

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share data)

	September 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash	\$ 1,380	\$ 957
Trade accounts receivable, less allowance for doubtful accounts of \$9 for both September 30, 2021 and December 31, 2020	4,723	2,932
Inventories, net	6,327	4,340
Prepaid expenses and other current assets	698	606
Total current assets	13,128	8,835
Equipment and leasehold improvements, net	4,014	2,868
Operating leases, right of use	1,679	1,827
Other assets, net	9	10
	\$ 18,830	\$ 13,540
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit, bank	\$ -	\$ 500
Line of credit, related party	3,740	2,155
Current portion of long-term debt, related party	1,000	500
Current portion of finance lease obligations	137	177
Current portion of operating lease obligations	521	431
Accounts payable	2,436	2,126
Deferred revenue	388	411
Accrued expenses	1,251	484
Total current liabilities	9,473	6,784
Long-term portion of finance lease obligations	11	110
Long-term portion of operating lease obligations	1,385	1,651
Long-term convertible loan, related party	-	1,097
PPP Loan (SBA)	-	952
Asset retirement obligation	220	214
Total long-term liabilities	1,616	4,024
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; 48,725,473 and 38,221,292 shares issued and outstanding on September 30, 2021 and December 31, 2020, respectively	487	382
Additional paid-in capital	104,307	102,117
Accumulated deficit	(97,053)	(99,767)
Total stockholders' equity	7,741	2,732
	\$ 18,830	\$ 13,540

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue:				
Product revenue	\$ 7,896	\$ 3,827	\$ 21,971	\$ 11,929
Other revenue	28	61	139	333
Net revenue	<u>7,924</u>	<u>3,888</u>	<u>22,110</u>	<u>12,262</u>
Operating expense:				
Cost of revenue	<u>4,946</u>	<u>2,201</u>	<u>14,588</u>	<u>7,832</u>
Gross profit	2,978	1,687	7,522	4,430
Research and development expense	635	405	1,670	1,134
Selling, general and administrative expense	<u>942</u>	<u>730</u>	<u>2,994</u>	<u>2,133</u>
Income from operations	<u>1,401</u>	<u>552</u>	<u>2,858</u>	<u>1,163</u>
Interest expense	38	122	1,096	368
Other income, net	-	-	(952)	-
Income before provision for income taxes	<u>1,363</u>	<u>430</u>	<u>2,714</u>	<u>795</u>
Provision for income taxes	-	-	-	-
Net income	<u>\$ 1,363</u>	<u>\$ 430</u>	<u>\$ 2,714</u>	<u>\$ 795</u>
Net income per share-basic	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding - basic	<u>48,566,431</u>	<u>38,141,741</u>	<u>43,756,300</u>	<u>38,138,453</u>
Net income per share-diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding - diluted	<u>50,728,431</u>	<u>38,432,741</u>	<u>45,726,300</u>	<u>38,228,453</u>

NANOPHASE TECHNOLOGIES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS - EXPANDED SCHEDULE

(Unaudited Consolidated Condensed)

(in thousands except share and per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue:				
Product revenue	\$ 7,896	\$ 3,827	\$ 21,971	\$ 11,929
Other revenue	28	61	139	333
Net revenue	<u>7,924</u>	<u>3,888</u>	<u>22,110</u>	<u>12,262</u>
Operating expense:				
<i>Cost of revenue detail:</i>				
Depreciation	103	74	283	218
Non-Cash equity compensation	4	19	15	38
Other costs of revenue	4,839	2,108	14,290	7,576
Cost of revenue	<u>4,946</u>	<u>2,201</u>	<u>14,588</u>	<u>7,832</u>
Gross profit	2,978	1,687	7,522	4,430
<i>Research and development expense detail:</i>				
Depreciation	9	10	27	32
Non-Cash equity compensation	7	14	36	43
Other research and development expense	619	381	1,607	1,059
Research and development expense	<u>635</u>	<u>405</u>	<u>1,670</u>	<u>1,134</u>
<i>Selling, general and administrative expense detail:</i>				
Depreciation and amortization	6	5	18	15
Non-Cash equity compensation	17	15	72	66
Other selling, general and administrative expense	919	710	2,904	2,052
Selling, general and administrative expense	<u>942</u>	<u>730</u>	<u>2,994</u>	<u>2,133</u>
Income from operations	<u>1,401</u>	<u>552</u>	<u>2,858</u>	<u>1,163</u>
Interest expense	38	122	1,096	368
Other income, net	-	-	(952)	-
Income before provision for income taxes	1,363	430	2,714	795
Provision for income taxes	-	-	-	-
Net income	<u>\$ 1,363</u>	<u>\$ 430</u>	<u>\$ 2,714</u>	<u>\$ 795</u>
Non-GAAP Disclosure (see note regarding Non-GAAP disclosures):				
Addback Interest, net	38	122	1,096	368
Addback Depreciation/Amortization	118	89	328	265
Addback Non-Cash Equity Compensation	28	48	124	147
Subtract Non-Cash Other Income	-	-	(952)	-
Adjusted EBITDA	<u>\$ 1,547</u>	<u>\$ 689</u>	<u>\$ 3,310</u>	<u>\$ 1,575</u>