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## PRESS RELEASE

### **Nephros Reports Second Quarter 2011 Financial Results**

RIVER EDGE, N.J., August 15, 2011 /PRNewswire-FirstCall/ -- Nephros, Inc. (OTC Bulletin Board: NEPH) announced today financial results for the three months ended June 30, 2011.

#### **Recent Highlights**

- Completed Licensing Agreement with Bellco S.r.l.;
- Received first installment payment of €500,000 from Bellco S.r.l.;
- Obtained U.S. FDA 510(k) approval for MSU and SSU;
- Obtained approval to market Dual Stage Ultrafilters (DSU) in Canada;
- Engaged DHR International for CEO recruitment; and
- Submitted U.S. FDA 510(k) application for clearance of Hemodiafiltration System in U.S.

#### **Financial Performance for the Second Quarter Ended June 30, 2011 (Unaudited)**

For the quarter ended June 30, 2011, Nephros recognized net product revenues of approximately \$637,000 compared with \$809,000 in the corresponding period of 2010, a decrease of \$172,000 or 21%. The decrease is primarily attributable to a decrease in sales of the OLpur™ MD 190 and MD 220 products in Europe of approximately \$136,000 or 29% in the second quarter of 2011 compared to the same period in 2010 and an approximately \$84,000 or 39% decrease in revenue related to the contract with the Office of U.S. Naval Research recognized in the second quarter of 2011 compared to the same period in 2010. The decrease in Europe's sales was due to the anticipated execution of the Licensing Agreement signed with Bellco S.r.l., which was effective July 1, 2011.

Sales of Dual Stage Ultrafilters (DSUs) in the United States increased by approximately \$32,000 or 25% in the second quarter of 2011 compared to the same period in 2010. Revenue in the amount of \$16,000 related to the STERIS project was recognized in the second quarter of 2011. There was no STERIS project or related revenue in the comparable period in 2010.

Operating expenses for the three months ended June 30, 2011 were approximately \$801,000 compared with \$648,000 in the corresponding period of 2010. The increase of approximately

\$153,000 is primarily related to an increase in selling, general and administrative expenses of approximately \$120,000 or 22% in the second quarter of 2011 compared to the same period in 2010. The increase is primarily due to a \$79,000 bonus expense and \$46,000 of severance cost in Europe. These increases were partially offset by a reduction in legal and other professional service fees in the U.S. of approximately \$64,000.

Research and development expenses increased by approximately \$41,000 in the second quarter of 2011 compared to the same period in 2010. Increases were primarily related to personnel costs.

Depreciation expense decreased by \$8,000 in the second quarter of 2011 compared to the same period in 2010.

Other expense approximated \$5,000 in the second quarter of 2011. There was no other expense in the same period in 2010. Interest income approximated \$1,000 during the second quarter of 2011 and 2010.

Nephros' net loss was approximately \$602,000 or \$0.06 per basic and diluted common share for the second quarter of 2011 versus a net loss of approximately \$365,000 or \$0.18 per basic and diluted common share in the second quarter of 2010. Nephros' net loss increased \$237,000 or 65% in the current year's second quarter primarily due to the reduction in revenue and increase in operating expenses in the second quarter of 2011 compared to the second quarter in 2010.

As of June 30, 2011, Nephros had cash and cash equivalents in the amount of \$1,713,000. This amount does not include cash of €500,000 (approximately \$709,000) received in early July 2011 representing the first payment provided by the licensing agreement with Bellco S.r.l. which was effective on July 1, 2011.

### **About Nephros, Inc.**

Nephros, Inc., headquartered in River Edge, New Jersey, is a medical device company developing and marketing filtration products for therapeutic applications, infection control, and water purification.

The Nephros hemodiafiltration (HDF) system is designed to improve the quality of life for the End-Stage Renal Disease (ESRD) patient while addressing the critical financial and clinical needs of the care provider. ESRD is a disease state characterized by the irreversible loss of kidney function. The Nephros HDF system removes a range of harmful substances more effectively, and with greater capacity, than existing ESRD treatment methods, particularly with respect to substances known collectively as "middle molecules." These molecules have been found to contribute to such conditions as dialysis-related amyloidosis, carpal tunnel syndrome, degenerative bone disease and, ultimately, mortality in the ESRD patient.

The Nephros Dual Stage Ultrafilter (DSU) is the basis for the Nephros line of water filtration products, which includes the MSU and SSU ultrafilters. The patented dual stage cold sterilization ultrafilter has the capability to filter out bacteria and, due to its exceptional filtration levels, filter

out many viruses, parasites and biotoxins. The Nephros DSU, MSU, and SSU are FDA cleared for the filtration of biological contaminants from water and bicarbonate concentrate used in hemodialysis procedures. Nephros' DSU ultrafilters are being evaluated at several major U.S. medical centers for infection control. Nephros ultrafilter technology has also been selected for further development by the U.S. Marine Corps for purification of drinking water by soldiers in the field.

For more information about Nephros, please visit the company's website at [www.nephros.com](http://www.nephros.com).

### **Forward-Looking Statements**

This press release contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Such statements include statements regarding the efficacy and intended use of our technologies under development, the timelines for bringing such products to market and the availability of funding sources for continued development of such products and other statements that are not historical facts, including statements which may be preceded by the words “intends,” “may,” “will,” “plans,” “expects,” “anticipates,” “projects,” “predicts,” “estimates,” “aims,” “believes,” “hopes,” “potential” or similar words. For such statements, we claim the protection of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of future performance, are based on certain assumptions and are subject to various known and unknown risks and uncertainties, many of which are beyond our control. Actual results may differ materially from the expectations contained in the forward-looking statements. Factors that may cause such differences include the risks that:

- we may not be able to continue as a going concern;
- we may not be able to obtain funding if and when needed or on terms favorable to us in order to continue operations;
- we may not obtain appropriate or necessary regulatory approvals to achieve our business plan or effectively market our products including, without limitation, FDA approval of our HDF system;
- products that appeared promising to us in research or clinical trials may not demonstrate anticipated efficacy, safety or cost savings in subsequent pre-clinical or clinical trials;
- we may encounter problems with our suppliers and manufacturers;
- we may encounter unanticipated internal control deficiencies or weaknesses or ineffective disclosure controls and procedures;
- HDF therapy may not be accepted in the United States and/or our technology and products may not be accepted in current or future target markets, which could lead to failure to achieve market penetration of our products;
- we may not be able to sell our ESRD therapy or water filtration products at competitive prices or profitably;
- we may not be able to secure or enforce adequate legal protection, including patent protection, for our products; and
- we may not be able to achieve sales growth in Europe and Canada or expand into other key geographic markets.

More detailed information about us and the risk factors that may affect the realization of forward-looking statements, including the forward-looking statements in this press release, is set forth in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as amended and our other periodic reports filed with the SEC. We urge investors and security holders to read those documents free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov). We do not undertake to publicly update or revise our forward-looking statements as a result of new information, future events or otherwise, except as required by law.

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