

LANNETT COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended		Nine months ended	
	March 31,		March 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net sales	\$ 31,266,224	\$ 28,761,316	\$ 91,417,926	\$ 83,553,341
Cost of sales	20,190,460	16,564,244	59,095,559	50,396,809
Amortization of intangible assets	448,667	446,167	1,346,000	1,338,500
Product royalties	<u>229,827</u>	<u>143,877</u>	<u>967,889</u>	<u>186,874</u>
Gross profit	10,397,270	11,607,028	30,008,478	31,631,158
Research and development expenses	3,352,173	1,981,338	9,110,126	5,685,168
Selling, general, and administrative expenses	4,392,593	7,491,583	12,205,145	19,116,199
Gain on sale of assets	<u>(19,394)</u>	<u>(38,472)</u>	<u>(19,629)</u>	<u>(60,481)</u>
Operating income	<u>2,671,898</u>	<u>2,172,579</u>	<u>8,712,836</u>	<u>6,890,272</u>
Other income (expense):				
Foreign currency gain	2,050	-	2,758	-
Interest income	5,168	77,954	49,451	215,604
Interest expense	<u>(49,528)</u>	<u>(75,417)</u>	<u>(204,032)</u>	<u>(259,057)</u>
	<u>(42,310)</u>	<u>2,537</u>	<u>(151,823)</u>	<u>(43,453)</u>
Income before income tax expense	2,629,588	2,175,116	8,561,013	6,846,819
Income tax expense	<u>527,327</u>	<u>851,310</u>	<u>3,524,973</u>	<u>2,696,733</u>
Consolidated net income	<u>2,102,261</u>	<u>1,323,806</u>	<u>5,036,040</u>	<u>4,150,086</u>
Less net income from noncontrolling interest	<u>(9,407)</u>	<u>(9,324)</u>	<u>(31,224)</u>	<u>(36,377)</u>
Net income attributable to Lannett Company, Inc.	<u>\$ 2,092,854</u>	<u>\$ 1,314,482</u>	<u>\$ 5,004,816</u>	<u>\$ 4,113,709</u>
Earnings per common share - Lannett Company, Inc.:				
Basic	\$ 0.08	\$ 0.05	\$ 0.20	\$ 0.17
Diluted	\$ 0.08	\$ 0.05	\$ 0.20	\$ 0.17
Weighted average number of shares outstanding:				
Basic	24,849,745	24,502,629	24,697,669	24,424,187
Diluted	25,286,331	24,756,041	25,171,750	24,524,822