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News Release

INVESTING FOR GROWTH WITH RECORD FINANCIAL PERFORMANCE IN FY2021

- **Strong 2H2021 rebound from 1H2021 with revenue growing 55% and PAT growing 145%, whilst net margins improved from 19% to 30%. On a YoY basis, 2H2021 PAT recovered from a dip of 2% in 1H2021 and grew 12% from 2H2020 to S$44 million with net margin improving from 28% to 30%.**

- **Full-year 2021 revenue increased 13% to S$247 million and PAT grew 8% to S$63 million from FY2020 with a net margin of 25%.**

- **FY2021 results were creditable considering the challenging macro environment that shifted growth momentum, and despite the incurrence of expenses, part of which were non-recurring, for the Group's new Shanghai Plant 2 and equipment additions. Underlying performance is much stronger. FY2021 PBT would have been S$73 million after adjusting for these non-recurring expenses.**

- **Revenue contribution from other customers[1] has increased from 32% in FY2020 to 39% in FY2021.**

- **R&D and Engineering spending increased 34% to S$17 million (equivalent to 7% of FY2021 revenue) as development efforts intensified in exciting new areas. The investments made in R&D capabilities and infrastructure will allow the Group to build upon its deep-tech foundation to continuously create innovative technological solutions for future markets.**

[1] Customers other than the Group's single largest customer

- **Economies of scale benefits, translating into higher margins, accelerated in the subsequent years after Shanghai Plant 1 went operational in 2016. The same is expected for Shanghai Plant 2, which went operational in 2021.**

- **The Chinese proverb - 万事俱备,只欠东风 - best sums up 2021. Investments made in the new Shanghai Plant 2 (approx. 2x the size of Plant 1) and additions of 59 coating equipment to 235 significantly boosted the Group's long-term production capacity. Coupled with the increased spending in R&D and Engineering, the Group is well-poised for future growth.**

- **FY2022 outlook is positive, underpinned by Nanofilm's commercialisation paths in multiple industries of sizeable total addressable market through its deep-tech advanced materials and nanofabrication solutions.**

- **The Group is confident of its cash-generating capability and capacity and is declaring a second and final dividend of one Singapore cent per share from its strong operating cash flow.**

SINGAPORE, 23 February 2022 – Mainboard-listed Nanofilm Technologies International Limited (the "**Company**" or "**纳峰科技有限公司**" and together with its subsidiaries, "**Nanofilm**" or the "**Group**"), a leading provider of nanotechnology solutions, today announced its full year results for the financial year ended 31 December 2021 ("**FY2021**").

The Group's revenue increased by 13% to S$247 million and profit after tax ("**PAT**") grew 8% to S$63 million in FY2021 to post another record high, led by a stronger six months ended 31 December 2021 ("**2H2021**"). This was achieved despite a challenging macro environment brought on by the COVID-19 pandemic and global supply chain disruptions that shifted growth momentum, while incurring expenses for the Group's new Shanghai Plant 2 and new coating equipment that significantly boosted the Group's long-term production capacity. The Group recorded a PBT of S$70 million in FY2021, which would have been S$73 million after adjusting for the non-recurring expenses of S$3 million.

The Group's new strategic hydrogen fuel cell business through Sydrogen Energy ("**Sydrogen**"), a joint venture with Temasek, contributed a net loss of S$1 million due to operating expenses incurred for business-building in its first year of operation.

For the six months ended 31 December 2021 ("**2H2021**"), the Group's revenue and PAT grew 55% to S$150 million and 145% to S$44 million respectively, compared to the six months ended 30 June 2021 ("**1H2021**"). Net margin also correspondingly improved from 19% in 1H2021 to 30% in 2H2021.

GROUP FINANCIAL HIGHLIGHTS			
S$ million	**FY2021**	**FY2020**	**Change**
Revenue	246.7	218.3	13.0%
Profit After Tax ("PAT")	62.5	58.1	7.7%
PAT Margins (%)	25.3%	26.6%	-1.3 percentage points
PAT attributable to equity holders ("PATMI")	62.2	57.6	8.0%

Mr Gary Ho ("何福荣"), Group CEO, commented: *"The Chinese proverb - 万事俱备,只欠东风 – best sums up 2021. Our investments in production capacity, infrastructure and R&D made in 2021 and previous years will position us well for future growth. Although FY2021 brought its fair share of operational challenges, we were steadfast as a team and have managed to maintain our growth momentum while continually investing in our technologies, new business opportunities, strategic ventures and capacity. This year, we will continue to strengthen our BU-centric structure and operational excellence, while intensifying our business development and sales infrastructure. This will increase our sales coverage in various geographies and advance the adoption of our nanotechnology solutions across existing and new industry verticals."*

Dr Shi Xu ("史旭"), Executive Chairman, remarked, *"I am confident that our management team, led by Gary, will drive the performance of our BUs in delivering sustainable short and medium-term growth. This allows me to pivot my focus to accelerate the development of our core technologies, innovation and new product offerings for the longer term. As a deep-tech company, we see numerous product applications of our technology in various industries. We intend to capture these promising opportunities meaningfully with the right technology and product roadmaps. These include exciting new areas such as advanced materials using greener and sustainable composites, engineered optics, and hydrogen fuel cell technologies and components."*

Dividend

The Board of Nanofilm would like to reward shareholders by recommending a second and final dividend of one Singapore cent per share for FY2021 after considering the Company's FY2021 results performance and its underlying solid cash flows. The Company had paid an first interim dividend of one Singapore cent in September 2021 and the total dividend amount is approximately 21% of the net profit attributable to equity holders for FY2021.

FY2021 Financial Review

Advanced Materials Business Unit ("**AMBU**")

Revenue for the Group's AMBU saw an increase of 6% to S$194 million in FY2021 from S$182 million in FY2020, mainly led by the increased revenue contribution from the Consumer Electronics, Communication and Computers ("**3C**") and automotive segments. The 3C segment grew despite a shift in the peak period to the fourth quarter of FY2021 and the first quarter of the financial year ending 31 December 2022 ("**FY2022**").

The non-3C segment, driven by the automotive segment, delivered strong growth, enabled by the increasing adoption of Nanofilm's greener and functional advanced materials solutions. The growing adoption trend of Nanofilm's advanced materials solutions across the verticals in AMBU will continue to provide a solid business pipeline for the Group.

Nanofabrication Business Unit ("**NFBU**")

NFBU saw a 31% contraction in revenue from S$11 million in FY2020 to S$8 million in FY2021, due to an end-of-life project in 1H2021. However, NFBU has commenced mass production of its first micro-lens array ("**MLA**") project for the new-generation wearables, with production ramping up progressively into FY2022. The MLA project is on track to contribute positively to the performance of NFBU in FY2022.

With its value chain integration strategy to drive adoption of its unique technologies gaining traction, coupled with other new projects ramping up, the Group is confidently optimistic of its business performance in FY2022.

Industrial Equipment Business Unit ("**IEBU**")

IEBU performed well, with a revenue growth of 81% to S$45 million in FY2021 from S$25 million in FY2020, driven by a sustained recovery in the capital expenditure cycle of its customers. With its visible order book, IEBU will continue to recognise robust demand from external customers going into FY2022.

IEBU has also set its sights on further penetrating the renewable energy industry with the development of new equipment designs and solutions.

Sydrogen Energy ("**Sydrogen**")

In its first year of operation, Sydrogen 5ecognized a net loss of S$1 million in FY2021 related to operating expenses incurred in building its business fundamentals. Sydrogen will continue to establish its foundation for technology and production capacity, and is on track to recognise initial revenue in an automotive project in the second half of FY2022.

Business Outlook

The Group posted a record FY2021 performance despite the macro headwinds caused by the effects of global supply chain disruptions with demand outpacing supply. In FY2022, the Group expects global supply chain bottlenecks to ease to keep pace with the solid underlying customers' demand.

While macro factors disrupted growth in FY2021, the Group has enhanced its long-term production capacity following the completion of Shanghai Plant 2 (around twice the size of its Shanghai Plant 1) and installations of new equipment. The capacity expansion is expected to drive growth, extending the Group's strong commercial reach across multiple industries through its deep-tech advanced materials and nanofabrication solutions while enabling greater environmental sustainability.

Similar to previous years, the Group focuses on operational excellence to increase its productivity and efficiency in order to mitigate inflationary pressures. To drive its operational excellence, the Group has embraced Industry 4.0 by adopting a disciplined approach to upgrade its facilities into 'Smart Factories' with investments in automation and digitalisation systems to reduce labour requirements.

Barring any unforeseen circumstances, the Group is optimistic and confident of its solid sustainable growth outlook in 2022 with its BU-driven strategy in accelerating the commercialisation and increasing adoption of its nanotechnology solutions across multiple existing and new areas.

The Group's R&D efforts in new exciting areas are intensifying with the development of commercialisation pathways, covering multiple transformational fields and disciplines in (i) new classes of advanced materials through greener and sustainable composites; (ii) engineered optics for virtual reality and augmented reality to revolutionise how a person interacts with the world, and (iii) hydrogen fuel cell technologies and components to enable decarbonisation energy transition through hydrogen.

The Group also seeks synergistic M&As or strategic partnerships, focusing on particular industry value chains that can utilise Nanofilm's nanotechnology solutions to develop integrated products to drive revenue synergies.

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Note: This news release is to be read in conjunction with the SGXnet announcement released on the same day.

About Nanofilm Technologies International Limited (MZH / NANO.SI)

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 Large & Mid Cap Index, FTSE ST Mid Cap Index, and MSCI World Small Cap Index.

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