



Alkermes Reports Financial Results for Fiscal Year 2002

June 27, 2002

CAMBRIDGE, Mass., Jun 27, 2002 (BUSINESS WIRE) -- Alkermes, Inc. (NASDAQ:ALKS) today reported its financial results for the fiscal year ended March 31, 2002. The net loss for the fiscal year ended March 31, 2002 was \$61.4 million as compared to a net loss of \$16.9 million in the prior year. The net loss attributable to common shareholders in fiscal 2002 was \$61.4 million, or \$0.96 per share, as compared to a net loss of \$24.1 million, or \$0.43 per share, for the prior year after taking into account preferred stock dividends of zero and \$7.3 million in fiscal 2002 and 2001, respectively. Included in the net loss for fiscal 2002 is a \$5.4 million noncash charge related to the equity investment Alkermes made in Reliant Pharmaceuticals, LLC in December 2001, as discussed below.

The increase in the net loss for the year ended March 31, 2002 as compared to the prior year was primarily the result of significant non-recurring milestone revenues earned in the fiscal year 2001. Revenues from partners increased significantly during fiscal year 2002, largely offsetting the decrease associated with the significant milestone earned in fiscal 2001. We also had an increase in research and development 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 general and administrative expenses as discussed below.

At March 31, 2002, Alkermes had total cash and investments of \$161.5 million, as compared to \$328.3 million at March 31, 2001. During the year ended March 31, 2002, the decrease in cash and cash equivalents and investments was primarily the result of the \$100 million equity investment we made in Reliant Pharmaceuticals, LLC in December 2001. The decrease in cash and investments was also a 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 revenues under collaborative arrangements were \$54.1 million for the year ended March 31, 2002 compared with \$56.0 million for the prior year. The decrease was primarily the result of a significant non-recurring milestone earned in fiscal 2001, which was largely offset by a significant increase in research and development revenue under collaborative agreements during fiscal 2002.

Total operating expenses for the year ended March 31, 2002 included \$92.1 million in research and development expenses and \$24.4 million in general and administrative expenses. This compares with \$68.8 million in research and development expenses and \$19.6 million in general and administrative expenses for the prior year. Research and development expenses were higher in the year ended March 31, 2002 primarily as a result of increases in personnel, external research expenses and lab supplies 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 and depreciation expense as we continue to expand our facilities in both Massachusetts and Ohio. General and administrative expenses for the year ended March 31, 2002 were higher primarily as a result of an increase in personnel, as well as increased professional fees, consulting costs and noncash compensation expense.

Noncash compensation expense (income) was \$1.9 million for the year ended March 31, 2002 as compared to (\$2.4) million for the prior year. In fiscal 2002, noncash compensation expense was primarily related to restricted stock awards granted during fiscal 2002 and is included in research and development expenses and general and administrative expenses, as appropriate. In fiscal 2001, noncash compensation income related to restricted common stock and stock options granted to certain employees and consultants associated with our wholly owned subsidiary, AIR(TM), prior to its acquisition in fiscal 1999. The majority of such restricted common stock and stock options completed vesting during fiscal 2001 and therefore, noncash compensation expense is no longer being separately disclosed in the Statement of Operations in fiscal 2002. Fluctuations in noncash compensation charges during fiscal 2001 were primarily a result of changes in the market value of our common stock, partially offset by a reduction in the number of shares of common stock subject to future vesting. As a result of fluctuations in our common stock price during fiscal 2001, we recognized noncash compensation income for the year based on the calculation of noncash compensation for consultants, as prescribed under the fair value method of accounting.

Interest income for the year ended March 31, 2002 was \$15.3 million, as compared with \$22.4 million for the prior year. The decrease in interest income was primarily the result of lower average cash and investment balances as compared to the prior year. Interest income also decreased as a result of a decline in interest rates as compared to the prior year. Interest expense was \$8.9 million for the fiscal year ended March 31, 2002 as compared to \$9.4 million for the prior year. The decrease for fiscal 2002 as compared to fiscal 2001 was primarily the result of a decrease in the average outstanding debt balance as compared to the prior year.

Equity in losses of Reliant Pharmaceuticals, LLC for the year ended March 31, 2002 was \$5.4 million. In December 2001, Alkermes announced a strategic alliance with Reliant, in which Alkermes 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. In the quarter ended December 31, 2001 we recorded a \$2.7 million noncash charge for in-process research and development. Reliant is organized as a limited liability company which is treated in a manner similar to a partnership and because Reliant had an accumulated deficit from operations and a deficit in members' capital, our share of Reliant's losses from the date of our investment is recognized in proportion to our percentage participation in the Series C financing and not in proportion to our 19% ownership in Reliant. We are recording our equity in the losses of Reliant three months in arrears. Therefore, during the three months ended March 31, 2002, we recorded a separate \$2.7 million noncash charge for our 63% share of Reliant's losses from the date of our initial investment through December 31, 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, there can be no assurance that actual results of our development activities and results of operations will not differ materially from our expectations. For 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.

Note: Alkermes will host a conference call at 4:30pm EDT on June 27, 2002. The call will be webcast on the investor relations section of Alkermes' website at www.alkermes.com and will be archived until July 1, 2002.

Alkermes, Inc. and Subsidiaries

Selected Financial Information

Condensed Consolidated Statements of Operations (Unaudited) (In thousands, except per share data)	Year Ended March 31, 2002	Year Ended March 31, 2001
Revenues:		
Research and development revenue under collaborative arrangements	\$ 54,102	\$ 56,030
Expenses:		
Research and development	92,092	68,774
General and administrative	24,387	19,611
Noncash compensation income	--	(2,448)
Total Expenses	116,479	85,937
Net Operating Loss	(62,377)	(29,907)
Other Income (Expense):		
Interest income	15,302	22,437
Interest expense	(8,876)	(9,399)
Total Other Income	6,426	13,038
Equity in Losses of Reliant Pharmaceuticals, LLC	(5,404)	--
Net Loss	(61,355)	(16,869)
Preferred Stock Dividends	--	7,268
Net Loss Attributable to Common Shareholders	(\$ 61,355)	(\$ 24,137)
Basic and Diluted Loss Per Common Share	(\$ 0.96)	(\$ 0.43)
Weighted Average Number of Common Shares Outstanding	63,669	55,746
Condensed Consolidated Balance Sheets (Unaudited)	March 31, 2002	March 31, 2001
Cash, cash equivalents and total investments	\$ 161,473	\$ 328,344
Accounts receivables, prepaid expenses and other current assets	24,289	16,679
Property, plant and equipment, net	61,836	36,319
Investment in Reliant Pharmaceuticals, LLC	94,597	--
Other assets	8,155	9,955
Total Assets	\$ 350,350	\$ 391,297
Total current liabilities	\$ 42,886	\$ 31,062
Long-term obligations	7,800	11,825
Convertible subordinated notes	200,000	200,000
Total shareholders' equity	99,664	148,410
Total Liabilities and Shareholders' Equity	\$ 350,350	\$ 391,297

This selected financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended March 31, 2002.

Alkermes, Inc. and Subsidiaries

Quarterly Financial Data Fiscal 2002

(In thousands, except per share data)

Three Months Ended
June 30, Sept. 30, Dec. 31, March 31,

Revenues:	2001	2001	2001	2002
Research and development revenue under collaborative arrangements	\$ 15,527	\$ 14,505	\$ 11,451	\$ 12,619
Expenses:				
Research and development	20,710	22,593	23,040	25,749
General and administrative	5,374	6,411	5,903	6,699
Total Expenses	26,084	29,004	28,943	32,448
Net Operating Loss	(10,557)	(14,499)	(17,492)	(19,829)
Other Income (Expense):				
Interest income	4,525	4,217	4,428	2,132
Interest expense	(2,310)	(2,331)	(2,136)	(2,099)
Total Other Income	2,215	1,886	2,292	33
Equity in Losses of Reliant Pharmaceuticals, LLC	--	--	2,700	2,704
Net Loss	(\$ 8,342)	(\$ 12,613)	(\$ 17,900)	(\$ 22,500)
Basic and Diluted Loss Per Common Share	(\$ 0.13)	(\$ 0.20)	(\$ 0.28)	(\$ 0.35)
Weighted Average Number of Common Shares Outstanding	63,237	63,399	63,896	64,148
		Total		
		March 31,		
Revenues:		2002		
Research and development revenue under collaborative arrangements		\$ 54,102		
Expenses:				
Research and development		92,092		
General and administrative		24,387		
Total Expenses		116,479		
Net Operating Loss		(62,377)		
Other Income (Expense):				
Interest income		15,302		
Interest expense		(8,876)		
Total Other Income		6,426		
Equity in Losses of Reliant Pharmaceuticals, LLC		5,404		
Net Loss		(\$ 61,355)		
Basic and Diluted Loss Per Common Share		(\$ 0.96)		
Weighted Average Number of Common Shares Outstanding		63,669		

This quarterly financial data should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report for the year ended March 31, 2002.

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