

News Release

NANOFILM 1H2022 ADJUSTED PATMI GREW 17% TO S\$21 MILLION

- Resilient performance underscored by its unique deep technologies' reach in multiple growth avenues across vast industries
- 1H2022 revenue grew 15.2% to S\$111.3 million with growth across all BUs
- Adjusted 1H2022 EBITDA grew 13.1% to S\$37.6 million
- Adjusted 1H2022 net profit attributable to shareholders increased by 16.9% to S\$20.9 million
- NFBU grew 337% YoY, a testament to the Company's proven track record in commercialising deep technologies
- Sydrogen JV delivered maiden revenue
- Proposes 10% YoY increase in interim dividend to 1.1 Singapore cents

SINGAPORE, 11 August 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 released its financial results for the six months ended 30 June 2022 (“1H2022”).

The Group has delivered a resilient and good set of financial results for 1H2022 despite the challenging operating environment during the Shanghai COVID-19 lockdown that resulted in a loss of revenues across all Business Units (“BU”); a continued incurrence of direct and fixed overheads; and additional COVID-19 related expenses. Against this backdrop, the Group was still able to grow its revenue and profits, underscoring its unique deep-technologies’ (“**deep-tech**”) reach in multiple growth avenues across vast industries and its strong business foundations put in place by management.

In 1H2022, the Group’s revenue increased by 15.2% to S\$111.3 million and profit after tax attributable to equity holders (“**PATMI**”) grew 5.1% to S\$18.8 million, as compared to the six months ended 30 June 2021

(“1H2021”). For the period under review, the Group’s Adjusted EBITDA¹ increased 13.1% to S\$37.6 million and Adjusted PATMI attributable to shareholders² grew 16.9% to S\$20.9 million respectively.

In 1H2022, there were COVID-19 expenses of S\$2.5 million that resulted from manpower & logistic restrictions; a S\$1.9 million (or 51%) lower YoY in Other Operating Income largely due to a reduction and timing difference in recognition of government grants and incentives; an increase in depreciation & amortisation expenses of S\$3.6 million (or 30%) YoY; and a net loss S\$1.2 million incurred under Sydrogen for expansionary expenses.

The Group’s production capacity in Shanghai was also hampered by a lack of labour and logistics flow and, as a result, there was an estimated S\$8 million revenue loss from these restrictions.

GROUP FINANCIAL HIGHLIGHTS			
S\$ million	1H2022	1H2021	Change
Revenue	111.3	96.6	15.2%
Adjusted EBITDA	37.6	33.2	13.1%
Profit After Tax (“PAT”)	18.2	18.1	0.4%
PAT Margins (%)	16.3	18.7	-2.4 percentage pts
PAT attributable to equity holders (“PATMI”)	18.8	17.9	5.1%
Adjusted PATMI	20.9	17.9	16.9%

Mr Gary Ho (“何福荣”), Group CEO, commented: *“We have managed to achieve commendable growth in 1H2022 in a challenging operating environment, which included a COVID-19 lockdown in Shanghai, our key production base, resulting in one-off COVID-19 related costs and loss in revenues. On our part, on the back of our strong fundamentals and the leadership of the management team, we have mitigated and*

¹ Adjusted EBITDA excludes non-recurring expenses such as PPE gains / losses, other professional fees, Restricted Share Plan-related expenses, and COVID-19 related expenses of S\$2.5 million incurred in 1H2022

² Adjusted PATMI excludes COVID-19 related expenses of S\$2.1 million, net of tax impact, incurred in 1H2022

overcome these short-term challenges well. We continue to focus our energies on our BU-driven strategy that will fuel our growth for the longer term. Indeed, our strategy is delivering positive results, with deeper and wider application expansion of our nanotechnology solutions with existing and new customers across different industrial verticals.”

Dividend

The Group would like to reward shareholders by proposing a 10% increase in interim dividend to 1.1 Singapore cents per share (1H2021: 1.0 Singapore cents) after considering its well-capitalised balance sheet and cash-generating operations. The Group’s strong financial position makes it uniquely positioned to select and expand its business in areas with attractive returns, including tie-ups in JVs or M&As, navigate the macroeconomic environment, and deliver continuing sustainable growth.

1H2022 Financial Review

In 1H2022, even as supply chain disruptions continued to ease, COVID-19 restrictions in the second quarter which caused low labour access and logistics challenges, had resulted in higher costs of S\$2.5 million, while at the same time, there was an estimated S\$8 million revenue loss from these restrictions as mentioned above.

Advanced Materials Business Unit (“AMBU”)

AMBU revenue in 1H2022 grew 11.3% to S\$84.5 million from S\$76.0 million in 1H2021, with growth across all segments led by the resumption in growth momentum in the Consumer Electronics, Communication and Computers (“3C”) segment. AMBU contributed 76.0% of the revenue in 1H2022.

Nanofabrication Business Unit (“NFBU”)

The 1H2022 revenue for NFBU grew 336.8% to S\$7.3 million from S\$1.7 million in 1H2021, largely due to production ramp-up. This is a result of the Group’s proven systematic approach of combining its deep-tech solutions with unique production processes as the natural choice of its global customers, by

addressing their needs in product innovation while maintaining cost competitiveness. NFBU holds master mold capabilities which allow it to produce ultra-high precision, complex shapes and forms for lens and sensory components using unique low-cost manufacturing replication processes.

Industrial Equipment Business Unit (“IEBU”)

IEBU contributed S\$19.5 million to the revenue for 1H2022, which was a 2.4% increase from S\$19.0 million in 1H2021, with new contributions from Miller Technologies that was acquired in October 2021.

Sydrogen Energy (“Sydrogen”)

Sydrogen, the Group’s hydrogen fuel cell joint venture with Temasek, achieved its maiden revenue in 1H2022 with the provision of coating services for a customer. While Sydrogen has yet to make a material financial contribution to the Group, it has made a significant “Zero to One” breakthrough. Shortly after being established in July last year, Sydrogen has managed to set up and qualify two industrial scale mass coating lines with an annual coating capacity of 800,000 bipolar plates (“BPP”), for a leading automotive client. Such speed in progress is enabled by the Group’s deep-tech platform and in-house proprietary coating equipment design and fabrication.

Outlook for Second Half of FY2022 and Long-term Strategic Areas

The Group is optimistic about the outlook of the markets it serves and believes that its deep-tech solutions will address the business opportunities available in these markets, independent of the shorter-term macro trends. The Group’s multiple growth avenues in different industries, which are driven by its deep-tech and BU structure, are in different phases of growth – high, sustainable, emerging or early stage.

The Group’s management remains focused on executing its growth strategy in the following key strategic areas and will provide the market with periodic progress updates: 1) Geographical diversification and coverage; 2) New segments with capability and product expansion; 3) JVs and M&As; and 4) R&D and engineering product development.

1) Geographical Diversification and Coverage

The Group's business expansion to other strategic locations to be near its customers continues to gather momentum. This geographical diversification of its operations, which is also part of the Group's risk management strategy, better positions it to compete and operate as a global company. Countries like Japan, Singapore, Vietnam, USA, and Germany have been identified as strategic locations.

Near-term objectives

In the second half 2022, the Group will be expanding its coating services footprint with a coating facility in Osaka, Japan. It is currently in the midst of qualifying its advanced materials solutions with a customer for application on ceramic products.

The Group's main production facility for NFBU is currently in Vietnam, which saw a significant increase in revenue contribution and activities from the ramp-up of projects and strong pipeline visibility. With the expansion of business activities, the Group is proactively assessing potential locations to increase its production capacity.

And in Singapore, the Group will be expanding its Sydrogen, AMBU and IEBU production capacity at its Ayer Rajah Crescent location. The Group will commence the move of its new corporate headquarter in the fourth quarter as well as setting up the Nanofab engineering centre, at Tai Seng Drive.

2) New Segments with Capability & Product Expansion

While the Group is well positioned to expand its product suite, particularly in existing sectors, it also aims to selectively channel resources to expand into newer segments where its nanotechnology solutions can be applied to enable and catalyse its customers' products.

Near-term objectives

The Group's green technological solution, which has vast potential applications, has the capability to replace the environmentally damaging electroplating process. Components coated by electroplating,

conventionally used in advanced battery components, can now be coated with the Group's advanced materials at cost competitive levels.

With its current mass production projects and a healthy business pipeline, NFBU is poised to expand its product suite and capabilities, including new optical component applications, thereby positioning it well for sustained revenues moving forward.

Sydrongen believes it has the best coating performance for BPPs used in fuel cells, as validated and recognised by its customers. It has also achieved significant progress with the qualification of two industrial scale coating lines, with strong interest from multiple global and domestic customers. The Group's coating technology puts it in a unique position to roll out Sydrongen's technology and product roadmap.

3) JVs and M&A

In order to complement the Group's BU-driven structure, the Group is actively sourcing for opportunities to invest and build ventures, either through JVs or M&As, alongside strategic partners that on a combined basis offers synergistic benefits in forms of technology sharing, operational fit, product advancements, geographical reach, and market access.

Near-term objectives

To advance the application of its green solutions to replace electroplating, the Group is in active discussion with a local strategic partner to set up a JV for the advanced batteries components for EVs in China.

Consistent with its corporate strategy, the Group is also exploring M&A opportunities to gain market access to customers in different geographies.

4) R&D and Engineering Product Development

As a firm commitment to sustainable innovation, the Group is committed to allocate more than 5% of its total revenue for R&D and engineering expenditures, paving the way for future growth.

Near-term objectives

The Group continues to invest in R&D. In accelerating its efforts to develop core technologies and new product offerings, R&D and engineering expenses increased S\$0.6 million (or 7%) YoY to S\$9 million in 1H2022.

As a home-grown deep-tech company, Nanofilm embraces Singapore’s policy in allocating substantial resources to drive research, innovation and entrepreneurship (“**RIE**”). Towards this end, Nanofilm is committed to invest in R&D in Singapore, thereby playing its part to contribute meaningfully to the research capabilities and economic development locally.

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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 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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