

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	June 30, 2018 (Unaudited)	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 1,341,361	\$ 1,955,073
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 on June 30, 2017 and December 31, 2016	1,428,171	1,114,607
Other receivable	33	95
Inventories, net	1,649,194	1,138,870
Prepaid expenses and other current assets	277,801	415,192
Total current assets	4,696,560	4,623,837
 Equipment and leasehold improvements, net	 1,639,845	 1,624,359
Other assets, net	16,177	17,410
	\$ 6,352,582	\$ 6,265,606
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	500,000	300,000
Current portion of capital lease obligations	144,831	142,912
Accounts payable	1,601,419	1,037,784
Accrued expenses	677,310	542,810
Total current liabilities	2,923,560	2,023,506
 Long-term portion of capital lease obligations	 380,081	 415,887
Long-term deferred rent	377,641	409,790
Asset retirement obligation	187,588	184,518
Total long-term liabilities	945,310	1,010,195
 Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	338,478	338,478
Common stock, \$.01 par value, 42,000,000 shares authorized; 33,847,793 and 33,847,793 shares issued and outstanding on June 30, 2018 and December 31, 2017, respectively	98,650,524	98,562,750
Additional paid-in capital	(96,505,290)	(95,669,323)
Accumulated deficit	2,483,712	3,231,905
Total stockholders' equity	\$ 6,352,582	\$ 6,265,606

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue:				
Product revenue, net	\$ 4,043,201	\$ 3,534,799	\$ 6,910,133	\$ 7,001,264
Other revenue	73,359	47,190	104,193	66,328
Net revenue	<u>4,116,560</u>	<u>3,581,989</u>	<u>7,014,326</u>	<u>7,067,592</u>
Operating expense:				
Cost of revenue	<u>2,711,741</u>	<u>2,381,072</u>	<u>5,199,890</u>	<u>4,662,405</u>
Gross profit	<u>1,404,819</u>	<u>1,200,917</u>	<u>1,814,436</u>	<u>2,405,187</u>
Research and development expense	538,476	476,055	1,096,729	859,754
Selling, general and administrative expense	<u>769,521</u>	<u>696,669</u>	<u>1,533,773</u>	<u>1,460,506</u>
Income/(Loss) from operations	<u>96,822</u>	<u>28,193</u>	<u>(816,066)</u>	<u>84,927</u>
Interest income	-	-	-	-
Interest expense	9,205	(6,088)	19,900	(16,425)
Other, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income/(Loss) before provision for income taxes	<u>87,617</u>	<u>22,105</u>	<u>(835,966)</u>	<u>68,502</u>
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income/(loss)	<u>\$ 87,617</u>	<u>\$ 22,105</u>	<u>\$ (835,966)</u>	<u>\$ 68,502</u>
Net income/(loss) per share- basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ -</u>
Weighted average number of basic and diluted common shares outstanding	<u>33,847,793</u>	<u>31,234,330</u>	<u>33,847,793</u>	<u>31,232,223</u>

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue:				
Product revenue, net	\$ 4,043,201	\$ 3,534,799	\$ 6,910,133	\$ 7,001,264
Other revenue	73,359	47,190	104,193	66,328
Net revenue	<u>4,116,560</u>	<u>3,581,989</u>	<u>7,014,326</u>	<u>7,067,592</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	20,233	71,094	39,871	142,886
Non-Cash equity compensation	6,399	5,947	12,936	12,073
Other costs of revenue	2,685,109	2,304,031	5,147,083	4,507,446
Cost of revenue	<u>2,711,741</u>	<u>2,381,072</u>	<u>5,199,890</u>	<u>4,662,405</u>
Gross profit	1,404,819	1,200,917	1,814,436	2,405,187
<i>Research and development expense detail:</i>				
Depreciation	9,656	11,509	16,602	57,587
Non-Cash equity compensation	11,816	12,601	23,390	18,211
Other research and development expense	517,004	451,945	1,056,737	783,956
Research and development expense	<u>538,476</u>	<u>476,055</u>	<u>1,096,729</u>	<u>859,754</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	2,900	4,044	8,373	8,639
Non-Cash equity compensation	20,430	27,590	38,882	57,274
Other selling, general and administrative expense	746,191	665,035	1,486,518	1,394,593
Selling, general and administrative expense	<u>769,521</u>	<u>696,669</u>	<u>1,533,773</u>	<u>1,460,506</u>
Income/(Loss) from operations	96,822	28,193	(816,066)	84,927
Interest income	-	-	-	-
Interest expense	9,205	(6,088)	19,900	(16,425)
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	87,617	22,105	(835,966)	68,502
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 87,617</u>	<u>\$ 22,105</u>	<u>\$ (835,966)</u>	<u>\$ 68,502</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	9,204	6,087	19,900	16,425
Addback Depreciation/Amortization	34,943	86,647	64,846	181,294
Addback Non-Cash Equity Compensation	38,645	46,138	75,208	93,842
Adjusted EBITDA	<u>\$ 170,409</u>	<u>\$ 160,977</u>	<u>\$ (676,012)</u>	<u>\$ 360,063</u>