

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

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2017 | September 30, 2016 | September 30, 2017 | September 30, 2016 |
| Net sales | \$ 3,040 | \$ 1,402 | \$ 5,716 | \$ 3,439 |
| Cost of sales | 2,608 | 1,205 | 5,060 | 2,929 |
| Gross profit | 432 | 197 | 656 | 510 |
| Operating expenses: | | | | |
| Sales and marketing | 150 | 153 | 486 | 686 |
| Administration | 1,124 | 734 | 3,510 | 2,881 |
| Research and development | 60 | 43 | 318 | 202 |
| | 1,334 | 930 | 4,314 | 3,769 |
| Other income (expense), net | 125 | (53) | 222 | (158) |
| Loss from continuing operations before income taxes | (777) | (786) | (3,436) | (3,417) |
| Income tax benefit from continuing operations | - | - | 18,113 | - |
| Income (loss) from continuing operations | (777) | (786) | 14,677 | (3,417) |
| Discontinued operations: | | | | |
| Income from discontinued operations | - | 953 | 530 | 1,121 |
| Gain on sale of discontinued operations, net of taxes | - | - | 26,349 | - |
| Income from discontinued operations | - | 953 | 26,879 | 1,121 |
| Net income (loss) | \$ (777) | \$ 167 | \$ 41,556 | \$ (2,296) |
| Other comprehensive income (loss): | | | | |
| Unrealized loss on marketable securities | (35) | - | (35) | - |
| Total comprehensive income (loss) | \$ (812) | \$ 167 | \$ 41,521 | \$ (2,296) |
| Basic earnings (loss) per share: | | | | |
| Income (loss) from continuing operations | \$ (0.05) | \$ (0.05) | \$ 0.88 | \$ (0.20) |
| Income from discontinued continued operations | - | 0.06 | 1.61 | 0.07 |
| Net income (loss) | \$ (0.05) | \$ 0.01 | \$ 2.49 | \$ (0.13) |
| Diluted earnings (loss) per share: | | | | |
| Income (loss) from continuing operations | \$ (0.05) | \$ (0.04) | \$ 0.86 | \$ (0.20) |
| Income from discontinued continued operations | - | 0.05 | 1.57 | 0.07 |
| Net income (loss) | \$ (0.05) | \$ 0.01 | \$ 2.43 | \$ (0.13) |
| Weighted average common shares outstanding: | | | | |
| Basic | 15,967 | 17,081 | 16,661 | 17,081 |
| Diluted | 15,967 | 17,600 | 17,118 | 17,081 |

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

| | <u>September 30, 2017</u> | <u>December 31, 2016</u> |
|---|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 3,897 | \$ 441 |
| Marketable securities, available for sale | \$ 23,641 | \$ - |
| Escrow receivable, current | \$ 2,500 | \$ - |
| Accounts receivable | \$ 1,113 | \$ 5,770 |
| Inventory | \$ 1,992 | \$ 2,736 |
| Total current assets | \$ 33,733 | \$ 9,627 |
| Total assets | \$ 39,082 | \$ 12,802 |
| | | |
| Total current liabilities | \$ 2,432 | \$ 6,840 |
| Total stockholders' equity | \$ 36,650 | \$ 5,962 |