

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	June 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash	\$ 2,197	\$ 2,186
Trade accounts receivable, less allowance for doubtful accounts of \$324 for June 30, 2023 and \$139 for December 31, 2022	5,718	4,734
Inventories, net	8,412	8,839
Prepaid expenses and other current assets	1,043	866
Total current assets	17,370	16,625
Equipment and leasehold improvements, net	8,459	7,949
Operating leases, right of use	8,468	8,978
Other assets, net	5	6
	\$ 34,302	\$ 33,558
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Lines of credit, related party	8,592	7,282
Current portion of finance lease obligations		
Current portion of operating lease obligations		
Accounts payable	4,957	6,363
Current portion of long-term debt, related parties	2,338	-
Current portion of deferred revenue	2,053	2,167
Accrued expenses	1,442	1,023
Total current liabilities	19,382	16,835
Long-term portion of finance lease obligations		
Long-term portion of operating lease obligations	9,482	9,823
Long-term debt, related party	-	1,000
Long-term portion of deferred revenue	45	21
Asset retirement obligation	234	230
Total long-term liabilities	9,761	11,074
Contingent liabilities	-	-
Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 60,000,000 and 55,000,000 shares authorized; 49,589,204 and 49,320,680 shares issued and outstanding on June 30, 2023 and December 31, 2022, respectively	495	493
Additional paid-in capital	105,763	105,226
Accumulated deficit	(101,099)	(100,070)
Total stockholders' equity	5,159	5,649
Total liabilities and shareholders' equity	\$ 34,302	\$ 33,558

NANOPHASE TECHNOLOGIES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue:				
Product revenue	\$ 11,844	\$ 10,796	\$ 21,180	\$ 18,842
Other revenue	28	426	149	536
Net revenue	<u>11,872</u>	<u>11,222</u>	<u>21,329</u>	<u>19,378</u>
Cost of revenue	<u>8,197</u>	<u>8,486</u>	<u>15,505</u>	<u>14,474</u>
Gross profit	3,675	2,736	5,824	4,904
Operating expense:				
Research and development expense	991	797	1,994	1,463
Selling, general and administrative expense	<u>2,105</u>	<u>1,816</u>	<u>4,255</u>	<u>3,213</u>
Income from operations	579	123	(425)	228
Interest expense	246	73	400	116
Other income, net	-	-	-	-
Income before provision for income taxes	333	50	(825)	112
Provision for income taxes	-	-	-	-
Net income (loss)	<u>\$ 333</u>	<u>\$ 50</u>	<u>\$ (825)</u>	<u>\$ 112</u>
Net income (loss) per share-basic	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ -</u>
Weighted average number of common shares outstanding - basic	<u>49,562,624</u>	<u>49,045,047</u>	<u>49,498,755</u>	<u>49,014,847</u>
Net income per share-diluted	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of common shares outstanding - diluted	<u>50,679,013</u>	<u>51,008,047</u>	<u>-</u>	<u>50,990,847</u>

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE
(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue:				
Product revenue	\$ 11,844	\$ 10,796	\$ 21,180	\$ 18,842
Other revenue	28	426	149	536
Net revenue	<u>11,872</u>	<u>11,222</u>	<u>21,329</u>	<u>19,378</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	158	120	316	239
Non-Cash equity compensation	28	24	55	49
Other costs of revenue	8,011	8,342	15,134	14,186
Cost of revenue	<u>8,197</u>	<u>8,486</u>	<u>15,505</u>	<u>14,474</u>
Gross profit	3,675	2,736	5,824	4,904
<i>Research and development expense detail:</i>				
Depreciation	7	9	14	18
Non-Cash equity compensation	45	41	92	82
Other research and development expense	939	747	1,888	1,363
Research and development expense	<u>991</u>	<u>797</u>	<u>1,994</u>	<u>1,463</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	8	5	15	12
Non-Cash equity compensation	123	90	258	171
Other selling, general and administrative expense	1,974	1,721	3,982	3,030
Selling, general and administrative expense	<u>2,105</u>	<u>1,816</u>	<u>4,255</u>	<u>3,213</u>
Income from operations	579	123	(425)	228
Interest expense	246	73	400	116
Other income, net	-	-	-	-
Income before provision for income taxes	333	50	(825)	112
Provision for income taxes	-	-	-	-
Net (loss) income	<u>\$ 333</u>	<u>\$ 50</u>	<u>\$ (825)</u>	<u>\$ 112</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	246	73	116	116
Addback Depreciation/Amortization	134	134	269	269
Addback Non-Cash Equity Compensation	135	155	302	302
Subtract Non-Cash Other Income	-	-	-	-
Adjusted EBITDA	<u>\$ 848</u>	<u>\$ 412</u>	<u>\$ (138)</u>	<u>\$ 799</u>