



Alkermes Reports Fiscal Third Quarter 2003 Financial Results; Company Strengthens Financial Position by Raising \$120 Million During Quarter

February 12, 2003

CAMBRIDGE, Mass., Feb 12, 2003 (BUSINESS WIRE) -- Alkermes, Inc. (Nasdaq:ALKS) today reported financial results for the three-month period ended December 31, 2002.

For the quarter ended December 31, 2002, net income on a GAAP basis was \$41.2 million or \$0.64 basic net income per share and \$0.62 diluted net income per share, compared to a net loss of \$17.9 million or \$0.28 net loss per share for the same period in 2001. We had net income for the quarter as a result of an \$80.8 million gain from the exchange of our 3.75% Convertible Subordinated Notes for our new 6.52% Convertible Senior Subordinated Notes which was consummated in December 2002.

Pro forma net loss for the quarter ended December 31, 2002 was \$12.8 million or \$0.20 per share compared to a pro forma net loss of \$15.2 million or \$0.24 per share for the same period in 2001. The pro forma net loss for the quarter ended December 31, 2002 excludes the \$80.8 million gain related to the convertible debt exchange referenced above, \$24.5 million in noncash charges related to our investment in Reliant Pharmaceuticals, LLC, a specialty pharmaceutical company in which Alkermes holds a 19% stake, as well as \$2.3 million in restructuring charges. The restructuring charges relate to additional charges recorded by Alkermes to sublease certain facilities. Pro forma net loss for the quarter ended December 31, 2001 excludes a \$2.7 million noncash charge related to our investment in Reliant in the quarter ended December 31, 2001. The decrease in the pro forma net loss for the current period versus the prior period was primarily the result of an increase in research and development revenues as well as the cost savings from our August 2002 restructuring.

Alkermes is providing pro forma net loss, which excludes the gain related to the convertible debt exchange referred to above, certain restructuring charges as well as noncash charges related to our investment in Reliant Pharmaceuticals, as a complement to results provided in accordance with accounting principles generally accepted in the United States (known as "GAAP"). Management believes this pro forma measure helps indicate underlying trends in our ongoing operations.

Research and development revenue under collaborative arrangements was \$15.2 million for the three months ended December 31, 2002 compared with \$11.5 million for the same period the previous year. The increase in revenue reflects increased funding relating to certain collaborative agreements, including noncash revenue earned as a result of the termination of a collaboration with a partner. The increase in revenues was partially offset by decreased research and development funding from other collaborative agreements, including Janssen Pharmaceutica as the Risperdal Consta(TM) program continues to evolve from a development stage project to a commercial program.

Research and development expenses for the three months ended December 31, 2002 were \$21.2 million as compared to \$23.0 million for the same period of the prior year. General and administrative expenses for the three months ended December 31, 2002 were \$5.4 million as compared to \$5.9 million for the same period of the prior year. The decreases in both research and development and general and administrative expenses were mainly the result of our restructuring in August 2002. There was an increase in occupancy costs and depreciation and amortization as we continue to expand manufacturing and other facilities in both Massachusetts and Ohio.

Interest income for the three months ended December 31, 2002 was \$0.6 million compared to \$4.4 million for the corresponding period of the prior year. The decrease in such income was primarily the result of a lower average cash and investment balance as compared to the prior year, as well as a decline in interest rates. Interest expense for the three months ended December 31, 2002 was \$2.1 million as compared to \$2.1 million for the corresponding period of the prior year.

At December 31, 2002, Alkermes had total cash and investments of \$167.1 million versus \$80.9 million at September 30, 2002. The increase reflects our active financing efforts during the quarter including: \$60 million raised through the sale of our new 6.52% Convertible Senior Subordinated Notes to holders of the 3.75% Convertible Subordinated Notes, a \$30 million purchase of convertible preferred stock by Eli Lilly, a \$23.9 million advance payment from Janssen Pharmaceutica relating to the first two years of minimum revenues for Risperdal Consta and a \$6 million equipment lease financing.

"The successful completion of our exchange offer, concurrent sale of new notes and funding received from partners during the quarter strengthened our balance sheet and provided us with the financial resources to continue to build our manufacturing infrastructure and move our clinical pipeline forward," commented Richard Pops, Chief Executive Officer of Alkermes. "We expect that calendar 2003 will be an important year for Alkermes as we accelerate our transition into an integrated pharmaceutical company, including the continuing approvals of Risperdal Consta around the world and completion of our Phase III Vivitrex(TM) trial, our first proprietary product."

Company Highlights Risperdal Consta(TM) Regulatory Approvals

Risperdal Consta(TM) is currently approved for sale in 13 countries. Alkermes developed the delivery technology for Risperdal Consta, which is an injectable, long-acting formulation of Risperdal(R), a Janssen Pharmaceutica drug, the most widely prescribed antipsychotic in the United States. Janssen, a wholly owned subsidiary of Johnson & Johnson, is currently marketing Risperdal Consta in Austria, Denmark, Germany, Switzerland and the United Kingdom. Janssen has also received marketing approval in Finland, Iceland, Ireland, Israel, Korea, Mexico, the Netherlands and New Zealand.

Convertible Debt Exchange Offer and Financing

During the quarter, Alkermes completed an exchange offer with the holders of our 3.75% Convertible Subordinated Notes due 2007 whereby substantially all of the notes were exchanged for our new 6.52% Convertible Senior Subordinated Notes due in 2009. We issued \$174.6 million aggregate principal amount of the new notes, which represented \$114.6 million of the new 6.52% notes issued in exchange for the 3.75% notes tendered in the exchange offer and \$60.0 million of the new 6.52% notes sold for cash to holders of the 3.75% notes.

Expansion of Inhaled Insulin Collaboration with Eli Lilly

Alkermes expanded its collaboration with Eli Lilly and Company for the development of inhaled formulations of insulin and hGH based on our AIR(R) pulmonary drug delivery technology. Pursuant to the agreements, Lilly purchased \$30 million of newly issued convertible preferred stock of Alkermes. Alkermes agreed to use the proceeds from the preferred stock to fund primarily the inhaled insulin program during calendar year 2003 and 2004 and agreed to use a portion of the proceeds to fund the hGH development program during calendar year 2003. In addition, the royalty rate payable to Alkermes based on revenues of potential inhaled insulin products was increased. Lilly has the right to exchange the preferred shares for a reduction in this royalty rate.

AIR(R) Epinephrine Phase I Results

In November 2002, Alkermes announced the successful completion of a Phase I study in healthy volunteers designed to investigate the safety of AIR Epinephrine, a proprietary, inhaled formulation of epinephrine for the treatment of anaphylaxis. The dose escalation study evaluated safety, tolerability and pharmacokinetics of single and repeat doses of inhaled epinephrine compared to the standard epinephrine delivered with an intramuscular auto-injection system. The findings demonstrated systematic bioavailability of the inhaled formulation and delivery of clinically active dosage levels of epinephrine. AIR Epinephrine was generally well tolerated.

Alkermes, Inc. is an emerging pharmaceutical company developing products based on our 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(R)") 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.

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 from our expectations. These include: whether regulatory approvals will be received for Risperdal Consta, particularly in the United States after the receipt of a non-approvable letter from the FDA; whether sales of Risperdal Consta or our other products will meet expectations, particularly because we rely on our partners to market certain products; and whether advancement of our pipeline will be delayed due to: actions by our partners with regard to development and regulatory filings which are out of our control; the outcome of clinical and preclinical work we are pursuing; decisions by the FDA or foreign regulatory authorities regarding our product candidates; and potential changes in cost, scope and duration of clinical trials. 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 EST on February 12, 2003. The call will be webcast on the investor relations section of Alkermes' website at www.alkermes.com and will be archived until Monday, February 17, 2003.

Alkermes, Inc. and Subsidiaries

Selected Financial Information

(in thousands, except per share data)

Condensed Consolidated Statements of Operations (Unaudited)	Three Months Ended		Nine Months Ended	
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Revenues:				
Research and development revenue under collaborative arrangements	\$15,195	\$11,451	\$34,957	\$41,483
Expenses:				
Research and development	21,166	23,040	73,951	66,343
General and administrative	5,367	5,903	20,580	17,688
Restructuring costs	2,274	-	5,956	-
Total Expenses	28,807	28,943	100,487	84,031
Net Operating Loss	(13,612)	(17,492)	(65,530)	(42,548)
Other Income (Expense):				
Interest income	553	4,428	2,986	13,170
Gain on exchange of notes	80,849	-	80,849	-
Interest expense	(2,058)	(2,136)	(6,206)	(6,778)
Total Other Income (Expense)	79,344	2,292	77,629	6,392
Equity in Losses of Reliant Pharmaceuticals, LLC	24,482	2,700	83,951	2,700
Net Income (Loss)	\$41,250	(\$17,900)	(\$71,852)	(\$38,856)
Net Income (Loss) per Common Share:				
Basic	\$0.64	(\$0.28)	(\$1.12)	(\$0.61)
Diluted	\$0.62	(\$0.28)	(\$1.12)	(\$0.61)

Weighted Average Common Shares

Used to Compute Net Income

(Loss) per Common Share:

Basic	64,409	63,896	64,329	63,512
Diluted	67,059	63,896	64,329	63,512

Condensed Consolidated

Balance Sheets (Unaudited)	December 31, 2002	March 31, 2002
Cash, cash equivalents and total investments	\$167,141	\$161,473
Receivables from collaborative arrangements	14,676	19,040
Prepaid expenses and other current assets	3,383	5,250
Property, plant and equipment, net	87,739	61,836
Investment in Reliant Pharmaceuticals, LLC	10,646	94,596
Other assets	7,550	8,155
Total Assets	\$291,135	\$350,350
Total current liabilities	\$47,254	\$42,886
Deferred revenue	13,486	-
Total convertible senior subordinated notes	166,265	200,000
Long-term obligations	5,775	7,800
Convertible preferred stock	30,000	-
Total shareholders' equity	28,355	99,664
Total Liabilities and Shareholders' Equity	\$291,135	\$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/A for the year ended March 31, 2002 and the Company's Report on Form 10-Q for the three and nine months ended December 31, 2002.

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