

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

ASSETS	September 30, 2018 (Unaudited)	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 1,033,657	\$ 1,955,073
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 on September 30, 2018 and December 31, 2017	1,917,380	1,114,607
Other receivable	68	95
Inventories, net	2,091,609	1,138,870
Prepaid expenses and other current assets	254,772	415,192
Total current assets	5,297,485	4,623,837
 Equipment and leasehold improvements, net	 1,760,902	 1,624,359
Other assets, net	15,552	17,410
	\$ 7,073,939	\$ 6,265,606
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	500,000	300,000
Current portion of capital lease obligations	197,382	142,912
Accounts payable	1,916,015	1,037,784
Accrued expenses	979,535	542,810
Total current liabilities	3,592,932	2,023,506
 Long-term portion of capital lease obligations	 495,479	 415,887
Long-term deferred rent	361,195	409,790
Asset retirement obligation	189,123	184,518
Total long-term liabilities	1,045,797	1,010,195
 Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	339,118	338,478
Common stock, \$.01 par value, 42,000,000 shares authorized; 33,847,793 and 33,911,792 shares issued and outstanding on September 30, 2018 and December 31, 2017, respectively	98,737,017	98,562,750
Additional paid-in capital	(96,640,926)	(95,669,323)
Accumulated deficit	2,435,209	3,231,905
Total stockholders' equity	\$ 7,073,939	\$ 6,265,606

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue:				
Product revenue, net	\$ 3,997,526	\$ 2,523,584	\$ 10,907,659	\$ 9,524,848
Other revenue	24,028	260,976	128,221	327,304
Net revenue	<u>4,021,554</u>	<u>2,784,560</u>	<u>11,035,880</u>	<u>9,852,152</u>
Operating expense:				
Cost of revenue	2,964,160	2,200,066	8,164,050	6,862,471
Gross profit	<u>1,057,395</u>	<u>584,494</u>	<u>2,871,830</u>	<u>2,989,681</u>
Research and development expense	415,724	494,076	1,512,453	1,353,830
Selling, general and administrative expense	765,567	723,979	2,299,339	2,203,026
Income/(Loss) from operations	<u>(123,896)</u>	<u>(633,561)</u>	<u>(939,962)</u>	<u>(567,175)</u>
Interest income	-	-	-	-
Interest expense	11,741	9,151	31,641	24,911
Other, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,876)</u>
Income/(Loss) before provision for income taxes	<u>(135,637)</u>	<u>(642,712)</u>	<u>(971,603)</u>	<u>(574,210)</u>
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income/(loss)	<u>\$ (135,637)</u>	<u>\$ (642,712)</u>	<u>\$ (971,603)</u>	<u>\$ (574,210)</u>
Net income/(loss) per share- basic and diluted	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.02)</u>
Weighted average number of basic and diluted common shares outstanding	<u>33,850,326</u>	<u>31,239,678</u>	<u>33,850,638</u>	<u>31,234,735</u>

NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue:				
Product revenue, net	\$ 3,997,526	\$ 2,523,584	\$ 10,907,659	\$ 9,524,848
Other revenue	24,028	260,976	128,221	327,304
Net revenue	<u>4,021,554</u>	<u>2,784,560</u>	<u>11,035,880</u>	<u>9,852,152</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	24,258	22,596	64,129	66,992
Non-Cash equity compensation	8,831	6,012	21,767	18,085
Other costs of revenue	2,931,071	2,171,458	8,078,154	6,777,394
Cost of revenue	<u>2,964,160</u>	<u>2,200,066</u>	<u>8,164,050</u>	<u>6,862,471</u>
Gross profit	1,057,395	584,494	2,871,830	2,989,681
<i>Research and development expense detail:</i>				
Depreciation	9,597	8,212	29,179	37,981
Non-Cash equity compensation	15,373	11,771	22,373	36,266
Other research and development expense	390,754	474,093	1,460,901	1,279,583
Research and development expense	<u>415,724</u>	<u>494,076</u>	<u>1,512,453</u>	<u>1,353,830</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	4,881	4,087	15,308	12,988
Non-Cash equity compensation	34,295	27,925	85,742	85,199
Other selling, general and administrative expense	726,391	691,967	2,198,289	2,104,839
Selling, general and administrative expense	<u>765,567</u>	<u>723,979</u>	<u>2,299,339</u>	<u>2,203,026</u>
Income/(Loss) from operations	(123,896)	(633,561)	(939,962)	(567,175)
Interest income	-	-	-	-
Interest expense	11,741	8,486	31,641	24,911
Other, net	-	665	-	(17,876)
Income/(Loss) before provision for income taxes	(135,637)	(642,712)	(971,603)	(574,210)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ (135,637)</u>	<u>\$ (642,712)</u>	<u>\$ (971,603)</u>	<u>\$ (574,210)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	11,741	9,151	31,641	7,035
Addback Depreciation/Amortization	38,736	34,895	108,616	117,961
Addback Non-Cash Equity Compensation	58,499	45,708	129,882	139,550
Adjusted EBITDA	<u>\$ (26,661)</u>	<u>\$ (552,958)</u>	<u>\$ (701,464)</u>	<u>\$ (309,664)</u>