

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

	Three Months Ended December 31,		Year Ended December 31,	
	2014 (unaudited)	2013 (unaudited)	2014	2013
Net sales	\$ 8,972	\$ 9,602	\$ 22,070	\$ 25,032
Cost of sales	3,075	3,015	7,891	8,361
Gross profit	<u>5,897</u>	<u>6,587</u>	<u>14,179</u>	<u>16,671</u>
Operating expenses:				
Sales and marketing	4,240	4,375	8,965	9,538
Administration	1,916	1,374	8,143	5,893
Research and development	415	238	1,322	824
Impairment charge	-	-	3,577	-
	<u>6,571</u>	<u>5,987</u>	<u>22,007</u>	<u>16,255</u>
Income (loss) from operations	(674)	600	(7,828)	416
Interest and other income	-	-	4	2
Interest expense	(2)	(3)	(10)	(13)
Income (loss) before income taxes	<u>(676)</u>	<u>597</u>	<u>(7,834)</u>	<u>405</u>
Income tax (benefit)	-	-	-	-
Net income (loss)	<u>\$ (676)</u>	<u>\$ 597</u>	<u>\$ (7,834)</u>	<u>\$ 405</u>
Basic income (loss) per share	<u>\$ (0.04)</u>	<u>\$ 0.04</u>	<u>\$ (0.47)</u>	<u>\$ 0.03</u>
Diluted income (loss) per share	<u>\$ (0.04)</u>	<u>\$ 0.04</u>	<u>\$ (0.46)</u>	<u>\$ 0.03</u>
Weighted average common shares outstanding:				
Basic	<u>15,772</u>	<u>15,895</u>	<u>16,773</u>	<u>15,839</u>
Diluted	<u>15,772</u>	<u>16,428</u>	<u>16,773</u>	<u>16,276</u>

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

	December 31, 2014	December 31, 2013
Cash and cash equivalents	\$ 2,926	\$ 1,638
Accounts receivable	\$ 5,836	\$ 5,319
Inventory	\$ 3,292	\$ 2,521
Total current assets	\$ 13,458	\$ 11,279
Total assets	\$ 16,057	\$ 17,420
Total current liabilities	\$ 5,241	\$ 4,624
Other long term obligations	\$ 100	\$ 200
Total stockholders' equity	\$ 10,716	\$ 12,596