Alkermes and Lilly Expand AIR(R) Inhaled Insulin Collaboration

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Companies Sign Manufacturing Agreement Naming Alkermes the Worldwide Commercial Supplier for AIR Inhaled Insulin

CAMBRIDGE, Mass. & INDIANAPOLIS, Jan 08, 2007 (BUSINESS WIRE) -- Alkermes, Inc. (Nasdaq: ALKS) and Eli Lilly and Company (NYSE: LLY) today announced that they have signed a commercial manufacturing agreement for AIR(R) Inhaled Insulin (AIR(R) Insulin). As a result of the agreement, Alkermes will be the exclusive commercial manufacturer of AIR Insulin powder for the AIR(R) Inhaled Insulin System (AIR(R) Insulin System). The manufacturing agreement provides for an additional investment by Lilly for the construction and operation of a second manufacturing line at Alkermes' commercial-scale production facility for inhaled medications, expanding the facility's powder production capacity to meet post-launch requirements. The AIR Insulin System is currently in phase 3 clinical development by Lilly and Alkermes and is being studied as an innovative treatment for type 1 and type 2 diabetes.

In 2001, Lilly and Alkermes entered into a development and license agreement for the collaboration on inhaled formulations of insulin. The agreement announced today builds upon both the manufacturing and clinical development progress made to date and further advances the collaboration by establishing the supply chain for commercial supply of AIR Insulin, post the AIR Insulin System approval.

"We are very pleased that Alkermes will be the exclusive worldwide commercial supplier of AIR Insulin powder," commented Richard Pops, chief executive officer of Alkermes. "Our expanded agreement with Lilly underscores the potential we see for this innovative treatment option, and plans are now underway to build the additional capacity required to support our projected future commercial demand for the AIR Insulin System."

Bryce Carmine, president of global brand development for Lilly, added, "Lilly and Alkermes have built a very strong relationship around the development of the AIR Insulin System. This manufacturing agreement broadens that relationship, and provides the necessary AIR Insulin capacity to meet the needs of patients worldwide. Lilly looks forward to the potential addition of AIR Insulin to our portfolio of innovative diabetes products."

Under the terms of the agreement, Alkermes is responsible for overseeing construction of the second manufacturing line, including process development, scale-up and validation, as well as for the manufacture and supply of inhaled insulin powder. Lilly is responsible for funding activities related to the construction, development and operation of the second manufacturing line as well as the facility expansion required to support the manufacturing line. Lilly is also responsible for all product packaging. If inhaled formulations of insulin are successfully developed and commercialized, Lilly will purchase product from the facility. Additional terms of the agreement were not disclosed.

Lilly/Alkermes Inhaled Insulin Program

Lilly and Alkermes are conducting phase 3 clinical trials for an inhaled insulin system (known as the AIR Insulin System) that delivers insulin via inhalation based on Alkermes' AIR pulmonary delivery technology. The Lilly/Alkermes program is focused on developing an innovative treatment option that can help address the challenges associated with managing type 1 and type 2 diabetes. The AIR Insulin System uses a small, simple inhaler that fits in the palm of a hand. For more information about the phase 3 trials, visit www.lillytrials.com.

About Alkermes, Inc.

Alkermes, Inc. is a biotechnology company that develops innovative medicines designed to yield better therapeutic outcomes and improve the lives of patients with serious disease. Alkermes currently has two commercial products: the first and only long-acting atypical antipsychotic medication approved for use in schizophrenia marketed worldwide by Janssen-Cilag (Janssen), a wholly owned division of Johnson & Johnson; and VIVITROL(R) (naltrexone for extended-release injectable suspension), the first and only once-monthly injectable medication approved for the treatment of alcohol dependence and marketed in the U.S. primarily by Cephalon, Inc. Alkermes' pipeline includes extended-release injectable, pulmonary, and oral products for the treatment of widespread, chronic diseases such as central nervous system disorders, addiction and diabetes. Alkermes' headquarters are in Cambridge, Massachusetts, and it operates research and manufacturing facilities in Massachusetts and Ohio.

About Lilly

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., Lilly provides answers - through medicines and information - for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com.

Certain statements set forth above may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to: statements about the successful continuation of development activities for the AIR Insulin System; the Companies' ability to scale-up, manufacture, supply and successfully commercialize the AIR Insulin System; and the potential demand for the product, if approved by regulatory authorities. Although the Companies believe that such statements are based on reasonable assumptions within the bounds of their knowledge of their businesses and operations, the forward-looking statements are neither promises nor guarantees and the Companies' businesses are subject to significant risk and uncertainties and there can be no assurance that their actual results will not differ materially from their expectations. These risks and uncertainties include, among others: whether AIR Insulin is able to be successfully and efficiently scaled up and manufactured; whether the AIR Insulin System will demonstrate sufficient efficacy and safety to be approved by regulatory authorities or successfully commercialized; decisions by the FDA regarding the product candidate; and whether the Companies' projected future commercial demand will be the actual future demand for the AIR Insulin System. For further information with respect to factors that could cause the Companies' actual results to differ materially from expectations, reference is made to the reports the Companies filed with the Securities and Exchange Commission under the Securities Exchange

Act of 1934, as amended. The Companies disclaim any intention or responsibility for updating forward-looking statements made in this release.

AIR(R) is a registered trademark of Alkermes, Inc. and VIVITROL(R) is a registered trademark of Cephalon, Inc.

SOURCE: Alkermes, Inc.

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