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PRESS RELEASE

Nephros Reports Third Quarter 2011 Financial Results

RIVER EDGE, N.J., November 14, 2011 /PRNewswire-FirstCall/ -- Nephros, Inc. (OTC Bulletin Board: NEPH) announced today financial results for the three months ended September 30, 2011.

Recent Highlights

- Filed post-effective amendment allowing warrants associated with Rights Offering to be exercised;
- Received initial review questions from FDA for 510(k) application for clearance of Hemodiafiltration System in U.S.

Financial Performance for the Third Quarter Ended September 30, 2011 (Unaudited)

For the quarter ended September 30, 2011, Nephros recognized total revenues of approximately \$407,000 compared to approximately \$622,000 for the three months ended September 30, 2010. Total revenues decreased approximately \$215,000. The decrease of approximately 35% is due to decreased revenue of approximately \$330,000 in direct sales of our MD filters in our Target European Market, approximately \$19,000 or 15% less DSU sales, and decreased revenue of approximately \$73,000 related to the STERIS project. These decreases were partially offset by approximately \$20,000 or 20% higher revenue related to our contract with the Office of U.S. Naval Research and \$187,000 of Bellco licensing revenue the three months ended September 30, 2011 compared to the same period in 2010. Nephros recognized no MD product revenue from Europe during the third quarter as a result of the Licensing Agreement signed with Bellco S.r.l., which was effective July 1, 2011.

Operating expenses for the three months ended September 30, 2011 were approximately \$734,000 compared with \$696,000 in the corresponding period of 2010. The increase of approximately \$38,000 is primarily related to an increase in selling, general and administrative expenses of approximately \$30,000 or 5% in the third quarter of 2011 compared to the same period in 2010. The increase is primarily due to \$78,000 of recruiting fees during the three months ended September 30, 2011 and an increase of approximately \$11,000 of compensation expense related to stock options during the three months ended September 30, 2011 compared to the same period in 2010. These increases were partially offset by a reduction in legal and other

professional service fees in the U.S. of approximately \$29,000 during the three months ended September 30, 2011 compared to the same period in 2010.

Research and development expenses increased by approximately \$15,000 or 13% primarily due to an increase in research and development outside testing, and computer hardware costs of approximately \$41,000, partially offset by a decrease in research and development personnel costs of approximately \$10,000 and a decrease in military materials expense of approximately \$16,000 during the three months ended September 30, 2011 compared to the same period in 2010.

Depreciation expense decreased by approximately \$7,000 in the third quarter of 2011 compared to the same period in 2011.

Other income approximated \$10,000 in the third quarter of 2011 compared to \$18,000 of other income in the same period in 2010. Interest income approximated \$2,000 during the third quarter of 2011. There was no interest income in the same period in 2010.

Nephros' net loss was approximately \$413,000 or \$0.04 per basic and diluted common share for the third quarter of 2011 versus a net loss of approximately \$375,000 or \$0.18 per basic and diluted common share in the third quarter of 2010. Nephros' net loss increased \$38,000 or 10% in the current year's third quarter primarily due to the increase in operating expenses in the third quarter of 2011 compared to the same period in 2010.

As of September 30, 2011, Nephros had cash and cash equivalents in the amount of \$2,117,000. This amount reflects cash of €500,000 (approximately \$709,000) received during the third quarter representing the first payment provided by the licensing agreement with Bellco S.r.l. The second payment of €750,000 is due to Nephros on January 15, 2012.

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.

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. 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.

SOURCE Nephros, Inc.