Alkermes Reports Financial Results for Fiscal Year 2001

May 23, 2001

CAMBRIDGE, Mass.--(BW HealthWire)--May 23, 2001--Alkermes, Inc. (NASDAQ:ALKS) today reported its financial results for the fiscal year ended March 31, 2001. The net loss for the fiscal year ended March 31, 2001 was $16.9 million as compared to a net loss of $68.0 million in the prior year. After taking into account preferred stock dividends of $7.3 million and $9.4 million in fiscal 2001 and 2000, respectively, the net loss attributable to common shareholders was $24.1 million, or $0.43 per share, as compared to a net loss of $77.4 million, or $1.52 per share, for the prior year.

The significant decrease in the net loss for the year ended March 31, 2001 as compared to the prior year was partially the result of non-recurring milestone revenues earned as a result of the launch of Nutropin Depot(TM) by our collaborative partner, Genentech, Inc. Nutropin Depot is an injectable long-acting formulation of Genentech's recombinant human growth hormone based on our ProLease(R) drug delivery system. The significant decrease in the net loss was also the result of noncash compensation (income) expense which totaled ($2.4) million in fiscal 2001 compared to $29.5 million in fiscal 2000. Noncash compensation charges primarily relate to common stock issued and stock options granted to certain employees, consultants and other individuals associated with our subsidiary, Advanced Inhalation Research, Inc. (AIR(TM)). Fluctuations in noncash compensation charges are primarily a result of changes in the market value of our common stock, partially offset by a reduction in the number of shares of common stock subject to future vesting. Notwithstanding the decrease in net loss, the company did have an increase in research and development and general and administrative expenses as discussed below.

At March 31, 2001, Alkermes had total cash and investments of $328.3 million, versus $357.5 million at March 31, 2000. During the year ended March 31, 2001, the decrease in cash and cash equivalents and investments was primarily the result of cash used to fund our operations, to make interest and principal payments on our indebtedness, to acquire fixed assets and to pay preferred stock dividends. Notwithstanding the decrease in cash and investments there was an increase in interest income earned on the net proceeds from the sale of $200 million principal amount of the company's 3 3/4% Convertible Notes issued in February 2000 (the "3 3/4% Notes"). There was also an increase in total cash and investments due to the receipt of the net proceeds from the exercise of stock options and the non-recurring milestone payment received as a result of the launch of Nutropin Depot discussed above.

Research and development revenues under collaborative arrangements were $56.0 million for the year ended March 31, 2001 compared with $22.9 million for the prior year. The increase was mainly the result of non-recurring milestone revenues earned as a result of the launch of Nutropin Depot by our collaborative partner, Genentech, discussed above. In addition, there was an increase in funding earned under other collaborative agreements.

Total operating expenses for the year ended March 31, 2001 included $68.8 million in research and development expenses and $19.6 million in general and administrative expenses. This compares with $54.5 million in research and development expenses and $14.9 million in general and administrative expenses for the prior year. Research and development expenses were higher in the year ended March 31, 2001 primarily as a result of an increase in salary and related benefits and other costs associated with an increase in personnel as we advance our own and our collaborators' product candidates through development, clinical trials and commercialization. In addition, we had an increase in depreciation expense as a result of the acquisition of fixed assets. General and administrative expenses for the year ended March 31, 2001 were higher primarily as a result of increased professional fees and consulting costs. In addition, both research and development and general and administrative expenses were impacted by an increase in occupancy costs during the year ended March 31, 2001 as the company expands its facilities in both Massachusetts and Ohio.

Interest income for the year ended March 31, 2001 was $22.4 million, compared with $11.5 million for the prior year. The increase in interest income was primarily the result of the interest income earned on the increase in average cash and investment balances mainly resulting from the investment of the net proceeds from the sale of the 3 3/4% Notes. Interest income also increased as a result of an increase in interest rates as compared to the prior year. Interest expense was $9.4 million for the fiscal year ended March 31, 2001 compared to $3.7 million for the prior year. The increase for fiscal 2001 as compared to fiscal 2000 was primarily the result of interest costs related to the 3 3/4% Notes.

Alkermes, Inc. is a leader in the development of products based on sophisticated drug delivery technologies. The company has several areas of focus: (i) controlled, sustained release of injectable drugs lasting several days to several weeks, utilizing its ProLease and Medisorb(R) technologies and (ii) the development of pharmaceutical products based on proprietary pulmonary drug delivery technologies utilizing its AIR technology. In addition to its Cambridge, Massachusetts headquarters, research and manufacturing facilities, Alkermes operates research and manufacturing facilities in Ohio and a medical affairs office in Cambridge, England.

Alkermes, Inc. and Subsidiaries
Selected Financial Information

Condensed Consolidated Statements of Operations (Unaudited)	Year Ended March 31, 2001	Year Ended March 31, 2000

Revenues:		
Research and development revenue under collaborative arrangements	$ 56,029,865	$ 22,920,357
Expenses:		
Research and development	68,773,691	54,482,672
General and administrative	19,611,284	14,878,753
Noncash compensation (income) expense	(2,447,663)	29,492,656
Total Expenses	85,937,312	98,854,081
Net Operating Loss	(29,907,447)	(75,933,724)
Other Income (Expense):		
Interest income	22,436,856	11,538,884
Interest expense	(9,398,724)	(3,652,498)
Total Other Income (Expense)	13,038,132	7,886,386
Net Loss	(16,869,315)	(68,047,338)
Preferred Stock Dividends	7,267,331	9,388,803
Net Loss Attributable to Common Shareholders	($ 24,136,646)	($ 77,436,141)
Basic and Diluted Loss Per Common Share	($ 0.43)	($ 1.52)
Weighted Average Number of Common Shares Outstanding	55,746,462	51,014,956

Condensed Consolidated Balance Sheets (Unaudited)	March 31, 2001	March 31, 2000
Cash, cash equivalents and total investments	$ 328,344,384	$ 357,461,801
Prepaid expenses and other current assets	16,678,373	8,474,083
Property, plant and equipment, net	36,319,397	32,869,483
Other assets	9,955,060	15,155,738
Total Assets	$ 391,297,214	$ 413,961,105
Total current liabilities	$ 31,062,365	$ 22,487,456
Long-term obligations and other long-term liabilities	11,825,000	23,506,654
Convertible subordinated notes	200,000,000	200,000,000
Total shareholders' equity	148,409,849	167,966,995
Total Liabilities and Shareholders' Equity	$ 391,297,214	$ 413,961,105

This selected financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended March 31, 2001.

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