

PROPHASE LABS, INC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net sales	\$ 7,460	\$ 6,191	\$ 17,453	\$ 14,502
Cost of sales	<u>2,664</u>	<u>2,612</u>	<u>6,171</u>	<u>5,672</u>
Gross profit	<u>4,796</u>	<u>3,579</u>	<u>11,282</u>	<u>8,830</u>
Operating expenses:				
Sales and marketing	4,528	3,158	7,904	5,576
Administrative	1,607	1,523	5,028	6,054
Research and development	494	82	1,088	794
Total operating expense	<u>6,629</u>	<u>4,763</u>	<u>14,020</u>	<u>12,424</u>
Loss from operations	(1,833)	(1,184)	(2,738)	(3,594)
Interest income	<u>2</u>	<u>12</u>	<u>28</u>	<u>53</u>
Loss from operations before taxes	(1,831)	(1,172)	(2,710)	(3,541)
Income tax (benefit)	<u>-</u>	<u>(40)</u>	<u>-</u>	<u>(40)</u>
Net loss	<u>\$ (1,831)</u>	<u>\$ (1,132)</u>	<u>\$ (2,710)</u>	<u>\$ (3,501)</u>
Basic and dilutive loss per share	<u>\$ (0.12)</u>	<u>\$ (0.08)</u>	<u>\$ (0.18)</u>	<u>\$ (0.25)</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>14,609</u>	<u>14,684</u>	<u>14,817</u>	<u>14,285</u>

ProPhase Labs, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet Data
(in thousands)
(unaudited)

	December 31, 2011	December 31, 2010
Cash and cash equivalents	\$ 5,541	\$ 8,232
Accounts receivable, net	\$ 3,219	\$ 4,821
Inventory	\$ 2,688	\$ 1,682
Total current assets	\$ 13,195	\$ 15,756
Total assets	\$ 19,079	\$ 21,695
Total current liabilities	\$ 7,853	\$ 8,235
Total stockholders' equity	\$ 11,226	\$ 13,460