

News Release

Nanofilm posted a FY2022 revenue of S\$237 million with an adjusted EBITDA of S\$81 million

- Nanofilm is a deep-tech nanotechnology materials company, using its self-built proprietary production equipment to generate advanced materials coatings and nanofabricated products in a sustainable manner for focused markets
- Expansion continues to progress as planned with a mega site in Vietnam, strategic production sites in China outside of Shanghai and a coating site in Japan that is calibrated by its customers' product development roadmaps
- Continuing focus on innovation with R&D and engineering efforts has resulted in technological breakthroughs which are in different stages of commercialisation, such as nanofabricated optics; SydroDIAMOND™ coatings for critical components in hydrogen fuel cell systems; and Green Plating solutions to replace electroplating
- Continues to be the leading nanotechnology solutions provider for key customers' existing and new products
- 2023 macro-outlook remains challenging and the Group's growth path is expected to be non-linear, even as it is focused on executing its plans in key strategic areas to achieve business expansion, operational efficiencies and the targeted revenue of S\$500 million and S\$100 million in PATMI by 2025
- With its strong balance sheet and cash flow, the Group is proposing a final dividend¹ of 1.1 Singapore cents subject to shareholders' approval

SINGAPORE, 21 February 2023 – 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 released its financial results for the financial year ended 31 December 2022 ("FY2022").

¹ Total FY2022 dividend amounts to 2.2 Singapore cents, inclusive of interim dividend of 1.1 Singapore cent paid on 09 Sep 2022 and proposed final dividend of 1.1 Singapore cents to be paid in May 2023

FY2022 in Review

The Group's revenue in FY2022 decreased slightly by 4% to S\$237.4 million from S\$246.7 million in the financial year ended 31 December 2021 ("FY2021"), whilst the Company's adjusted EBITDA decreased by 16% to S\$81 million and PATMI² fell by 30% to S\$44 million. As of 31 December 2022, the Company had a total cash balance³ of S\$157 million. The Company proposes a final dividend of 1.1 Singapore cents subject to shareholders' approval at the upcoming Annual General Meeting. With the proposed final dividend, the total dividend for FY2022 is 2.2 Singapore cents (FY2021: 2.0 Singapore cents), which is approximately 33% of the net profit attributable to equity holders for FY2022.

As stated in the Company's profit guidance announcement on 2 February 2023, the decrease in revenue and PATMI for FY2022 was mainly due to the following:

1. Challenging operating environment resulting from macro headwinds, supply chain disruptions, and customers' capital investment slowdown;
2. Increased operating expenses arising mainly from increased manpower expense due to higher headcount, as well as higher depreciation expense due to capital investments made to position Nanofilm for future growth. And certain costs, considered investments for future growth, could not be reduced in tandem with the fall in revenues;
3. Operational disruptions faced by a key FATP (final assembly, test & pack) supplier to a key customer of the Group in the fourth quarter of 2022 due to Covid-19 restrictions which negatively impacted the Group's supply for a key product of the key customer;
4. China's reopening in December 2022 which resulted in a spike of infections that caused disruptions to the Group's operations; and

² Profit after tax and minority interest

³ Includes cash and liquid assets as at 31 December 2022

5. Softer end-consumer demand due to recessionary fears.

GROUP FINANCIAL HIGHLIGHTS			
S\$ million	FY2022	FY2021	Change
Revenue	237.4	246.7	-3.8%
Adjusted EBITDA ⁴	80.5	95.7	-15.9%
Profit After Tax (“PAT”)	43.3	62.5	-30.8%
PAT Margins (%)	18.2	25.3	-7.1 percentage pts
PAT attributable to equity holders (“PATMI”)	43.8	62.2	-29.6%

Mr Gary Ho (“何福榮”), Group CEO, remarked: “We have managed a decent performance in FY2022 despite severe macro headwinds and a challenging operating environment. Despite a difficult and ever-changing macro environment, we remain focused on executing our plans in our key strategic areas with the aim of achieving our 2025 target. Our Deep-Tech platform affords us many opportunities to enter different industries and to develop our own products, and we will judiciously focus and prudently apply ourselves to achieve the goals of our different business units.”

REVENUE BREAKDOWN BY BUSINESS UNIT			
S\$ million	FY2022	FY2021	Change
Advanced Materials Business Unit (“AMBU”)	187.2	194.3	-3.6%
Nanofabrication Business Unit (“NFBU”)	19.1	7.8	144.7%
Industrial Equipment Business Unit (“IEBU”)	30.9	44.6	-30.8%
Sydragen Energy (“Sydragen”)	0.2	-	n.m.
Total	237.4	246.7	-3.8%

⁴ Adjusted EBITDA excludes non-recurring expense such as PPE gains / losses, other professional fees, Restricted Share Plan-related expenses, and COVID-19 related expenses

The Group's FY2022 revenue was affected by a significant drop in external sales of industrial equipment due to customers' capital expenditure shift coupled with a slightly lower revenue contribution from AMBU. This was partially offset by NFBU's substantial increase in mass production projects.

REVENUE BREAKDOWN BY END-MARKET			
S\$ million	FY2022	FY2021	Change
Consumer	171.8	167.3	2.7%
Industrial	65.4	79.4	-17.7%
New Energy	0.2	-	n.m.
Total	237.4	246.7	-3.8%

Our Growth Strategy: Remain Focused

While 2023 outlook is challenging, the Group is optimistic about the longer-term outlook of the markets it serves in terms of the business opportunities that can be addressed by the Group's differentiated deep-tech solutions⁵. The Group will strive to realise these opportunities, some of which are reaching production stages, though meaningful contributions are expected from 2024 onwards. Meanwhile, the Group continues to execute its growth strategy and remains focused on the following four key strategic areas:

1. Geographical Diversification & Coverage

As part of its expansion plan, calibrated with its customers' roadmap, the Group has been expanding its operations to other strategic locations. The Group is setting up a coating services facility in Japan and the commissioning and qualification of the coating equipment is ongoing.

⁵ Providing technology solutions based on substantial scientific and/or engineering advances

The Group has also acquired an approximately 45,000 sqm piece of land in Vietnam for US\$4 million which is close to its current Vietnam facility. Renovation and fitting out works at the Vietnam site will be divided into three phases, and the first phase, comprising an approximately 15,000 sqm gross floor area, is expected to be completed at the end of the financial year ending 31 December 2023 (“**FY2023**”) while the other two phases will be triggered over a longer-term plan.

In Singapore, the Group has moved its corporate office to Tai Seng Drive in January 2023. Renovation and fitting out works are ongoing for an Advanced Technology Research Centre and Nanofabrication Engineering Centre at Tai Seng Drive to support the Group’s business development efforts with sampling and prototyping capabilities.

At the same time, the renovation and fitting out works to expand the production capacity for AMBU, IEBU and Sydrogen are simultaneously being carried out at the existing Ayer Rajah Crescent site, which is targeted to be completed in first half of FY2023.

The Group continues to expand its production capacity in China, with the addition of a new smaller production site in Huizhou to address market opportunities in Southern China, and its Zigong site to address advanced batteries for EVs opportunities under its joint venture Sichuan Apex Technologies Co., Ltd (“**ApexTech**”). Both sites’ renovation and fittings are targeted to be completed by the first half of FY2023.

2. New Segments with Capability & Product Expansion

For ApexTech’s Zigong facility, initial Green Plating production lines are expected to be commissioned and qualified with production to commence in the second half of FY2023. For NFBU, new projects for optical applications in 3C⁶ devices are under development, with initial small production volumes in FY2023. If these projects go according to plan, mass production will commence in 2024 or 2025.

⁶ Consumer, Computer and Communication

Sydrongen, in collaboration with City Energy Pte Ltd. (as Trustee of City Energy Trust) (“**City Energy**”), will develop the Proof of Concept (“**PoC**”) for generating an end-to-end hydrogen fuel cell solution for off-grid power supply in Singapore. This fits into Sydrongen’s product roadmap towards offering system solutions for mobility, stationary power and EV charging stations.

3. JVs and M&A

The Group continues to actively source for opportunities to invest in and build ventures, either through JVs or M&A, with strategic partners that on a combined basis, offer synergistic benefits in forms of technology sharing, operational fit, product advancements, geographical reach, and market access.

ApexTech, the Group’s joint venture with Shenzhen Everwin Precision Technology Co., Ltd, is a prime example. Not only is the Group commercialising its Green Plating through ApexTech for metal components in electric vehicle battery packs and energy storage systems, it is also well-positioned to penetrate more industries and applications outside of electric vehicles and energy storage systems, potentially replacing electroplating in other industrial domains over the longer term.

The Group has ongoing M&A negotiations to extend its capability and access to market and to extend the reach of its products. It is also actively assessing synergistic collaborations and potential partnerships. Details of these will be disclosed at the appropriate juncture, as and when there are material developments.

4. R&D and Engineering Product Development

The core nanotechnology of the Group centralises around its self-built proprietary equipment, and has led to many breakthroughs, such as Nanofabricated optics through NFBU, SydroDIAMOND™ through Sydrongen, and Green Platings through ApexTech. Despite the challenging operational environment, the Group has continued to strengthen its in-house R&D and engineering to extend its deep-tech platform by maintaining its commitment of spending more than 5% of total revenue for R&D and engineering. As a

Singapore deep-tech company, Nanofilm embraces Singapore's RIE⁷ strategy and governmental support to drive innovation and contribute to economic development locally. The Group has been in talks with a local university to collaborate on R&D efforts and further details will be disclosed at the appropriate juncture.

Business Outlook

The Group continues to face a challenging macro environment with ongoing geopolitical tensions, inflationary pressures, and rising interest rates. As COVID-19 risks are generally receding, the Group is cautiously optimistic that the operational risks and costs associated with COVID-19 restrictions are unlikely to recur in 2023. Thus far, the China outlook for the first quarter of FY2023 remains soft and the Group expects a gradual recovery in second half of FY2023.

AMBU

AMBU continues to be the leading solutions provider to key customers in existing businesses, and this includes its involvement in new product roll outs. In terms of new business opportunities, AMBU is focused on markets with high scaling potential and has initial production builds commencing in some of these new areas and is expanding its production facilities in Singapore and China.

NFBU

NFBU continues to move up the value chain for its sensory lens or Micro Lens Array ("**MLA**") project for smart devices. It is also involved in multiple new projects with new and existing customers for different products under New Product Introductions ("**NPI**") or initial production builds. If successful, these new projects will lead to mass production from 2024 onwards at the new Vietnam site.

⁷ Research, Innovation and Entrepreneurship

IEBU

IEBU has been extending its portfolio of large inline coating systems for high volume production to support the growth of internal BUs. At the same time, IEBU is rolling out new product lines for external markets.

Sydragen

Sydragen has commenced coating services for Bipolar Plates (“BPP”) and in terms of component sales, it is in the final testing stages before the expected mass production in Shanghai in the second half of FY2023. Sydragen continues to receive encouraging market feedback on the strong technical performance of its coated BPP. The ability to offer a differentiated deep-tech coating solution for this critical BPP component in a fuel cell system, positions Sydragen well in realising its product roadmap towards system solutions.

Barring any unforeseen circumstances, the Group remains focused on achieving its targeted S\$500 million revenue and S\$100 million in PATMI by 2025 (“**2025 Target**”). Given the challenging macro environment however, the growth path towards the 2025 Target is expected to be non-linear.

END.

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 All-Share Index, FTSE ST China Index, FTSE ST Large & Mid Cap Index, FTSE ST Mid Cap Index, MSCI ACWI Small Cap Index, MSCI Singapore Small Cap Index, and the MSCI World Small Cap Index.

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