Retrophin Reports Fourth Quarter and Full Year 2014 Financial Results

March 5, 2015

FY 2014 revenues of $28.2 million

Development efforts focused on Phase II DUET trial and preparation of RE-024 IND

SAN DIEGO--(BUSINESS WIRE)-- Retrophin, Inc. (NASDAQ:RTRX) today reported fourth quarter and full year 2014 financial results.

- Net product sales for the fourth quarter 2014 were $14.1 million
- Net product sales for the full year 2014 were $28.2 million
- Non-GAAP operating loss for the fourth quarter 2014 was $8.6 million, compared to a non-GAAP operating loss of $8.9 million for the same period in 2013
- Non-GAAP operating loss for the full year 2014 was $41.5 million, compared to a non-GAAP operating loss of $17.3 million for the full year 2013
- Cash, cash equivalents and marketable securities as of December 31, 2014 totaled $27.8 million

"The fourth quarter marked a strong close to 2014," said Stephen Aselage, Chief Executive Officer of Retrophin. "The new additions to our management team and Board of Directors, paired with the tremendous progress we made towards the end of the year, will allow us to execute on our strategic priorities in 2015 and beyond, which we believe will drive substantial long-term shareholder value. We look forward to achieving significant top-line growth led by Thiola®, furthering the advancement of our key pipeline assets, sparsentan and RE-024, and continuing our aggressive business development approach with the goal of adding complementary assets to our commercial and development portfolios."

Quarter Ended December 31, 2014

Net product sales for the fourth quarter of 2014 were $14.1 million, compared to no reported sales for the fourth quarter of 2013.

Selling, general and administrative expenses for the fourth quarter of 2014 were $18.7 million on a GAAP basis, compared to $6.2 million for the same period in 2013. On an adjusted basis, selling, general and administrative expenses were $11.1 million for the fourth quarter of 2014, compared to $3.4 million for the same period in 2013. The increase is largely attributable to the expansion of the Company's business and support of commercial products, as well as an extraordinary legal and financial expense of approximately $3.6 million largely related to the Company's recent review of certain consulting and settlement agreements, the results of which were disclosed in a regulatory filing on February 20, 2015.

Research and development expenses for the fourth quarter of 2014 were $14.9 million on a GAAP basis, compared to $5.7 million for the same period in 2013. On an adjusted basis, research and development expenses were $12.4 million for the fourth quarter of 2014, compared to $5.5 million for the same period in 2013. The increase reflects expenses related to the ongoing enrollment efforts for the Phase II DUET trial for sparsentan and pre-IND development of RE-024.

Net interest and other expense for the fourth quarter of 2014 was $10.3 million, compared to $0.9 million for the same period in 2013. The change is primarily due to a $8.3 million increase in expense related to the Company's derivative instruments and a $2.6 million increase in interest expense related to the Company's senior convertible notes and term loan facility that was partially offset by a $1.5 million increase in realized gain on sales of marketable securities.

Net loss for the fourth quarter of 2014 was $29.0 million, or $1.10 per share on a GAAP basis, compared to $12.8 million, or $0.70 per share for the same period in 2013. Adjusted net loss for the fourth quarter of 2014 was $9.4 million, or $0.36 per share, compared to $8.5 million, or $0.46 per share for the same period in 2013.

Year Ended December 31, 2014

Net product sales for the full year 2014 were $28.2 million, compared to no reported sales for the full year 2013.

Selling, general and administrative expenses for the full year 2014 were $59.6 million on a GAAP basis, compared to $17.7 million for the full year 2013. On an adjusted basis, selling, general and administrative expenses were $30.5 million for the full year 2014, compared to $10.7 million for the full year 2013. The increase is largely attributable to the expansion of the Company's business, including the launch of three commercial products in 2014.

Research and development expenses for the full year 2014 were $47.8 million on a GAAP basis, compared to $7.1 million for the full year 2013. On an adjusted basis, research and development expenses were $38.7 million for the full year 2014, compared to $6.6 million for the full year 2013. The increase primarily reflects expenses related to the initiation and ongoing enrollment efforts for the Phase II DUET trial for sparsentan and pre-IND development of RE-024.

Net interest and other expense for the full year 2014 was $33.6 million, compared to $9.8 million for the full year 2013. The change is primarily due to a $13.7 million increase in expense related to the Company's derivative instruments and a $12.1 million increase in interest and finance expense related to the Company's senior convertible notes and term loan facility that was partially offset by a $2.0 million increase in realized gain on sales of marketable securities.

Net loss for the full year 2014 was $110.9 million, or $4.43 per share on a GAAP basis, compared to $34.6 million, or $2.44 per share for the full year 2013. Adjusted net loss for the full year 2014 was $46.6 million, or $1.86 per share, compared to $17.0 million, or $1.20 per share for the full year 2013.

Commercial Product Updates

Thiola® (tiopronin)

- As of March 2, 2015, more than 650 patients were receiving Thiola® therapy.
- Results of a market research survey recently commissioned by the Company suggest that the potential target market in the United States could be as much as 4,000 to 5,000 patients, an increase from the previous estimated range of 2,000 to 3,000 patients.

Chenodal® (chenodeoxycholic acid)

- Retrophin is in active discussions with the U.S. Food and Drug Administration (FDA) to determine an acceptable pathway for the addition of cerebrotendinous xanthomatosis (CTX) to the Chenodal label. Chenodal has been used as the standard of care for CTX for more than three decades, and the Company believes inclusion on the label would reflect the true nature of its current use.
- In the second quarter of 2015, Retrophin is planning to initiate a screening study in pediatric and adolescent patients with idiopathic bilateral cataracts to determine the frequency of CTX within this population. The study will provide needed data to improve awareness and earlier diagnosis of CTX.

Pipeline Updates

Sparsentan

- Retrophin continues to enroll patients in the Phase II DUET study of sparsentan for the treatment of focal segmental glomerulosclerosis (FSGS). The Company anticipates meeting the target enrollment of 100 patients by year end 2015.
- The first Data Monitoring Committee meeting took place in November 2014 and allowed study continuation, as well as the initiation of pediatric enrollment.
- In January 2015, the U.S. FDA Office of Orphan Products Development granted sparsentan orphan drug designation for the treatment of FSGS.

RE-024

- Retrophin intends to file a U.S. IND in the first half of 2015 to support a Phase I study of RE-024 in healthy volunteers.
- Two additional ex-U.S. pantothenate kinase-associated neurodegeneration (PKAN) patients began RE-024 treatment in the fourth quarter of 2014 and are currently receiving treatment with RE-024 under a physician-initiated protocol. The first two PKAN patients previously disclosed to have initiated RE-024 treatment also continue to receive therapy. All four PKAN patients are currently being treated with RE-024 in accordance with local laws and regulations in their respective countries. The release of patient data via peer-reviewed publications and scientific meetings is at the discretion of each treating physician.

RE-034

- Retrophin has successfully formulated and manufactured RE-034 using a novel formulation process which allows modulation of the release of active ingredient from the site of administration. In early 2015 the Company filed for a provisional patent covering our novel formulation. Retrophin continues preclinical development of RE-034 to enable multiple strategic options.

Non-core assets

- Retrophin closed the previously announced sale of non-core assets ketamine, Syntocinon Nasal Spray® (oxytocin), and Vecamyl® (mecamylamine HCI tablets) originally announced on October 14, 2014.

Conference Call Information

Retrophin will host a conference call and webcast today, Thursday, March 5, at 4:30 p.m. ET to discuss fourth quarter and full year 2014 financial

results. To participate in the conference call, dial +1 855-219-9219 (U.S.) or +1-315-625-6891 (International), confirmation code 91191559 shortly before 4:30 p.m. ET. The webcast can be accessed at www.retrophin.com, in the Events and Presentations section. A replay of the call will be available 7:30 p.m. ET, March 5, 2015 to 11:59 p.m., March 12, 2015. The replay number is 855-859-2056 (U.S.) or 404-537-3406 (International), confirmation code 91191559.

Use of Non-GAAP Financial Measures

To supplement Retrophin's financial results and guidance presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses certain non-GAAP adjusted financial measures in this press release and the accompanying tables. The Company believes that these non-GAAP financial measures are helpful in understanding its past financial performance and potential future results. They are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read in conjunction with the consolidated financial statements prepared in accordance with GAAP. Retrophin's management regularly uses these supplemental non-GAAP financial measures internally to understand, manage and evaluate its business and make operating decisions. In addition, Retrophin believes that the use of these non-GAAP measures enhances the ability of investors to compare its results from period to period and allows for greater transparency with respect to key financial metrics the Company uses in making operating decisions.

Investors should note that these non-GAAP financial measures are not prepared under any comprehensive set of accounting rules or principles and do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP. Investors should also note that these non-GAAP financial measures have no standardized meaning prescribed by GAAP and, therefore, have limits in their usefulness to investors. In addition, from time to time in the future the Company may exclude other items, or cease to exclude items that it has historically excluded, for purposes of its non-GAAP financial measures; Because of the non-standardized definitions, the non-GAAP financial measures as used by the Company in this press release and the accompanying tables may be calculated differently from, and therefore may not be directly comparable to, similarly titled measures used by the Company's competitors and other companies.

As used in this press release, (i) the historical non-GAAP net income (loss) measures exclude from GAAP net income (loss), as applicable, intangible asset amortization, stock-based compensation expense, executive severance charges, transaction and license fees, change in fair value of derivative liabilities, depreciation expense, non-cash interest and finance expenses; adjust the income tax provision to the estimated amount of taxes that are payable in cash; (ii) the historical non-GAAP SG&A expense measures exclude from GAAP SG&A expenses, as applicable, intangible asset amortization, stock-based compensation expense, executive severance charges, transaction and license fees, legal fee and settlements, and depreciation expense; (iii) the historical non-GAAP R&D expense measures exclude from GAAP R&D expenses, as applicable, intangible asset amortization, stock-based compensation expense, transaction and license fees and depreciation expense.

About Retrophin

Retrophin is a pharmaceutical company focused on the development, acquisition and commercialization of drugs for the treatment of serious, catastrophic or rare diseases for which there are currently no viable options for patients. The Company's approved products include Chenodal® and Thiola®, and its pipeline includes compounds for several catastrophic diseases, including focal segmental glomerulosclerosis (FSGS), pantothenate kinase-associated neurodegeneration (PKAN), infantile spasms, nephrotic syndrome and others. For additional information, please visit www.retrophin.com.

Forward-Looking Statements

This press release contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995, regarding the research, development and commercialization of pharmaceutical products. Without limiting the foregoing, these statements are often identified by the words "may", "might", "believes", "thinks", "anticipates", "plans", "expects", "intends" or similar expressions. In addition, expressions of our strategies, intentions or plans are also forward-looking statements. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes and results to differ materially from current expectations. No forward-looking statement can be guaranteed. Among the factors that could cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties associated with the Company's business and finances in general, as well as risks and uncertainties associated with the Company's pre-clinical and clinical stage pipeline as well as its sales and marketing strategies. Specifically, the risks and uncertainties the Company faces with respect to its pre-clinical and clinical stage pipeline include risk that the Company's research programs will not identify pre-clinical candidates for further development and risk that the Company's clinical candidates will not be found to be safe or effective. Specifically, the Company faces risk that the sparsentan Phase II clinical trials will fail to demonstrate that sparsentan is safe or effective; risk that the sparsentan Phase II program will be delayed for regulatory or other reasons; risk that the Company will be unable to file an IND for RE-024 or RE-034 or initiate Phase I clinical trials for regulatory or other reasons. The Company faces risk that it will be unable to raise additional funding required to complete development of any or all of its product candidates; risk relating to the Company's dependence on contractors for clinical drug supply and commercial manufacturing; uncertainties relating to patent protection and intellectual property rights of third parties; risks and uncertainties relating to competitive products and technological changes that may limit demand for the Company's products. You are cautioned not to place undue reliance on these forward-looking statements as there are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. The Company undertakes no obligation to publicly update forward-looking statement, whether as a result of new information, future events, or otherwise. Investors are referred to the full discussion of risks and uncertainties as included in the Company's filings with the Securities and Exchange Commission.

RETROPHIN, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014
(Unaudited)

	December 31, 2014	December 31, 2013 (restated)
Assets		

Current assets:		
Cash	$ 18,204,282	$ 5,997,307
Marketable securities	9,556,098	132,994
Accounts receivable, net	7,959,411	-
Inventory, net	800,507	-
Prepaid expenses and other current assets	813,364	1,370,943
Total current assets	37,333,662	7,501,244
Property and equipment, net	670,796	127,427
Security deposits	337,014	244,058
Restricted cash	40,000	40,000
Other asset	1,888,035	-
Intangible assets, net	94,265,530	12,586,150
Goodwill	935,935	-
Total assets	$ 135,470,972	$ 20,498,879
Liabilities and Stockholders' Deficit		
Current liabilities:		
Deferred technology purchase liability	$ 1,000,000	$ 1,634,630
Accounts payable	7,124,330	3,553,567
Accrued expenses	27,882,995	4,881,434
Securities sold, not yet purchased	-	1,457,901
Other liability	938,209	-
Acquisition-related contingent consideration	2,117,565	-
Derivative financial instruments, warrants	27,990,000	25,037,346
Note payable	40,485,452	-
Total current liabilities	107,538,551	36,564,878
Convertible debt	43,287,814	-
Other liability	12,234,513	-
Acquisition-related contingent consideration, less current portion	9,519,662	-
Deferred technology purchase liability, less current portion	-	1,000,000
Deferred income tax liability, net	141,151	2,600,899
Total liabilities	172,721,691	40,165,777
Commitments and contingencies		
Stockholders' Deficit:		
Preferred stock Series A $0.001 par value; 20,000,000 shares authorized; 0 issued and outstanding	-	-
Common stock $0.0001 par value; 100,000,000 shares authorized; 26,699,847 and 18,546,363 issued and 26,320,256 and 18,415,573 outstanding, respectively	2,692	1,855
Additional paid-in capital	140,850,502	49,635,502
Treasury stock, at cost, 379,591 and 130,790, respectively	(3,214,608)	(957,272)
Accumulated deficit	(179,174,858)	(68,236,996)
Accumulated other comprehensive income (loss)	4,285,553	(109,987)
Total stockholders' deficit	(37,250,719)	(19,666,898)
Total liabilities and stockholders' deficit	$ 135,470,972	$ 20,498,879

RETROPHIN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
December 31, 2014
(unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2014	**2013 (restated)**	**2014**	**2013 (restated)**
Net product sales	$ 14,084,988	$ -	$ 28,203,205	$ -

Operating expenses:				
Cost of goods sold	(834,727)	-	570,979	-
Research and development	14,896,492	5,684,134	47,795,223	7,084,009
Selling, general and administrative	18,720,283	6,188,067	59,644,696	17,689,439
Total operating expenses	32,782,048	11,872,201	108,010,898	24,773,448
OPERATING LOSS	(18,697,060)	(11,872,201)	(79,807,693)	(24,773,448)
OTHER INCOME (EXPENSE):				
Interest income/(expense), net	(2,627,376)	(4,790)	(7,434,878)	(46,344)
Finance expense	-		(4,720,780)	
Realized gain on sales of marketable securities, net	1,805,646	314,745	2,349,430	374,482
Change in fair value of derivative instruments-gain/(loss)	(9,510,000)	(1,184,254)	(23,786,072)	(10,099,926)
Gain/(loss) on transactions denomimated in foreign currency	1,630	-	2,383	(3,873)
Total other expense, net	(10,330,100)	(874,299)	(33,589,917)	(9,775,661)
LOSS BEFORE INCOME TAXES	(29,027,160)	(12,746,500)	(113,397,610)	(34,549,109)
Income tax benefit (provision)	-	(75,775)	2,459,748	(75,775)
NET LOSS	$(29,027,160)	$ (12,822,275)	$(110,937,862)	$ (34,624,884)
PER SHARE DATA:				
Net loss per common share, basic	(1.10)	(0.70)	(4.43)	(2.44)
Net loss per common share, diluted	(1.10)	(0.70)	(4.43)	(2.44)
Weighted average common shares outstanding, basic	26,318,863	18,382,015	25,057,509	14,205,264
Weighted average common shares outstanding, diluted	26,318,863	18,382,015	25,057,509	14,205,264
Comprehensive Loss:				
Net loss	$(29,027,160)	$ (12,822,275)	$(110,937,862)	$ (34,624,884)
Unrealized gain	644,441	44,847	4,395,540	(109,987)
Comprehensive Loss	$(28,382,719)	$ (12,777,428)	$(106,542,322)	$ (34,734,871)

RETROPHIN, INC.
RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2014	2013	2014	2013
GAAP OPERATING LOSS	**$ (18,697,060)**	**$ (11,872,201)**	**$ (79,807,693)**	**$ (24,773,448)**
R&D Operating Expense	**$ (14,896,492)**	**$ (5,684,134)**	**$ (47,795,223)**	**$ (7,084,009)**
Stock Compensation	1,681,949	149,505	4,960,063	259,076
Transaction & license fees	603,760	-	3,337,920	-
Amortization & Depreciation	260,539	51,066	826,464	202,597
Subtotal non-GAAP items	2,546,248	200,571	9,124,447	461,673
NON -GAAP R&D EXPENSE	**(12,350,244)**	**(5,483,563)**	**(38,670,776)**	**(6,622,336)**
SG&A Operating Expense	**(18,720,283)**	**(6,188,067)**	**(59,644,696)**	**(17,689,439)**
Legal Expense (A)	1,400,000	-	5,400,000	-
Executive severance (A)	977,000	-	5,616,000	-
Settlements (A)	2,157,579	350,087	2,484,787	2,584,511
Stock Compensation	1,301,567	2,464,287	10,940,393	4,384,220
Amortization & Depreciation	1,737,681	5,800	4,714,565	13,396
Subtotal non-GAAP items	7,573,827	2,820,174	29,155,745	6,982,127

NON -GAAP SG&A EXPENSE	**(11,146,456)**	**(3,367,893)**	**(30,488,951)**	**(10,707,312)**
Subtotal non-GAAP items	10,120,075	3,020,745	38,280,192	7,443,800
NON -GAAP OPERATING LOSS	**(8,576,985)**	**(8,851,456)**	**(41,527,501)**	**(17,329,648)**
GAAP NET LOSS	**(29,027,160)**	**(12,822,275)**	**(110,937,862)**	**(34,624,884)**
Non-GAAP Operating Loss Adjustments	10,120,075	3,020,745	38,280,192	7,443,800
Finance Expense	-	-	4,720,780	-
Change in fair value of derivative instruments-(gain)/loss	9,510,000	1,184,254	23,786,072	10,099,926
Income Tax (benefit)/provision	-	75,775	(2,459,748)	75,775
NON-GAAP NET LOSS	**$ (9,397,085)**	**$ (8,541,501)**	**$ (46,610,566)**	**$ (17,005,383)**
PER SHARE DATA:				
Net loss per common share, basic	(0.36)	(0.46)	(1.86)	(1.20)
Net loss per common share, diluted	(0.36)	(0.46)	(1.86)	(1.20)
Weighted average common shares outstanding, basic	26,318,863	18,382,015	25,057,509	14,205,264
Weighted average common shares outstanding, diluted	26,318,863	18,382,015	25,057,509	14,205,264

(A) One time, non-recurring items

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Source: Retrophin, Inc.