Alkermes Announces Reduction in Workforce; Reducing Cost Structure as Company Plans for Profitability

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CAMBRIDGE, Mass., Aug 26, 2002 (BUSINESS WIRE) -- Alkermes, Inc. (Nasdaq: ALKS) today announced that it is reducing the size of its staff and focusing its product development activities in order to reduce its cost structure. The company is taking these actions based on its current expectations of the financial impact of a delay in the U.S. launch of Risperdal Consta(TM). The company is reducing its workforce by 122 employees, representing 23% of its total workforce. The reduction is across all functions of the company.

"Alkermes' long-term strategy and business plan remain on track. We are adjusting our staffing levels to align with near-term revenues which we anticipate will be lower than expected due to regulatory delays," said Richard Pops, Chief Executive Officer of Alkermes. "Adjusting our cost structure will enable us to meet our financial objectives and continue to build on the strengths of our business strategy, our world-class drug delivery technology and our capabilities to evolve our product pipeline into novel drug therapies."

The reduction in force, effective today, will reduce Alkermes' workforce to 419 employees from 541 employees. Affected employees will be eligible for a severance package that includes severance pay, continuation of benefits and outplacement services.

The company expects to realize expense savings of approximately $20 to $25 million in fiscal 2003, excluding restructuring charges, and $40 to $45 million in fiscal 2004 from the reduction in force and related operating expense savings, including consolidation of facilities, write-off of related assets and reduction of other expenses. The company expects to take a one time restructuring charge of approximately $3.5 to $4.0 million in the second quarter ending September 30, 2002.

In the context of reducing its cost structure, Alkermes is focusing its development activities on those programs that are in the later stages of clinical development and those programs that involve the most productive collaborations. The company is moving aggressively forward in evaluating and prioritizing the programs that offer the greatest commercial potential.

Alkermes' cost structure can be viewed in three parts: costs associated with collaborative programs with pharmaceutical companies, costs associated with its own proprietary product development programs, and costs associated with building and maintaining its manufacturing infrastructure. Revenue is generated through funded collaborations, manufacturing activities, and, increasingly over time, royalty income from its partners. Alkermes is adjusting staffing and spending levels that are aligned with the current near term revenue expectations resulting from U.S. regulatory issues regarding Risperdal Consta and the tightening of external research budgets by pharmaceutical partners.

"Alkermes has a very balanced and adaptable business model," said Pops. "These changes reduce our cost structure while maintaining the outstanding capabilities of the organization."

About Alkermes, Inc.

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.

Many 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 current knowledge of our business and operations, our business is subject to significant risks and various factors may cause our actual results to differ materially from our expectations. These include, among others: (i) the expense savings from the reduction in workforce may be less than expected or may not be adequate to align with actual revenues; (ii) the remaining workforce and company organization may not be adequate to successfully meet the demands of our product programs; (iii) Johnson & Johnson Pharmaceutical Research and Development, LLC received a non-approvable letter for Risperdal Consta from the FDA and the issues raised therein may not be resolved in a timely fashion, if at all; (iv) our collaborators could elect to terminate or delay programs at any time; (v) our products and our product candidates, if approved for marketing, may not be successfully commercialized or produce significant revenues; (vi) our product development efforts, even with regard to late-stage product candidates, may not produce safe, efficacious, approvable or commercially viable products; (vii) we will need to spend substantial funds to become profitable and will, therefore, continue to incur losses for the foreseeable future; and (viii) we could incur difficulties or set-backs in obtaining the substantial additional funding required to continue research and development programs and 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, including our Annual Report on Form 10-K.

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