

November 19, 2020



# SG Blocks Reports Third Quarter 2020 Financial Results

***- Advances Significant Project Activity Across Residential, Health Care and Commercial Verticals -***

***- Major Vertical Integration Through A Purchase Agreement of ECHO DCL -***

***- Management to Host Conference Call Today at 4:30 p.m. ET -***

BROOKLYN, N.Y.--(BUSINESS WIRE)-- **SG Blocks, Inc.** (Nasdaq: SGBX) ("SG Blocks" or the "Company"), a leading designer, innovator and fabricator of container-based structures, reported its financial results for the third quarter ending September 30, 2020.

"The third quarter was a strong quarter for SG Blocks, as we accelerated our momentum from the first half of the year," stated Paul Galvin, SG Blocks' Chairman and Chief Executive Officer. "Importantly, in addition to a growing pipeline of active and pending projects, we were extremely pleased to execute our agreement to acquire the assets of ECHO DCL, with the right of first refusal to acquire the building and land. ECHO DCL—re-named SG Echo—offers us an opportunity to vertically integrate a large portion of our supply chain, giving us better control of inventory and production, while allowing for better margins, productivity and efficiency for design, engineering, manufacturing and delivery.

"We announced strong activity across all of our major verticals during the quarter. Major announcements included our partnership with Clarity Lab Solutions to deliver CLIA-certified laboratories to facilitate on site COVID testing utilizing our exclusive distribution rights to OSANG's GeneFinder™ test kits. Demand for these facilities is booming, and we have announced projects to deliver modular labs in Boca Raton, Florida, at Los Angeles Airport, and to Memorial Healthcare in Wayne County, Michigan. Additionally, our joint venture partnership, Clarity Mobile Venture, was one of the approved TTP providers for state mandated testing and diagnostic services in order to by-pass the 14-day quarantine for passengers arriving in Hawaii. In our commercial vertical, we partnered with Grimshaw to create and deliver modular units for educational systems to help alleviate the current strain on existing space due to the impact of COVID-19, and subsequent to quarter end, we announced a partnership with Blink, a leader in electric vehicle charging equipment, to deploy charging stations nationwide."

Mr. Galvin concluded, "Amid great uncertainty in 2020, we are thriving because of the durability and innovative design of our products, and the speed and efficiency with which we can deploy our finished boxes. We have spent many years building a strong foundation, and I believe we are now positioned to benefit from growing project activity that should drive increased earnings and cash flow through year end and into 2021. I would like to thank the entire SG Blocks team for all of your hard work and dedication this year."

### **Third Quarter 2020 and Subsequent Operational Highlights:**

At September 30, 2020, the Company had 17 projects under contract, compared to 12 projects under contract at June 30, 2020. At September 30, 2020, the construction backlog was approximately \$24.9 million, as compared to \$17.3 million as of June 30, 2020.

In the health care vertical:

- On August 27th, the Company formed a joint venture with Clarity Lab Solutions, based in Boca Raton, Florida.
- On September 23rd, in a substantial vertical integration, SG Blocks acquired the assets of modular factory Echo DCL. The Company also has the right of first refusal to acquire the factory building and 19-acre parcel located in Durant, Oklahoma. This facility will provide the ability to build the majority of the medical structures, and represents a significant step in vertical integration to better control cost of goods sold and provide better efficiency.
- On September 25th, SG Blocks announced it would partner with the Los Angeles World Airport ("LAWA") to establish an operational Covid D Tec Lab at Los Angeles Airport ("LAX"). On October 16th, testing services began inside three terminals at LAX.

Subsequent to quarter end, the Company announced:

- On October 19th, SG Blocks and OSANG Healthcare announced a Managed Covid Test Supply Agreement and Purchase Order for 2 million Covid PCR tests being stored in Southern California.
- On October 30th, SG Blocks and Grimshaw announced its D Tec product was selected by CBS's coveted "*New York by Design*" competition commencing in November 2020.
- On November 16th, SG Blocks' subsidiary, Clarity Mobile Venture announced it had been selected as a Trusted Testing Partner approved by the State of Hawaii for their comprehensive Travel Testing program to and from California.
- On November 19, SG Blocks announced that the Company has been selected by Memorial Healthcare, in Wayne County, Michigan, to provide a full service modular testing and lab facility network aimed at reducing the spread of COVID-19. Under the contract, Wayne County will provide a capital grant of \$2.7mm million to SG Blocks deliver 4 D-Tec 1 units and a central scalable D-Tec 5 hub. The D-Tec 1 units will be deployed throughout the county and will provide sample extraction and lab services, with the capacity to process up to 7,000 tests per eight-hour shift.

Within the Commercial and Residential verticals, the Company:

- Advanced a contract worth approximately \$4.0 million for a hospitality project in the Everglades, anticipated to be completed by second quarter 2021.
- Executed a \$2.9 million contract for a series of buildings in New Mexico, which will be substantially complete in calendar year 2020.

- Commenced the site work by SG Residential on Monticello Mews which is 6 buildings and 300 units of workforce housing, under license agreement in the Catskills, New York.
- Advanced its “*Mo Living*” prototype in the mobile hospitality vertical, to build affordable homes through a partnership with RhoHouse.

Subsequent to quarter end, the Company announced:

- An agreement with BLINK for the design and delivery of unique electric vehicle charging solutions.

### **Third Quarter 2020 Financial Results:**

- Revenue of approximately \$575,000 in the third quarter, as compared to approximately \$184,000 in the third quarter 2019.
- Gross profit of approximately \$194,000 in the third quarter 2020, as compared to gross loss of approximately \$182,000 in the third quarter 2019. Gross profit margin was 34% for the third quarter 2020.
- Operating expenses of approximately \$1,720,000 in the third quarter 2020, as compared to approximately \$1,091,000 in the third quarter 2019. The increase in operating expenses was primarily driven by higher payroll and related expenses, and higher G&A expenses related to legal and consulting expenses, , partially offset by lower marketing and business development expenses.
- Net loss of approximately \$1,478,000 in the third quarter 2020, or \$(0.17) per basic and diluted share, as compared to a net loss of approximately \$1,325,000, or \$(4.66) per basic and diluted share, in the third quarter 2019.
- Adjusted EBITDA loss of approximately \$1,024,000 in the third quarter 2020, as compared to a loss of approximately \$1,092,000 in the third quarter 2019. (See below for further discussion about the presentation of Adjusted EBITDA, a non-GAAP financial measurement).
- Total assets at September 30, 2020 were approximately \$26.3 million, as compared to approximately \$6.6 million at December 31, 2019.
- Cash and cash equivalents at September 30, 2020 totaled approximately \$13.0 million, as compared to approximately \$1.6 million at December 31, 2019.

Further details about the Company’s results will be available in its Quarterly Report on Form 10-Q, accessible in the investor relations section of the Company’s website at [www.sgblocks.com](http://www.sgblocks.com) and through the U.S. Securities and Exchange Commission’s website.

### **Conference Call Information**

SG Blocks’ Chief Executive Officer, Paul Galvin, and Acting Chief Financial Officer, Gerald Sheeran, will host a listen-only conference call today, November 19, 2020, at 4:30 p.m. eastern time. The conference call will be broadcast live and available for replay at the

investor relations section of the Company's website at [www.sgblocks.com](http://www.sgblocks.com). Please call the conference telephone number 5-10 minutes prior to the start time; an operator will register your name and organization.

To access the call, please use the following information:

|                               |                   |
|-------------------------------|-------------------|
| Date:                         | November 19, 2020 |
| Time:                         | 4:30 p.m. ET      |
| Toll-free dial-in number:     | 1-855-327-6837    |
| International dial-in number: | 1-631-891-4304    |
| Conference ID:                | 10011924          |

To access the replay, please use the following information

|                              |                |
|------------------------------|----------------|
| Toll-free replay number:     | 1-844-512-2921 |
| International replay number: | 1-412-317-6671 |
| Replay ID:                   | 10011924       |

### **Use of Non-GAAP Financial Information**

In addition to its results under GAAP, the Company presents EBITDA and Adjusted EBITDA for historical periods. EBITDA and Adjusted EBITDA are non-GAAP financial measures and have been presented as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. The Company calculates EBITDA as net income (loss) before interest expense, income tax benefit (expense), depreciation and amortization. It calculates Adjusted EBITDA as EBITDA before certain non-recurring adjustments such stock-based compensation expense. EBITDA and Adjusted EBITDA are presented because they are important metrics used by management as one of the means by which it assesses the Company's financial performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in the Company's industry. These measures, when used in conjunction with related GAAP financial measures, provide investors with an additional financial analytical framework that may be useful in assessing the Company and its results of operations.

EBITDA and Adjusted EBITDA have certain limitations. EBITDA and Adjusted EBITDA should not be considered as alternatives to net income (loss), or any other measures of financial performance derived in accordance with GAAP. These measures also should not be construed as an inference that the Company's future results will be unaffected by unusual or non-recurring items for which these non-GAAP measures make adjustments. Additionally, EBITDA and Adjusted EBITDA are not intended to be liquidity measures because of certain limitations, including, but not limited to: i) they do not reflect the Company's cash outlays for capital expenditures; They do not reflect changes in, or cash requirements for, working capital; and Although depreciation and amortization are non-cash charges, the assets are being depreciated and amortized and may have to be replaced in the future, and these non-GAAP measures do not reflect cash requirements for such replacements.

The non-GAAP information should be read in conjunction with the Company's consolidated financial statements and related notes.

The following is a reconciliation of EBITDA and Adjusted EBITDA to the nearest GAAP measure, net loss:

In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same or similar to some of the adjustments made in our calculations, and our presentation of EBITDA and Adjusted EBITDA should not be construed to mean that our future results will be unaffected by such adjustment. Management compensates for these limitations by using EBITDA and Adjusted EBITDA as supplemental financial metrics and in conjunction with our results prepared in accordance with GAAP. The non-GAAP information should be read in conjunction with our consolidated financial statements and related notes.

The following is a reconciliation of EBITDA and Adjusted EBITDA to the nearest GAAP measure, net loss:

|                                       | Three Months Ended<br>September 30, 2020 | Three Months Ended<br>September 30, 2019 | Nine Months Ended<br>September 30, 2020 | Nine Months Ended<br>September 30, 2019 |
|---------------------------------------|------------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------|
| Net loss                              | \$ (1,478,273)                           | \$ (1,325,469)                           | \$ (3,063,673)                          | \$ (2,787,913)                          |
| Addback interest expense              | 2,614                                    | —                                        | 8,877                                   | —                                       |
| Addback interest income               | (27,401)                                 | —                                        | (38,497)                                | —                                       |
| Addback depreciation and amortization | 47,488                                   | 38,677                                   | 142,290                                 | 117,540                                 |
| EBITDA (non-GAAP)                     | (1,455,572)                              | (1,286,792)                              | (2,951,003)                             | (2,670,373)                             |
| Addback loss on asset disposal        | 1,012                                    | 52,039                                   | 1,012                                   | 52,039                                  |
| Addback litigation expense            | 127,205                                  | —                                        | 395,045                                 | —                                       |
| Addback stock compensation expense    | 303,169                                  | 142,777                                  | 471,683                                 | 482,139                                 |
| Adjusted EBITDA (non-GAAP)            | <u>\$ (1,024,186)</u>                    | <u>\$ (1,091,976)</u>                    | <u>\$ (2,083,263)</u>                   | <u>\$ (2,136,195)</u>                   |

## About SG Blocks:

SG Blocks, Inc. is a premier innovator in advancing and promoting the use of code-engineered cargo shipping containers for safe and sustainable construction. The firm offers a product that exceeds many standard building code requirements, and also supports developers, architects, builders and owners in achieving greener construction, faster execution, and stronger buildings of higher value. Each project starts with GreenSteel™, the structural core and shell of an SG Blocks building, and then customized to client specifications. For more information, visit [www.sgblocks.com](http://www.sgblocks.com).

## Safe Harbor Statement

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, forward-looking statements can be identified by terminology such as "may," "should," "potential," "continue," "expects," "anticipates," "intends," "plans," "believes," "estimates," and similar expressions and includes statements such as being positioned to benefit from growing project activity that should drive increased earnings and cash flow through year end and into 2021, completing a \$4.0 million hospitality project in the Everglades by second quarter 2021 and substantially completing a \$2.9 million contract for a series of buildings in Pueblo, Colorado.. These forward-looking statements are based on management's expectations and assumptions as of the date of this press release and are subject to a number of risks and uncertainties, many of which are difficult to predict that could cause actual results to differ materially from current expectations and assumptions from those set forth or implied by any forward-looking statements. Important factors that could cause actual results to differ materially from current expectations include, among others, the Company's ability to benefit from growing project activity and

drive increased earnings and cash flow through year end and into 2021, the Company's ability to complete its \$4.0 million hospitality project in the Everglades as scheduled, the Company's ability to substantially completing its \$2.9 million contract for a series of buildings in Pueblo, Colorado as scheduled, the Company's ability to position itself for future profitability, the Company's ability to maintain compliance with the NASDAQ listing requirements, and the other factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and the Company's subsequent filings with the SEC, including subsequent periodic reports on Forms 10-Q and 8-K. The information in this release is provided only as of the date of this release, and we undertake no obligation to update any forward-looking statements contained in this release on account of new information, future events, or otherwise, except as required by law.

**SG BLOCKS, INC. AND SUBSIDIARIES**  
Condensed Consolidated Balance Sheets

|                                                                                                                                                                                      | <b>September<br/>30,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------|
|                                                                                                                                                                                      | (Unaudited)                       |                              |
| <b>Assets</b>                                                                                                                                                                        |                                   |                              |
| Current assets:                                                                                                                                                                      |                                   |                              |
| Cash and cash equivalents                                                                                                                                                            | \$ 13,047,565                     | \$ 1,625,671                 |
| Accounts receivable, net                                                                                                                                                             | 4,337,020                         | 1,101,185                    |
| Contract assets                                                                                                                                                                      | 151,230                           | 106,015                      |
| Inventories                                                                                                                                                                          | 812,320                           | —                            |
| Prepaid expenses and other current assets                                                                                                                                            | 270,481                           | 73,938                       |
| Total current assets                                                                                                                                                                 | 18,618,616                        | 2,906,809                    |
| Property, plant and equipment, net                                                                                                                                                   | 1,729,920                         | 11,747                       |
| Goodwill                                                                                                                                                                             | 1,223,520                         | 1,223,520                    |
| Right-of-use asset                                                                                                                                                                   | 1,624,194                         | —                            |
| Long-term note receivable                                                                                                                                                            | 673,185                           | —                            |
| Intangible assets, net                                                                                                                                                               | 2,293,681                         | 2,298,805                    |
| Deferred contract costs, net                                                                                                                                                         | 163,140                           | 193,730                      |
| Total Assets                                                                                                                                                                         | <u>\$ 26,326,256</u>              | <u>\$ 6,634,611</u>          |
| <b>Liabilities and Stockholders' Equity</b>                                                                                                                                          |                                   |                              |
| Current liabilities:                                                                                                                                                                 |                                   |                              |
| Accounts payable and accrued expenses                                                                                                                                                | \$ 1,990,993                      | \$ 2,105,505                 |
| Contract liabilities                                                                                                                                                                 | 2,860,730                         | 168,957                      |
| Earnout liability                                                                                                                                                                    | 752,559                           | —                            |
| Lease liability, current maturities                                                                                                                                                  | 331,905                           | —                            |
| Other current liabilities                                                                                                                                                            | 5,000                             | —                            |
| Total current liabilities                                                                                                                                                            | 5,941,187                         | 2,274,462                    |
| Lease liability, net of current maturities                                                                                                                                           | 1,292,289                         | —                            |
| Total liabilities                                                                                                                                                                    | 7,233,476                         | 2,274,462                    |
| Commitments and contingencies                                                                                                                                                        | —                                 | —                            |
| Stockholders' equity:                                                                                                                                                                |                                   |                              |
| Preferred stock, \$1.00 par value, 5,405,010 shares authorized; none issued or outstanding                                                                                           | —                                 | —                            |
| Common stock, \$0.01 par value, 25,000,000 shares authorized; 8,596,189 issued and outstanding as of September 30, 2020 and 1,157,890 issued and outstanding as of December 31, 2019 | 85,962                            | 11,579                       |
| Additional paid-in capital                                                                                                                                                           | 39,654,308                        | 21,932,387                   |
| Accumulated deficit                                                                                                                                                                  | (20,647,490)                      | (17,583,817)                 |
| Total stockholders' equity                                                                                                                                                           | 19,092,780                        | 4,360,149                    |
| Total Liabilities and Stockholders' Equity                                                                                                                                           | <u>\$ 26,326,256</u>              | <u>\$ 6,634,611</u>          |

**SG BLOCKS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**

|                                                | <i>For the<br/>Three Months Ended<br/>September 30,<br/>2020</i> | <i>For the<br/>Three Months Ended<br/>September 30,<br/>2019</i> | <i>For the<br/>Nine Months Ended<br/>September 30,<br/>2020</i> | <i>For the<br/>Nine Months Ended<br/>September 30,<br/>2019</i> |
|------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
|                                                | (Unaudited)                                                      | (Unaudited)                                                      | (Unaudited)                                                     | (Unaudited)                                                     |
| <b>Revenue:</b>                                |                                                                  |                                                                  |                                                                 |                                                                 |
| Construction services                          | \$ 494,330                                                       | \$ 187,895                                                       | \$ 1,118,197                                                    | \$ 2,521,139                                                    |
| Engineering services                           | 82,230                                                           | (3,369)                                                          | 286,068                                                         | 126,419                                                         |
| <b>Total</b>                                   | <b>576,560</b>                                                   | <b>184,526</b>                                                   | <b>1,404,265</b>                                                | <b>2,647,558</b>                                                |
| <b>Cost of revenue:</b>                        |                                                                  |                                                                  |                                                                 |                                                                 |
| Construction services                          | 311,002                                                          | 391,494                                                          | 576,121                                                         | 1,986,394                                                       |
| Engineering services                           | 70,952                                                           | (24,711)                                                         | 213,324                                                         | 31,998                                                          |
| <b>Total</b>                                   | <b>381,954</b>                                                   | <b>366,783</b>                                                   | <b>789,445</b>                                                  | <b>2,018,392</b>                                                |
| <b>Gross profit (loss)</b>                     | <b>194,606</b>                                                   | <b>(182,257)</b>                                                 | <b>614,820</b>                                                  | <b>629,166</b>                                                  |
| <b>Operating expenses:</b>                     |                                                                  |                                                                  |                                                                 |                                                                 |
| Payroll and related expenses                   | 679,863                                                          | 548,156                                                          | 1,344,009                                                       | 1,832,333                                                       |
| General and administrative expenses            | 980,773                                                          | 478,726                                                          | 2,238,837                                                       | 1,318,390                                                       |
| Marketing and business development expense     | 46,650                                                           | 63,016                                                           | 109,887                                                         | 194,591                                                         |
| Pre-project expenses                           | 12,650                                                           | 1,275                                                            | 37,650                                                          | 19,726                                                          |
| <b>Total</b>                                   | <b>1,719,936</b>                                                 | <b>1,091,173</b>                                                 | <b>3,730,383</b>                                                | <b>3,365,040</b>                                                |
| <b>Operating loss</b>                          | <b>(1,525,330)</b>                                               | <b>(1,273,430)</b>                                               | <b>(3,115,563)</b>                                              | <b>(2,735,874)</b>                                              |
| <b>Other income (expense):</b>                 |                                                                  |                                                                  |                                                                 |                                                                 |
| Loss on asset disposal                         | (1,012)                                                          | (52,039)                                                         | (1,012)                                                         | (52,039)                                                        |
| Interest expense                               | (2,614)                                                          | —                                                                | (8,877)                                                         | —                                                               |
| Interest income                                | 27,401                                                           | —                                                                | 38,497                                                          | —                                                               |
| Other income                                   | 23,282                                                           | —                                                                | 23,282                                                          | —                                                               |
| <b>Total</b>                                   | <b>47,057</b>                                                    | <b>(52,039)</b>                                                  | <b>51,890</b>                                                   | <b>(52,039)</b>                                                 |
| <b>Loss before income taxes</b>                | <b>(1,478,273)</b>                                               | <b>(1,325,469)</b>                                               | <b>(3,063,673)</b>                                              | <b>(2,787,913)</b>                                              |
| <b>Income tax expense</b>                      | <b>—</b>                                                         | <b>—</b>                                                         | <b>—</b>                                                        | <b>—</b>                                                        |
| <b>Net loss</b>                                | <b>\$ (1,478,273)</b>                                            | <b>\$ (1,325,469)</b>                                            | <b>\$ (3,063,673)</b>                                           | <b>\$ (2,787,913)</b>                                           |
| <b>Net loss per share - basic and diluted:</b> |                                                                  |                                                                  |                                                                 |                                                                 |
| Basic and diluted                              | \$ (0.17)                                                        | \$ (4.66)                                                        | \$ (0.60)                                                       | \$ (11.29)                                                      |
| <b>Weighted average shares outstanding:</b>    |                                                                  |                                                                  |                                                                 |                                                                 |
| Basic and diluted                              | 8,596,189                                                        | 284,737                                                          | 5,070,816                                                       | 246,927                                                         |



**SG BLOCKS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)**

|                                                      | <b><i>\$0.01 Par Value<br/>Common Stock</i></b> |                      | <b><i>Additional<br/>Paid-in<br/>Capital</i></b> | <b><i>Accumulated<br/>Deficit</i></b> | <b><i>Total<br/>Stockholders'<br/>Equity</i></b> |
|------------------------------------------------------|-------------------------------------------------|----------------------|--------------------------------------------------|---------------------------------------|--------------------------------------------------|
|                                                      | <b><i>Shares</i></b>                            | <b><i>Amount</i></b> |                                                  |                                       |                                                  |
| <b>Balance at June 30, 2020</b>                      | 8,596,189                                       | \$ 85,962            | \$ 39,351,139                                    | \$ (19,169,217)                       | \$ 20,267,884                                    |
| Stock-based compensation                             | —                                               | —                    | 303,169                                          | —                                     | 303,169                                          |
| Conversion of restricted stock units to common stock | —                                               | —                    | —                                                | —                                     | —                                                |
| Conversion of debt exchange to common stock          | —                                               | —                    | —                                                | —                                     | —                                                |
| Issuance of common stock, net of issuance costs      | —                                               | —                    | —                                                | —                                     | —                                                |
| Net loss                                             | —                                               | —                    | —                                                | (1,478,273)                           | (1,478,273)                                      |
| <b>Balance at September 30, 2020</b>                 | <u>8,596,189</u>                                | <u>\$ 85,962</u>     | <u>\$ 39,654,308</u>                             | <u>\$ (20,647,490)</u>                | <u>\$ 19,092,780</u>                             |
| <b>Balance at December 31, 2019</b>                  | 1,157,890                                       | \$ 11,579            | \$ 21,932,387                                    | \$ (17,583,817)                       | \$ 4,360,149                                     |
| Stock-based compensation                             | —                                               | —                    | 471,683                                          | —                                     | 471,683                                          |
| Conversion of restricted stock units to common stock | 24,672                                          | 246                  | (246)                                            | —                                     | —                                                |
| Reverse stock split settlement                       | (38)                                            | —                    | (122)                                            | —                                     | (122)                                            |
| Conversion of debt exchange to common stock          | 73,665                                          | 737                  | 205,526                                          | —                                     | 206,263                                          |
| Issuance of common stock, net of issuance costs      | 7,340,000                                       | 73,400               | 17,045,080                                       | —                                     | 17,118,480                                       |
| Net loss                                             | —                                               | —                    | —                                                | (3,063,673)                           | (3,063,673)                                      |
| <b>Balance at September 30, 2020</b>                 | <u>8,596,189</u>                                | <u>\$ 85,962</u>     | <u>\$ 39,654,308</u>                             | <u>\$ (20,647,490)</u>                | <u>\$ 19,092,780</u>                             |
|                                                      | <b><i>\$0.01 Par Value<br/>Common Stock</i></b> |                      | <b><i>Additional<br/>Paid-in<br/>Capital</i></b> | <b><i>Accumulated<br/>Deficit</i></b> | <b><i>Total<br/>Stockholders'<br/>Equity</i></b> |
|                                                      | <b><i>Shares</i></b>                            | <b><i>Amount</i></b> |                                                  |                                       |                                                  |
| <b>Balance at June 30, 2019</b>                      | 255,390                                         | \$ 2,554             | \$ 18,741,489                                    | \$ (12,125,721)                       | \$ 6,618,322                                     |
| Stock-based compensation                             | —                                               | —                    | 197,090                                          | —                                     | 197,090                                          |
| Issuance of common stock, net of issuance costs      | 45,000                                          | 450                  | 582,856                                          | —                                     | 583,306                                          |
| Net loss                                             | —                                               | —                    | —                                                | (1,325,469)                           | (1,325,469)                                      |
| <b>Balance at September 30, 2019</b>                 | <u>300,390</u>                                  | <u>\$ 3,004</u>      | <u>\$ 19,521,435</u>                             | <u>\$ (13,451,190)</u>                | <u>\$ 6,073,249</u>                              |
| <b>Balance at December 31, 2018</b>                  | 213,002                                         | \$ 2,130             | \$ 17,741,214                                    | \$ (10,663,277)                       | \$ 7,080,067                                     |
| Stock-based compensation                             | —                                               | —                    | 645,080                                          | —                                     | 645,080                                          |
| Issuance of common stock, net of issuance costs      | 87,388                                          | 874                  | 1,135,141                                        | —                                     | 1,136,015                                        |
| Net loss                                             | —                                               | —                    | —                                                | (2,787,913)                           | (2,787,913)                                      |
| <b>Balance at September 30, 2019</b>                 | <u>300,390</u>                                  | <u>\$ 3,004</u>      | <u>\$ 19,521,435</u>                             | <u>\$ (13,451,190)</u>                | <u>\$ 6,073,249</u>                              |



**SG BLOCKS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**

|                                                                                   | <i>For the<br/>Nine Months<br/>Ended<br/>September<br/>30,<br/>2020</i> | <i>For the<br/>Nine Months<br/>Ended<br/>September<br/>30,<br/>2019</i> |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
|                                                                                   | (Unaudited)                                                             | (Unaudited)                                                             |
| <b>Cash flows from operating activities:</b>                                      |                                                                         |                                                                         |
| Net loss                                                                          | \$ (3,063,673)                                                          | \$ (2,787,913)                                                          |
| Adjustments to reconcile net loss to net cash used in operating activities:       |                                                                         |                                                                         |
| Depreciation expense                                                              | 2,858                                                                   | 8,697                                                                   |
| Amortization of intangible assets                                                 | 108,842                                                                 | 108,843                                                                 |
| Amortization of deferred license costs                                            | 30,590                                                                  | —                                                                       |
| Bad debt expense (benefit)                                                        | —                                                                       | (54,000)                                                                |
| Interest income on long-term note receivable                                      | (23,185)                                                                | —                                                                       |
| Stock-based compensation                                                          | 471,683                                                                 | 482,139                                                                 |
| Loss on asset disposal                                                            | 1,012                                                                   | 52,039                                                                  |
| Changes in operating assets and liabilities:                                      |                                                                         |                                                                         |
| Accounts receivable                                                               | (2,581,925)                                                             | 363,987                                                                 |
| Contract assets                                                                   | (14,786)                                                                | 251,636                                                                 |
| Inventories                                                                       | (681,521)                                                               | —                                                                       |
| Prepaid expenses and other current assets                                         | (189,143)                                                               | 821,802                                                                 |
| Accounts payable and accrued expenses                                             | (841,778)                                                               | (653,821)                                                               |
| Contract liabilities                                                              | 2,322,164                                                               | (1,093,796)                                                             |
| Other current liabilities                                                         | 5,000                                                                   | —                                                                       |
| Net cash used in operating activities                                             | <u>(4,453,862)</u>                                                      | <u>(2,500,387)</u>                                                      |
| <b>Cash flows from investing activities:</b>                                      |                                                                         |                                                                         |
| Advances in note receivable                                                       | (650,000)                                                               | —                                                                       |
| Purchase of Echo DCL, LLC, net of cash acquired                                   | (743,168)                                                               | —                                                                       |
| Purchase of property, plant and equipment                                         | (49,434)                                                                | (2,070)                                                                 |
| Net cash used in investing activities                                             | <u>(1,442,602)</u>                                                      | <u>(2,070)</u>                                                          |
| <b>Cash flows from financing activities:</b>                                      |                                                                         |                                                                         |
| Proceeds from public stock offering, net of issuance costs                        | 17,118,480                                                              | 1,136,015                                                               |
| Proceeds from long-term note payable                                              | 200,000                                                                 | —                                                                       |
| Settlement of common stock from reverse stock split                               | (122)                                                                   | —                                                                       |
| Net cash provided by financing activities                                         | <u>17,318,358</u>                                                       | <u>1,136,015</u>                                                        |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       | <b>11,421,894</b>                                                       | <b>(1,366,442)</b>                                                      |
| <b>Cash and cash equivalents - beginning of period</b>                            | <u><b>1,625,671</b></u>                                                 | <u><b>1,368,395</b></u>                                                 |
| <b>Cash and cash equivalents - end of period</b>                                  | <u><u><b>\$ 13,047,565</b></u></u>                                      | <u><u><b>\$ 1,953</b></u></u>                                           |
| <b>Supplemental disclosure of non-cash investing and financing activities:</b>    |                                                                         |                                                                         |
| Non-cash conversion of accrued interest of long-term note payable to common stock | \$ 6,263                                                                | \$ —                                                                    |
| Non-cash conversion of long-term note payable to common stock                     | 200,000                                                                 | —                                                                       |
| Non-cash conversion of accrued salary to restricted stock units to common stock   | —                                                                       | 162,941                                                                 |
| Total non-cash investing and financing activities                                 | <u><u><b>\$ 206,263</b></u></u>                                         | <u><u><b>\$ 162,941</b></u></u>                                         |

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