

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

ASSETS	September 30, 2022 (Unaudited)	December 31, 2021
Current assets:		
Cash	\$ 510	\$ 657
Trade accounts receivable, less allowance for doubtful accounts of \$301 for September 30, 2022 and \$60 for December 31, 2021	5,368	3,937
Inventories, net	9,596	6,095
Prepaid expenses and other current assets	979	910
Total current assets	16,453	11,599
Equipment and leasehold improvements, net	6,535	4,712
Operating leases, right of use	11,056	12,075
Other assets, net	6	8
Total assets	\$ 34,050	\$ 28,394
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, related party	3,358	1,351
Current portion of finance lease obligations	11	105
Current portion of operating lease obligations	1,182	589
Accounts payable	5,397	3,566
Current portion of long-term debt, related party	3,000	-
Current portion of deferred revenue	800	783
Accrued expenses	1,347	946
Total current liabilities	15,095	7,340
Long-term portion of finance lease obligations	-	6
Long-term portion of operating lease obligations	10,740	11,700
Long-term debt, related party	-	1,000
Long-term portion of deferred revenue	569	661
Asset retirement obligation	228	222
Total long-term liabilities	11,537	13,589
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; 49,216,180 and 48,893,573 shares issued and outstanding on September 30, 2022 and December 31, 2021, respectively	492	489
Additional paid-in capital	105,012	104,423
Accumulated deficit	(98,086)	(97,447)
Total stockholders' equity	7,418	7,465
Total liabilities and shareholders' equity	\$ 34,050	\$ 28,394

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Product revenue	\$ 9,563	\$ 7,896	\$ 28,405	\$ 21,971
Other revenue	115	28	651	139
Net revenue	<u>9,678</u>	<u>7,924</u>	<u>29,056</u>	<u>22,110</u>
Operating expense:				
Cost of revenue	7,185	4,946	21,659	14,588
Gross profit	<u>2,493</u>	<u>2,978</u>	<u>7,397</u>	<u>7,522</u>
Research and development expense	848	635	2,310	1,670
Selling, general and administrative expense	2,279	942	5,493	2,994
Income from operations	<u>(634)</u>	<u>1,401</u>	<u>(406)</u>	<u>2,858</u>
Interest expense	116	38	232	1,096
Other income, net	-	-	-	(952)
Income before provision for income taxes	<u>(750)</u>	<u>1,363</u>	<u>(638)</u>	<u>2,714</u>
Provision for income taxes	-	-	-	-
Net income	<u>\$ (750)</u>	<u>\$ 1,363</u>	<u>\$ (638)</u>	<u>\$ 2,714</u>
Net income per share-basic	<u>\$ (0.02)</u>	<u>\$ 0.03</u>	<u>\$ (0.01)</u>	<u>\$ 0.06</u>
Weighted average number of common shares outstanding - basic	<u>49,174,673</u>	<u>48,566,341</u>	<u>49,068,709</u>	<u>43,756,300</u>
Net income per share-diluted	<u>\$ (0.02)</u>	<u>\$ 0.03</u>	<u>\$ (0.01)</u>	<u>\$ 0.06</u>
Weighted average number of common shares outstanding - diluted	<u>49,174,673</u>	<u>50,728,431</u>	<u>49,068,709</u>	<u>45,726,300</u>

NANOPHASE TECHNOLOGIES CORPORATION

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

(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Product revenue	\$ 9,563	\$ 7,896	\$ 28,405	\$ 21,971
Other revenue	115	28	651	139
Net revenue	<u>9,678</u>	<u>7,924</u>	<u>29,056</u>	<u>22,110</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	126	103	365	283
Non-Cash equity compensation	22	4	71	15
Other costs of revenue	<u>7,037</u>	<u>4,839</u>	<u>21,223</u>	<u>14,290</u>
Cost of revenue	<u>7,185</u>	<u>4,946</u>	<u>21,659</u>	<u>14,588</u>
Gross profit	2,493	2,978	7,397	7,522
<i>Research and development expense detail:</i>				
Depreciation	9	9	26	27
Non-Cash equity compensation	38	7	121	36
Other research and development expense	<u>801</u>	<u>619</u>	<u>2,163</u>	<u>1,607</u>
Research and development expense	<u>848</u>	<u>635</u>	<u>2,310</u>	<u>1,670</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	8	6	22	18
Non-Cash equity compensation	90	17	261	72
Other selling, general and administrative expense	<u>2,181</u>	<u>919</u>	<u>5,210</u>	<u>2,904</u>
Selling, general and administrative expense	<u>2,279</u>	<u>942</u>	<u>5,493</u>	<u>2,994</u>
Income from operations	(634)	1,401	(406)	2,858
Interest expense	116	38	232	1,096
Other income, net	-	-	-	(952)
Income before provision for income taxes	(750)	1,363	(638)	2,714
Provision for income taxes	-	-	-	-
Net income	<u>\$ (750)</u>	<u>\$ 1,363</u>	<u>\$ (638)</u>	<u>\$ 2,714</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	116	38	232	1,096
Addback Depreciation/Amortization	143	118	413	328
Addback Non-Cash Equity Compensation	150	28	453	123
Subtract Non-Cash Other Income	-	-	-	(952)
Adjusted EBITDA	<u>\$ (341)</u>	<u>\$ 1,547</u>	<u>\$ 460</u>	<u>\$ 3,309</u>