



## Alkermes Reports Financial Results for Third Quarter

February 14, 2002

CAMBRIDGE, Mass., Feb 14, 2002 (BW HealthWire) -- Alkermes, Inc. (NASDAQ:ALKS) today reported financial results for the three and nine month periods ended December 31, 2001. The net loss attributable to common shareholders for the three and nine months ended December 31, 2001 was \$17.9 and \$38.9 million or \$0.28 and \$0.61 basic and diluted loss per common share. Net loss attributable to common shareholders for the three and nine months ended December 31, 2000 was \$9.5 and \$11.7 million or \$0.17 and \$0.21 basic and diluted loss per common share. The primary reason for the increase in net loss for the current nine month period compared to the prior nine month period is the receipt of a significant non-recurring milestone payment from a collaborator in the first quarter of the prior fiscal year. Partially offsetting this, there has been an increase in research and development revenue from collaborators in the current fiscal year. There was also an increase in research and development expenses compared to the prior fiscal year as we advance our proprietary product candidates and our collaborators' product candidates through development.

At December 31, 2001 we had total cash and investments of \$207.9 million versus \$328.3 million at March 31, 2001. The decrease in cash and investments was primarily the result of a \$100 million equity investment in Reliant Pharmaceuticals, LLC in December 2001, the funding of our operations and the acquisition of fixed assets. The decrease was partially offset by funding from collaborators and an increase in short-term indebtedness.

Research and development and other revenue under collaborative arrangements was \$11.5 and \$41.5 million for the three and nine months ended December 31, 2001 compared with \$9.7 and \$46.2 million for the same periods last year. The increase for the three months ended December 31, 2001 as compared to December 31, 2000 was the result of increased funding earned under collaborative agreements. The decrease for the nine months ended December 31, 2001 was primarily the result of a significant non-recurring milestone payment from a collaborator during the quarter ended June 30, 2001, partially offset by an increase in research and development funding earned during the current fiscal year.

Total operating expenses for the three and nine months ended December 31, 2001 included \$23.0 and \$66.3 million in research and development expenses and \$5.9 and \$17.7 million in general and administrative expenses. This compares with \$15.2 and \$47.0 million in research and development expenses and \$5.0 and \$14.7 million in general and administrative expenses for the same periods last year. The increase in research and development expenses for the three and nine months ended December 31, 2001 as compared to the three and nine months ended December 31, 2000 was mainly the result of increases in headcount, 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. We expect an increase in research and development expenses during fiscal 2002 resulting from the continuing development of our proprietary product candidates and our collaborators' product candidates. The increase in general and administrative expenses for the three and nine months ended December 31, 2001 as compared to the same periods 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 and nine months ended December 31, 2001 was \$4.4 and \$13.2 million compared to \$5.5 and \$16.8 million for the corresponding periods of the prior year. The decrease in such income for the three and nine months ended December 31, 2001 as compared to the three and nine months ended December 31, 2000 was primarily the result of a lower average cash and investment balance as compared to the prior year periods. Interest income also decreased as a result of a decline in interest rates as compared to the same periods in the prior year.

Interest expense for the three and nine months ended December 31, 2001 was \$2.1 and \$6.8 million as compared to \$2.4 and \$7.1 million for the corresponding periods of the prior year. The decrease in interest expense for the three and nine months ended December 31, 2001 as compared to the three and nine months ended December 31, 2000 was primarily the result of a decrease in the average outstanding debt balance as compared to the prior year periods.

In connection with our \$100 million equity investment in Reliant Pharmaceuticals, LLC in December 2001, we have taken a \$2.7 million noncash charge for in-process research and development.

Alkermes is a leader in the development of products based on sophisticated drug delivery technologies. We have several areas of focus including (i) controlled, sustained-release of injectable drugs lasting several days to several weeks using our ProLease(R) and Medisorb(R) technologies and (ii) the development of pharmaceutical products based on our proprietary AIR(TM) pulmonary technology. In addition to our Cambridge, Massachusetts headquarters, research and manufacturing facilities, Alkermes operates 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: (i) clinical trials of our product candidates will be successful and completed on a timely basis, if at all, (ii) our partners will continue development of any product candidate to the point of receiving marketing approval from regulatory authorities, or (iii) our product candidates will be commercialized successfully.

Alkermes' business is subject to significant risks and there can be no assurance that actual results of our development activities and its results of operations will not differ materially from its expectations. For information with respect to other factors that could cause actual results to differ from expectations, reference is made to the reports filed by Alkermes with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Alkermes, Inc. and Subsidiaries  
Selected Financial Information  
Condensed

Consolidated Statements of Operations (Unaudited)	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000	Nine Months Ended December 31, 2001	Nine Months Ended December 31, 2000
Revenues:				
R&D revenue under collaborative arrangements	\$ 11,451,330	\$ 9,689,267	\$ 41,483,008	\$ 46,170,537
Expenses:				
Research and development	23,040,406	15,219,191	66,343,134	47,015,921
General and administrative	5,902,600	4,968,541	17,687,732	14,730,013
Total Expenses	28,943,006	20,187,732	84,030,866	61,745,934
Net Operating Loss	(17,491,676)	(10,498,465)	(42,547,858)	(15,575,397)
Other Income (Expense):				
Interest income	4,427,945	5,506,031	13,169,597	16,765,426
Interest expense	(2,136,628)	(2,365,148)	(6,777,416)	(7,068,804)
	2,291,317	3,140,883	6,392,181	9,696,622
Equity in losses of Reliant Pharmaceuticals, LLC	(2,700,000)	--	(2,700,000)	--
Net Loss	(17,900,359)	(7,357,582)	(38,855,677)	(5,878,775)
Preferred Stock Dividends	--	2,095,044	--	5,830,635
Net Loss Attributable to Common Shareholders	(\$17,900,359)	(\$ 9,452,626)	(\$38,855,677)	(\$11,709,410)
Basic and Diluted Loss Per Common Share (\$				
Weighted Average Number of Common Shares Outstanding	63,895,510	55,670,025	63,511,558	54,762,414
Condensed Consolidated Balance Sheets (Unaudited)				
			December 31, 2001	March 31, 2001
Cash, cash equivalents and total investments			\$207,911,318	\$328,344,384
Receivables from collaborative arrangements			19,194,657	10,951,763
Prepaid expenses and other current assets			4,485,364	5,726,610
Property, plant and equipment, net			48,673,249	36,319,398
Other assets			8,758,344	9,955,060
Investment in Reliant Pharmaceuticals, LLC			97,300,000	--
Total Assets			\$386,322,932	\$391,297,215
Total current liabilities			\$ 56,409,631	\$ 31,062,366
Long-term obligations			8,775,000	11,825,000
Convertible subordinated notes			200,000,000	200,000,000
Total shareholders' equity			121,138,301	148,409,849
Total Liabilities and				

Shareholders' Equity \$386,322,932 \$391,297,215

This selected financial information should be read in conjunction with the consolidated financial statements and notes thereto included in Alkermes' Annual Report to Shareholders for the year ended March 31, 2001 and Alkermes' Report on Form 10-Q for the three and nine months ended December 31, 2001.

Certain reclassifications have been made to the prior year periods to conform to the presentation used in the current year periods.

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