

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS

	As of	
ASSETS	December 31, 2020 (Unaudited)	December 31, 2019
Current assets:		
Cash	\$ 956,751	\$ 1,193,994
Trade accounts receivable, less allowance for doubtful accounts of \$9,000 for both December 31, 2020 and 2019	2,932,427	970,472
Inventories, net	4,339,850	2,553,620
Prepaid expenses and other current assets	605,908	266,587
Total current assets	8,834,936	4,984,673
Equipment and leasehold improvements, net	2,868,025	2,255,158
Operating leases, Right of Use	1,826,869	2,118,883
Other assets, net	10,275	12,528
	\$ 13,540,105	\$ 9,371,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, bank	\$ 500,000	\$ 500,000
Line of credit, related party	2,154,832	223,871
Current portion of long-term debt, related party	500,000	500,000
Current portion of capital lease obligations	177,227	218,345
Current portion of operating lease obligations	430,881	356,949
Accounts payable	2,126,093	1,748,021
Current portion of deferred revenue	410,672	482,349
Accrued expenses	483,801	379,314
Total current liabilities	6,783,506	4,408,849
Long-term portion of capital lease obligations	110,432	287,660
Long-term portion of operating lease obligations	1,650,990	2,034,592
Long-term convertible loan, related party	1,097,214	829,721
PPP Loan (SBA)	951,600	-
Long-term portion of deferred revenue	-	92,750
Asset retirement obligation	214,256	206,221
Total long-term liabilities	4,024,492	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; 38,221,292 and 38,136,792 shares issued and outstanding on December 31, 2020 and December 31, 2019, respectively	382,213	381,368
Additional paid-in capital	102,116,916	101,886,411
Accumulated deficit	(99,767,022)	(100,756,330)
Total stockholders' equity	2,732,107	1,511,449
	\$ 13,540,105	\$ 9,371,242

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three months ended December 31,		Years ended December 31,	
	2020	2019	2020	2019
Revenue:				
Product revenue, net	\$ 4,492,867	\$ 2,055,067	\$ 16,422,363	\$ 11,852,011
Other revenue	368,476	335,706	701,244	656,764
Net revenue	<u>4,861,343</u>	<u>2,390,773</u>	<u>17,123,607</u>	<u>12,508,775</u>
Operating expense:				
Cost of revenue	3,300,575	2,053,674	11,132,700	9,893,117
Gross profit	<u>1,560,768</u>	<u>337,099</u>	<u>5,990,907</u>	<u>2,615,658</u>
Research and development expense	438,039	420,280	1,571,159	1,869,926
Selling, general and administrative expense	800,876	831,251	2,934,462	3,541,964
Income/(Loss) from operations	<u>321,853</u>	<u>(914,432)</u>	<u>1,485,286</u>	<u>(2,796,232)</u>
Interest income	-	-	-	-
Interest expense	(127,648)	(69,594)	(495,978)	(209,876)
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	<u>194,205</u>	<u>(984,026)</u>	<u>989,308</u>	<u>(3,006,108)</u>
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 194,205</u>	<u>\$ (984,026)</u>	<u>\$ 989,308</u>	<u>\$ (3,006,108)</u>
Net income/(loss) per share-basic	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	<u>\$ (0.08)</u>
Weighted average number of basic shares outstanding	<u>38,136,792</u>	<u>38,136,792</u>	<u>38,158,586</u>	<u>36,596,372</u>
Net income (loss) per share-diluted	<u>\$ 0.01</u>	<u>\$ (0.03)</u>	<u>\$ 0.03</u>	<u>\$ (0.08)</u>
Weighted average number of diluted shares outstanding	<u>38,218,542</u>	<u>38,136,792</u>	<u>38,539,586</u>	<u>36,596,372</u>

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME - EXPANDED SCHEDULE

(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Revenue:				
Product revenue, net	\$ 4,492,867	\$ 2,055,067	\$ 16,422,363	\$ 11,852,011
Other revenue	368,476	335,706	701,244	656,764
Net revenue	<u>4,861,343</u>	<u>2,390,773</u>	<u>17,123,607</u>	<u>12,508,775</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	77,872	65,082	295,450	246,576
Non-Cash equity compensation	(5,691)	12,684	32,395	46,293
Other costs of revenue	3,228,394	1,975,908	10,804,855	9,600,248
Cost of revenue	<u>3,300,575</u>	<u>2,053,674</u>	<u>11,132,700</u>	<u>9,893,117</u>
Gross profit	1,560,768	337,099	5,990,907	2,615,658
<i>Research and development expense detail:</i>				
Depreciation	10,067	11,022	41,822	47,721
Non-Cash equity compensation	15,809	15,804	58,606	58,000
Other research and development expense	412,163	393,454	1,470,731	1,764,205
Research and development expense	<u>438,039</u>	<u>420,280</u>	<u>1,571,159</u>	<u>1,869,926</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	5,543	2,473	20,568	18,421
Non-Cash equity compensation	37,562	34,408	103,581	137,822
Other selling, general and administrative expense	757,771	794,370	2,810,313	3,385,721
Selling, general and administrative expense	<u>800,876</u>	<u>831,251</u>	<u>2,934,462</u>	<u>3,541,964</u>
Income/(Loss) from operations	321,853	(914,432)	1,485,286	(2,796,232)
Interest income	-	-	-	-
Interest expense	(127,648)	(69,594)	(495,978)	(209,876)
Other, net	-	-	-	-
Income/(Loss) before provision for income taxes	194,205	(984,026)	989,308	(3,006,108)
Provision for income taxes	-	-	-	-
Net income/(loss)	<u>\$ 194,205</u>	<u>\$ (984,026)</u>	<u>\$ 989,308</u>	<u>\$ (3,006,108)</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	127,648	69,594	495,978	209,876
Addback Depreciation/Amortization	93,482	78,577	357,840	312,718
Addback Non-Cash Equity Compensation	47,680	62,896	194,582	242,115
Addback Other, net	-	-	-	-
Adjusted EBITDA	<u>\$ 463,015</u>	<u>\$ (772,959)</u>	<u>\$ 2,037,708</u>	<u>\$ (2,241,399)</u>