

**ProPhase Labs, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Net sales	\$ 5,083	\$ 5,204	\$ 9,992	\$ 8,310
Cost of sales	<u>1,487</u>	<u>1,594</u>	<u>3,508</u>	<u>3,059</u>
Gross profit	<u>3,596</u>	<u>3,610</u>	<u>6,484</u>	<u>5,251</u>
Operating expenses:				
Sales and marketing	1,158	904	3,376	2,418
Administration	1,134	1,303	3,417	4,532
Research and development	198	468	594	712
	<u>2,490</u>	<u>2,675</u>	<u>7,387</u>	<u>7,662</u>
Income (loss) from operations	1,106	935	(903)	(2,411)
Interest and other income	<u>4</u>	<u>12</u>	<u>26</u>	<u>41</u>
Income (loss) before income taxes	<u>1,110</u>	<u>947</u>	<u>(877)</u>	<u>(2,370)</u>
Income tax (benefit)	-	-	-	-
Net income (loss)	<u>\$ 1,110</u>	<u>\$ 947</u>	<u>\$ (877)</u>	<u>\$ (2,370)</u>
Basic and diluted income (loss) per share:				
Income (loss) from operations	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ (0.06)</u>	<u>\$ (0.17)</u>
Net income (loss)	<u>\$ 0.07</u>	<u>\$ 0.06</u>	<u>\$ (0.06)</u>	<u>\$ (0.17)</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>15,113</u>	<u>14,659</u>	<u>14,901</u>	<u>14,152</u>

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

	September 30, 2011	December 31, 2010
Cash and cash equivalents	\$ 4,616	\$ 8,232
Accounts receivable, net	\$ 4,419	\$ 4,821
Inventory	\$ 3,518	\$ 1,682
Total current assets	\$ 14,388	\$ 15,756
Total assets	\$ 20,318	\$ 21,695
Total current liabilities	\$ 7,574	\$ 8,235
Total stockholders' equity	\$ 12,744	\$ 13,460

