Alkermes Reports Financial Results for Second Quarter

November 8, 2001

CAMBRIDGE, Mass., Nov 8, 2001 (BUSINESS WIRE) -- Alkermes, Inc. (NASDAQ:ALKS) today reported financial results for the three and six month periods ended September 30, 2001. The net loss attributable to common shareholders for the three and six months ended September 30, 2001 was $12.6 and $21.0 million or $0.20 and $0.33 basic and diluted loss per common share. Net loss attributable to common shareholders for the three and six months ended September 30, 2000 was $10.2 and $2.3 million or $0.19 and $0.04 basic and diluted loss per common share. The primary reason for the increase in net loss for the current six month period compared to the prior six month period is the receipt of a significant non-recurring milestone payment from a collaborator in the first quarter of the prior fiscal year. Offsetting this, there has been an increase in research and development revenue from collaborators in the current three month period. There was also an increase in research and development costs compared to the prior fiscal year as we advance our proprietary product candidates and our collaborators' product candidates through development.

At September 30, 2001, we had total cash and investments of $295.4 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 funding from collaborators.

Research and development revenue under collaborative arrangements was $14.5 and $30.0 million for the three and six months ended September 30, 2001 compared with $7.5 and $36.5 million for the same periods last year. The increase for the three months ended September 30, 2001 as compared to September 30, 2000 was the result of increased funding earned under collaborative agreements. The decrease for the six months ended September 30, 2001 as compared to September 30, 2000 was primarily the result of a significant non-recurring milestone payment received from a collaborator during the quarter ended June 30, 2000.

Total operating expenses for the three and six months ended September 30, 2001 included $22.6 and $43.3 million in research and development expenses and $6.4 and $11.8 million in general and administrative expenses. This compares with $16.5 and $30.9 million in research and development expenses and $4.9 and $9.8 million in general and administrative expenses for the same periods last year. The increase in research and development expenses for the three and six months ended September 30, 2001 as compared to the three and six months ended September 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 continuing development of our proprietary product candidates and our collaborators' product candidates.

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

Noncash compensation (income) expense relates primarily to restricted common stock and stock options granted to certain employees, consultants and other individuals associated with our wholly owned subsidiary, Advanced Inhalation Research (AIR(TM)), prior to its acquisition in February 1999. A significant number of shares of such restricted common stock and stock options completed vesting during the three months ended March 31, 2001. Noncash compensation expense is not significant for the three and six months ended September 30, 2001.

Interest income for the three and six months ended September 30, 2001 was $4.2 and $8.7 million compared to $5.7 and $11.3 million for the corresponding periods of the prior year. The decrease in such income for the three and six months ended September 30, 2001 as compared to the three and six months ended September 30, 2000 was primarily the result of a lower average cash and investment balance as compared to the prior year. Interest income also decreased as a result of a decline in interest rates as compared to the same periods in the prior year.

Interest expense for the three and six months ended September 30, 2001 was $2.3 and $4.6 million as compared to $2.3 and $4.7 million for the corresponding periods of the prior year. The decrease in interest expense for the six months ended September 30, 2001 as compared to the six months ended September 30, 2000 was primarily the result of a small 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. We have several areas of focus, including (i) controlled, sustained-release of injectable drugs lasting several days to several weeks, using our ProLease(R) and Medisorb(R) technologies and (ii) the development of pharmaceutical products based on our proprietary AIR(TM) pulmonary technology. In addition to our 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 we believe that such statements are based on reasonable assumptions within the bounds of our 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 that could cause actual results to differ from expectations, reference is made to the reports filed by Alkermes with the Securities and Exchange Commission under the Securities Exchange Act of

1934, as amended.

Alkermes, Inc. and Subsidiaries
Selected Financial Information
Condensed Consolidated
Statements of Operations
(Unaudited)

	Three Months Ended Sept. 30, 2001	Three Months Ended Sept. 30, 2000	Six Months Ended Sept. 30, 2001	Six Months Ended Sept. 30, 2000
Revenues:				
R&D revenue under collaborative arrangements	$14,505,003	$7,514,325	$30,031,678	$36,481,270
Expenses:				
Research and development	22,592,697	16,497,690	43,302,728	30,937,583
General and administrative	6,410,854	4,944,515	11,785,132	9,761,472
Noncash compensation (income) expense - attributed to research and development	--	(2,290,187)	--	859,147
Total Expenses	29,003,551	19,152,018	55,087,860	41,558,202
Net Operating Loss	(14,498,548)	(11,637,693)	(25,056,182)	(5,076,932)
Other Income (Expense):				
Interest income	4,216,637	5,660,429	8,741,652	11,259,395
Interest expense	(2,330,861)	(2,308,476)	(4,640,788)	(4,703,656)
	1,885,776	3,351,953	4,100,864	6,555,739
Net (Loss) Income	(12,612,772)	(8,285,740)	(20,955,318)	1,478,807
Preferred Stock Dividends	--	1,867,714	--	3,735,591
Net Loss Attributable to Common Shareholders	($12,612,772)	($10,153,454)	($20,955,318)	($2,256,784)
Basic and Diluted Loss Per Common Share	($0.20)	($0.19)	($0.33)	($0.04)
Weighted Average Number of Common Shares Outstanding	63,399,285	54,651,444	63,318,533	54,306,128

Condensed Consolidated
Balance Sheets
(Unaudited)

	September 30, 2001	March 31, 2001
Cash, cash equivalents and total investments	$295,371,466	$328,344,384
Receivables from collaborative arrangements	20,424,634	10,951,763
Prepaid expenses and other current assets	4,992,110	5,726,610
Property, plant and equipment, net	39,953,389	36,319,398
Other assets	8,535,830	9,955,060
Total Assets	$369,277,429	$391,297,215
Total current liabilities	$30,872,551	$31,062,366
Long-term obligations	9,750,000	11,825,000
Convertible subordinated notes	200,000,000	200,000,000
Total shareholders' equity	128,654,878	148,409,849
Total Liabilities and Shareholders' Equity	$369,277,429	$391,297,215

This selected financial information should be read in conjunction with the consolidated financial statements and notes thereto included in Alkermes' Annual Report to Shareholders for the year ended March 31, 2001 and Alkermes' Report on Form 10-Q for the three and six months ended September 30, 2001.

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