

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
	(in thousands except share and per share data)			
<b>Revenue:</b>				
Product revenue	\$ 8,216	\$ 7,354	\$ 36,731	\$ 29,325
Other revenue	45	11	586	150
Net revenue	<u>8,261</u>	<u>7,365</u>	<u>37,317</u>	<u>29,475</u>
<b>Operating expense:</b>				
Cost of revenue	<u>7,298</u>	<u>6,197</u>	<u>28,957</u>	<u>20,785</u>
Gross profit	963	1,168	8,360	8,690
Research and development expense	727	566	3,037	2,235
Selling, general and administrative expense	2,088	902	7,581	3,896
Income/(loss) from operations	<u>(1,852)</u>	<u>(300)</u>	<u>(2,258)</u>	<u>2,559</u>
Interest expense	(150)	(58)	(382)	(1,154)
Other income, net	-	-	-	952
Income/(loss) before provision for income taxes	(2,002)	(358)	(2,640)	2,357
Provision for income taxes	(17)	37	(17)	37
Net income/(loss)	<u>\$ (1,985)</u>	<u>\$ (395)</u>	<u>\$ (2,623)</u>	<u>\$ 2,320</u>
Net income per share-basic	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ 0.05</u>
Weighted average number of basic shares outstanding	<u>49,260,295</u>	<u>48,774,542</u>	<u>49,117,000</u>	<u>45,021,173</u>
Net income per share-diluted	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ 0.05</u>
Weighted average number of diluted shares outstanding	<u>49,260,295</u>	<u>48,774,542</u>	<u>49,117,000</u>	<u>47,039,173</u>

NANOPHASE TECHNOLOGIES CORPORATION

**CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE**

	Three months ended December 31,		Years ended December 31,	
	2022	2021	2022	2021
	(in thousands except share and per share data)			
<b>Revenue:</b>				
Product revenue, net	\$ 8,216	\$ 7,354	\$ 36,731	\$ 29,325
Other revenue	45	11	586	150
Net revenue	<u>8,261</u>	<u>7,365</u>	<u>37,317</u>	<u>29,475</u>
<b>Operating expense:</b>				
<i>Cost of revenue detail:</i>				
Depreciation	138	110	503	392
Non-Cash equity compensation	24	8	95	44
Other costs of revenue	7,136	6,079	28,359	20,349
Cost of revenue	<u>7,298</u>	<u>6,197</u>	<u>28,957</u>	<u>20,785</u>
Gross profit	963	1,168	8,360	8,690
<i>Res: Research and development expense detail:</i>				
Depreciation	8	9	34	37
Non-Cash equity compensation	40	21	162	94
Other research and development expense	679	536	2,841	2,104
Research and development expense	<u>727</u>	<u>566</u>	<u>3,037</u>	<u>2,235</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	8	7	30	25
Non-Cash equity compensation	106	7	366	22
Other selling, general and administrative expense	1,974	888	7,185	3,849
Selling, general and administrative expense	<u>2,088</u>	<u>902</u>	<u>7,581</u>	<u>3,896</u>
Income/(loss) from operations	(1,852)	(300)	(2,258)	2,559
Interest expense	(150)	(58)	(382)	(1,154)
Other income, net	-	-	-	952
Income/(loss) before provision for income taxes	(2,002)	(358)	(2,640)	2,357
Provision for income taxes	(17)	37	(17)	37
Net income/(loss)	<u>\$ (1,985)</u>	<u>\$ (395)</u>	<u>\$ (2,623)</u>	<u>\$ 2,320</u>
<b>Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):</b>				
Addback Interest, net	150	58	382	1,154
Addback Depreciation/Amortization	154	126	567	454
Addback Non-Cash Equity Compensation	170	36	623	160
Addback Other Income, net	-	-	-	(952)
Addback Provision for Income Taxes	(17)	37	(17)	37
Adjusted EBITDA	<u>\$ (1,528)</u>	<u>\$ (138)</u>	<u>\$ (1,068)</u>	<u>\$ 3,173</u>

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2022	December 31, 2021
	<u>(in thousands except share and per share data)</u>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,186	\$ 657
Trade accounts receivable, less allowance for doubtful accounts of \$139 for December 31, 2022 and \$60 for 2021	4,734	3,937
Inventories, net	8,839	6,095
Prepaid expenses and other current assets	866	910
Total current assets	16,625	11,599
Equipment and leasehold improvements, net	7,949	4,712
Operating leases, right of use	8,978	12,075
Other assets, net	6	8
Total assets	\$ 33,558	\$ 28,394
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Line of credit, related party	\$ 7,282	\$ 1,351
Current portion of finance lease obligations	-	105
Current portion of operating lease obligations	-	589
Accounts payable	6,363	3,566
Current portion of deferred revenue	2,167	783
Accrued expenses	1,023	946
Total current liabilities	16,835	7,340
Long-term portion of finance lease obligations	-	6
Long-term portion of operating lease obligations	9,823	11,700
Long-term debt, related party	1,000	1,000
Long-term portion of deferred revenue	21	661
Asset retirement obligations	230	222
Total long-term liabilities	11,074	13,589
<b>Contingent liabilities</b>		
<b>Stockholders' equity:</b>		
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; 49,320,680 and 48,893,573 shares issued and outstanding on December 31, 2022 and December 31, 2021, respectively	493	489
Additional paid-in capital	105,226	104,423
Accumulated deficit	(100,070)	(97,447)
Total stockholders' equity	5,649	7,465
<b>Total liabilities and shareholders' equity</b>	<b>\$ 33,558</b>	<b>\$ 28,394</b>