

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

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Net sales | \$ 5,188 | \$ 4,390 | \$ 13,405 | \$ 12,441 |
| Cost of sales | 3,033 | 1,671 | 7,185 | 5,052 |
| Gross profit | <u>2,155</u> | <u>2,719</u> | <u>6,220</u> | <u>7,389</u> |
| Operating expenses: | | | | |
| Sales and marketing | 676 | 699 | 4,043 | 4,221 |
| Administration | 1,140 | 1,222 | 3,941 | 4,834 |
| Research and development | 119 | 195 | 374 | 675 |
| | <u>1,935</u> | <u>2,116</u> | <u>8,358</u> | <u>9,730</u> |
| Income (loss) from operations | 220 | 603 | (2,138) | (2,341) |
| Interest expense, net | (53) | (1) | (158) | (3) |
| Income (loss) before income tax | 167 | 602 | (2,296) | (2,344) |
| Income tax | - | - | - | - |
| Net income (loss) | <u>\$ 167</u> | <u>\$ 602</u> | <u>\$ (2,296)</u> | <u>\$ (2,344)</u> |
| Basic income (loss) per share: | | | | |
| Net income (loss) | <u>\$ 0.01</u> | <u>\$ 0.04</u> | <u>\$ (0.13)</u> | <u>\$ (0.14)</u> |
| Diluted income (loss) per share: | | | | |
| Net income (loss) | <u>\$ 0.01</u> | <u>\$ 0.04</u> | <u>\$ (0.13)</u> | <u>\$ (0.14)</u> |
| Weighted average common shares outstanding: | | | | |
| Basic | <u>17,081</u> | <u>16,597</u> | <u>17,081</u> | <u>16,171</u> |
| Diluted | <u>17,600</u> | <u>16,972</u> | <u>17,081</u> | <u>16,171</u> |

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

| | September 30, 2016 | December 31, 2015 |
|-----------------------------|-----------------------|----------------------|
| Cash and cash equivalents | \$ 375 | \$ 1,664 |
| Accounts receivable | \$ 3,833 | \$ 4,000 |
| Inventory | \$ 4,198 | \$ 4,331 |
| Total current assets | \$ 9,735 | \$ 11,879 |
| Total assets | \$ 12,787 | \$ 14,829 |
| | | |
| Total current liabilities | \$ 6,253 | \$ 4,534 |
| Other long term obligations | \$ - | \$ 1,466 |
| Total stockholders' equity | \$ 6,534 | \$ 8,829 |