

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

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Net sales	\$ 5,949	\$ 5,415	\$ 15,430	\$ 13,328
Cost of sales	2,132	2,016	5,346	4,763
Gross profit	<u>3,817</u>	<u>3,399</u>	<u>10,084</u>	<u>8,565</u>
Operating expenses:				
Sales and marketing	1,091	1,035	5,163	5,032
Administration	1,309	1,126	4,530	4,027
Research and development	181	165	586	1,055
	<u>2,581</u>	<u>2,326</u>	<u>10,279</u>	<u>10,114</u>
Income (loss) from operations	1,236	1,073	(195)	(1,549)
Interest and other income	-	1	2	6
Income (loss) before income taxes	1,236	1,074	(193)	(1,543)
Income tax (benefit)	-	-	-	-
Net income (loss)	<u>\$ 1,236</u>	<u>\$ 1,074</u>	<u>\$ (193)</u>	<u>\$ (1,543)</u>
Basic income (loss) per share:				
Net income (loss)	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>
Diluted income (loss) per share:				
Net income (loss)	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>
Weighted average common shares outstanding:				
Basic	<u>15,860</u>	<u>14,836</u>	<u>15,819</u>	<u>14,804</u>
Diluted	<u>16,307</u>	<u>14,981</u>	<u>15,819</u>	<u>14,804</u>

**PROPHASE LABS, INC. & SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET DATA**  
**(in thousands)**  
**(unaudited)**

	September 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 751	\$ 572
Accounts receivable	\$ 4,445	\$ 5,409
Inventory	\$ 3,273	\$ 2,051
Total current assets	\$ 10,579	\$ 10,719
Total assets	\$ 16,667	\$ 16,661
Total current liabilities	\$ 4,741	\$ 4,910
Other long term obligations	\$ 300	\$ 300
Total stockholders' equity	\$ 11,626	\$ 11,451