

## Nephros Announces Financial Results for Quarter Ended June 30, 2024

*Second-Quarter Net Revenue of \$3.3 Million;  
New Accounts Help Drive Growth in Core Programmatic Business*

SOUTH ORANGE, NJ, August 8, 2024 – [Nephros, Inc.](https://www.nephros.com) (Nasdaq: NEPH), a leading water technology company providing filtration solutions to the medical and commercial markets, today announced financial results for the second quarter ended June 30, 2024.

### Financial Highlights\*

- Net revenue of \$3.3 million, a decrease of 8% over Q2 prior year; programmatic revenue (excluding emergency response revenue) increased 8% over Q2 prior year
- Net loss of \$0.3 million, compared to a net loss of \$0.4 million
- Adjusted EBITDA of (\$133,000), compared to (\$183,000)

\*Stated performance is relative to same period in the prior year unless otherwise noted.

“The results this quarter reinforce our perspective following Q1, and reflect continued progress within our regular, programmatic business,” commented Robert Banks, President and Chief Executive Officer. “The team has done a great job at securing new business with over 300 new accounts added in the past 12 months. This expansion represents an 8% increase year-over-year in programmatic, non-emergency response sales, outpacing the growth of the market,” Robert Banks added, “In contrast, we have observed a decline in the emergency response business, leading to muted overall revenue. We believe that one contributor to this shift is the reduced stringency of waterborne risk response in territories previously committed to both proactive filtration measures and robust corrective actions.”

Robert Banks continued, “While Nephros is growing its active customer sites faster than ever, a portion of our user base is failing to maintain filter changeout schedules, subsequently leading to inconsistent reorders. Such facilities are challenged by a variety of factors, including reduced labor forces and lengthy processes for purchasing approval. In order to respond, Nephros continues to develop a variety of new business models such as digital support, automatic replenishment, and the bundling of services with filter purchases.”

### Financial Performance for the Quarter Ended June 30, 2024

Net revenue for the quarter ended June 30, 2024, was \$3.3 million, compared to \$3.5 million in the corresponding period in 2023, a decrease of 8%. In the second quarter of 2023, we had sizable emergency response business which did not repeat at the same level in the second quarter of 2024. However, the decrease in revenue from ER orders was partially offset by the increased revenue from our programmatic business, which increased 8% year over year.

Net loss for the quarter ended June 30, 2024, was \$0.3 million, compared to \$0.4 million during the same period in 2023. The decrease in net loss was driven by decreased operating expenses.

Adjusted EBITDA for the quarter ended June 30, 2024, was (\$133,000), compared to (\$183,000) during the same period in 2023.

Cost of goods sold for the quarter ended June 30, 2024 was \$1.3 million, compared with \$1.5 million for the quarter ended June 30, 2023, a decrease of 9%. Gross margins for each of the quarters ended June 30, 2024

and June 30, 2023 were 59%. Research and development expense for the quarter ended June 30, 2024 was \$0.3 million, compared to \$0.2 million during the same period in 2023. Depreciation and amortization expense for the quarter ended June 30, 2024 was approximately \$34,000, compared with approximately \$54,000 for the corresponding period in 2023.

Selling, general and administrative expense for the quarter ended June 30, 2024 was \$1.9 million compared to \$2.2 million during the same period in 2023. As of June 30, 2024, Nephros had cash and cash equivalents of \$3.1 million, compared to \$4.3 million as of December 31, 2023. The decline in cash from year-end 2023 was driven primarily by the operating loss for the first half of 2024 as well as payment of annual employee bonuses and an investment in inventory in the first quarter of 2024.

### Adjusted EBITDA Definition and Reconciliation to GAAP Financial Measures

Adjusted EBITDA is calculated by taking net loss calculated in accordance with generally accepted accounting principles (“GAAP”) and excluding all interest-related expenses and income, tax-related expenses and income, non-recurring expenses and income, and non-cash items, including depreciation, amortization, non-cash inventory write-offs, and non-cash compensation. The following table presents a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, for the first quarter of the 2024 and 2023 fiscal years:

<u>Consolidated Results</u>	<u>Three Months Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
	(in \$ thousands)	
Reconciliation of net loss:		
Net loss	(289)	(433)
Adjustments:		
Depreciation of property and equipment	11	10
Amortization of other assets	24	44
Interest income	(21)	(13)
Non-cash stock-based compensation	35	194
Non-cash inventory write-offs	107	15
<b>Adjusted EBITDA loss</b>	<b>(133)</b>	<b>(183)</b>

Nephros believes that Adjusted EBITDA provides useful information to management and investors regarding certain financial and business trends relating to Nephros’ financial condition and results of operations. Management does not consider Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of Adjusted EBITDA is that it excludes significant expenses and income that are required by GAAP to be recognized in Nephros’ financial statements. In addition, Adjusted EBITDA is subject to inherent limitations as it reflects the exercise of judgments by management about which expenses and income are excluded or included in determining Adjusted EBITDA. To compensate for these limitations, management presents Adjusted EBITDA in connection with net income loss, the most directly comparable GAAP financial measure. Nephros urges investors to review the reconciliation of Adjusted EBITDA to net income loss and not to rely on any single financial measure to evaluate the business.

## Conference Call Today at 4:30pm ET

Nephros will host a conference call today at 4:30pm ET, during which management will discuss Nephros' financial results and provide a general business overview.

Participants may dial into the call as follows:

Domestic access: 1 (844) 808-7106

International access: 1 (412) 317-5285

Upon joining, please ask to be added into the Nephros conference call.

An audio archive of the call will be available shortly after the call on the [Nephros Investor Relations page](#).

Alternatively, a replay of the call may be accessed until August 15, 2024 at 1 (877) 344-7529 or 1 (412) 317-0088 for international callers and entering replay access code: 5799241.

## About Nephros

Nephros is committed to improving the human relationship with water through leading, accessible technology. We provide innovative water filtration products and services, along with water-quality education, as part of an integrated approach to water safety. Nephros goods serve the needs of customers within medical and commercial markets, offering both proactive and emergency solutions for water management.

For more information about Nephros, please visit [nephros.com](https://www.nephros.com).

## Forward-Looking Statements

This release contains forward-looking statements that are subject to various risks and uncertainties. Such statements include statements regarding Nephros' expected future revenue, gross margins, cash flows and expectations on achieving and maintaining positive cash flow and profitability, and the timing thereof and other future financial performance, the impact of new regulations, and other statements that are not historical facts, including statements that may be accompanied by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential" or similar words. Actual results could differ materially from those described in these forward-looking statements due to certain factors, including inflationary factors and general economic conditions, changes in business and competitive conditions, unpredictability with respect to revenue derived from emergency response orders, the availability of capital when needed, dependence on third-party manufacturers and researchers, and regulatory reforms. These and other risks and uncertainties are detailed in Nephros' reports filed with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2023, which it may update in Part II, Item 1A – Risk Factors in its Quarterly Reports on Form 10-Q that it has filed or will file hereafter. Nephros does not undertake any responsibility to update the forward-looking statements in this release.

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**NEPHROS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Net revenue:		
Product revenues	\$ 3,208	\$ 3,537
Royalty and other revenues	44	8
Total net revenues	3,252	3,545
Cost of goods sold	1,340	1,466
Gross margin	1,912	2,079
Operating expenses:		
Selling, general and administrative	1,941	2,239
Research and development	254	221
Depreciation and amortization	34	54
Total operating expenses	2,229	2,514
Operating loss	(317)	(435)
Other (expense) income:		
Interest income	21	13
Other income (expense), net	7	(11)
Total other expense:	28	2
Net loss	\$ (289)	\$ (433)
Net loss per common share, basic and diluted	\$ (0.03)	\$ (0.04)
Weighted average common shares outstanding, basic and diluted	10,509,937	10,297,429
Comprehensive loss	\$ (289)	\$ (433)

**NEPHROS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)  
(Unaudited)

<b>ASSETS</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Current assets:		
Cash and cash equivalents	\$ 3,080	\$ 4,307
Accounts receivable, net	1,878	1,496
Inventory	2,803	2,470
Prepaid expenses and other current assets	165	132
Total current assets	<u>7,926</u>	<u>8,405</u>
Property and equipment, net	186	152
Lease right-use-of assets	1,551	1,807
Intangible assets, net	365	381
Goodwill	759	759
License and supply agreement, net	243	271
Other assets	70	86
<b>TOTAL ASSETS</b>	<b><u>\$ 11,100</u></b>	<b><u>\$ 11,861</u></b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	1,159	873
Accrued expenses	435	794
Current portion of lease liabilities	358	446
Total current liabilities	<u>1,952</u>	<u>2,113</u>
Lease liabilities, net of current portion	1,222	1,390
<b>TOTAL LIABILITIES</b>	<b><u>3,174</u></b>	<b><u>3,503</u></b>
 <b>COMMITMENTS AND CONTINGENCIES</b>		
 <b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$.001 par value; 5,000,000 shares authorized at June 30, 2024 and December 31, 2023; no shares issued and outstanding June 30, 2024 and December 31, 2023.	-	-
Common stock, \$.001 par value; 40,000,000 shares authorized at June 30, 2024 and December 31, 2023; 10,544,139 and 10,543,675 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	11	10
Additional paid-in capital	152,779	152,754
Accumulated deficit	<u>(144,864)</u>	<u>(144,406)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>7,926</u></b>	<b><u>8,358</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 11,100</u></b>	<b><u>\$ 11,861</u></b>