

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2020 (Unaudited)	December 31, 2019
Current assets:		
Cash	\$ 951,431	\$ 1,193,994
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 on March 31, 2020 and December 31, 2019, respectively	2,254,224	970,472
Inventories, net	2,384,058	2,553,620
Prepaid expenses and other current assets	258,931	266,587
Total current assets	5,848,644	4,984,673
Equipment and leasehold improvements, net	2,351,352	2,255,158
Operating leases, Right of Use	2,036,462	2,118,883
Other assets, net	11,967	12,528
	\$ 10,248,425	\$ 9,371,242
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, bank	\$ 500,000	\$ 500,000
Line of credit, related party	1,400,446	223,871
Current portion of long-term debt, related party	500,000	500,000
Current portion of capital lease obligations	207,117	218,345
Current portion of operating lease obligations	369,383	356,949
Accounts payable	1,712,857	1,748,021
Current portion of deferred revenue	321,015	482,349
Accrued expenses	512,371	379,314
Total current liabilities	5,523,189	4,408,849
Long-term portion of capital lease obligations	241,436	287,660
Long-term portion of operating lease obligations	1,936,077	2,034,592
Long-term convertible loan, related party	896,594	829,721
Long-term portion of deferred revenue	47,375	92,750
Asset retirement obligation	208,229	206,221
Total long-term liabilities	3,329,711	3,450,944
Contingent liabilities	-	-
Stockholders' equity:		
Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding	-	-
Common stock, \$.01 par value, 55,000,000 shares authorized; 38,136,792 and 33,911,792 shares issued and outstanding on March 31, 2020 and December 31, 2019, respectively	381,368	381,368
Additional paid-in capital	101,937,944	101,886,411
Accumulated deficit	(100,923,787)	(100,756,330)
Total stockholders' equity	1,395,525	1,511,449
	\$ 10,248,425	\$ 9,371,242

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended	
	March 31,	
	2020	2019
Revenue:		
Product revenue, net	\$ 3,961,488	\$ 3,496,733
Other revenue	77,909	258,398
Net revenue	<u>4,039,397</u>	<u>3,755,131</u>
Operating expense:		
Cost of revenue	<u>3,004,846</u>	<u>2,870,661</u>
Gross profit	1,034,551	884,470
Research and development expense	372,610	476,527
Selling, general and administrative expense	705,608	877,483
Income/(Loss) from operations	<u>(43,667)</u>	<u>(469,540)</u>
Interest income	-	-
Interest expense	123,790	43,104
Other, net	<u>-</u>	<u>-</u>
Income/(Loss) before provision for income taxes	(167,457)	(512,644)
Provision for income taxes	<u>-</u>	<u>-</u>
Net income/(loss)	<u>\$ (167,457)</u>	<u>\$ (512,644)</u>
Net income/(loss) per share- basic and diluted	<u>\$ -</u>	<u>\$ (0.02)</u>
Weighted average number of basic and diluted common shares outstanding	<u>38,136,792</u>	<u>33,911,792</u>

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited)

	Three months ended	
	March 31,	
	2020	2019
Revenue:		
Product revenue, net	\$ 3,961,488	\$ 3,496,733
Other revenue	77,909	258,398
Net revenue	4,039,397	3,755,131
Operating expense:		
<i>Cost of revenue detail:</i>		
Depreciation	71,144	59,486
Non-Cash equity compensation	9,653	8,032
Other costs of revenue	2,924,049	2,803,143
Cost of revenue	3,004,846	2,870,661
Gross profit	1,034,551	884,470
 <i>Research and development expense detail:</i>		
Depreciation	10,677	12,005
Non-Cash equity compensation	14,593	14,413
Other research and development expense	347,340	450,109
Research and development expense	372,610	476,527
 <i>Selling, general and administrative expense detail:</i>		
Depreciation and amortization	5,120	5,439
Non-Cash equity compensation	27,287	34,761
Other selling, general and administrative expense	673,201	837,283
Selling, general and administrative expense	705,608	877,483
Income/(Loss) from operations	(43,667)	(469,540)
Interest income	-	-
Interest expense	123,790	43,104
Other, net	-	-
Income/(Loss) before provision for income taxes	(167,457)	(512,644)
Provision for income taxes	-	-
Net income/(loss)	\$ (167,457)	\$ (512,644)
 Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):		
Addback Interest, net	123,790	43,104
Addback Depreciation/Amortization	86,941	76,930
Addback Non-Cash Equity Compensation	51,533	57,206
Adjusted EBITDA	\$ 94,807	\$ (335,404)