

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	June 30, 2017 (Unaudited)	December 31, 2016
Current assets:		
Cash and cash equivalents	\$ 1,149,763	\$ 1,779,027
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 on June 30, 2017 and December 31, 2016	2,198,947	434,226
Other receivable	301	96
Inventories, net	762,993	771,975
Prepaid expenses and other current assets	406,725	441,634
Total current assets	4,518,729	3,426,958
Equipment and leasehold improvements, net	1,386,688	1,395,441
Other assets, net	18,660	19,893
	\$ 5,924,077	\$ 4,842,292
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations	57,396	107,021
Accounts payable	1,004,267	669,025
Accrued expenses	982,818	521,302
Total current liabilities	2,044,481	1,297,348
Long-term portion of capital lease obligations	304,986	109,448
Long-term deferred rent	437,820	465,850
Asset retirement obligation	181,448	178,378
Total long-term liabilities	924,254	753,676
Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 42,000,000 shares authorized; 31,234,330 and 31,229,996 shares issued and outstanding on June 30, 2017 and December 31, 2016, respectively	312,343	312,300
Additional paid-in capital	97,454,853	97,359,324
Accumulated deficit	(94,811,854)	(94,880,356)
Total stockholders' equity	2,955,342	2,791,268
	\$ 5,924,077	\$ 4,842,292

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue:				
Product revenue, net	\$ 3,534,799	\$ 3,677,876	\$ 7,001,264	\$ 5,867,099
Other revenue	47,190	5,200	66,328	27,081
Net revenue	<u>3,581,989</u>	<u>3,683,076</u>	<u>7,067,592</u>	<u>5,894,180</u>
Operating expense:				
Cost of revenue	<u>2,381,072</u>	<u>2,170,568</u>	<u>4,662,405</u>	<u>3,925,204</u>
Gross profit	1,200,917	1,512,508	2,405,187	1,968,976
Research and development expense	476,055	371,828	859,754	673,426
Selling, general and administrative expense	<u>696,669</u>	<u>674,740</u>	<u>1,460,506</u>	<u>1,435,961</u>
Income/(Loss) from operations	28,193	465,940	84,927	(140,411)
Interest income	-	-	-	-
Interest expense	(6,088)	(3,872)	(16,425)	(8,130)
Other, net	<u>-</u>	<u>544</u>	<u>-</u>	<u>551</u>
Income/(Loss) before provision for income taxes	22,105	462,612	68,502	(147,990)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income/(loss)	<u>\$ 22,105</u>	<u>\$ 462,612</u>	<u>\$ 68,502</u>	<u>\$ (147,990)</u>
Net income/(loss) per share- basic and diluted	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of basic and diluted common shares outstanding	<u>31,234,330</u>	<u>31,185,496</u>	<u>31,232,223</u>	<u>30,599,782</u>

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue:				
Product revenue, net	\$ 3,534,799	\$ 3,677,876	\$ 7,001,264	\$ 5,867,099
Other revenue	47,190	5,200	66,328	27,081
Net revenue	<u>3,581,989</u>	<u>3,683,076</u>	<u>7,067,592</u>	<u>5,894,180</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	71,094	139,710	142,886	282,633
Non-Cash equity compensation	5,947	5,523	12,073	11,516
Other costs of revenue	2,304,031	2,025,335	4,507,446	3,631,055
Cost of revenue	<u>2,381,072</u>	<u>2,170,568</u>	<u>4,662,405</u>	<u>3,925,204</u>
Gross profit	1,200,917	1,512,508	2,405,187	1,968,976
<i>Research and development expense detail:</i>				
Depreciation	11,509	29,031	29,769	57,587
Non-Cash equity compensation	12,601	8,880	24,495	18,211
Other research and development expense	451,945	333,917	805,490	597,628
Research and development expense	<u>476,055</u>	<u>371,828</u>	<u>859,754</u>	<u>673,426</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	4,044	10,326	8,639	20,535
Non-Cash equity compensation	27,590	26,562	57,274	57,859
Other selling, general and administrative expense	665,035	637,852	1,394,593	1,357,567
Selling, general and administrative expense	<u>696,669</u>	<u>674,740</u>	<u>1,460,506</u>	<u>1,435,961</u>
Income/(Loss) from operations	28,193	465,940	84,927	(140,411)
Interest income	-	-	-	-
Interest expense	(6,088)	(3,872)	(16,425)	(8,130)
Other, net	-	544	-	551
Income/(Loss) before provision for income taxes	22,105	462,612	68,502	(147,990)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 22,105</u>	<u>\$ 462,612</u>	<u>\$ 68,502</u>	<u>\$ (147,990)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	6,088	3,872	16,425	8,130
Addback Depreciation/Amortization	86,647	179,067	181,294	360,755
Addback Non-Cash Equity Compensation	46,138	40,965	93,842	87,586
Adjusted EBITDA	<u>\$ 160,978</u>	<u>\$ 686,516</u>	<u>\$ 360,063</u>	<u>\$ 308,481</u>