

May 10, 2012



ProPhase Labs Reports Financial Results for the First Quarter Ended March 31, 2012

DOYLESTOWN, PA -- (Marketwire) -- 05/10/12 -- *ProPhase Labs* (NASDAQ: PRPH) (www.ProPhaseLabs.com) today reported net sales of \$6.0 million for the three months ended March 31, 2012, compared to net sales of \$3.2 million for the three months ended March 31, 2011.

The Company incurred a net loss for the three months ended March 31, 2012, of \$688,000, or (\$0.05) per share, compared to a net loss of \$1.0 million, or (\$0.07) per share, for the three months ended March 31, 2011.

Results for the first quarter of 2012 compared to the first quarter of 2011 principally reflect the net effect of (i) an increase in net sales of \$2.9 million, offset by (ii) an increase in sales and marketing expense of \$1.6 million and (iii) an increase in administrative and research and development costs of \$389,000.

The revenue growth we realized for the first quarter of 2012, as compared to the first quarter of 2011, was in part attributable to the success of our marketing efforts in late fiscal 2011. Our marketing strategies led to increased consumer purchases in late fiscal 2011, as a consequence of which, our retailers placed larger stock replenishment orders in the first quarter of 2012 to maintain their inventory levels which were depleted in late fiscal 2011. In addition, the timing, stocking and ultimate level of demand of retailer purchases of our OTC cold remedy products are affected by the change in the timing and the comparative severity of the respective Cold Season as well as the effects of the timing and scope of our marketing and promotional efforts to increase consumer awareness and to influence purchaser decisions.

Ted Karkus, ProPhase Labs' Chairman and CEO, stated, "Given the infrastructure necessary to operate our business and the fact that our operations have already been streamlined, increasing revenues is the natural route to longer term profitability and increased shareholder value. In order to continue to grow revenues from year to year, we plan to continue to invest strategically in a fully integrated marketing campaign in conjunction with in-store promotional support. These increased expenses in building our brand impact our short term profitability."

Mr. Karkus continued, "We believe that the growth of our core Cold-EEZE® lozenge business and the successful development and launch of new products are important elements to our company's long term success and enhanced returns to shareholders. The key retailers who carry our Cold-EEZE® products have responded favorably to our new products and flavors. If our new products and flavors continue to be successful, we expect to see greater opportunities to introduce additional new products in the second half of 2013 (for the 2013/2014 Cold Season). As we increase sales by increasing the range of our products retailers carry and offer at retail, we achieve greater leverage from our flagship brand and

our distribution platform. We believe that our current capital reserves are sufficient to fund an effective marketing campaign for the 2012/2013 Cold Season in order to continually increase the value of the Cold-EEZE® brand and the value of our company for the benefit of all of our shareholders."

About ProPhase Labs

ProPhase Labs is a diversified natural health medical science company. It is a leading marketer of the Cold-EEZE® Cold Remedy brand as well as other cold relief products. Cold-EEZE® zinc gluconate lozenges are clinically proven to significantly reduce the severity and duration of the common cold. Cold-EEZE® customers include leading national retailers, chain food, drug and mass merchandise stores, wholesalers and distributors, as well as independent pharmacies. ProPhase Labs has several wholly owned subsidiaries including a manufacturing unit, which consists of an FDA registered facility to manufacture Cold-EEZE® lozenges and fulfill other contract manufacturing opportunities. ProPhase also owns 50% of Phusion Laboratories, LLC ("Phusion"). Phusion licenses a revolutionary proprietary technology that has the potential to improve the delivery and/or efficacy of many active ingredients or compounds. Phusion will formulate and test products to exploit market opportunities within ProPhase's robust over-the-counter distribution channels. For more information visit us at www.ProPhaseLabs.com.

Forward-Looking Statements

Certain statements in this press release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risk, uncertainties and other factors that may cause the Company's actual performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statement. Factors that impact such forward-looking statements include, among others, changes in worldwide general economic conditions; government regulations; the ability of our new management to successfully implement our business plan and strategy; our ability to fund our operations including the cost and availability of capital and credit; our ability to compete effectively including our ability to maintain and increase our market share in the markets in which we do business; and our dependence on sales from our main product, Cold-EEZE®, and our ability to successfully develop and commercialize new products.

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

	Three Months Ended	
	March 31, 2012	March 31, 2011
Net sales	\$ 6,018	\$ 3,166
Cost of sales	1,678	1,172
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Gross profit	4,340	1,994
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Operating expenses:		
Sales and marketing	3,177	1,555
Administrative	1,492	1,245
Research and development	361	219
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	5,030	3,019
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Loss from operations	(690)	(1,025)
Interest and other income	2	12
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Loss before income taxes	(688)	(1,013)
Income tax (benefit)	-	-
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Net loss	\$ (688)	\$ (1,013)
	=====	=====
Basic and dilutive loss per share:		
Loss from operations	\$ (0.05)	\$ (0.07)
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Net loss	\$ (0.05)	\$ (0.07)
	=====	=====
Weighted average common shares outstanding:		
Basic and diluted	14,796	14,744
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ProPhase Labs, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet Data
(in thousands)
(unaudited)

	March 31, 2012	December 31, 2011
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Cash and cash equivalents	\$ 6,268	\$ 5,541
Accounts receivable, net	\$ 2,542	\$ 3,219
Inventory	\$ 2,611	\$ 2,688
Total current assets	\$ 12,048	\$ 13,195
Total assets	\$ 17,922	\$ 19,079
Total current liabilities	\$ 7,296	\$ 7,853
Total stockholders' equity	\$ 10,626	\$ 11,226

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Source: ProPhase Labs