



Jazz Pharmaceuticals, Inc. Announces Fourth Quarter and Full Year 2008 Financial Results

March 26, 2009

PALO ALTO, Calif., March 26, 2009 /PRNewswire-FirstCall via COMTEX/ -- Jazz Pharmaceuticals, Inc. (Nasdaq: JAZZ) today announced financial results for the fourth quarter and full year ended December 31, 2008.

Total revenues for the quarter ended December 31, 2008 were \$19.6 million, compared to \$15.5 million for the quarter ended December 31, 2007. Total revenues for the year ended December 31, 2008 were \$67.5 million, compared to \$65.3 million for the year ended December 31, 2007. Total revenues for 2008 included contract revenue of \$1.1 million, compared to \$10.6 million for 2007, which included \$9.5 million of milestone payments from UCB Pharma Limited. A \$10.0 million milestone payment received in 2008 from UCB Pharma Limited will be recorded as contract revenue in 2009.

XYREM(R) (sodium oxybate) oral solution net sales increased 42% to \$15.8 million for the quarter ended December 31, 2008, compared to sales of \$11.1 million for the quarter ended December 31, 2007. XYREM net sales for the year ended December 31, 2008 increased 38% to \$53.8 million, compared with \$39.0 million for the year ended December 31, 2007. Net sales of once-daily LUVOX CR(R) (fluvoxamine maleate) Extended-Release Capsules, launched in April 2008, were \$3.1 million for the fourth quarter of 2008 and \$5.7 million for the nine-month period since launch.

Research and development expenses for the quarter ended December 31, 2008 were \$14.7 million, compared to \$20.5 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, research and development expenses were \$70.0 million, compared to \$69.8 million for the year ended December 31, 2007. Research and development expenses in both 2008 and 2007 primarily reflect the expenses relating to the Phase III clinical activities for the company's JZP-6 (sodium oxybate for the treatment of fibromyalgia) product candidate. Lower expenses in the fourth quarter of 2008 also reflect a reduced level of activity on development programs other than JZP-6, pending partnering or other funds to pursue future development of those programs.

Selling, general and administrative expenses for the quarter ended December 31, 2008 were \$20.2 million, compared to \$28.0 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, selling, general and administrative expenses were \$111.4 million, compared to \$78.5 million for the year ended December 31, 2007. The increase in 2008 was primarily due to spending in connection with launch activities for LUVOX CR, including increased headcount and higher expenses to support the company's expanded sales force. The decrease in the fourth quarter of 2008 reflects a decrease in spending on LUVOX CR and reductions in headcount.

Jazz Pharmaceuticals' net loss for the quarter ended December 31, 2008 was \$56.9 million, compared to a net loss of \$60.0 million for the quarter ended December 31, 2007. For the year ended December 31, 2008, the net loss was \$184.3 million, compared to a net loss of \$138.8 million for the year ended December 31, 2007. Expenses for 2008 included a fourth quarter non-cash impairment charge of \$29.8 million relating to the company's LUVOX CR intangible asset. Expenses for 2007 included a fourth quarter non-cash impairment charge of \$20.2 million relating to the company's Antizol(R) (fomepizole) intangible asset; the rights to that product were sold to a third party during the third quarter of 2008. Net loss for 2008 also included increased interest expense, as compared with 2007, due primarily to the issuance of \$40.0 million of additional senior secured notes in March 2008. Net loss for 2007 included a \$17.5 million provision for the previously disclosed settlement of a government investigation of Orphan Medical.

Jazz Pharmaceuticals' cash, cash equivalents and marketable securities as of December 31, 2008 were \$25.9 million, excluding restricted cash of \$1.9 million. As previously disclosed, Jazz Pharmaceuticals did not make the \$4.5 million interest payment due on December 31, 2008 on its outstanding \$119.5 million principal amount of senior secured notes, and has received a notice of default from the noteholders. As a result of the default, the noteholders have the right, at any time, to accelerate the notes and require payment in full of the principal and interest, plus a pre-payment penalty. While Jazz Pharmaceuticals believes that its current cash resources, together with anticipated revenues from product sales, will be sufficient to fund its operations, they are not sufficient to fund both its operations and any payment of interest or repayment of principal on the notes. Jazz Pharmaceuticals is currently seeking a number of financing and strategic alternatives and is in discussions with the holders of the senior secured notes with respect to the December 31, 2008 interest payment default and the status of the notes. The report of the Jazz Pharmaceutical's independent registered public accounting firm on the company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2008 includes an explanatory paragraph expressing substantial doubt about the company's ability to continue as a going concern.

About Jazz Pharmaceuticals, Inc.

Jazz Pharmaceuticals is a specialty pharmaceutical company focused on identifying, developing and commercializing innovative products to meet unmet medical needs in neurology and psychiatry. For further information see www.JazzPharmaceuticals.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

This press release contains forward-looking statements, including, but not limited to, statements related to Jazz Pharmaceuticals' ability to fund its operations on an ongoing basis, financing and strategic alternatives for the company, the status of the company's senior secured notes and potential partnering arrangements for certain of the company's programs. These forward-looking statements are based on the company's current expectations and inherently involve significant risks and uncertainties. Jazz Pharmaceuticals' actual results and the timing of events could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation, risks related to the company's default on its senior secured notes, the right of the note holders to accelerate the obligations at any time, the company's potential need to seek protection under the provisions of the U.S. Bankruptcy Code in the event of an acceleration of the senior secured notes or otherwise and the resulting risk to the stockholders' receipt of any value for their shares; the company's need to raise additional funds; product sales and revenues; and the cost and results of product development and clinical trials. These and other risk factors are discussed under "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2008 filed by Jazz Pharmaceuticals with the Securities and Exchange Commission on March 26, 2009. Jazz Pharmaceuticals undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events or changes in its expectations.

JAZZ PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended December | | Year Ended December | |
|-------------------------------------|--------------------------------|------------|------------------------|-------------|
| | 31, | 31, | | |
| | ----- | ----- | ----- | ----- |
| | 2008 | 2007 | 2008 | 2007 |
| | ---- | ---- | ---- | ---- |
| Revenues: | | | | |
| Product sales, net | \$18,880 | \$14,860 | \$64,637 | \$53,536 |
| Royalties, net | 431 | 332 | 1,739 | 1,156 |
| Contract revenues | 284 | 285 | 1,138 | 10,611 |
| | --- | --- | ----- | ----- |
| Total revenues | 19,595 | 15,477 | 67,514 | 65,303 |
| Operating expenses: | | | | |
| Cost of product sales | 3,305 | 3,283 | 13,924 | 8,903 |
| Research and development | | 14,689 | 20,540 | 69,963 |
| Selling, general and administrative | 20,183 | 27,958 | 111,401 | 78,540 |
| Intangible asset amortization | 3,374 | 2,280 | 12,828 | 9,217 |
| Intangible asset impairment | 29,763 | 20,160 | 29,763 | 20,160 |
| Provision for government settlement | - | - | - | 17,469 |
| | --- | --- | ----- | ----- |
| Total operating expenses | 71,314 | 74,221 | 237,879 | 204,081 |
| Loss from operations | (51,719) | (58,744) | (170,365) | (138,778) |
| Interest income | 134 | 1,582 | 1,834 | 5,942 |
| Interest expense | (5,365) | (3,554) | (19,742) | (13,647) |
| Other income (expense) | 10 | (19) | 16 | 1,797 |
| Gain on sale of product rights | - | 715 | 3,918 | 5,860 |
| | --- | --- | ----- | ----- |
| Net loss | \$(56,940) | \$(60,020) | \$(184,339) | \$(138,826) |
| | ===== | ===== | ===== | ===== |

| | | | | |
|---------------------------------------|----------|----------|----------|-----------|
| Net loss per share, basic and diluted | \$(2.04) | \$(2.53) | \$(7.19) | \$(10.04) |
| | ===== | ===== | ===== | ===== |

| | | | | |
|--|--------|--------|--------|--------|
| Weighted-average common shares used in computing net loss per share, basic and diluted | 27,948 | 23,694 | 25,646 | 13,829 |
| | ===== | ===== | ===== | ===== |

JAZZ PHARMACEUTICALS, INC.
SUMMARY OF PRODUCT SALES, NET
(In thousands)
(Unaudited)

| | Three Months Ended December | | Year Ended | |
|--|--------------------------------|--------------|------------|-------|
| | 31, | December 31, | | |
| | ----- | ----- | ----- | ----- |
| | 2008 | 2007 | 2008 | 2007 |
| | ---- | ---- | ---- | ---- |
| | | | | |

| | | | | |
|---------------|----------|----------|----------|----------|
| Xyrem | \$15,823 | \$11,120 | \$53,803 | \$39,018 |
| Luvox CR | 3,057 | - | 5,728 | - |
| Antizol (1) | - | 3,740 | 5,106 | 14,153 |
| Cystadane (2) | - | - | - | 365 |
| | --- | --- | --- | --- |
| Total | \$18,880 | \$14,860 | \$64,637 | \$53,536 |
| | ===== | ===== | ===== | ===== |

(1) The Company sold its rights to and interests in Antizol and Antizol-Vet in August 2008.

(2) The Company sold its rights to and interests in Cystadane in March 2007.

JAZZ PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands)
(Unaudited)

December 31,

2008 2007

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ASSETS

Current assets:

| | | | |
|--|-----------|-----------|--|
| Cash, cash equivalents and marketable securities | \$25,907 | \$102,945 | |
| Restricted cash | 1,913 | 1,939 | |
| Accounts receivable | 6,643 | 5,389 | |
| Inventories | 4,788 | 2,213 | |
| Prepaid expenses | 2,366 | 3,224 | |
| Other current assets | 2,382 | 381 | |
| | ----- | --- | |
| Total current assets | 43,999 | 116,091 | |
| Property and equipment, net | 2,514 | 3,941 | |
| Intangible assets, net | 32,526 | 36,040 | |
| Goodwill | 38,213 | 38,213 | |
| Long-term restricted cash and investments | - | 12,000 | |
| Other long-term assets | 246 | 1,269 | |
| | --- | ----- | |
| Total assets | \$117,498 | \$207,554 | |
| | ===== | ===== | |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:

| | | | |
|--|-----------|-----------|--|
| Line of credit | \$3,875 | \$3,459 | |
| Senior secured notes | 118,534 | - | |
| Accounts payable | 5,736 | 2,856 | |
| Accrued liabilities | 19,024 | 29,047 | |
| Purchased product rights liability | 14,000 | - | |
| Deferred revenue | 12,322 | 1,494 | |
| | ----- | ----- | |
| Total current liabilities | 173,491 | 36,856 | |
| Non-current portion of deferred revenue | 11,330 | 12,468 | |
| Liability under government settlement | 13,063 | 14,881 | |
| Senior secured notes | - | 75,116 | |
| Common stock subject to repurchase | 12,492 | 13,241 | |
| Stockholders' equity (deficit) | (92,878) | 54,992 | |
| | ----- | ----- | |
| Total liabilities and stockholders' equity (deficit) | \$117,498 | \$207,554 | |
| | ===== | ===== | |

SOURCE Jazz Pharmaceuticals, Inc.

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