



NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED

(Company Registration Number 199902564C)

(Incorporated in Singapore on 13 May 1999)

(the “Company”)

PROFIT GUIDANCE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “**Board**”) of Nanofilm Technologies International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to provide an update on the financial performance of the Group for the full year ended 31 December 2022 (“**FY2022**”).

Following a preliminary review of the information currently available to the Board (including the management accounts of the Group which have not been reviewed by the audit committee or external auditors of the Company), the Group is expected to report a decrease in revenue of approximately 4% for FY2022 (“**Revenue**”) and a decrease in net profit after tax and minority interest of approximately 30% for FY2022 (“**PATMI**”), as compared to the financial year ended 31 December 2021.

The decrease in Revenue and PATMI are mainly attributable to the following:

1. Challenging operating environment resulting from macro headwinds, supply chain disruptions, and customers’ capital investment slowdown faced by the Group, as announced by the Company on 2 November 2022 in its business update for the nine-month period ended 30 September 2022;
2. Increased operating expenses arising mainly from higher salary expense due to increased headcount, as well as higher depreciation expense due to capital investments made to position Nanofilm for future growth;
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. This negatively impacted the Group’s supply for a key product of the key customer;
4. Change in China’s Zero-Covid-19 policy in December 2022 which resulted in a spike of infections that interrupted the Group’s operations; and
5. Softer end-consumer demand due to recessionary fears.

The percentage decrease in Revenue is lower than the decrease in PATMI due to one-off costs of approximately S\$2.5 million related to Covid-19 restrictions, a net loss of approximately S\$1.6 million incurred by the Company’s subsidiary, Sydrogen Energy Pte. Ltd., and fixed indirect costs that could not be reduced in tandem with the reduction in Revenue.

Despite the challenging macro environment and the prospects of recession in a volatile global economy affected by geo-political tensions, the Group, backed by its strong fundamentals and differentiated solutions rooted in its deep tech platform and operational excellence, remains focused on achieving its targeted S\$500 million revenue and S\$100 million in net profit after tax and minority interest by 2025 (“**2025 Target**”). Further, the Group is cautiously optimistic that some of the operational risks and costs associated with the Covid-19 restrictions would not recur in 2023.

Barring any unforeseen circumstances, the Group intends to deliver growth in three key end-markets - Consumer, Industrial, and New Energy through multiple business models such as Equipment, Coating as a Service, Components, and Value Chain Integration, and the growth path towards the 2025 Target is expected to be non-linear.

Further details of the Group's financial performance will be disclosed when the Company finalises and announces its unaudited consolidated financial results for the 6 months ended 31 December 2022 ("**2H2022**") and FY2022 on 21 February 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
2 February 2023