



NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

(Company Registration Number 199902564C)

(Incorporated in Singapore on 13 May 1999)

(the “Company”)

PROFIT GUIDANCE FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the “**Board**”) of Nanofilm Technologies International Limited (“**Nanofilm**”, the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to provide an update on the financial performance of the Group for the six-months ended 30 June 2023 (“**1H2023**”) and the outlook for the financial year ending 31 December 2023 (“**FY2023**”).

Based on a preliminary assessment of the information currently available to the Board, including the Group’s management accounts (which have not undergone review by the audit committee or external auditors of the Company), it is anticipated that the Group will report a revenue decline of approximately 34% to S\$73 million and a net loss of approximately S\$8 million for 1H2023, as compared to the six-months ended 30 June 2022. The Group will continue to recognise a positive Earnings before Interest, Taxes, Depreciation and Amortisation (“**EBITDA**”) for 1H2023.

Weaker 1H2023 financial performance is attributable to the following, mainly market-related impacts:

1. A slower-than-expected recovery in end-consumer sentiment linked to macro challenges around inflationary pressures, higher interest rates and ongoing geopolitical tensions. These factors have led to reduced consumer discretionary spending that has impacted demand;
2. A softer than anticipated post-reopening recovery in China during 1H2023 which is expected to improve in the second half;
3. Weaker demand across the broader consumer electronics sector that has significantly impacted the Group’s Advanced Material Business Unit, particularly its Computer, Communication and Consumer segment, and the Nanofabrication Business Unit;
4. Reductions in capital expenditure by customers due to more cautious market sentiment, which has impacted the Group’s Industrial Equipment Business Unit; and
5. Increased operating expenses connected to the Group’s investments in long-term business initiatives to drive future growth, including costs related to new facility set-ups in Zigong and Huizhou, China, ongoing business-building expenses related to Sydrogen, as well as higher depreciation expenses associated with capital investments in new production facilities.

To mitigate the impacts of the challenging business environment, the Group has implemented cost reduction measures in manpower, overheads, and other operating expenses in areas involving streamlining business processes while ensuring its long-term growth is not compromised. Nanofilm remains fully focused on delivering its long-term growth through the execution of its market expansion strategy. This will focus on the three key end-markets of Consumer, Industrial, and New Energy and will be driven through multiple business models such as Equipment Sale, Coating as a Service, Components Production, and Value Chain Integration.

Despite the challenging operating environment in the first half of the year with consumer demand taking longer to recover, the mid to long-term prospects for the Group remain strong.

Looking ahead to the second half of the year, considering these initiatives and based on currently available information and barring any unforeseen circumstances, the Group expects:

- revenue for the second half of FY2023 (“**2H2023**”) to be higher than 1H2023; and
- the Group to be profitable for FY2023.

Considering that the consumer market contributes a substantial portion of the Group’s revenue and that the demand visibility for the consumer market is limited, the Group’s current outlook for 2H2023 depends on various factors not worsening, which include but are not limited to the following:

1. Global inflation does not worsen, and global recession or downturn in key markets is avoided;
2. Geo-political tensions between the US and China do not escalate further;
3. Soft consumer market demand does not worsen;
4. Customer capital expenditures are not further tightened; and
5. No re-emergence of a global pandemic or any other macro factors that may affect customer supply chains.

Given the current challenging and unpredictable business landscape, the Company recognises the practicality of deferring the attainment of its 2025 targets of S\$500 million in revenue and S\$100 million in profit after tax and minority interest, to a later time when there is better visibility. In the meantime, the Company remains committed to pursuing its various outlined strategic initiatives.

Further details of the Group’s financial performance will be disclosed in the Company’s unaudited consolidated financial results announcement for 1H2023, to be released on 10 August 2023.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company. If in doubt as to the action they should take, shareholders and investors should consult their stockbrokers, bankers, solicitors, accountants, tax advisers or other professional advisers.

**BY ORDER OF THE BOARD
NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED**

Lim Kian Onn
Chief Financial Officer
10 July 2023