

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

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net sales	\$ 5,130	\$ 5,949	\$ 13,098	\$ 15,430
Cost of sales	1,620	2,132	4,816	5,346
Gross profit	3,510	3,817	8,282	10,084
Operating expenses:				
Sales and marketing	875	1,091	4,724	5,163
Administration	1,917	1,306	6,228	4,521
Research and development	356	181	907	586
Impairment charge	3,577	-	3,577	-
	6,725	2,578	15,436	10,270
Income (loss) from operations	(3,215)	1,239	(7,154)	(186)
Interest income	1	-	3	2
Interest expense	(2)	(3)	(7)	(9)
Income (loss) before income tax	(3,216)	1,236	(7,158)	(193)
Income tax	-	-	-	-
Net income (loss)	\$ (3,216)	\$ 1,236	\$ (7,158)	\$ (193)
Basic income (loss) per share:				
Net income (loss)	\$ (0.18)	\$ 0.08	\$ (0.42)	\$ (0.01)
Diluted income (loss) per share:				
Net income (loss)	\$ (0.18)	\$ 0.08	\$ (0.42)	\$ (0.01)
Weighted average common shares outstanding:				
Basic	18,208	15,860	17,216	15,819
Diluted	18,208	16,307	17,216	15,819

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

	September 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 4,953	\$ 1,638
Accounts receivable	\$ 4,051	\$ 5,319
Inventory	\$ 4,180	\$ 2,521
Total current assets	\$ 15,436	\$ 11,279
Total assets	\$ 17,920	\$ 17,420
Total current liabilities	\$ 7,182	\$ 4,624
Other long term obligations	\$ 200	\$ 200
Total stockholders' equity	\$ 10,538	\$ 12,596