



## Alkermes Reports Financial Results for First Quarter

August 14, 2001

CAMBRIDGE, Mass., Aug 14, 2001 (BW HealthWire) -- Alkermes, Inc. (NASDAQ:ALKS) today reported financial results for the three-month period ended June 30, 2001. The net loss attributable to common shareholders for the three months ended June 30, 2001 was \$8.3 million or \$0.13 basic and diluted loss per common share. After taking into account preferred stock dividends, net income attributable to common shareholders for the three months ended June 30, 2000 was \$7.9 million or \$0.15 basic and \$0.13 diluted earnings per common share. The company's income in the quarter ended June 30, 2000 resulted from the receipt of a non-recurring milestone payment from a collaborator.

At June 30, 2001, we had total cash and investments of \$314.9 million versus \$328.3 million at March 31, 2001. The decrease in cash and investments was primarily the result of cash used to fund our operations, to acquire fixed assets and to make interest and principal payments on our indebtedness. The decrease was partially offset by the net proceeds from the exercise of stock options and a milestone payment received from a collaborator.

Research and development revenue under collaborative arrangements was \$15.5 million for the three months ended June 30, 2001 compared with \$29.0 million for the same period last year. The decrease for the three months ended June 30, 2001 was the result of the non-recurring milestone revenue earned in the prior period. The decrease was offset by an increase in funding earned and a milestone payment received under other collaborative agreements for the three months ended June 30, 2001.

Total operating expenses for the three months ended June 30, 2001 included \$20.7 million in research and development expenses and \$5.4 million in general and administrative expenses. This compares with \$14.4 million in research and development expenses and \$4.8 million in general and administrative expenses for the same period last year. The increase in research and development expenses for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000 was mainly the result of increases in headcount, external research expenses and lab supplies as we advance our proprietary product candidates and our collaborators' product candidates through development, clinical trials and commercialization. There was also an increase in occupancy costs and depreciation expense as we continue to expand our facilities in both Massachusetts and Ohio. We expect an increase in research and development expenses during fiscal 2002 resulting from the development of our proprietary product candidates and our collaborative product candidates.

The increase in general and administrative expenses for the three months ended June 30, 2001 as compared to the same period of the prior year was mainly the result of an increase in personnel as well as increased professional fees and consulting costs.

There was a significant decrease in noncash compensation expense for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000. The decrease was a result of a significant number of shares of common stock and stock options vesting during the three months ended March 31, 2001. Noncash compensation charges primarily relate to common stock issued and stock options granted to certain employees, consultants and other individuals associated with our wholly owned subsidiary, Advanced Inhalation Research (AIR(TM)), prior to our acquisition in February, 1999.

Interest income for the three months ended June 30, 2001 was \$4.5 million compared to \$5.6 million for the corresponding period of the prior year. This decrease in such income for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000 was primarily the result of a decreased average cash and investment balance as compared to the prior year. Interest income also decreased as a result of a decrease in interest rates as compared to the same prior year period.

Interest expense for the three months ended June 30, 2001 was \$2.3 million as compared to \$2.4 million for the corresponding period of the prior year. This decrease in interest expense for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000 was primarily the result of a decrease in the outstanding debt balance as compared to the prior year.

Alkermes is a leader in the development of products based on sophisticated drug delivery technologies. Alkermes has several areas of focus, including (i) controlled, sustained-release of injectable drugs lasting several days to several weeks, utilizing our ProLease(R) and Medisorb(R) technologies and (ii) the development of pharmaceutical products based on our proprietary AIR pulmonary technology. Alkermes' first product, Nutropin Depot(TM), was launched in the United States by its partner, Genentech, Inc., in June 2000. Nutropin Depot is a long-acting form of Genentech's recombinant human growth hormone using Alkermes' ProLease 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.

Certain statements set forth above may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although Alkermes believes that such statements are based on reasonable assumptions within the bounds of its knowledge of our business and operations, there can be no assurance that: (i) clinical trials of our product candidates will be successful and completed on a timely basis, if at all, (ii) our partners will continue development of any product candidate to the point of receiving marketing approval from regulatory authorities, or (iii) our product candidates will be commercialized successfully.

Alkermes' business is subject to significant risks and there can be no assurance that actual results of our development activities and its results of operations will not differ materially from its expectations. For information with respect to other factors which could cause actual results to differ from expectations, reference is made to the reports filed by the Alkermes with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Selected Financial Information Condensed Consolidated Statements of Operations (Unaudited)	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
Revenues:		
R&D revenue under collaborative arrangements	\$15,526,675	\$28,966,945
Expenses:		
Research and development	20,710,031	17,589,227
General and administrative	5,374,278	4,816,957
Total Expenses	26,084,309	22,406,184
Net Operating (Loss) Income	(10,557,634)	6,560,761
Other Income (Expense):		
Interest income	4,525,015	5,598,966
Interest expense	(2,309,927)	(2,395,180)
Total Other Income	2,215,088	3,203,786
Net (Loss) Income	(8,342,546)	9,764,547
Preferred Stock Dividends	--	1,867,877
Net (Loss) Income Attributable to Common Shareholders	(\$8,342,546)	\$7,896,670
(Loss) Earnings Per Common Share:		
Basic	(\$0.13)	\$0.15
Diluted	(\$0.13)	\$0.13
Weighted Average Common Shares Used to Compute		
(Loss) Earnings Per Common Share:		
Basic	63,236,893	53,957,017
Diluted	63,236,893	59,856,383
Condensed Consolidated Balance Sheets (Unaudited)		
	June 30, 2001	March 31, 2001
Cash, cash equivalents and total investments	\$314,901,791	\$328,344,384
Receivables from collaborative arrangements	17,084,017	10,951,763
Prepaid expenses and other current assets	4,715,215	5,726,610
Property, plant and equipment, net	36,648,746	36,319,398
Other assets	11,203,364	9,955,060
Total Assets	\$384,553,133	\$391,297,215
Total current liabilities	\$ 32,190,901	\$ 31,062,366
Convertible subordinated notes	200,000,000	200,000,000
Long-term obligations	10,725,000	11,825,000
Total shareholders' equity	141,637,232	148,409,849
Total Liabilities and Shareholders' Equity	\$384,553,133	\$391,297,215

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 and the Company's Report on Form 10-Q for the three months ended June 30, 2001.

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