

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	December 31, 2014	December 31, 2013
Current assets:		
Cash and cash equivalents	\$ 1,861,524	\$ 3,276,132
Investments	-	30,000
Trade accounts receivable, less allowance for doubtful accounts of \$6,000 on December 31, 2014 and December 31, 2013	387,760	52,173
Other receivable	65	644
Inventories, net	950,106	976,110
Prepaid expenses and other current assets	367,860	201,622
Total current assets	3,567,315	4,536,681
 Equipment and leasehold improvements, net	 2,137,549	 2,464,089
Other assets, net	24,864	27,346
	\$ 5,729,728	\$ 7,028,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations	69,733	30,514
Accounts payable	492,718	502,935
Accrued expenses	412,824	323,214
Total current liabilities	975,275	856,663
 Long-term portion of capital lease obligations	 120,787	 10,593
Long-term deferred rent	621,475	632,652
Asset retirement obligation	166,099	159,959
Total long-term liabilities	908,361	803,204
 Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 35,000,000 shares authorized; 28,516,163 and 28,481,496 shares issued and outstanding on December 31, 2014 and December 31, 2013, respectively	285,162	284,815
Additional paid-in capital	95,965,739	95,761,431
Accumulated deficit	(92,404,809)	(90,677,997)
Total stockholders' equity	3,846,092	5,368,249
	\$ 5,729,728	\$ 7,028,116

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

	Three months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
	Revenue:			
Product revenue, net	\$ 1,809,271	\$ 1,755,398	\$ 9,879,743	\$ 9,565,456
Other revenue	10,389	7,881	56,079	24,237
Net revenue	1,819,660	1,763,279	9,935,822	9,589,693
Operating expense:				
Cost of revenue	1,523,771	1,474,050	7,104,572	7,029,651
Gross profit	295,889	289,229	2,831,250	2,560,042
Research and development expense	348,261	421,390	1,337,719	1,678,653
Selling, general and administrative expense	824,283	781,530	3,215,616	3,372,126
Loss from operations	(876,655)	(913,691)	(1,722,085)	(2,490,737)
Interest income	-	378	810	1,501
Interest expense	(1,191)	(1,028)	(5,537)	(11,776)
Other, net	-	4,791	-	22,792
Loss before provision for income taxes	(877,846)	(909,550)	(1,726,812)	(2,478,220)
Provision for income taxes	-	-	-	-
Net loss	\$ (877,846)	\$ (909,550)	\$ (1,726,812)	\$ (2,478,220)
Net loss per share- basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.09)
Weighted average number of basic and diluted common shares outstanding	28,484,511	28,474,568	28,482,256	28,469,393

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
Revenue:				
Product revenue, net	\$ 1,809,271	\$ 1,755,398	\$ 9,879,743	\$ 9,565,456
Other revenue	10,389	7,881	56,079	24,237
Net revenue	1,819,660	1,763,279	9,935,822	9,589,693
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	147,695	160,288	597,916	700,585
Non-Cash equity compensation	4,981	5,743	24,383	26,591
Other costs of revenue	1,371,095	1,308,019	6,482,273	6,302,475
Cost of revenue	1,523,771	1,474,050	7,104,572	7,029,651
Gross profit	295,889	289,229	2,831,250	2,560,042
<i>Research and development expense detail:</i>				
Depreciation	29,838	27,739	105,920	120,922
Non-Cash equity compensation	9,795	13,203	52,307	71,113
Other research and development expense	308,628	380,448	1,179,492	1,486,618
Research and development expense	348,261	421,390	1,337,719	1,678,653
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	10,090	12,177	39,343	52,778
Non-Cash equity compensation	23,392	31,287	110,643	144,401
Other selling, general and administrative expense	790,801	738,066	3,065,630	3,174,947
Selling, general and administrative expense	824,283	781,530	3,215,616	3,372,126
Loss from operations	(876,655)	(913,691)	(1,722,085)	(2,490,737)
Interest income	-	378	810	1,501
Interest expense	(1,191)	(1,028)	(5,537)	(11,776)
Other, net	-	4,791	-	22,792
Loss before provision for income taxes	(877,846)	(909,550)	(1,726,812)	(2,478,220)
Provision for income taxes	-	-	-	-
Net loss	\$ (877,846)	\$ (909,550)	\$ (1,726,812)	\$ (2,478,220)
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	1,191	650	4,727	10,275
Addback Depreciation/Amortization	187,623	200,204	743,179	874,285
Addback Non-Cash Equity Compensation	38,168	50,233	187,333	242,105
Adjusted EBITDA	\$ (650,864)	\$ (658,463)	\$ (791,573)	\$ (1,351,555)