Retrophin Reports Third Quarter 2014 Financial Results

November 13, 2014

Net Product Sales of $8.3 Million

Management to Host Conference Call and Webcast Today at 4:30 p.m. ET

NEW YORK--(BUSINESS WIRE)-- Retrophin, Inc. (NASDAQ:RTRX) today reported its financial results for the quarter ended September 30, 2014.

"The successful re-launch of Thiola and accelerated uptake to end the third quarter was an important milestone for Retrophin, as our commercial products are demonstrating they will provide a strong foundation for sustained growth," said Stephen Aselage, Chief Executive Officer of Retrophin. "We also began a period of important transition during the third quarter, which will better position the company to build on the commercial momentum of our marketed products and narrow our focus on the development of assets we believe will maximize future value for Retrophin, including sparsentan for FSGS and RE-024 for PKAN. In addition, we will continue to aggressively pursue business development opportunities that fit with Retrophin's core competencies to support persistent returns."

Third Quarter 2014 Financial Results

Net Product Sales

Net sales for the third quarter of 2014 were $8.3 million from product sales of Chenodal®, Thiola® and Vecamyl®. Retrophin reported no revenue for the third quarter of 2013.

Cost of Goods Sold

Cost of product sales for the third quarter of 2014 was $0.2 million, compared to $0 for the same period in 2013. Cost of product sales represents direct product costs incurred with Chenodal®, Thiola® and Vecamyl®.

Operating Expenses

Non-GAAP operating expenses were $21.0 million for the three months ended September 30, 2014, compared to $3.1 million for the three months ended September 30, 2013. On a GAAP basis, operating expenses were $31.8 million for the third quarter of 2014, compared to $5.2 million for the third quarter of 2013.

Selling, General and Administrative ("SG&A") Expenses

Non-GAAP SG&A expenses totaled $10.5 million for the three months ended September 30, 2014, compared to $1.8 million for the three months ended September 30, 2013. On a GAAP basis, SG&A expenses totaled $18.6 million for the third quarter of 2014, compared to $3.8 million for the same period in 2013. The increase in SG&A expenses over the prior period was primarily due to higher headcount and professional fees, and expenses related to the expansion of the Company's business through the acquisition and license of its products. Non-GAAP SG&A expenses exclude stock-based compensation expense, depreciation and amortization expense, executive severance expense, transaction and license fees, and legal settlement expenses.

Research and Development ("R&D") Expenses

Non-GAAP R&D expenses totaled $10.3 million for the three months ended September 30, 2014, compared to $1.4 million for the three months ended September 30, 2013. On a GAAP basis, R&D expenses were $13.0 million for the third quarter of 2014, compared to $1.4 million for the third quarter of 2013. The increase in R&D expenses over the prior period was primarily due to higher headcount and external costs associated with the progress of Retrophin's pipeline programs including sparsentan, RE-024, and RE-034. Non-GAAP R&D expenses exclude stock-based compensation expense, and depreciation and amortization expenses.

Other Income

Other income totaled $3.9 million for the third quarter of 2014, compared with other expense of $5.7 million for the same period in 2013, an increase of $9.6 million. The change is primarily due to an increase of $12.2 million related to the change in fair value of the Company's derivative instruments. This was offset by an increase in interest expense of $2.6 million in the third quarter of 2014, $1.8 million of which is cash interest expense related to the Company's senior convertible notes and term loan facility.

At September 30, 2014, Retrophin's balance sheet included $37.8 million in cash and marketable securities.

Net Loss

Non-GAAP net loss for the third quarter of 2014 was $14.2 million, or $0.53 per basic and diluted share, compared to a non-GAAP net loss of $3.1 million, or $0.20 net loss per basic and diluted share, for the third quarter of 2013.

GAAP net loss for the third quarter of 2014 was $19.6 million, or $0.73 net loss per basic share and $0.89 net loss per diluted share, compared to a net loss of $10.9 million, or $0.71 per basic and diluted share, for the third quarter of 2013. Reconciliations of applicable GAAP reported to non-GAAP

adjusted information are included in this press release.

Financial Guidance

Based on the slower than expected progress while initially bringing patients back on Thiola after the supply outage, Retrophin is revising its 2014 financial guidance. The Company now expects full-year 2014 revenues to be between $26 million and $29 million, down from the previously listed range of $30 million to $35 million. The Company is removing the previously stated 2015 financial guidance and will be providing new 2015 financial guidance when year-end financial results are reported, which will be its new standard of practice.

Update to Credit Loan Agreement

The Company has renegotiated with its primary credit lender to be in compliance with certain terms and covenants and to also provide greater flexibility as the Company executes the new operating plan. Details of the amended terms can be found in Retrophin's form 10-Q filed with the Securities and Exchange Commission today.

Commercial Products Highlights

Thiola® (tiopronin)

- As of November 7, 2014, patients on therapy has surpassed the IMS estimates of ~450 patients on therapy prior to the supply disruption.
- With the restoration of supply, a 10-member salesforce is actively marketing to prescribers and uncovering new growth opportunities.

Chenodal® (chenodeoxycholic acid)

- Retrophin plans to seek U.S. regulatory approval for the addition of a cerebrotendinous xanthomatosis (CTX) indication to the Chenodal label. On addition of CTX to the Chenodal label, it is expected that orphan drug designation would grant seven years of market exclusivity as per the Orphan Drug Act.

Pipeline Updates

Sparsentan

- The DUET study, a Phase II clinical trial of sparsentan in patients with Focal Segmental Glomerulosclerosis (FSGS), continues to enroll toward the target of 100 total subjects. The trial is expected to be fully enrolled by year-end 2015.
- Retrophin continues to work with patient advocacy groups and academic investigators to increase awareness of the DUET trial and accelerate enrollment.

RE-024

- Retrophin intends to file a U.S. IND for RE-024 in the first half of 2015.
- PKAN patients currently receiving RE-024 in physician-initiated studies outside the U.S. will continue to receive treatment.

RE-034

- Retrophin continues to develop RE-034 to enable multiple strategic options, including a potential U.S. IND submission in 2015.

Non-core assets

- As reported on October 14, 2014, Retrophin entered into an agreement to divest to Turing Pharmaceuticals, non-core assets ketamine, Syntocinon Nasal Spray® (oxytocin), and Vecamyl® (mecamylamine HCI tablets). Under the terms of the agreement, Turing Pharmaceuticals will pay Retrophin a $3 million upfront payment and assume certain liabilities and future milestone payments related to these products. The divestment is expected to close by the end of the first quarter of 2015 and is subject to specified conditions to closing.

Conference Call Information

Retrophin will host a conference call and webcast today, Thursday, November 13, at 4:30 p.m. ET to discuss third quarter 2014 financial results. To participate in the conference call, dial +1 855-219-9219 (U.S.) or +1-315-625-6891 (International), confirmation code 26969110 shortly before 4:30 p.m. 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, November 13, 2014 to 11:59 p.m., November 20, 2014. The replay number is 855-859-2056 (U.S.) or 404-537-3406 (International), confirmation code 26969110.

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 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; (iv) the non-GAAP net income (loss) (and the related per share) guidance measures exclude from estimated GAAP net income intangible asset amortization and depreciation expense, stock-based compensation expense, transaction and license fees, non-cash interest and finance expenses; and adjust the income tax provision to the estimated amount of taxes that are payable in cash.

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®, Thiola® and Vecamyl®, and its pipeline includes compounds for several catastrophic diseases, including focal segmental glomerulosclerosis (FSGS), pantothenate kinase-associated neurodegeneration (PKAN), schizophrenia, 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. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014	December 31, 2013
	(Unaudited)	
Assets		
Current assets:		
Cash	$ 25,861,729	$ 5,997,307
Marketable securities	11,930,492	132,994
Accounts receivable	4,676,688	-
Inventory, net	683,565	-

Prepaid expenses and other current assets	2,292,085	1,370,943
Total current assets	45,444,559	7,501,244
Property and equipment, net	633,167	127,427
Security deposits	337,014	244,058
Restricted cash	40,000	40,000
Other asset	1,921,265	-
Investment	400,000	-
Intangible assets, net	96,219,940	12,586,150
Goodwill	935,935	-
Total assets	$ 145,931,880	$ 20,498,879
Liabilities and Stockholders' Deficit		
Current liabilities:		
Deferred technology purchase liability, current portion	$ 1,500,000	$ 1,634,630
Accounts payable	11,285,010	3,553,567
Accrued expenses	11,692,302	3,526,434
Securities sold, not yet purchased	3,150,413	1,457,901
Other liability	774,067	-
Acquisition-related contingent consideration, less current portion	2,253,075	-
Derivative financial instruments, warrants	18,480,000	25,037,346
Total current liabilities	49,134,867	35,209,878
Note payable	40,160,206	-
Convertible debt	43,132,928	-
Other liability	12,565,722	-
Acquisition-related contingent consideration, less current portion	9,984,855	-
Deferred technology purchase liability, less current portion	1,000,000	1,000,000
Deferred income tax liability, net	141,151	2,600,899
Total liabilities	156,119,729	38,810,777
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	2,670	1,855
Additional paid-in capital	138,414,487	50,189,127
Treasury stock, at cost, 379,591 and 130,790, respectively	(3,214,608)	(957,272)
Accumulated deficit	(149,134,700)	(67,435,621)
Accumulated other comprehensive income (loss)	3,744,302	(109,987)
Total stockholders' deficit	(10,187,849)	(18,311,898)
Total liabilities and stockholders' deficit	$ 145,931,880	$ 20,498,879

RETROPHIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net product sales	$ 8,348,583	$ -	$ 14,118,217	$ -
Operating expenses:				
Cost of goods sold	197,411	-	233,271	-
Research and development	13,018,729	1,399,875	33,603,446	2,113,813

Selling, general and administrative	18,575,982	3,754,611	41,180,510	10,391,061
Total operating expenses	31,792,122	5,154,486	75,017,227	12,504,874
Operating loss	(23,443,539)	(5,154,486)	(60,899,010)	(12,504,874)
Other income (expenses):				
Interest income (expense), net	(2,629,101)	4	(4,807,502)	(41,554)
Finance expense	(12,500)	-	(4,720,780)	-
Realized gain on sale of marketable securities, net	168,943	59,737	543,784	59,737
Change in fair value of derivative instruments - gain (loss)	6,359,144	(5,803,054)	(14,276,072)	(8,198,672)
Gain (loss) on transactions denominated in foreign currencies	753	-	753	(3,873)
Total other income (expense), net	3,887,239	(5,743,313)	(23,259,817)	(8,184,362)
Loss before provision for income taxes	(19,556,300)	(10,897,799)	(84,158,827)	(20,689,236)
Income tax benefit	-	-	2,459,748	-
Net loss	$ (19,556,300)	$ (10,897,799)	$ (81,699,079)	$ (20,689,236)
Net loss per common share, basic	$ (0.73)	$ (0.71)	$ (3.24)	$ (1.62)
Net loss per common share, diluted	$ (0.89)	$ (0.71)	$ (3.24)	$ (1.62)
Weighted average common shares outstanding, basic	26,682,510	15,365,631	25,229,847	12,797,714
Weighted average common shares outstanding, diluted	28,210,225	15,365,631	25,229,847	12,797,714
Comprehensive Loss:				
Net loss	$ (19,556,300)	$ (10,897,799)	$ (81,699,079)	$ (20,689,236)
Unrealized gain (loss) on sale of marketable securities	3,232,213	(154,834)	3,854,289	(154,834)
Comprehensive loss	$ (16,324,087)	$ (11,052,633)	$ (77,844,790)	$ (20,844,070)

RETROPHIN, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
GAAP reported net loss	$ (19,556,300)	$ (10,897,799)	$ (81,699,079)	$ (20,689,236)
Share-based compensation	4,694,468	1,705,225	14,709,095	1,992,818
Intangible asset amortization and depreciation	750,820	53,821	1,698,026	159,128
Change in fair value of derivative liabilities	(6,359,144)	5,803,054	14,276,072	8,198,672
Transaction and license fees	756,164	250,000	2,734,160	475,000
Legal settlements	-	-	327,208	2,234,424
Executive severance	4,639,055	-	4,639,055	-
Net interest expense and finance fees	854,655	-	7,446,652	13,291
Income tax adjustments	-	-	(2,459,748)	-

Non-GAAP adjusted net loss	$ (14,220,282)	$ (3,085,699)	$ (38,328,559)	$ (7,615,903)
GAAP reported net loss per common share, basic	$ (0.73)	$ (0.71)	$ (3.24)	$ (1.62)
GAAP reported net loss per common share, diluted	$ (0.89)	$ (0.71)	$ (3.24)	$ (1.62)
Non-GAAP adjusted net loss per common share, basic and diluted	$ (0.53)	$ (0.20)	$ (1.52)	$ (0.60)
GAAP Weighted average common shares outstanding, basic	26,682,510	15,365,631	25,229,847	12,797,714
GAAP Weighted average common shares outstanding, diluted	28,210,225	15,365,631	25,229,847	12,797,714
Non-GAAP Weighted average common shares outstanding, basic and diluted	26,682,510	15,365,631	25,229,847	12,797,714

RETROPHIN, INC. AND SUBSIDIARIES
RECONCILIATIONS OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION
CERTAIN LINE ITEMS AND OTHER INFORMATION
(Unaudited)

	Three Months					
	September 30, 2014			September 30, 2013		
	GAAP Reported	Adjustments	Non-GAAP Adjusted*	GAAP Reported	Adjustments	Non-GAAP Adjusted*
Net product sales	$ 8,348,583	$ -	$ 8,348,583	$ -	$ -	$ -
Cost of goods sold	197,411	-	197,411	-	-	-
Research and development	13,018,729	(2,732,839) (a)	10,285,890	1,399,875	(36,205) (a)	1,363,670
Selling, general and administrative	18,575,982	(8,107,668) (b)	10,468,314	3,754,611	(1,972,841) (b)	1,781,770
Operating loss	(23,443,539)	10,840,507	(12,603,032)	(5,154,486)	2,009,046	(3,145,440)
Interest income (expense), net	(2,629,101)	842,155 (c)	(1,786,946)	4	-	4
Finance expense	(12,500)	12,500	-	-	-	-
Realized gain on sale of marketable securities, net	168,943	-	168,943	59,737	-	59,737
Change in fair value of derivative instruments	6,359,144	(6,359,144)	-	(5,803,054)	5,803,054	-
Gain (loss) on transaction denominated in foreign currencies	753	-	753	-	-	-
Income (loss) before provision for income taxes	(19,556,300)	5,336,018	(14,220,282)	(10,897,799)	7,812,100	(3,085,699)
Income tax benefit	$ -	-	-	$ -	-	-
Net income (loss)	$(19,556,300)	$ 5,336,018	$(14,220,282)	$(10,897,799)	$ 7,812,100	$ (3,085,699)
Net loss per common share, basic	$ (0.73)		$ (0.53)	$ (0.71)		$ (0.20)
Net loss per common share, diluted	$ (0.89)		$ (0.53)	$ (0.71)		$ (0.20)
Weighted average common shares outstanding, basic	26,682,510		26,682,510	15,365,631		15,365,631
Weighted average common shares outstanding, diluted	28,210,225		26,682,510	15,365,631		15,365,631

RETROPHIN, INC. AND SUBSIDIARIES
RECONCILIATIONS OF GAAP REPORTED TO NON-GAAP ADJUSTED INFORMATION
CERTAIN LINE ITEMS AND OTHER INFORMATION
(Unaudited)

	Nine Months					
	September 30, 2014			September 30, 2013		
	GAAP Reported	Adjustments	Non-GAAP Adjusted*	GAAP Reported	Adjustments	Non-GAAP Adjusted*
Net product sales	$ 14,118,217	$ -	$ 14,118,217	$ -	$ -	$ -
Cost of goods sold	233,271	-	233,271	-	-	-
Research and development	33,603,446	(6,094,038) (d)	27,509,408	2,113,813	(72,888) (d)	2,040,925
Selling, general and administrative	41,180,510	(18,013,506) (e)	23,167,004	10,391,061	(4,788,482) (e)	5,602,579
Operating loss	(60,899,010)	24,107,544	(36,791,466)	(12,504,874)	4,861,370	(7,643,504)
Interest income (expense), net	(4,807,502)	2,725,872 (c)	(2,081,630)	(41,554)	13,291 (c)	(28,263)
Finance expense	(4,720,780)	4,720,780	-	-	-	-
Realized gain on sale of marketable securities, net	543,784	-	543,784	59,737	-	59,737
Change in fair value of derivative instruments	(14,276,072)	14,276,072	-	(8,198,672)	8,198,672	-
Gain (loss) on transaction denominated in foreign currencies	753	-	753	(3,873)	-	(3,873)
Net loss before provision for income taxes	(84,158,827)	45,830,268	(38,328,559)	(20,689,236)	13,073,333	(7,615,903)
Income tax benefit	$ 2,459,748	(2,459,748)	-	$ -	-	-
Net loss	$(81,699,079)	$ 43,370,520	$(38,328,559)	$(20,689,236)	$13,073,333	$ (7,615,903)
Net loss per common share, basic	$ (3.24)		$ (1.52)	$ (1.62)		$ (0.60)
Net loss per common share, diluted	$ (3.24)		$ (1.52)	$ (1.62)		$ (0.60)
Weighted average common shares outstanding, basic	25,229,847		25,229,847	12,797,714		12,797,714
Weighted average common shares outstanding, diluted	25,224,847		25,224,847	12,797,714		12,797,714

* Explanation of Adjustments and Certain Line Items:

(a) Share-based compensation expense of $1,716,136 and $36,205, intangible amortization expense of $260,539 and $0 and transaction and license fees of $756,164 and $0, respectively.

(b) Share-based compensation expense of $2,978,333 and $1,669,020, intangible amortization and depreciation expense of $490,281 and $53,821, executive severance of $4,639,055 and $0 and transaction and license fees of $0 and $250,000, respectively.

(c) Non-cash interest expense associated with debt discount and debt issuance costs for the respective three and nine month periods.

(d) Share-based compensation expense of $3,278,114 and $72,888, intangible amortization expense of $565,925 and $0 and transaction and license fees of $2,250,000 and $0, respectively.

(e) Share-based compensation expense of $11,430,982 and $1,919,930, intangible amortization and depreciation expense of $1,132,101 and $159,128, executive severance of $4,639,055 and $0, transaction and license fees of $484,161 and $475,000 and legal settlements of $327,208 and $2,234,424, respectively.

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