

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

ASSETS	June 2022 (Unaudited)	December 31, 2021
Current assets:		
Cash	\$ 664	\$ 657
Trade accounts receivable, less allowance for doubtful accounts of \$161 for June 30, 2022 and \$60 for December 31, 2021	6,537	3,937
Inventories, net	8,949	6,095
Prepaid expenses and other current assets	1,201	910
Total current assets	17,351	11,599
Equipment and leasehold improvements, net	5,715	4,712
Operating leases, right of use	11,418	12,075
Other assets, net	7	8
	\$ 34,491	\$ 28,394
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, related party	5,835	1,351
Current portion of finance lease obligations	35	105
Current portion of operating lease obligations	1,161	589
Accounts payable	4,368	3,566
Current portion of deferred revenue	709	783
Accrued expenses	1,426	946
Total current liabilities	13,534	7,340
Long-term portion of finance lease obligations	1	6
Long-term portion of operating lease obligations	11,067	11,700
Long-term debt, related party	1,000	1,000
Long-term portion of deferred revenue	675	661
Asset retirement obligation	227	222
Total long-term liabilities	12,970	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; 49,137,030 and 48,893,573 shares issued and outstanding on June 30, 2022 and December 31, 2021, respectively	491	489
Additional paid-in capital	104,831	104,423
Accumulated deficit	(97,335)	(97,447)
Total stockholders' equity	7,987	7,465
	\$ 34,491	\$ 28,394

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,	
	2022	2021	2022	2021
Revenue:				
Product revenue	\$ 10,796	\$ 7,025	\$ 18,842	\$ 14,075
Other revenue	426	89	536	111
Net revenue	<u>11,222</u>	<u>7,114</u>	<u>19,378</u>	<u>14,186</u>
Operating expense:				
Cost of revenue	8,486	4,600	14,474	9,642
Gross profit	<u>2,736</u>	<u>2,514</u>	<u>4,904</u>	<u>4,544</u>
Research and development expense	797	536	1,463	1,035
Selling, general and administrative expense	1,816	1,018	3,213	2,052
Income from operations	123	960	228	1,457
Interest expense	73	919	116	1,058
Other income, net	-	-	-	(952)
Income before provision for income taxes	50	41	112	1,351
Provision for income taxes	-	-	-	-
Net income	<u>\$ 50</u>	<u>\$ 41</u>	<u>\$ 112</u>	<u>\$ 1,351</u>
Net income per share-basic	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.03</u>
Weighted average number of common shares outstanding - basic	<u>49,045,047</u>	<u>44,367,496</u>	<u>49,014,847</u>	<u>41,294,394</u>
Net income per share-diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of common shares outstanding - diluted	<u>51,008,047</u>	<u>46,362,496</u>	<u>50,990,847</u>	<u>43,078,394</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,	
	2022	2021	2022	2021
Revenue:				
Product revenue	\$ 10,796	\$ 7,025	\$ 18,842	\$ 14,075
Other revenue	426	89	536	111
Net revenue	<u>11,222</u>	<u>7,114</u>	<u>19,378</u>	<u>14,186</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	120	94	239	180
Non-Cash equity compensation	24	6	49	11
Other costs of revenue	8,342	4,500	14,186	9,451
Cost of revenue	<u>8,486</u>	<u>4,600</u>	<u>14,474</u>	<u>9,642</u>
Gross profit	2,736	2,514	4,904	4,544
<i>Research and development expense detail:</i>				
Depreciation	9	9	18	18
Non-Cash equity compensation	41	16	82	29
Other research and development expense	747	511	1,363	988
Research and development expense	<u>797</u>	<u>536</u>	<u>1,463</u>	<u>1,035</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	5	6	12	12
Non-Cash equity compensation	90	31	171	55
Other selling, general and administrative expense	1,721	981	3,030	1,985
Selling, general and administrative expense	<u>1,816</u>	<u>1,018</u>	<u>3,213</u>	<u>2,052</u>
Income from operations	123	960	228	1,457
Interest expense	73	919	116	1,058
Other income, net	-	-	-	(952)
Income before provision for income taxes	50	41	112	1,351
Provision for income taxes	-	-	-	-
Net income	<u>\$ 50</u>	<u>\$ 41</u>	<u>\$ 112</u>	<u>\$ 1,351</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	73	919	116	1,058
Addback Depreciation/Amortization	134	109	269	210
Addback Non-Cash Equity Compensation	155	53	302	95
Subtract Non-Cash Other Income	-	-	-	(952)
Adjusted EBITDA	<u>\$ 412</u>	<u>\$ 1,122</u>	<u>\$ 799</u>	<u>\$ 1,762</u>