

Addressing Market Feedbacks Post Nanofilm's 1H 2021 Results and Management Bench Strength

Nanofilm Technologies International Limited ("Nanofilm", "Company" or "Group") has held a series of analysts and investors briefings on 16 and 17 August 2021, post release of its 1H 2021 results on 16 August and 17 August 2021. The Group has consolidated the feedback and provided responses accordingly, as penned below.

Further Details on 1H2021 Financials

- ***Within the Advanced Materials Business Unit ("AMBU"), the 3C segment revenue grew 17% YoY and Automotive segment grew 103% YoY. This was achieved despite severe global supply chain disruptions.***
- ***Under the 3C segment, which was impacted by much weaker months in April and May 2021 due to projects delay, its smartphone sub-segment grew 118% YoY and Computer sub-segment was up 12% YoY, followed by a decline in the Wearables & Accessories sub-segment for 1H 2021.***
- ***Due to the seasonal nature and supply chain arrangements of 3C segment, 2H is typically peak season where majority of production will be executed in this period. Therefore, the performance of 1H is not generally comparable with the preceding 2H performance.***
- ***Under the Automotive segment, business volume grew both in the Group's Yizheng JV plant and in Shanghai Plant.***
- ***1H 2021 costs incurred for the new Shanghai Plant 2 and equipment qualification were S\$2.6 million, involving materials, utility and manpower. These costs were largely incurred at Cost of Sales level, negatively impacting Gross Profit Margin.***
 - *For the new Shanghai Plant 2, the Group incurred higher utility costs associated with rental of diesel power generators and diesel consumption for power required for plant and equipment qualification in view of projects commencement. Diesel power was higher in costs but was required during this period, as the Group's application to the Chinese Municipal Government for high tension power of 35kv to meet Shanghai Plant 2's*

requirements had taken longer than expected due to delays in contractor work and associated approval process in view of Covid-19 situation. The new Shanghai Plant 2 has since completed its connection to the Government's power grid in May, reverting back to normalized utility tariffs. Hence, such qualification costs related to the new Shanghai Plant 2 will not recur in 2H 2021.

- For equipment qualification, the Group's customers have qualified its 60 coating equipment in 1H 2021, in anticipation of upcoming mass production requirements. Majority of these coating equipment have yet to contribute to revenues and are expected to contribute positively to the Group's revenues from 2H 2021.*
- 1H 2021 saw an YoY increase in new product introduction ("NPI") projects of S\$2.8 million costs, involving new projects that yet to contribute meaningfully to the Group's top line. These costs consisting of manpower, materials and manufacturing overheads were incurred at Cost of Sales level, negatively impacting Gross Profit Margin. When these NPI projects progressively enter into mass production from 2H 2021, they are expected to contribute positively to the Group's revenues. The increased in NPI projects is a reflection of a higher business activity pipeline, underscored by our differentiated nanotechnology solutions as the preferred partner to our customers.**

Business Outlook

- The Group has reasonable visibility of its 3C segment revenues in 2H 2021 from customers' demand forecast and production plan, covering multiple product categories. It has entered into a typical peak season, with YoY growth expected and executed through our plant infrastructure and equipment lined up, starting from June 2021 and is expected to last till October 2021. Further demand in November and December 2021 will be dependent on end-consumer product demand aftermarket launch by customers.**
- The Automotive segment's growth trend in 1H 2021 is expected to continue into 2H 2021.**

- ***The Group's coating equipment in AMBU is expected to have higher utilization rate going into 2H 2021 for peak season production ramp-up.***
- ***The Nanofabrication BU is playing the role of a development partner and is in advanced stages of opportunities engagement in the sensory components for the 3C industry.***
- ***The Group's hydrogen fuel cell business through Sydrogen***
- ***Overall for Full Year 2021, the Group is aggressively building up revenue pipeline, with multiple strategic projects currently under development to take shape in 2H2021 and beyond.***

Management bench strength and succession planning

- ***The departure of CEO Mr Lee, announced on 23 June 2021, was due to health reasons. Mr Lee is currently on medical leave and has stepped down from all executive positions since the date of announcement. The Group has since appointed Executive Chairman Dr Shi as the interim CEO, assisted by the newly appointed Deputy CEO Mr Gary Ho covering portfolios in commercial, product development and operations; and Deputy CEO Mr Gian Yi-Hsen covering portfolios in strategy, planning and digital office.***
- ***The Group is actively assessing potential CEO candidates internally, in view of continuity and familiarity of the business that allow for smooth transition. The Group will appoint the new CEO in due course.***
- ***The departure of COO Mr Ricky Tan announced on 13 August 2021 was after a period of unplanned sabbatical leave by COO for personal reasons. Since the IPO, the Group had been undergoing business transformation into a Business Unit (BU) oriented structure. A decentralized BU structure with clear operational and commercial leadership individually will enable them to organize for speed and pursue strategies according to their market segment; befitting the Group's varied business opportunities. With the unplanned leave, the Group adjusted the organizational structure to have respective BU heads step-up in their leadership with the intention for an adjustment of the COO work scope post leave. After consultation on post leave future opportunities and preferences, the Group and COO mutually concluded on a departure at this juncture.***

- ***The Group's senior management, as annex below, supported by the Business Units management, has strong proven competence and credentials to lead and execute its growth strategy.***

Our Senior Management

PROVEN COMPETENCE AND CREDENTIALS

<p>GARY HO - DEPUTY CEO / CHIEF COMMERCIAL OFFICER</p> <p><i>25 years of experience in global business operations, supply chain and business development</i></p> <p>Chief Operating Officer (Greater China) – Hi-P International Ltd</p> <p>Chief Operating Officer (Operations & Supply Chain) - Hi-P International Ltd</p> <p>Managing Director (Wireless Strategic Business) - Hi-P International Ltd</p> <p>Managing Director (Corporate Business Development - Hi-P International Ltd</p>	<p>DR SHI XU - EXECUTIVE CHAIRMAN / CEO (Interim)</p> <p><i>Visionary Founder of NTI in 1999, a technology spin off from NTU</i></p> <p>Led the commercialization of the company's deep technologies</p> <p>Recipient of the National Technologies Award from National Science & Technology Board (in 2000)</p> <p>Recipient of Innovation Award from Economic Development Board (EDB) in 2001</p> <p>Recipient of EY Entrepreneur of the Year (Singapore) Award in 2017</p>	<p>GIAN YI-HSEN - DEPUTY CEO / STRATEGY & PLANNING</p> <p><i>20 years of experience in global strategic investment promotion, industry development, technology solutions identification and incubation as well as enterprise transformation</i></p> <p>SVP, Head for Conglomerates – EDB</p> <p>Executive Director, Cleantech & Cities, Infrastructure & Industrial Solutions – EDB</p> <p>Regional President, Americas – EDB</p> <p>Director, Industry Identification & Incubation – EDB</p> <p>Chief Information Officer - EDB</p>
<p>KAY LIM - CFO</p> <p><i>14 years of experience in corporate finance banking & financial services, equities research and asset management</i></p> <p>Executive Director – ZACD Group Ltd</p> <p>Director, Corporate Finance - DNB Bank</p> <p>Head of Securities Research (Asia) – DNB Bank</p> <p>Deputy Director, Mezzanine Capital Unit – OCBC</p> <p>Quantitative Research – Credit Suisse</p> <p>Member of CFA Institute and CPA Singapore</p>	<p>LARS LIEBERWIRTH - CTO</p> <p><i>22 years of experience in Research & Development (R&D) and technology strategy implementation and product development</i></p> <p>Managing Director (R&D) - Hi-P International Ltd</p> <p>VP (R&D) - Hi-P International Ltd</p> <p>Chief Operating Officer – Respinova</p> <p>Founder – Ing.-Buro Lieberwirth</p> <p>Technology Centre Manager (Asia) – Procter & Gamble</p> <p>Member of Association of German Engineers</p>	<p>SEAN TAN - CHRO</p> <p><i>20 years of experience in management consulting and corporate human resources leadership roles</i></p> <p>SVP, Head of HR and Head of Group Talent Management & Org Devt – ST Engineering Ltd</p> <p>Business Head, Talent Consulting Services – Mercer (Singapore) Pte Ltd</p> <p>VP, Human Resources & Org Devt – GIC Pte Ltd</p> <p>Frequent speaker and panelist at events like Singapore Perspectives, Industry Transformation and Human Capital seminars</p>

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ABOUT NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

Listed on the Mainboard of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 30 October 2020, Nanofilm Technologies International Limited (“**Nanofilm**”) is a leading provider of nanotechnology solutions in Asia, leveraging its proprietary technologies, core competencies in R&D, engineering and production, to provide technology-based solutions across a wide range of industries. Nanofilm’s solutions serve as key catalysts in enabling its customers to achieve high value-add advancements in their end-products in an environmentally sustainable manner.

Nanofilm is a constituent of the FTSE ST China Index, FTSE ST Singapore Shariah Index, FTSE ST Large & Mid Cap Index, FTSE ST Mid Cap Index and the MSCI Singapore Small Cap Index.

This media release is issued on behalf of Nanofilm Technologies International Limited by Citigate Dewe Rogerson. For media queries, please contact:

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