Alkermes Reports Financial Results for First Quarter

August 14, 2002

CAMBRIDGE, Mass., Aug 14, 2002 (BW HealthWire) -- Alkermes, Inc. (Nasdaq:ALKS) today reported financial results for the three-month period ended June 30, 2002. The net loss for the three months ended June 30, 2002 was $45.3 million or $0.70 basic and diluted loss per common share. The net loss for the three months ended June 30, 2001 was $8.3 million or $0.13 basic and diluted loss per common share. The net loss for the three months ended June 30, 2002 excluding the $24.2 million noncash charge related to the equity in losses of our investment in Reliant Pharmaceuticals, LLC was $21.0 million or $0.33 basic and diluted loss per common share. The increase in the net loss excluding our loss in Reliant was primarily a result of an increase in research and development and general and administrative expenses as we continue to advance our proprietary product candidates and our collaborators' product candidates through development and clinical trials and prepare for commercialization. This was coupled with a decrease in research and development revenues as our Risperdal Consta(TM) program evolves from a development stage project into a commercial program.

At June 30, 2002, the Company had total cash and investments of $118.7 million versus $161.5 million at March 31, 2002. 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.

Research and development revenue under collaborative arrangements was $10.3 million for the three months ended June 30, 2002 compared with $15.5 million for the same period last year. The decrease for the three months ended June 30, 2002 was the result of a milestone payment received during the three months ended June 30, 2001 as well as decreased funding from Janssen during the three months ended June 30, 2002 as the Risperdal Consta project evolves from a development stage project into a commercial program. See the discussion below for further information on Risperdal Consta. The decrease in research and development funding was partially offset by an increase in research and development funding earned under other collaborative agreements.

Total operating expenses for the three months ended June 30, 2002 included $24.6 million in research and development expenses and $6.0 million in general and administrative expenses. This compares with $20.7 million in research and development expenses and $5.4 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, 2002 as compared to the prior period was mainly the result of increases in personnel and external research expenses as we advance our proprietary product candidates and our collaborators' product candidates through development and clinical trials and prepare for commercialization. There was also an increase in occupancy costs as we continue to expand our facilities in both Massachusetts and Ohio. We expect an increase in research and development expenses during fiscal 2003 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, 2002 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.

Interest income for the three months ended June 30, 2002 was $1.4 million compared to $4.5 million for the corresponding period of the prior year. The decrease in such income for the three months ended June 30, 2002 as compared to the three months ended June 30, 2001 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, 2002 was $2.1 million as compared to $2.3 million for the corresponding period of the prior year. The decrease in interest expense for the three months ended June 30, 2002 as compared to the three months ended June 30, 2001 was primarily the result of a decrease in the outstanding debt balance as compared to the prior year.

In December 2001, we announced a strategic alliance with Reliant Pharmaceuticals, LLC. As part of the alliance, in December 2001, we purchased approximately 63% of an offering by Reliant of its Series C Convertible Preferred Units, representing approximately 19% of the equity interest in Reliant, for a purchase price of $100 million. As a result of Reliant's accumulated deficit from operations and deficit in members capital, our share of Reliant's losses from the date of our investment will be recognized in proportion to our percentage participation in the Series C financing, and not in proportion to our percentage ownership interest in Reliant. We record our equity in the income or losses of Reliant three months in arrears. For the three months ended June 30, 2002, this noncash charge amounted to $24.2 million. We anticipate that Reliant will have substantial net losses through 2003, and accordingly, recorded our 63% share of such losses in our consolidated financial statements beginning in the quarter ended March 31, 2002.

Recent Highlights

Risperdal Consta. Risperdal Consta is Alkermes' long-acting formulation of Johnson & Johnson's atypical antipsychotic Risperdal(R) and is intended to improve compliance and reduce relapse among schizophrenic patients. The long-acting formulation is made possible by use of Alkermes' Medisorb(R) drug-delivery technology.

U.S. Regulatory Status. Risperdal Consta has been submitted for review around the world. In the United States, discussions are ongoing with the Food and Drug Administration (FDA), which has issued a non-approvable letter based on questions related to certain aspects of the pre-clinical data. J&J PRD, which is responsible for obtaining regulatory approval of Risperdal Consta, has met with the FDA and is working to answer the agency's questions.

Risperdal Consta European Marketing Approvals. On August 1, 2002, the Company announced that J&J PRD received approval to market Risperdal

Consta in Germany and, on August 9, 2002, J&J PRD received approval to market Risperdal Consta in the United Kingdom. Alkermes will manufacture Risperdal Consta and the product will be marketed by Janssen-Cilag in the United Kingdom and Germany.

Vivitrex Phase III Trial Initiated. During the quarter, Alkermes initiated the pivotal clinical trial of Vivitrex, the company's proprietary injectable extended-release formulation of naltrexone. The multi-center trial will test the efficacy and safety of repeated doses of Vivitrex administered monthly to alcohol-dependent patients. The clinical trial follows the successful completion of a multi-dose, multi-center safety and pharmacokinetic clinical assessment of the product in alcohol-dependent volunteers conducted in the second half of 2001.

Alkermes, Inc. is an emerging pharmaceutical company developing products based on its sophisticated drug delivery technologies to enhance therapeutic outcomes. Our areas of focus include: controlled, extended-release of injectable drugs utilizing our ProLease(R) and Medisorb(R) delivery systems and the development of inhaled pharmaceutical products based on our proprietary Advanced Inhalation Research, Inc. ("AIR") pulmonary delivery system. Our business strategy is twofold. We partner our proprietary technology systems and drug delivery expertise with many of the world's finest pharmaceutical companies and also develop novel, proprietary drug candidates for our own account. In addition to our Cambridge, Massachusetts headquarters, research and manufacturing facilities, we operate 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, various factors may cause our actual results to differ materially for our expectations. These include: whether the issues raised in the non-approvable letter for Risperdal Consta can be resolved in a timely manner, if at all; actions by our partners with regard to marketing and regulatory filings; the outcome of clinical and preclinical work we are pursuing; decisions by the FDA or foreign regulatory authorities regarding our product candidates; potential changes in cost, scope and duration of clinical trials; and decisions we make about the timing and scope of proprietary product development. For further information with respect to factors that could cause actual results to differ from expectations, reference is made to the reports filed by us with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Alkermes will host an earnings conference call at 4:30pm ET on August 14, 2002. The call will be webcast on the investor relations section of Alkermes' website at www.alkermes.com and will be archived until August 19, 2002.

Alkermes, Inc. and Subsidiaries
Selected Financial Information
(in thousands, except per share data)

Condensed Consolidated Statements of Operations (Unaudited)	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001
Revenues:		
Research and development revenue under collaborative arrangements	$10,291	$15,526
Expenses:		
Research and development	24,599	20,710
General and administrative	6,016	5,374
Total Expenses	30,615	26,084
Net Operating Loss	(20,324)	(10,558)
Other Income (Expense):		
Interest income	1,366	4,525
Interest expense	(2,081)	(2,310)
Total Other (Expense) Income	(715)	2,215
Equity in Losses of Reliant Pharmaceuticals, LLC	24,213	-
Net Loss	($45,252)	($8,343)
Basic and Diluted Loss Per Common Share	($0.70)	($0.13)
Weighted Average Number of Common Shares Outstanding	64,261	63,237
Condensed Consolidated Balance Sheets (Unaudited)	June 30, 2002	March 31, 2002
Cash, cash equivalents and total investments	$118,651	$161,473
Receivables from collaborative arrangements	19,502	19,040
Prepaid expenses and other current assets	5,648	5,250
Property, plant and equipment, net	76,194	61,836
Investment in Reliant Pharmaceuticals, LLC	70,384	94,596

Other assets	7,224	8,155
Total Assets	$297,603	$350,350
Total current liabilities	$36,292	$42,886
Convertible subordinated notes	200,000	200,000
Long-term obligations	6,825	7,800
Total shareholders' equity	54,486	99,664
Total Liabilities and Shareholders' Equity	$297,603	$350,350

This selected financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2002 and the Company's Report on Form 10-Q for the three months ended June 30, 2002.

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