

Nanofilm continues to steadily execute its growth strategy amidst a soft 1Q2023

SINGAPORE, 19 April 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 business update for the three months ended 31 March 2023 (“1Q2023”).

Review of 1Q2023

- The Group’s revenue for 1Q2023 was S\$33 million, a 40% decrease year-on-year compared with 1Q2022. The first quarter is typically cyclical in line with the 3C production cycle, and it was further impacted by China’s slow and soft recovery since its re-opening.
- In addition to remaining a key nanotechnology solutions provider to its customers, Nanofilm continues to exercise prudence in cost management and drive its lean operations to be ready for production scaling. Some of the cost management initiatives include automation to reduce labour involvement, slowing down manpower hiring in non-critical areas, and restructuring production direct labour and indirect labour for further operational efficiency.
- Contributing approximately 75% of the Group’s year-to-date (“YTD”) revenue, the Advanced Materials Business Unit (“AMBU”) had a slower quarter in 1Q2023 which is consistent with previous first quarters due to the 3C production cycle. However, its comparative performance was affected by the stronger quarter in the three months ended 31 March 2022 (“1Q2022”) with peak production carried forward from the preceding quarter (“4Q2021”), and relatively softer end-consumer demand as the market took time to adjust in 1Q2023 and recover from the post-China reopening in 4Q2022.
- The Nanofabrication Business Unit (“NFBU”), similarly saw relatively softer end-consumer demand which impacted the mass production schedule of its key projects. NFBU contributed approximately 6% of the Group’s YTD revenue.

- The Group's Industrial Equipment Business Unit ("IEBU") mainly executed on last year's backlog orders, which saw a softer year as customers were cautious and cut back on capital expenditure. IEBU contributed approximately 19% of Group's YTD revenue.
- **Sydrogen**¹ continues its strong growth momentum and was able to maintain a high growth rate from its low base. There was an initial delay in the mass production of its coated Bipolar Plates ("BPP") due to a change in customer's requirements for higher technical specifications. Sydrogen currently contributes less than 1% of the Group's YTD revenue.

Business Outlook

- In terms of business outlook, the Group believes that the macro environment will remain challenging with second half of the financial year ("2H2023") looking brighter. Even as consumer sentiment may be dampened by ongoing geopolitical tensions, inflationary pressures, rising interest rates and recessionary fears, customer activity is expected to ramp up in the second half. For China, a gradual recovery is expected in 2H2023 with the post-China recovery presenting opportunities.
- While the near-term operating environment remains uncertain, the Group remains focused on executing and delivering its business strategy, deepening existing client relationships, and diversifying its customer base:
 - **Geographic expansion of production facilities.** Nanofilm continues to enlarge and diversify its manufacturing footprint by expanding into new strategic locations. The Group has secured a new site in Osaka of approximately 900 sqm which is commencing renovation. It is also actively looking for a site in Europe to address market opportunities in the Industrial segment.
 - **Capability and Product expansion in new segments.** NFBU has expanded its optical and sensory solutions into new products lines for existing customers and IEBU has developed new product

¹ Sydrogen Energy Pte. Ltd. ("**Sydrogen**"), Nanofilm's joint venture with Venezia Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited

lines such as its Solar Cadmium Telluride (“CdTe”) inline system and Diamond-Like-Carbon (“DLC”) coating equipment for external markets.

- **Expansion of Green Plating business.** ApexTech², one of the Group’s Green Plating solutions which replaces electroplating of connectors in electric vehicles, is progressing as planned with initial batch equipment at its Zigong site in China to be commissioned and qualified in 2H2023 and with inline coating equipment coming onstream in 2024.
- **Steady progress of hydrogen energy business.** Sydrogen is on track for mass production of its BPP coatings in 2H2023 and is increasing engagements with its customer base to provide BPP coating services. As part of its product roadmap, Sydrogen has also started prototyping its fuel cell systems for selected use cases in mobility, stationary power and charging stations.
- **Continued investment in R&D.** The Group continues to invest in R&D and innovation to develop technological breakthroughs for commercialisation, such as expanding its Green Plating solutions into three variants: (i) Decorative (anti-corrosion, aesthetic coat), (ii) Power (anti-corrosion, conductive coat) and (iii) Power+ (anti-corrosion, conductive, hard coat).
- **Inorganic growth through Joint Ventures and M&A.** The Group continues to actively assess synergistic collaborations and potential partnerships in various regions and markets with the purpose of extending its capabilities and market access as well as product and geographic reach.
- **Sustainable Growth Engines.** With its strong fundamentals backed by its proprietary deep-tech platform and operational excellence, the Group is well-positioned to offer differentiated nanotechnology solutions in three key end-markets (Consumer, Industrial and New Energy), which were identified for growth opportunities. The Group remains focused on executing and delivering on its growth strategy in order to propel towards achieving its longer-term objectives.

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² Sichuan Apex Technologies Co., Ltd (“ApexTech”), Nanofilm’s joint venture with Shenzhen Everwin Precision Technology Co., Ltd and Shanghai Hongshi Enterprise Management Partnership (Limited Partnership)

Note: This analyst and media pack is to be read in conjunction with the 1Q2023 Business Update presentation released on SGXNet on the same date.

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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