over the past year. We spent \$14.6 million on new industrialised equipment. Virtually all of this related to processes that have been developed by Carbon Revolution as part of our automation and industrialisation strategy. Supporting this was \$12.3m of capitalised R&D expenditure, which has driven major advances and improvements in our core technology and IP.

COVID-19 clearly had a significant impact on our business in FY20, both directly and indirectly through our customers and suppliers. It certainly impacted on our ability to deliver to our expectations.

Given our prioritisation of the health and safety of our workforce, and a desire to manage risks and maintain our operations, we took the difficult decision to cease the recruitment program that was required for us to hit our targets.

We also moved early and decisively to raise almost \$28m of new capital to shore up our financial position, noting that we are pre-profit and therefore the significant uncertainty about what the future held needed to be dealt with as a material risk to the business.

We took effective and decisive measures through the early stages of the COVID crisis.

We moved customers to sea freight as part of managing and mitigating disruption to our operations despite closure of their factories.

We accelerated key areas of development, such as fascia, which deliver significant cost and capacity benefits.

Finally, we accelerated the completion of capacity expansion projects, capitalising on some increased availability of areas of the factory to enable upgrades and commissioning to occur ahead of plan.

We finished the financial year with a cash balance of almost \$34m, and are now almost complete with refinancing of our \$13m loan with Ronal via a facility with Export Finance Australia (EFA). This is now in final documentation stage.

We are expecting strong growth again in FY21 however we are monitoring the COVID situation closely in North America, Europe and Asia and here in Australia. We are watching closely the deteriorating situation in Europe, where strict lockdowns are either being discussed or implemented

across countries that are home to our customers or suppliers. So far, we have not seen any further disruptions that impact on our business.

During FY20, 3 new programs were awarded, which is significant given the distractions and delays faced by our customers, factors which directly impact the timing of new vehicle launches.

Pleasingly one of those programs is our first for a SUV application.

In addition to these 3, we are also well advanced with a major car maker in the Asia region. This work is at the engineering and validation stage, which is generally the precursor to program award.

FY20 saw a remarkably strong performance in OH&S vs. industry benchmarks given growth in headcount and the level of maturity of our equipment. This is a real testament to our team and the culture that we are building at Carbon Revolution.

We continue to increase our focus on environment – off the back of our ISO14001 certification.

This slide provides some photographs and images of the industrialisation work that I've referred to.

The face layup line is now installed and commissioned. When combined with fascia, this dramatically improves the efficiency of one of the more labour intensive parts of our process. It also has a significant impact on consistency and therefore quality.

Future wheel designs will enable more and more of this residual manual activity to also be automated.

You can also see photographs of our current high-pressure moulding cell with a cycle time now approaching 5 mins per wheel for that cell.

At the bottom right of the page is an image from our mega-line simulation model.

The megalines will be the next level of industrialisation beyond what we currently have on the factory floor, and they will utilise the majority of what is currently in operation for our most recent programs.

They will however introduce and utilise state of the art automation and transport systems to link each of the discrete processes together to dramatically improve efficiency and reduce wasteful movements and activities.

This breadth and pace of development will continue as we drive forward with our core strategy of achieving scale, efficiency and rapid growth with this technology.

There is strong engagement with both existing and new customers on business development activities, with discussions underway on a range of programs from smaller, performance-oriented programs through to much higher volume programs. These larger programs are expected to use the industrialised Mega-line manufacturing process, and include the potential for major EV programs.

Subject to the earlier statements I made about the COVID-19 situation globally, our outlook remains strong both for the current financial year and those that lie ahead. It is early days but we are now starting to really feel a groundswell of engagement and activity around the broader adoption of our unique technology and for increasingly large volume programs. This is both with our existing customers and a number of new customers including conventional car makers and new entrants with an EV focus.

Given this progress I'm confident in saying that our long-term strategy of industrialising and scaling up to ensure that this technology is able to be truly disruptive rather than niche remains firmly on track despite the disruptions that we've seen through this year.

Finally, I would like to acknowledge the remarkable team that makes up Carbon Revolution and that has made it possible to achieve what no other company in the world has managed to achieve.

I will now hand back to James for any Q&A and the formal items of business.

--ENDS--