

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	June 30, 2015 (Unaudited)	December 31, 2014
Current assets:		
Cash and cash equivalents	\$ 1,155,637	\$ 1,861,524
Trade accounts receivable, less allowance for doubtful accounts of \$6,000 on June 30, 2015 and December 31, 2014	1,588,416	387,760
Other receivable	130	65
Inventories, net	534,673	950,106
Prepaid expenses and other current assets	288,289	367,860
Total current assets	3,567,145	3,567,315
 Equipment and leasehold improvements, net	 2,024,714	 2,137,549
Other assets, net	23,630	24,864
	\$ 5,615,489	\$ 5,729,728
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of Credit	250,000	-
Current portion of capital lease obligations	80,857	69,733
Accounts payable	684,670	492,718
Accrued expenses	459,435	412,824
Total current liabilities	1,474,962	975,275
 Long-term portion of capital lease obligations	 133,597	 120,787
Long-term deferred rent	570,111	621,475
Asset retirement obligation	169,169	166,099
Total long-term liabilities	872,877	908,361
 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; 28,585,496 and 28,516,163 shares issued and outstanding on June 30, 2015 and December 31, 2014, respectively	285,855	285,162
Additional paid-in capital	96,085,866	95,965,739
Accumulated deficit	(93,104,071)	(92,404,809)
Total stockholders' equity	3,267,650	3,846,092
	\$ 5,615,489	\$ 5,729,728

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue:				
Product revenue, net	\$ 2,921,386	\$ 2,847,600	\$ 5,221,184	\$ 5,423,361
Other revenue	16,228	29,734	26,615	38,935
Net revenue	2,937,614	2,877,334	5,247,799	5,462,296
Operating expense:				
Cost of revenue	1,945,526	1,845,571	3,690,077	3,722,844
Gross profit	992,088	1,031,763	1,557,722	1,739,452
Research and development expense	342,980	336,196	644,890	673,583
Selling, general and administrative expense	739,291	764,943	1,606,366	1,562,943
Loss from operations	(90,183)	(69,376)	(693,534)	(497,074)
Interest income	-	326	-	696
Interest expense	(3,204)	(1,434)	(5,728)	(3,037)
Other, net	-	-	-	-
Loss before provision for income taxes	(93,387)	(70,484)	(699,262)	(499,415)
Provision for income taxes	-	-	-	-
Net loss	\$ (93,387)	\$ (70,484)	\$ (699,262)	\$ (499,415)
 Net loss per share- basic and diluted	 \$ -	 \$ -	 \$ (0.02)	 \$ (0.02)
 Weighted average number of basic and diluted common shares outstanding	 28,585,496	 28,481,496	 28,564,133	 28,481,496

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue:				
Product revenue, net	\$ 2,921,386	\$ 2,847,600	\$ 5,221,184	\$ 5,423,361
Other revenue	16,228	29,734	26,615	38,935
Net revenue	<u>2,937,614</u>	<u>2,877,334</u>	<u>5,247,799</u>	<u>5,462,296</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	143,024	150,783	287,346	299,867
Non-Cash equity compensation	6,032	6,782	11,667	13,894
Other costs of revenue	<u>1,796,470</u>	<u>1,688,006</u>	<u>3,391,064</u>	<u>3,409,083</u>
Cost of revenue	<u>1,945,526</u>	<u>1,845,571</u>	<u>3,690,077</u>	<u>3,722,844</u>
Gross profit	992,088	1,031,763	1,557,722	1,739,452
<i>Research and development expense detail:</i>				
Depreciation	28,765	24,807	58,730	52,441
Non-Cash equity compensation	8,999	14,917	17,344	31,059
Other research and development expense	<u>305,216</u>	<u>296,472</u>	<u>568,816</u>	<u>590,083</u>
Research and development expense	342,980	336,196	644,890	673,583
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	10,085	9,695	20,268	19,164
Non-Cash equity compensation	32,369	27,610	65,074	61,032
Other selling, general and administrative expense	<u>696,837</u>	<u>727,638</u>	<u>1,521,024</u>	<u>1,482,747</u>
Selling, general and administrative expense	<u>739,291</u>	<u>764,943</u>	<u>1,606,366</u>	<u>1,562,943</u>
Loss from operations	(90,183)	(69,376)	(693,534)	(497,074)
Interest income	-	326	-	696
Interest expense	(3,204)	(1,434)	(5,728)	(3,037)
Other, net	-	-	-	-
Loss before provision for income taxes	(93,387)	(70,484)	(699,262)	(499,415)
Provision for income taxes	-	-	-	-
Net loss	<u>\$ (93,387)</u>	<u>\$ (70,484)</u>	<u>\$ (699,262)</u>	<u>\$ (499,415)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	3,204	1,108	5,728	2,341
Addback Depreciation/Amortization	181,874	185,285	366,344	371,472
Addback Non-Cash Equity Compensation	<u>47,400</u>	<u>49,309</u>	<u>94,085</u>	<u>105,985</u>
Adjusted EBITDA	<u>\$ 139,091</u>	<u>\$ 165,218</u>	<u>\$ (233,105)</u>	<u>\$ (19,617)</u>