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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended July 31, 2003

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission file number: 0-27756

ALEXION PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-3648318**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

352 Knotter Drive, Cheshire Connecticut 06410
(Address of Principal Executive Offices) (Zip Code)

203-272-2596
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.0001

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System on January 31, 2003, was approximately $229,249,000.

The number of shares of Common Stock outstanding as of January 31, 2003 was 18,208,796.

PART I

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS THAT HAVE BEEN MADE PURSUANT TO THE PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS, ESTIMATES AND PROJECTIONS ABOUT THE COMPANY'S INDUSTRY, MANAGEMENT'S BELIEFS AND CERTAIN ASSUMPTIONS MADE BY THE COMPANY'S MANAGEMENT. WORDS SUCH AS "ANTICIPATES," "EXPECTS," "INTENDS," "PLANS," "BELIEVES," "SEEKS," "ESTIMATES," VARIATIONS OF SUCH WORDS AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT; THEREFORE, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR FORECASTED IN ANY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH HEREIN UNDER "IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS," ATTACHED HERETO AS EXHIBIT 99.1. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. HOWEVER, READERS SHOULD CAREFULLY REVIEW THE RISK FACTORS SET FORTH IN OTHER REPORTS OR DOCUMENTS THE COMPANY FILES FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION.

Item 1. *Business.*

Overview

We are engaged in the discovery and development of therapeutic products aimed at treating patients with a wide array of severe disease states, including cardiovascular, autoimmune and hematologic disorders, inflammation and cancer. Since our incorporation in January 1992, we have devoted substantially all of our resources to drug discovery, research, and product and clinical development. Additionally, through our wholly owned subsidiary, Alexion Antibody Technologies, Inc., or AAT, we are engaged in the discovery and development of a portfolio of additional antibody therapeutics targeting severe unmet medical needs. During the fiscal years ended July 31, 2003, 2002, and 2001, we spent $71.0 million, $60.0 million, and $38.8 million, respectively, on research and development activities, excluding acquisition related non-cash charges for in-process research and development and amortization of goodwill and impairment loss on fixed assets.

Our two lead product candidates are therapeutic antibodies that address specific diseases that arise when the human immune system produces inflammation in the human body. Antibodies are proteins that bind specifically to selected targets, or antigens, in the body. After the antibody binds to its target, it may activate the body's immune system against the target, block activities of the target or stimulate activities of the target. We are currently examining our two lead antibody product candidates in a variety of clinical development programs.

One of our antibody product candidates, pexelizumab, is an antibody fragment under development in collaboration with Procter & Gamble Pharmaceuticals, or P&G, in acute cardiovascular disorders. Pexelizumab is currently in evaluation in a pivotal Phase III trial, PRIMO-CABG, in patients undergoing coronary artery bypass graft surgery, or CABG, with cardiopulmonary bypass, or CPB. This study completed the target patient enrollment of approximately 3,000 patients in February 2003. In August 2003, we disclosed preliminary results

that indicated that although there was reduction in the primary endpoint, it was not achieved with statistical significance. The primary endpoint in this trial was a composite of the incidence of death or myocardial infarction, measured at 30 days post-procedure, in the subpopulation of patients undergoing CABG without concomitant valve surgery. However, key pre-specified secondary endpoints consisting of the same composite in the overall study population, which included all patients undergoing CABG with or without concomitant valve surgery, were achieved. Further details of this PRIMO-CABG trial will be provided after all data analyses are complete, and are expected to be presented at the Late-Breaking Clinical Trials Session of the 2003 Scientific Sessions Meeting of the American Heart Association, during the second week of November. After completion of the trial data analysis, we will, in collaboration with P&G, discuss with the U.S. Food and Drug Administration, or FDA, the next steps required for the potential advancement of pexelizumab toward product licensure. In September 2000 the FDA granted "Fast Track" status for the development of pexelizumab in CPB. Fast Track designation provides for expedited development and application review for approval of a drug through the FDA.

We are not currently able to predict the reaction of the FDA and other regulatory agencies to the results of this Phase III trial. Such reactions may include, but are not limited to, the view that the results may be sufficient for filing and approval of a Biologics License Application, or BLA, supportive of the filing and approval of a BLA together with additional studies, or not supportive of the filing or approval of a BLA. Further, we are not currently able to predict the reaction of Procter & Gamble Pharmaceuticals, or P&G, our collaborative partner, to the results of this Phase III trial, including how those results may affect P&G's views of pexelizumab. P&G retains the development rights and the rights to terminate the collaboration discussed elsewhere in this annual report on Form 10-K, including under the header entitled "Strategic Alliance with Procter & Gamble" and in the Risk Factors attached as Exhibit 99.1.

Also in collaboration with P&G, we are planning a Phase III study with pexelizumab in patients undergoing percutaneous coronary intervention or PCI for acute myocardial infarction or heart attack. The progress to a phase III study in acute myocardial infarction, or AMI, is pending discussions with the FDA. We have concluded two Phase II studies with pexelizumab in AMI: one study in patients receiving angioplasty, a procedure for opening up narrowed or blocked arteries that supply blood to the heart, and the other in patients receiving thrombolytic therapy, a procedure for dissolving clots that block heart vessels. The angioplasty study, called COMMA, and the thrombolytic study, called COMPLY, completed patient enrollment in April 2002 and January 2002, respectively. Results from both studies were reported at the November 2002 annual meeting of the American Heart Association. In both studies, the primary endpoint of a reduction of myocardial infarction, or death of heart muscle, was not reached; however in the COMMA study, pexelizumab treatment was associated with a statistically significant, dose dependent reduction in death.

Our other lead antibody product candidate, eculizumab, is in clinical development for the treatment of a variety of chronic inflammatory diseases. In particular, eculizumab is under evaluation in a Phase I extension study in paroxysmal nocturnal hemoglobinuria, or PNH, patients. PNH is a rare chronic blood disease characterized by severe anemia and risk of blood clotting or thrombosis. Preliminary results from the open-label three month PNH pilot study performed in the United Kingdom were presented at the American Society of Hematology, or ASH, meeting in December 2002. In this PNH study, eculizumab was well-tolerated and associated with a 69% reduction in the need for blood transfusions, up to 81% reduction in biochemical parameters of hemolysis or destruction of red cells, and 96% reduction in clinical paroxysms. An open-label extension trial that will help us evaluate long term-safety is ongoing in which all eleven PNH patients are participating.

Eculizumab is also under evaluation for the treatment of rheumatoid arthritis and membranous nephritis, a kidney disease. We completed enrollment in January 2003 for the ongoing Phase IIb study with eculizumab in approximately 350 rheumatoid arthritis patients. We expect to release the full results in the latter part of 2003 or the first half of 2004. In November 2002, preliminary results were reported at the American Society of Nephrology annual meeting from two clinical trials evaluating eculizumab in patients with membranous nephritis. Results from the first, randomized, placebo controlled double blind, membranous nephritis study showed that eculizumab was well tolerated, but did not reach its primary clinical efficacy endpoint of reduction in proteinuria, an abnormal loss of substantial amounts of protein in a patient's urine, after four months of therapy. In the second membranous nephritis study, both placebo and eculizumab treated patients from the four month study were treated in an open-label extension trial for an additional 12 months with eculizumab therapy. In this second study, eculizumab was well tolerated and was associated with an increased remission rate at 12 months and with significant improvements in proteinuria and other important components of nephrotic syndrome.

In January 2002, we completed a Phase I pilot safety trial in dermatomyositis, an inflammatory skin and muscle disorder, which indicated that eculizumab appeared to be safe and well tolerated in this patient population. We reviewed the clinical data with the FDA and have considered whether to initiate a Phase II clinical study for eculizumab in this disease. We have elected not to pursue this program further at this time to more efficiently focus resources on other on-going eculizumab development programs.

Through AAT, our wholly owned subsidiary with extensive combinatorial human antibody library technologies and expertise, we have developed important additional capabilities to discover and develop additional antibody product candidates for the treatment of inflammatory diseases and cancer.

To date, we have not received any revenues from the sale of our products. We have incurred operating losses since our inception. As of July 31, 2003, we had an accumulated deficit of approximately $265 million. We expect to incur substantial and increasing operating losses for the next several years due to expenses associated with product research and development, pre-clinical studies and clinical testing, regulatory activities, manufacturing development, scale-up and commercial manufacturing, pre-commercialization activities and developing a sales and marketing force. We will need to obtain additional financing to cover these costs. We have executed a large-scale product supply agreement with Lonza Biologics, plc, or Lonza, for the long-term commercial manufacture of eculizumab.

We plan to develop and commercialize on our own those product candidates for which the clinical trials and commercialization requirements can be funded and accomplished by our own resources. For those products which require greater resources, our strategy is to form corporate partnerships with major pharmaceutical companies for product development and commercialization, where we will still play a major role.

In September 2003, we sold 3.6 million shares of our common stock at a price of $13.00 per share resulting in net proceeds of approximately $43.9 million, net of underwriting discount, fees and other expenses of approximately $2.9 million related to the transaction. We expect to use the net proceeds of the sale of common stock to fund working capital and other general corporate purposes, including additional clinical trials of pexelizumab and eculizumab, as well as other research and product development activities.

The Immune System

The human immune system defends the body from attack or invasion by infectious agents or pathogens. This is accomplished through a complex system of proteins and cells, primarily complement proteins, antibodies and white blood cells, each with a specialized function. Under normal circumstances, complement proteins, together with antibodies and white blood cells, act to protect the body by removing:

- harmful micro-organisms;
- cells containing foreign proteins known as antigens; and
- disease-causing combinations of antigens and antibodies known as immune complexes.

When activated by stimuli, the immune system triggers a series of enzymatic and biochemical reactions called the complement cascade that results in an inflammatory response. This inflammatory response is one of the immune system's weapons against foreign pathogens or otherwise diseased tissue. However, under certain circumstances, the complement cascade may be activated inappropriately to direct an inflammatory response at healthy tissue, which may result in acute and chronic inflammatory conditions.

Common heart diseases and procedures in which the complement cascade is activated include:

- cardiopulmonary bypass surgery, CPB;
- acute myocardial infarction or heart attack;
- unstable angina or painful chest pains associated with an insufficient blood supply to the heart;
- angioplasty or procedures for opening up narrowed or blocked arteries that supply the heart; and
- stroke and other peripheral vascular or blood circulatory diseases.

Autoimmune or hematologic diseases in which the complement cascade is activated include:

- paroxysmal nocturnal hemoglobinuria, or PNH;
- rheumatoid arthritis;
- autoimmune kidney disease;
- lupus;
- inflammatory bowel diseases;
- inflammatory skin and muscle disorders;
- multiple sclerosis; and
- asthma.

Product Development Programs

We have focused our product development programs on anti-inflammatory therapeutics for diseases for which we believe current treatments are either non-existent or inadequate. Our lead product candidates, which are genetically altered antibodies known as C5 complement inhibitors, or C5 Inhibitors, are designed to selectively

block the production of inflammation-causing proteins in the complement cascade. We believe that selective suppression of this immune response may provide a significant therapeutic advantage relative to existing therapies.

Our product candidates are as follows:

Product candidate	Technology	Indication	Status(c)
Pexelizumab	C5 Inhibitor (single chain antibody)	Coronary Artery Bypass Graft surgery (CABG) with cardiopulmonary bypass (CPB)	Phase III trial completed; awaiting data from final 180-day datapoint (PRIMO-CABG)
		Myocardial Infarction (1) Primary PCI (a)	Phase II trial completed (COMMA)
		(2) Thrombolysis (b)	Phase II trial completed (COMPLY)
Eculizumab	C5 Inhibitor (whole antibody)	Paroxysmal Nocturnal Hemoglobinuria (PNH)	Phase I trial completed; extension study on-going
		Membranous Nephritis	Phase II trial completed; extension study on-going
		Rheumatoid Arthritis	Phase IIb trial on-going; extension study on-going
		Dermatomyositis	Phase Ib trial completed

(a) percutaneous coronary interventions or PCI, procedures for opening up narrowed or blocked arteries that supply blood to the heart
(b) dissolving clots that block heart vessels
(c) see discussions of each product candidate below for a description of the results of these trials

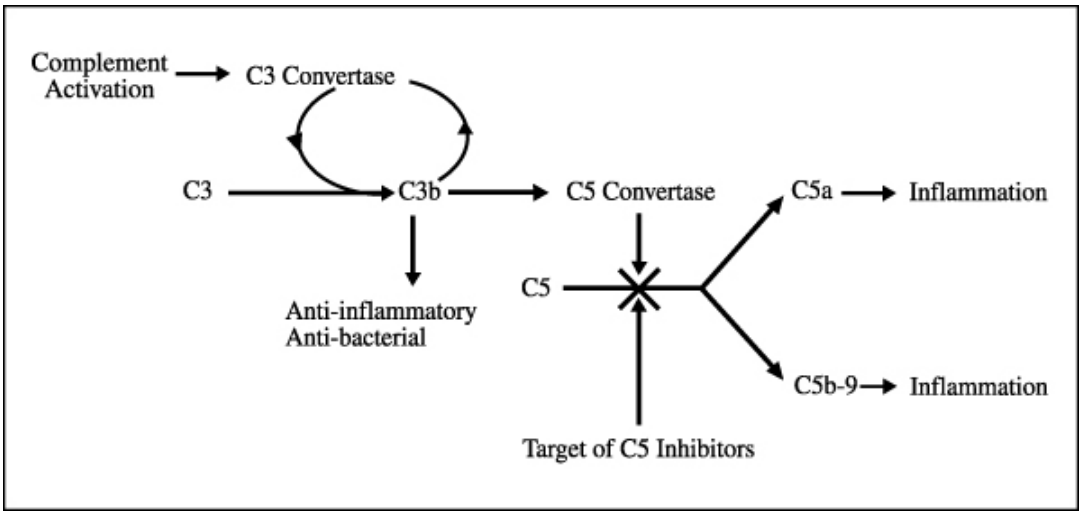
C5 Inhibitors

Complement proteins are a series of inactive proteins circulating in the blood. When activated by stimuli, including those associated with both acute and chronic inflammatory disorders, these inactive complement proteins are split by enzymes known as convertases into activated byproducts through the complement cascade.

Some of these byproducts, notably C3b, are helpful in fighting infections and inhibiting autoimmune disorders. However, the byproducts generated by the cleavage of C5, known as C5a and C5b-9, generally cause harmful inflammation if inappropriately or over-activated. The inflammatory byproducts of C5 cause:

- activation of white blood cells;
- attraction of white blood cells;
- production of inflammatory chemicals including tumor necrosis factor-alpha;
- activation of blood vessel-lining cells called endothelial cells, allowing leakage of white blood cells into tissue;
- activation of blood-clotting cells called platelets;
- initiation of all suicide programs in heart cells; and
- lysis, or destruction, of red blood cells that are deficient in complement inhibitors.

The following diagram illustrates the complement cascade:



Because of the generally beneficial effects of the components of the complement cascade prior to C5 and the greater inflammatory disease-promoting effects of the cleavage products of C5, we have identified C5 as a potentially effective anti-inflammatory drug target. Our first two C5 Inhibitors specifically and tightly bind to C5 blocking its cleavage into harmful byproducts and are designed to inhibit subsequent damage from the inflammatory response.

In laboratory and animal models of human disease, we have shown that the administration of C5 Inhibitor, as compared to placebo, is effective in:

- preventing inflammation during cardiopulmonary bypass;
- reducing heart tissue damage during myocardial infarction;
- reducing brain damage in cerebral ischemia or reduced blood flow to brain tissue;
- enhancing survival in a model of lupus;
- preserving kidney function in nephritis or inflammation of kidney tissue;
- preventing and ameliorating asthmatic attacks; and
- preventing lysis of red blood cells.

In addition, in human clinical trials, we have shown that C5 Inhibitors may be associated with reduction of:

- inflammation during cardiopulmonary bypass surgery;
- heart tissue damage during cardiopulmonary bypass surgery;
- new cognitive or mental faculty deficits after cardiopulmonary bypass surgery;

- an objective measure of disease activity in rheumatoid arthritis patients; and
- the incidence of proteinuria or abnormal loss of substantial amounts of protein in a patient's urine in lupus patients; and
- destruction of red blood cells in PNH patients.

C5 Inhibitor Immunotherapeutic Product Candidates

We are developing one of our two lead C5 Inhibitor product candidates, pexelizumab, for the treatment of inflammation related to acute cardiovascular diseases and procedures. Our initial indications for pexelizumab are coronary artery bypass graft surgery with cardiopulmonary bypass surgery, myocardial infarction utilizing percutaneous coronary interventions or PCI, procedures that include balloon angioplasty and coronary artery stent insertions to open up and keep open narrowed or blocked arteries that supply the heart muscles, and myocardial infarction utilizing thrombolytic therapy or thrombolysis. We are developing our other C5 Inhibitor product candidate, eculizumab, for the treatment of inflammation related to chronic autoimmune disorders and hematologic disorders. The initial indications for which we are pursuing clinical development activities for eculizumab are PNH, rheumatoid arthritis, membranous nephritis, and dermatomyositis. The selection of these indications is based upon our belief that each represents a clinical condition which is:

- closely tied to the production of activated complement byproducts;
- characterized by clear development pathways;
- inadequately treated by current therapies; and
- associated with substantial health care costs.

To date, pexelizumab and eculizumab have been observed to be safe and well tolerated in completed and ongoing clinical trials in which over 6,600 individuals were treated with either C5 Inhibitor or placebo.

Pexelizumab

Pexelizumab is a humanized, single chain antibody that has been shown to block complement activity for up to 4-10 hours after a single injection at the doses tested and is designed for the treatment of acute inflammatory conditions. In January 1999, we entered into a collaboration arrangement with Procter & Gamble Pharmaceuticals, or P&G, to develop and commercialize pexelizumab. Under this collaboration, we are pursuing the development of pexelizumab for the treatment of inflammation caused by various acute cardiovascular indications and procedures such as coronary artery bypass graft surgery with cardiopulmonary bypass surgery, and myocardial infarction utilizing angioplasty or thrombolysis. In December 2001, we and P&G entered into a binding memorandum of understanding, or MOU, pursuant to which we and P&G revised our January 1999 collaboration. Under the revised structure, we and P&G share decision-making and responsibility for all future United States development and commercialization costs for pexelizumab, including clinical, manufacturing, marketing, and sales efforts. Also see under the header entitled "Strategic Alliance with Procter & Gamble". P&G has signed with a third party manufacturer for the large scale commercial manufacture of pexelizumab over 5 years.

Coronary Artery Bypass Graft Surgery and Cardiopulmonary Bypass

Patients with blockages in their heart blood vessels, or coronary artery disease, frequently suffer from angina, or pain caused by ischemia, which is the reduced delivery of blood, oxygen, and nutrients to and

subsequent starvation of the heart muscle. If the heart muscle is severely ischemic, the muscle may become starved for blood, oxygen, and nutrients resulting in the death of the starved heart muscle, or myocardial infarction. Many patients with coronary artery disease, particularly those who have already suffered a myocardial infarction, require medical interventions to relieve the blockages in the heart blood vessels. Coronary artery bypass graft, or CABG, surgery involves using a patient's non-heart blood vessels to surgically detour, or bypass, blood around a blockage in the patient's heart blood vessels so that the downstream heart muscle is provided with an adequate supply of blood, oxygen, and nutrients. In the overwhelming majority of CABG surgeries, in order to isolate the heart during surgery, cardiopulmonary bypass, or CPB, is employed, in which the patient's blood is diverted away from the heart and lungs to a cardiopulmonary, heart-lung bypass machine in the operating room. During the CPB procedure, the bypass machine supports and pumps oxygenated blood to the rest of the body, however since blood flow is stopped to the heart and lungs, these organs may become ischemic as they do not receive blood, oxygen, and nutrients. Although the goal of CABG surgery, and also other similar types of acute cardiac interventions, is to prevent further destruction of heart muscle due to ischemia, the ischemia during the procedure itself, coupled with the successful reperfusion of the heart muscle through the bypass grafts, frequently causes an unintended diffuse inflammatory reaction in the heart, called ischemia-reperfusion injury. In this setting, the heart may become severely injured by the inflammatory reaction resulting in an acute perioperative myocardial infarction, or PMI, of the heart muscle. The effects of PMI may be quite severe as it has been shown that the severity of this acute PMI is positively correlated with the risk of patient death several months later; that is, the greater the size of the PMI, the more likely a patient is to die within the several months following the surgery. Additionally, ischemia-reperfusion or I-R injury, appears to occur more frequently in patients with multiple risk factors, and patients with previous cardiac damage would be expected to be less tolerant of the subsequent cardiac damage due to PMI.

We believe that I-R injury inappropriately triggers the complement cascade, a powerful series of inflammatory proteins that then cause both direct damage to the heart muscle as well as further amplification of the inflammatory reactions. We believe that the dangerous terminal complement products, mainly C5b-9, or the membrane attack complex, as well as C5a, are major factors that cause the unintended inflammatory heart attack resulting in PMI during CABG-CPB surgery.

Pexelizumab is designed to rapidly penetrate the patient's tissues and to inhibit complement activation in patients immediately before, during and after CPB in order to reduce the cardiovascular and brain tissue damage and bleeding complications. We believe inhibition of the inflammatory response may reduce:

- the incidence of death;
- the incidence of perioperative myocardial infarction;
- the incidence of brain tissue damage and learning difficulties;
- post-operative or after surgery complications;
- the time spent by patients in the hospital after CABG-CPB;
- the scope of required treatments associated with CPB; and
- perioperative bleeding resulting in the need for blood transfusions.

According to data derived from the American Heart Association estimates approximately 400,000 CABG operations were performed in the United States in 2002. Currently, products utilized in patients undergoing CPB are designed to enhance the coagulation of blood so as to reduce the need for blood transfusions. However, we

believe these products have little beneficial effect on the heart and brain inflammatory complications associated with the surgery.

Clinical Trials—Coronary Artery Bypass Graft Surgery

In January 1999, we commenced dosing in a Phase IIb clinical trial with pexelizumab in patients undergoing coronary artery bypass graft surgery, or CABG during CPB, with or without accompanying cardiac valve surgery. The objective of this multi-center, double-blind, randomized, placebo-controlled study was to assess the safety and effectiveness of pexelizumab in these patients. Results of this trial suggested that pexelizumab blocked complement, reduced inflammation and appeared to be well-tolerated. Some patients in the trial experienced serious adverse events which included irregular heartbeat, infection, right heart failure and internal bleeding. The most common adverse events were irregular heartbeat, nausea and anemia. The primary therapeutic, exploratory pre-set goal of the trial, referred to as the primary endpoint, was not achieved. The primary endpoint was the incidence of death, myocardial infarction, heart dysfunction, and mild stroke. However, in a post-hoc analysis, in the pre-specified population that included approximately 90% of the patient population, the approximately 800 patients who had CABG without accompanying cardiac valve surgery, those that received pexelizumab at the highest dose level experienced a statistically significant reduction in the incidence of myocardial infarction and death.

In January 2002, we commenced a Phase III clinical trial of pexelizumab, called PRIMO-CABG, in patients undergoing CABG-only with CPB and patients undergoing CABG with CPB and concomitant cardiac valve surgery. This study completed the target patient enrollment of approximately 3,000 patients in February 2003. The Phase III trial was designed to assess the safety and efficacy of pexelizumab in reducing the combined incidence of death or myocardial infarction in the CABG-only patient subpopulation. In August 2003, we disclosed preliminary results that indicated that although there was reduction in the primary endpoint, it was not achieved with statistical significance. The primary endpoint in this trial was a composite of the incidence of death or myocardial infarction, measured at 30 days post-procedure, in the subpopulation of patients undergoing CABG without concomitant cardiac valve surgery. However, key pre-specified secondary endpoints consisting of the same composite in the overall study population, which included all patients undergoing CABG with or without accompanying cardiac valve surgery, were achieved. In addition, several other pre-specified secondary endpoints were met as well. After completion of the trial data analysis, we will, in collaboration with P&G, discuss with the FDA the next steps required for the potential advancement of pexelizumab toward product licensure.

Acute Myocardial Infarction

Myocardial infarction is an acute cardiovascular disorder in which the coronary arteries, the blood vessels that supply blood, oxygen, and nutrients to the heart muscle, are blocked to such an extent that the starved heart muscle infarcts or dies. Upon the reduction in blood flow in the coronary artery, a complex cascade of inflammatory events involving complement proteins, platelets and leukocytes and their secreted factors, and endothelial cells, commences within the blood vessel. In patients suffering a myocardial infarction, activated complement byproducts are significantly elevated. This severe inflammatory response targeting the area of insufficient blood flow to cardiac muscle is believed to be associated with immediate death of heart muscle, delayed death of heart muscle, reduced contractility of heart muscle, and activation of a systemic inflammatory response. Restoration of blood flow in the midst of the acute myocardial infarction, with either angioplasty balloon dilatation with or without coronary stenting or with dissolution of clots with thrombolytic drugs, is believed to be also associated with an additional inflammatory reaction and an accompanying production of activated complement byproducts. This combined reaction is sometimes called I-R injury. In addition to the high

incidence of sudden cardiac death at the onset, severe complications associated with the initial survival of an acute myocardial infarction include congestive heart failure, cardiogenic shock and death. The American Heart Association estimated that approximately 1.1 million people in the United States had a heart attack in 2002.

We are developing pexelizumab to inhibit inflammation associated with complement activation in order to reduce the extent of heart damage and other adverse conditions in patients suffering an acute myocardial infarction. In contrast, most drugs currently being developed or on the market to treat myocardial infarction are designed to improve blood flow through the heart, rather than treating the damaging effects of inflammation associated with myocardial infarction. We and our scientific collaborators have performed pre-clinical studies in rodents which have demonstrated that administration of a C5 Inhibitor during periods of insufficient supply of blood to the heart muscle and prior to restoration of normal flow to the heart muscle significantly reduced the extent of subsequent death of heart muscle compared to control animal studies. Additionally, administration of a C5 Inhibitor significantly reduced the extent of cardiac damage associated with reduced heart blood flow without subsequent restoration of blood flow.

Clinical Trials—Acute Myocardial Infarction

In October 1998, we commenced a Phase I clinical trial in healthy individuals that was designed to evaluate dosing regimens for subsequent CPB and myocardial infarction clinical trials. We have used the results of this trial to select dosing regimens for subsequent clinical trials in acute myocardial infarction and CPB patients. The results of this trial indicated that pexelizumab was well tolerated at doses more than three times as high as had been previously administered. We completed patient enrollment in two Phase II clinical trials, each enrolling approximately 900 patients, with our collaborator P&G, which tested the safety and effectiveness of pexelizumab for the treatment of acute inflammation in patients suffering an acute myocardial infarction. One study, called COMPLY was in patients receiving thrombolytic therapy, a procedure for dissolving clots that block heart vessels, and the other called COMMA was in patients receiving angioplasty, a procedure for opening up narrowed or blocked arteries that supply blood to the heart. The COMPLY study completed patient enrollment in January 2002 and the COMMA study completed patient enrollment in April 2002. Results from both studies were reported at the November 2002 annual meeting of the American Heart Association. In both studies, the primary endpoint of a reduction of myocardial infarction, or death of heart muscle, was not reached; however in the angioplasty study, pexelizumab treatment was associated with a statistically significant, dose-dependent reduction in death. Pending discussions with the FDA, our partner, P&G, and other development considerations, we expect to proceed with the Phase III clinical development of pexelizumab in acute myocardial infarction.

Eculizumab

Eculizumab is a humanized antibody that blocks complement activity for one to two weeks at the doses tested and is designed for the chronic treatment of hematologic disorders such as PNH and autoimmune diseases such as rheumatoid arthritis and membranous nephritis. Eculizumab is not included in the collaboration with P&G, and we have retained full rights to eculizumab.

Paroxysmal Nocturnal Hemoglobinuria or PNH

We are conducting clinical trials with eculizumab in patients afflicted with the chronic hematologic disorder, paroxysmal nocturnal hemoglobinuria, or PNH. PNH is a rare, autoimmune disorder characterized by severe anemia and risk of blood clotting or thrombosis. Patients with PNH have a deficiency in certain protective

proteins on the surface of their red blood cells, allowing their own complement system to attack and destroy these red blood cells. Patients with PNH suffer from chronic hemolysis, or destruction of red blood cells. This hemolysis is believed to lead to frequent bouts of hemoglobinuria, or release of blood cell hemoglobin into the urine, abdominal pain, painful swelling, and disabling fatigue. In patients with particularly severe hemolysis, the red blood cell destruction may be sufficiently large that recurrent blood transfusions are necessary to support normal red blood cell function. According to published reports, the annual incidence of PNH for new patients is estimated to be between 1 per 1 million and 1 per 100,000 per year. Approximately one-half of the patients with PNH die from their disease within 10 years of diagnosis.

In laboratory studies with eculizumab, administration of eculizumab abolishes destruction of red blood cells caused by complement attack.

Clinical Trials—PNH

In September 2002, we completed patient enrollment in an open-label Phase I pilot study in the United Kingdom in patients with PNH to gather clinical data regarding the safety of, and biological and clinical effects of eculizumab in this patient population. Preliminary results from the open-label 3 month PNH pilot study were presented at the American Society of Hematology, or ASH, meeting in December 2002. In this PNH study, eculizumab was well-tolerated and associated with a 69% reduction in the need for blood transfusions, up to 81% reduction in biochemical parameters of hemolysis or destruction of red cells, and 96% reduction in clinical paroxysms. An open-label extension trial that will help us evaluate long-term safety is on-going in which all eleven PNH patients are participating. We are currently reviewing data and our plans with the FDA so that we can plan our next development step with eculizumab in PNH.

Membranous Nephritis

The kidneys are responsible for filtering blood to remove toxic metabolites or breakdown by-products and maintaining the minerals and proteins in the blood that are required for normal metabolism. Each kidney consists of millions of individual filtering units, or glomeruli. When glomeruli are damaged, the kidney can no longer adequately maintain its normal filtering function. This may result in the build-up of toxins in the blood and the loss of valuable minerals and proteins in the urine. Clinically severe nephritis, or kidney inflammation, is found in many patients suffering from lupus and other autoimmune diseases. This condition occurs when more than 90% of the kidney is destroyed by disease. Kidney failure is frequently associated with:

- hypertension;
- strokes;
- infections;
- anemia;
- heart, lung and joint inflammation;
- coma; and
- death.

Many forms of damage to the glomeruli are mediated by the immune system, particularly by antibodies and activated complement proteins. Membranous nephritis is a form of kidney inflammation that is believed to be

caused by a chronic autoimmune disorder that targets the kidney. We estimate, based on an external market study, that there are approximately 150,000 people currently afflicted with membranous nephritis in the United States.

Membranous nephritis is characterized by kidney inflammation and dysfunction that may eventually progress to kidney failure. Diagnostic criteria for membranous nephritis include kidney biopsies that may demonstrate the presence of antibodies and activated complement byproducts in the kidneys of affected patients. The subsequent kidney inflammation leads to the abnormal leakage of substantial amounts of blood proteins into the patient's urine; this condition is known as proteinuria and is recognized as an objective measurement of kidney disease. Loss of protein in the urine disturbs the normal control of water in the blood vessels and also is believed to directly further injure the kidney. Moreover, clinical studies by others have shown that the degree of proteinuria is associated with the incidence of subsequent kidney failure. Additional clinical signs associated with proteinuria may include:

- abnormally low levels of protein in the blood;
- abnormal lipid or fat elevations;
- a propensity for abnormal blood clotting; and
- substantial swelling in the abdomen, under the skin and in the legs.

Current therapies for membranous nephritis include potentially toxic drugs more frequently used to treat other diseases such as cancer. These drugs generally act to broadly suppress the proliferation of many types of cells, including white blood cells. We believe that the usefulness of such therapies is generally limited due to their unfavorable side effects. Even with current therapies, in such a severe disease population more than 30% of the patients are expected to progress to renal or kidney failure, which may require dialysis or transplantation. In contrast to current therapies, eculizumab directly targets the inhibition of deleterious complement activation. We believe eculizumab may exert more selective and effective anti-inflammatory activity without the adverse effects associated with current therapies.

We have performed pre-clinical studies in rodent models of membranous nephritis and observed that C5 Inhibitor administration, as compared to placebo-treated subjects, substantially reduced:

- scarring of the kidney;
- breakdown of kidney tissue into the urine;
- clogging of the kidney filtering units; and
- proteinuria.

Clinical Trials—Membranous Nephritis

We are developing eculizumab for kidney and kidney-related chronic autoimmune disorders, with a focus on membranous nephritis. We initiated a Phase II trial with eculizumab for the treatment of membranous nephritis patients because of the more uniform clinical presentations of membranous nephritis as compared to other autoimmune renal diseases.

In August 1999, we commenced a Phase II multi-center, double-blind, randomized, placebo-controlled clinical safety and efficacy trial with multiple doses of eculizumab at two to four week dosing intervals that was

intended to enroll approximately 120 membranous nephritis patients. This trial was followed by an open-label extension trial.

The Phase II trial patient enrollment for membranous nephritis was completed in February 2002. In November 2002, preliminary results were reported at the American Society of Nephrology annual meeting from two clinical trials evaluating eculizumab in patients with membranous nephritis. Results from the first, randomized, placebo controlled double blind, membranous nephritis study showed that eculizumab was well tolerated, but did not reach its primary clinical efficacy endpoint of reduction in proteinuria after four months of therapy. In the second membranous nephritis study, both placebo and eculizumab treated patients from the four month study were treated in open-label extension trial for an additional 12 months with eculizumab therapy. In this second study, eculizumab was well tolerated and was associated with an increased remission rate at 12 months and with significant improvements in proteinuria and other important components of nephrotic syndrome. After we review our plans with the FDA, we expect to proceed with the development of eculizumab in an advanced Phase II clinical trial in membranous nephritis patients.

In February 2000, we announced that the FDA designated Fast Track status for development of eculizumab for the treatment of patients with membranous nephritis. This designation provides for expedited development and application review for approval of a drug through the FDA. The FDA has also granted Orphan Drug status for the development of eculizumab in the treatment of membranous nephritis patients. The Orphan Drug designation would provide us with market exclusivity for eculizumab for this indication for seven years from the drug's approval date.

Rheumatoid Arthritis

Rheumatoid arthritis is a chronic autoimmune disease directed at various organ and tissue linings, including the lining of the joints, causing inflammation and joint destruction. Clinical signs and symptoms of the disease include weight loss, joint pain, morning stiffness and fatigue. Further, the joint destruction can progress to redness, swelling and pain with frequent and severe joint deformity. Diagnostic procedures, which may include obtaining a sample of joint fluid, routinely demonstrate substantial elevations in the levels of activated complement byproducts in the joint fluid of affected rheumatoid arthritis patients. Rheumatoid arthritis is generally believed to be caused by different types of white blood cells, including T-cells, which both directly attack the patient's joints and activate B-cells, another type of white blood cell, to produce antibodies that activate complement proteins in the joint leading to inflammation with subsequent tissue and joint destruction. It is estimated from published reports that more than 2.1 million people are currently affected by rheumatoid arthritis in the United States.

We have performed pre-clinical studies in rodent models of rheumatoid arthritis which have shown that C5 Inhibitor administration, as compared to placebo-treated subjects:

- reduced the swelling in joints;
- prevented the onset of erosion of joints;
- reduced the inflammatory white blood cell infiltration into the joints;
- prevented the spread of disease to additional joints;
- blocked the onset of clinical signs of rheumatoid arthritis; and
- reduced established disease.

Currently, there are a large number of anti-inflammatory drugs under development or on the market for the treatment of patients with rheumatoid arthritis or RA. These drugs include non-steroidal anti-inflammatory drugs, and their more recent analog, the COX-2 inhibitors, which generally treat the symptoms of the disease, but do not alter disease progression. There are also several currently available drugs that are disease-modifying agents, but these are associated with undesirable side effects. In recent years, tumor necrosis factor, or TNF, inhibitors have been approved or are under development to reduce the inflammatory response. TNF is one of the many injurious substances that may be generated downstream of the complement cascade. In contrast to single agent inhibitors like TNF inhibitors, by acting at C5 of the complement cascade, we expect eculizumab both to block complement activation and reduce the production of many of these downstream harmful substances. Because of this novel mechanism, we believe that eculizumab may provide a more clinically beneficial effect for RA patients.

Clinical Trials—Rheumatoid Arthritis

In December 1997, we filed an Investigational New Drug application or IND with the FDA for eculizumab in the treatment of rheumatoid arthritis patients. In our early clinical trials, single doses of eculizumab appeared safe and well tolerated in the study populations as compared to placebo, showed dose-dependent reduction in complement activity in the study subjects, and showed a reduction in C-reactive protein blood levels in the study subjects. C-reactive protein is considered by many physicians to be the most objective component of the American College of Rheumatology's definition of efficacy criteria for rheumatoid arthritis drug trials. Biological and clinical results from our Phase I/II trial demonstrated that 50% of rheumatoid arthritis patients receiving 8.0 mg/kg of eculizumab achieved an ACR 20 score, a measure of clinical benefit, as compared to 10% of placebo-treated patients.

In November 2001, we presented the results of our Phase IIa clinical trial testing the safety and effectiveness of repetitive dosing of eculizumab in approximately 200 patients with RA at the American College of Rheumatology meetings. Results showed that eculizumab appeared to be safe and well tolerated in patients in this trial. The most commonly observed adverse events were nausea and diarrhea. The results of this study suggested a statistically significant three-month efficacy as measured by ACR 20 criteria for the active arm with a dosage regimen starting with five weekly loading doses followed by monthly intravenous or IV administration, compared to placebo. The primary endpoint, or therapeutic pre-set goal, for this trial was met by the group of patients who received this mid-level dosing regimen of eculizumab. Patients who received higher or lower doses of eculizumab in the clinical trial, did not achieve the primary endpoint. Our six-month safety data from this clinical trial showed that eculizumab appeared to be safe and well tolerated in this study population. We also completed a 12 month open-label extension study in RA to help us assess long-term safety.

In January 2002, we initiated a Phase IIb multi-center study in RA patients. Over a six-month treatment period, the trial is designed to assess safety and efficacy of eculizumab and to confirm the most effective dose regimen of the drug. The trial consists of approximately 350 patients who are being treated simultaneously with disease-modifying anti-rheumatic drugs. We completed enrollment in January 2003 for this ongoing Phase IIb study with eculizumab. Preliminary results of this study are expected to be reported in the second part of 2003 or early 2004. We are conducting a 12 month open-label extension study of this Phase IIb study to help us assess long-term safety.

Other Autoimmune Diseases

In addition to the above disease programs, we performed Phase I pilot clinical trials with eculizumab in patients afflicted with the chronic autoimmune disorders dermatomyositis, psoriasis, and bullous pemphigoid. Dermatomyositis is an autoimmune disorder in which the immune system attacks the patient's muscles and skin, which may cause extensive rash and progressive and severe muscle weakness, pain and fatigue. Psoriasis is a life-long autoimmune disorder in which the immune system attacks the patient's skin, which may cause red, painful and disfiguring scaling in the affected areas. Bullous pemphigoid is an autoimmune disorder in which the immune system attacks the patient's skin, which may cause extensive and striking blistering.

Clinical Trials—Other Autoimmune Diseases

In December 2001, we completed a Phase I pilot safety trial in dermatomyositis patients with eculizumab. Eculizumab treatment for two months appeared to be safe and well tolerated and associated with an improvement in skin rash in this 13 patient population. There were few adverse events noted, with most common adverse effects being skin rash and headache. Adverse events appeared comparable in placebo and drug populations. In this pilot Phase I trial, exploratory clinical measurements included clinical and laboratory assessments of skin rash and muscle strength. There were consistent trends in improvements with drug administration in subjective and objective measures of skin rash during the two-month trial. While there was little baseline skin inflammation in the placebo group, a majority of drug-treated patients who completed the trial experienced an improvement of 50% or more in their skin rash score. We reviewed the clinical data with the FDA and considered whether to initiate a Phase II clinical study for eculizumab in this disease. We have elected not to pursue this program further at this time to more efficiently focus resources on other on-going eculizumab development programs. In October 2000, we announced that the FDA granted Orphan Drug status for development of eculizumab for the treatment of patients with dermatomyositis. The Orphan Drug designation would provide us with market exclusivity for eculizumab for this indication for seven years from the drug's approval date.

We completed a Phase I clinical trial to investigate the safety of two months of therapy with eculizumab in psoriasis patients. Eculizumab appeared to be safe and well tolerated in this patient population. According to a standard measure of disease activity, eculizumab treatment for two months did not influence the outcome of psoriasis in this trial. At this time, we are not pursuing psoriasis as a clinical indication. We also initiated a Phase I pilot safety trial in patients with bullous pemphigoid, which was subsequently terminated. There were no apparent safety issues, but in view of difficulties in patient enrollment in this very rare disease, we have elected not to pursue this program further in order to more efficiently focus resources on other on-going eculizumab development programs.

Antibody Discovery Technology Platform

Combinatorial Human Antibody Library Technologies

In order to expand our pipeline of potential antibody therapeutics, in September 2000, we acquired Prolifaron, Inc., a privately held biopharmaceutical company, through a merger with our newly organized, wholly owned subsidiary, Alexion Antibody Technologies, Inc., or AAT. AAT possesses extensive research expertise and technologies that we call Combinatorial Human Antibody Library Technologies or CoALT, in the area of creating fully human antibodies from libraries containing billions of human antibody genes.

Our goal, through utilizing AAT, is to develop new fully human therapeutic antibodies addressing multiple disease areas, including autoimmune and inflammatory disorders, cancer and infectious disease. AAT's

technologies involve, in part, the generation of diverse libraries of human antibodies derived from patients' blood samples, and the screening of these libraries against a wide array of potential drug targets. We believe that these technologies may be optimally suited to the rapid generation of novel, fully human and humanized, therapeutic antibodies directed at validated clinical targets. To date, we have focused on identifying antibodies which may be therapeutically effective in different autoimmune or inflammatory disorders, cancer, and infectious diseases. In addition, we believe that these technologies could permit the pre-clinical validation of new gene targets that are coming out of the international effort to sequence the human genome. We also believe that these technologies might provide new therapeutic antibodies when the libraries are screened against certain of these new gene targets.

Pre-Clinical Programs

Anti-TPO Receptor Antibody

We are developing a rationally designed antibody-based therapeutic for the treatment of chemotherapy-induced thrombocytopenia or abnormal decrease in the number of blood platelets. Our compound employs an antibody structure that incorporates an active peptide genetically inserted into the antibody. The active peptide replaces a region of the antibody that is important for the binding properties of the antibody. These changes modify the binding characteristics such that the new antibody will act to bind to and stimulate the receptor on megakaryocytes, called c-mpl, the natural receptor for the hormone thrombopoetin or TPO. Once stimulated to grow, the megakaryocytes will generate more platelets to replace those lost during treatment with the chemotherapeutic agent. As a result, it is possible that treatment with the TPO receptor agonist antibody could lead to the regeneration of platelets reducing the need for platelet transfusions. This new class of agonist antibody takes advantage of a rational design and selection process proprietary to us through AAT.

Anti-MBL Antibody

We are developing an antibody that blocks complement activation via the Lectin Pathway. This inflammatory pathway is initiated by the binding of a specific protein, known as MBL, to targets on the surface of activated endothelial cells and may represent a major cause of inflammation and heart damage. Under a license agreement with The Brigham and Women's Hospital, Inc., we received exclusive worldwide rights to novel anti-inflammatory technologies and to associated therapeutic products, including a potent monoclonal antibody against MBL. The anti-MBL approach may have broad therapeutic application in patients suffering from various vascular disorders as well as some chronic inflammatory conditions.

Dendritic Cell Antibodies

We are developing humanized antibodies to newly discovered cell surface proteins, DC-SIGN, found exclusively on human dendritic cells, a type of human immune cell, and a related receptor, L-SIGN. Under the exclusive worldwide license agreement and research alliance with the University Medical Center of Nijmegen, The Netherlands, we received rights related to these molecules and any associated therapeutic product candidates, including already identified monoclonal antibodies. These products are expected to have broad therapeutic application in several clinical settings including, autoimmune disease, inflammation, cancer, infectious disease and transplantation. This alliance broadens our interest in immune system modulation to now also include human dendritic cells.

Dendritic cells have recently come to be appreciated as critical controllers of the immune system. In order for an immune response against foreign antigens to occur, these antigens must be displayed by so-called antigen-

presenting cells. While dendritic cells are an extremely rare immune cell type, they are the most potent of all the antigen presenting cells. Dendritic cells capture antigens in the peripheral tissues, process and display the antigen fragments on their cell surface, and then migrate from the periphery to the T-cell areas of the lymphoid organs. There they attract resting T-cells and present their antigen load, thus activating the T-cells to begin an immune response. This process appears to be controlled in part by the newly identified molecule DC-SIGN.

The CuraGen Corporation Agreement for Target Discovery

We have entered a drug target discovery and validation agreement with CuraGen Corporation, or CuraGen, focused on oncology or the study of tumors and/or cancers. This agreement will enable us and CuraGen to leverage the other's respective expertise to discover and validate novel biologic and small molecule targets for use in developing pharmaceutical products.

Under the agreement, CuraGen will apply its integrated functional genomic technologies to identify potential drug targets derived from our supplied research materials, and will retain the rights to potential non-antibody protein therapeutics across all disease areas. We will use our CoALT antibody discovery platform, developed by us through AAT, to determine the therapeutic utility of the targets. We will own rights to develop and commercialize all antibody and small molecule therapeutics against drug targets across all disease areas. CuraGen is eligible to receive licensing fees, development milestone payments and sales royalties from pharmaceutical products stemming from this alliance.

Biodefense Program

We have developed proprietary human antibody libraries that are employed to isolate custom human antibodies. In the area of biodefense, the libraries were generated from blood and bone marrow donors who had recently been vaccinated against anthrax, botulism toxin, small pox and other agents of bioterrorism. The CoALT libraries developed by us through AAT use proprietary methods of construction and proprietary vectors and each has a size of approximately 10 billion antibody members. These antibodies generally display very high binding affinity to these toxic agents. We have exploited this technology to generate high binding affinity human antibodies against anthrax toxins. These antibodies have been shown to be capable of neutralizing anthrax toxin in animal models of anthrax toxin exposure. We have been notified that we have been preliminarily awarded a $1.5 million grant by the U.S. Government through the 2004 Defense Appropriations bill in support of this program.

UniGraft Xenotransplantation Technologies Program

We have studied and developed a portfolio of UniGraft anti-rejection technologies designed to permit the therapeutic transplantation of cells from other species, known as xenografts, or xenotransplantation, without rejection.

We were awarded various grants by agencies of the U.S. government to fund specific research projects related to our UniGraft xenotransplantation technologies program. We received approximately $1.9 million from our third award granted in October 1998 from the National Institute of Standards and Technology or NIST under its Advanced Technology Program, a three-year grant supporting product development within our xenotransplantation program and we received approximately $1.8 million from our fourth award granted in November 1999 under the NIST program, a three-year grant supporting product development within our UniGraft program. As of July 31, 2003, we have no additional funding available under these grants.

We concluded that further investment in this program by us did not meet sufficient criteria for continued development with our own resources, as compared to other internal programs; consequently, we have suspended our financial commitment to this program. This termination of our UniGraft program, following our inability to secure a collaboration to share in future funding of this program, resulted in an impairment to our UniGraft manufacturing assets, principally the real estate, building, building improvements and capital lab and farm equipment at our subsidiary, Columbus Farming Corporation, or CFC, resulting in a write down of approximately $2.7 million of those assets. As of July 31, 2003, the carrying value of those assets was approximately $1.2 million after the write down. These assets will continue to be classified as held for use until such time that CFC has the ability to dispose of them. CFC had purchased the assets relating to the UniGraft program in 1999 from our then partner in the xenotransplantation program, U.S. Surgical Corporation, now a division of Tyco Healthcare, or Tyco. The purchase price was paid through the issuance of a $3.9 million note. All of these assets are pledged to secure CFC's obligations under the note. CFC failed to make the August 2003 interest payment due under the note. Accordingly, CFC and Tyco are in discussions regarding the sale of these assets and the application of the proceeds to CFC's obligations under the note.

Strategic Alliance with Procter & Gamble

In January 1999, we entered into a collaboration with P&G with respect to the joint development of pexelizumab. In December 2001, we and P&G entered into a binding memorandum of understanding, or MOU, pursuant to which we and P&G revised our January 1999 collaboration. Under the revised structure per the MOU, we and P&G will share decision-making and responsibility for all future U.S. development and commercialization costs for pexelizumab, including clinical, manufacturing, marketing, and sales efforts. Prior to December 2001, P&G was generally funding all clinical development and manufacturing costs for pexelizumab. The revised collaboration per the MOU provides that we and P&G each incur approximately 50% of all Phase III clinical trial, product development and manufacturing, and commercialization costs necessary for the potential approval and marketing of pexelizumab in the U.S. and that we will receive approximately 50% of the gross margin on U.S. sales, if any. Under the MOU, P&G agreed to retain responsibility for future development and commercialization costs outside the U.S. and we will receive royalties on sales to the rest of the world, if any. We are responsible for paying royalties and licensing fees on certain third party intellectual property worldwide, if such intellectual property is necessary. Additionally, as part of the MOU, we will receive milestone payments for achieving specified development steps, regulatory filings and approvals, but not for previously agreed sales milestones and we will generally forego further research and development support payments from P&G.

We agreed to bear the first 50% of projected costs associated with the U.S. Phase III PRIMO-CABG clinical trials and P&G will bear the second 50% of such costs, with a final adjustment to make even the 50% sharing of costs. As of January 31, 2003, we had completed our obligation associated with the first 50% of the projected costs. It is expected that by the end of our first quarter of fiscal year 2004, P&G will complete its obligation with respect to the second 50% of projected costs. With the Phase III PRIMO-CABG trial completion, a final adjustment to make even the 50% sharing costs will occur in fiscal 2004. Reimbursements received from P&G in connection with our services and related personnel and P&G's 50% cost share are recorded as a reduction of research and development and market research expense.

As part of the revised collaboration per the MOU, P&G agreed to continue to fund 100% of the costs for the two Phase II clinical trials in acute myocardial infarction, AMI, or heart attack, patients. We and P&G have agreed that each will share concurrently 50% of the ongoing U.S. pre-production and development manufacturing costs for pexelizumab as well as any future AMI-Phase III clinical trial costs.

P&G has the right to terminate the collaboration or sublicense its collaboration rights at any time. If P&G terminates the collaboration, P&G is required to contribute its share of agreed to obligations and costs incurred prior to termination, but may not be required to contribute towards costs incurred after termination. In the event that P&G were to terminate the collaboration, all rights and the exclusive license to our intellectual property related to pexelizumab would revert back to us. The MOU does not contemplate any payments to P&G in the event P&G were to terminate the collaboration; however, P&G might seek to negotiate such a payment or might seek to sublicense its collaboration rights rather than terminate the collaboration. We rely on P&G for the development, manufacture and potential commercialization of pexelizumab. Termination of our agreement by P&G or sublicense of its collaboration rights could cause significant delays in the development, manufacture and potential commercialization of pexelizumab and result in significant additional costs to us.

Manufacturing

We obtain drug product to meet our requirements for clinical studies using both internal and third-party contract manufacturing capabilities. We have a pilot manufacturing plant suitable for the production and purification of certain of our recombinant compounds for clinical studies. We have also secured the production of clinical supplies of certain other recombinant products through third-party manufacturers. In each case, we have contracted product finishing, vial filling, and packaging through third parties.

To date, we have not invested in the development of commercial manufacturing capabilities. Although we have established a pilot manufacturing facility for the production of material for clinical trials for some of our potential products, we do not have sufficient capacity to manufacture more than one drug candidate at a time or to manufacture our drug candidates for later stage clinical development or commercialization. In the longer term, we may contract the manufacture of our products for commercial sale or may develop large-scale manufacturing capabilities for the commercialization of some of our products. The key factors which will be given consideration when making the determination of which products will be manufactured internally and which through contractual arrangements will include the availability and expense of contracting this activity, control issues and the expertise and level of resources required for us to manufacture products. In addition, as our product development efforts progress, we expect that we will need to hire additional personnel skilled in product testing and regulatory compliance.

We have executed a large-scale product supply agreement with Lonza Biologics, plc, or Lonza, for the long-term commercial scale manufacture of eculizumab. The timing and level of our commercial scale manufacturing costs (assuming we utilize our long-term commercial scale product manufacturing capacity), which may or may not be realized, are contingent upon the progress of our clinical development programs' progress as well as our commercialization plans. Under terms of our agreement for Lonza to manufacture commercial supplies of eculizumab, we could owe penalties for failure to purchase a minimum manufacturing capacity volume or if we terminate the agreement prior to its expiration. If we terminate the agreement, we could be required to pay for unused contracted or scheduled manufacturing capacity usage for up to 18 months following termination, or at our election we may make a termination payment of up to $25 million, less partial return of the unused portion of any prepaid manufacturing costs. These obligations, commitments and supporting arrangements, which represent payments based on our current operating forecast, are subject to change.

Sales and Marketing

We currently have established core marketing capabilities and have plans to establish sales and distribution capabilities at an appropriate time triggered by milestone events. We will need to continue developing or contract these capabilities to commercialize successfully any of our drug candidates. We may promote our products in

collaboration with marketing partners or rely on relationships with one or more companies with established distribution systems and direct sales forces. Under our revised collaboration agreement, P&G is obligated to sell, market and distribute pexelizumab for all approved indications outside the U.S. We share with P&G co-marketing and co-promotion rights for pexelizumab in the U.S. For other future drug products, as well as for pexelizumab in the U.S., we may elect to establish our own specialized sales force and marketing organization to market our products.

Patents and Proprietary Rights

Patents and other proprietary rights are important to our business. Our policy is to file patent applications to protect technology, inventions and improvements to our technologies that are considered important to the development of our business. We also rely upon our trade secrets, know-how, and continuing technological innovations to develop and maintain our competitive position, as well as patents that we have licensed or may license from other parties.

We have filed several U.S. patent applications and international counterparts of certain of these applications. In addition, we have licensed several additional U.S. and international patents and patent applications. As of July 31, 2003, 21 of our owned and licensed patents and patent applications relate to technologies or products in the C5 Inhibitor program, 10 relate to other technologies, 34 relate to the UniGraft program, 33 relate to the recombinant human antibody program and 1 relates to our high throughput compound screening program. We will owe royalties and other fees to the licensors of some of those patents and patent applications in connection with any future commercial manufacture and sale of our product candidates, including pexelizumab and eculizumab.

Our success will depend in part on our ability to obtain and maintain U.S. and international patent protection for our products and development programs, to preserve our trade secrets and proprietary rights, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent our rights. Because of the length of time and expense associated with bringing new products through development and regulatory approval to the marketplace, the health care industry has traditionally placed considerable importance on obtaining patent and trade secret protection for significant new technologies, products and processes.

We are aware of broad patents owned by third parties relating to the manufacture, use, and sale of recombinant humanized antibodies, recombinant humanized single-chain antibodies, recombinant human antibodies, recombinant human single-chain antibodies, and genetically engineered animals. Many of our product candidates are genetically engineered antibodies, including recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, and recombinant human single chain antibodies, and other products are tissues from animals. We have received notices from the owners of some of these patents in which the owners claim that some of these patents may be relevant to the development and commercialization of some of our drug candidates, including pexelizumab and eculizumab. With respect to certain of these patents which we believe are relevant for the expeditious development and commercialization of certain of our products as currently contemplated, we have acquired licenses. With regard to certain other patents, we have either determined in our judgment that the patents are invalid, that our products do not infringe the patents, or that we can license such patents on commercially reasonable terms, or we have identified and are testing various approaches which we believe should not infringe the patents and which should permit commercialization of our products. If our judgment is incorrect, and we are unable to acquire a license to a necessary patent on commercially reasonable terms, our ability to commercialize our products could be prevented.

It is our policy to require our employees, consultants, members of our scientific advisory board, and parties to collaborative agreements to execute confidentiality agreements upon the commencement of employment or

consulting relationships or collaborations with us. These agreements generally provide that all confidential information developed or made known during the course of the relationship with us is to be kept confidential and not to be disclosed to third parties except in specific circumstances. In the case of employees, the agreements provide that all inventions resulting from work performed for us, utilizing our property or relating to our business and conceived or completed by the individual during employment shall be our exclusive property to the extent permitted by applicable law.

Government Regulation

The pre-clinical studies and clinical testing, manufacture, labeling, storage, record keeping, advertising, promotion, export, and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the U.S. and other countries. In the U.S., pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. We believe that our currently anticipated products will be regulated by the FDA as biologics. Biologics require the submission of a Biologics License Application, or BLA, and approval by FDA prior to being marketed in the United States. Manufacturers of biologics may also be subject to state regulation. Failure to comply with FDA requirements, both before and after product approval, may subject us and/or our partners, contract manufacturers, and suppliers to administrative or judicial sanctions, including FDA refusal to approve pending applications, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, fines and/or criminal prosecution.

The steps required before a biologic may be approved for marketing in the U.S. generally include:

(1) pre-clinical laboratory tests and animal tests;

(2) the submission to the FDA of an IND for human clinical testing, which must become effective before human clinical trials may commence;

(3) adequate and well-controlled human clinical trials to establish the safety and efficacy of the product;

(4) the submission to the FDA of a biologics license application or BLA; and

(5) FDA review of such application.

The testing and approval process requires substantial time, effort and financial resources, and cannot assure you that any approval will be granted on a timely basis or at all.

Pre-clinical studies include laboratory evaluation, as well as animal studies to assess the potential safety and efficacy of the product. Pre-clinical safety tests must be conducted in compliance with FDA regulations regarding good laboratory practices. The results of the pre-clinical tests, together with manufacturing information and analytical data, are submitted to the FDA as part of an Investigational New Drug Application, or IND, which must become effective before human clinical trials may be commenced. The IND will automatically become effective 30 days after receipt by the FDA, unless the FDA before that time raises concerns about the conduct of the trials as outlined in the IND. In such latter case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can proceed. We cannot assure you that submission of an IND will result in FDA authorization to commence clinical trials.

Clinical trials involve the administration of the investigational product to healthy volunteers or to patients, under the supervision of qualified principal investigators. Each clinical study at each clinical site must be reviewed and approved by an independent institutional review board, prior to the recruitment of subjects.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap and different trials may be initiated with the same drug within the same phase of development in similar or differing patient populations. In Phase I, the initial introduction of the drug into human subjects, the drug is usually tested for safety and, as appropriate, for absorption, metabolism, distribution, excretion, pharmaco-dynamics and pharmaco-kinetics.

Phase II usually involves studies in a limited patient population to:

- evaluate preliminarily the efficacy of the drug for specific, targeted indications;
- determine dosage tolerance and optimal dosage; and
- identify possible adverse effects and safety risks.

Phase III trials are undertaken to further evaluate clinical efficacy of a specific endpoint and to test further for safety within an expanded patient population at geographically dispersed clinical study sites. Phase I, Phase II or Phase III testing may not be completed successfully within any specific time period, if at all, with respect to any of our product candidates. Results from one trial are not necessarily predictive of result from later trials. Furthermore, the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The results of the pre-clinical studies and clinical trials, together with other detailed information, including information on the manufacture and composition of the product, are submitted to the FDA as part of a BLA requesting approval to market the product candidate. Before approving a BLA, the FDA may inspect the facilities at which the product is manufactured and will not approve the product unless current Good Manufacturing Practices, or cGMP, compliance is satisfactory. The FDA may deny approval of a BLA if applicable statutory or regulatory criteria are not satisfied, or may require additional testing or information, which can delay the approval process. Post-marketing testing and surveillance to monitor the safety or efficacy of a product may be required. FDA approval of any application may include many delays or never be granted. Moreover, if a product is approved, the approval will impose limitations on the indicated uses for which the product may be marketed. To market for other indicated uses, or to make certain manufacturing or other changes, requires FDA review and approval. Also, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if safety or manufacturing problems occur following initial marketing. Finally, new government requirements may be established that could delay or prevent regulatory approval of our products under development. After the FDA approves a product, the manufacturer and the holder or holders of the BLA for the product continues to be subject to comprehensive regulatory oversight. For example, quality control and manufacturing procedures must continue to conform to cGMP requirements after approval, and the FDA periodically inspects manufacturing facilities to assess compliance with cGMP. Accordingly, manufacturers must continue to spend time, monies, and effort to maintain cGMP compliance.

For clinical investigation and marketing outside the U.S., we are also subject to foreign regulatory requirements governing human clinical trials and marketing approval for drugs. The foreign regulatory approval process includes all of the risks associated with FDA approval set forth above as well as country-specific regulations.

Recent Developments

Default under Tyco Healthcare Note

In February 1999, our wholly owned subsidiary Columbus Farming Corporation, or CFC, purchased substantially all of the assets of the xenotransplantation program, including principally, land, buildings and

laboratory equipment, from our then partner in the program, U.S. Surgical Corporation, now a division of Tyco Healthcare, or Tyco. The purchase was financed through the issuance by CFC of a $3.9 million note payable to Tyco. Interest on the $3.9 million note payable, at 6% per annum, is payable quarterly by CFC. In August 2003, CFC was unable to make a scheduled quarterly interest payment under the note. The principal balance under the note is stated to be due in May 2005, but will be classified as a current liability when the note is deemed in default since CFC was unable to make the quarterly interest payment due to Tyco. The xenotransplantation manufacturing assets of CFC that were purchased from U.S. Surgical, including the real estate, are pledged as security for this note.

We have notified Tyco that CFC operations have been suspended and that CFC is seeking to liquidate itself to fulfill its debt obligation as best as possible. CFC has further notified Tyco that it does not have the funds or assets to satisfy the $3.9 million note, and was unable to make the quarterly interest payment due to Tyco in August 2003. CFC has had discussions with Tyco regarding the sale of the CFC assets and application of the proceeds to CFC's obligations under the note, as well as with regard to satisfaction of the note generally. The event of default under the note requires the note to be classified as a current liability at the time of default. If CFC's assets, consisting of property, plant and equipment with a current estimated fair value of $1.2 million, are insufficient to satisfy the $3.9 million note and other obligations of CFC, then the unpaid amount of the note may be discharged debt, recognized as other income in a future period to CFC.

Competition

Currently, many companies, including major pharmaceutical and chemical companies as well as specialized biotechnology companies, are engaged in activities similar to our activities. Universities, governmental agencies and other public and private research organizations also conduct research and may market commercial products on their own or through joint ventures. These companies and organizations are in the U.S., Europe and elsewhere. Many of these entities may have:

- substantially greater financial and other resources;
- larger research and development staffs;
- lower labor costs; and/or
- more extensive marketing and manufacturing organizations.

Many of these companies and organizations have significant experience in pre-clinical testing, human clinical trials, product manufacturing, marketing and distribution and other regulatory approval procedures. They may also have a greater number of significant patents and greater legal resources to seek remedies for cases of alleged infringement of their patents by us to block, delay, or compromise our own drug development process.

We compete with large pharmaceutical companies that produce and market synthetic compounds and with specialized biotechnology firms in the U.S., Europe and elsewhere, as well as a growing number of large pharmaceutical companies that are applying biotechnology to their operations. Many biotechnology companies have focused their developmental efforts in the human therapeutics area, and many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or have made commercial arrangements with other biotechnology companies. A number of biotechnology and pharmaceutical companies are developing new products for the treatment of the same diseases being targeted by us; in some instances these products have already entered clinical trials or are already being marketed. Other companies are engaged in research and development based on complement proteins.

Each of Abbott Laboratories, Adprotech Ltd., Avant Immunotherapeutics, Inc, Baxter International Inc., Millennium Pharmaceuticals, Inc., Neurogen Corporation, Tanox, Inc., and Xoma Inc. has publicly announced intentions to develop complement inhibitors to treat diseases related to trauma, inflammation or certain brain or nervous system disorders. Avant has concluded limited clinical trials for a proposed complement inhibitor to treat acute respiratory distress syndrome, myocardial infarction, lung transplantation, and in infants and adults undergoing heart and/or lung bypass procedures. Neurogen has also announced a human study for a proposed complement inhibitor to treat rheumatoid arthritis. We are aware that GlaxoSmithKline plc, Merck & Co and Pfizer, Inc. are also attempting to develop complement inhibitor therapies. We believe that our potential C5 Inhibitors differ substantially from those of our competitors due to our compounds' demonstrated ability to specifically intervene in the complement cascade at what we believe to be the optimal point so that the disease-causing actions of complement proteins generally are inhibited while the normal disease-preventing functions of complement proteins generally remain intact as do other aspects of immune function.

We further believe that, under conditions of inflammation, a complement inhibitor compound which only indirectly addresses the harmful activity of complement may be bypassed by pathologic mechanisms present in the inflamed tissue. Each of Amgen Inc. (which acquired Immunex Corp.), Bayer AG, Pharmacia & Upjohn Inc. (acquired by Pfizer, Inc.) and Rhone-Poulenc SA (merged to form Aventis S.A.) sells a product which is used clinically to reduce surgical bleeding during CPB, but has little beneficial effect on other significant inflammatory morbidities associated with CPB. We believe that each of these drugs does not significantly prevent complement activation and subsequent inflammation that lead to organ damage and blood loss during CPB, but instead each drug attempts to reduce blood loss by shifting the normal blood thinning/blood clotting balance in the blood towards enhanced blood clotting. Additionally, Aventis has conducted clinical trials aimed at reducing heart damage in patients undergoing CPB with a drug called Cariporide that blocks ion transport but failed to achieve key endpoints. Aventis has publicly announced termination of their program in CABG-CPB.

Each of Cambridge Antibody Technology plc, Dyax Corporation, and MorphoSys AG has publicly announced intentions to develop therapeutic genetically altered human antibodies from libraries of human antibody genes. Additionally, each of Abgenix, Inc. and Medarex, Inc. have publicly announced intentions to develop therapeutic genetically altered human antibodies from mice that have been bred to include some human antibody genes.

Employees

As of October 1, 2003, we had 191 full-time employees, of which 154 were engaged in research, development, manufacturing, and clinical development, and 37 in administration, commercial and business development and finance. Doctorates are held by 50 of our employees. Each of our employees has signed a confidentiality agreement. We regard the relationships with our employees as satisfactory.

Item 2. *Properties*.

Facilities

We lease our headquarters and research and development facilities in Cheshire, Connecticut, where we relocated in November 2000. The lease has an initial term of ten years and six months, expiring in December 2010. At this site, we lease a total of approximately 89,000 square feet of space, which includes approximately 69,000 square feet related to research and laboratories. We have made initial leasehold improvements aggregating approximately $7.4 million. In addition, we are paying a pro rata percentage of real estate taxes and operating expenses. Our pilot manufacturing plant, which may be used for producing compounds for some of our

current and anticipated clinical trials, is expected to remain in New Haven, Connecticut encompassing approximately 33,000 square feet of labs and offices. The lease for our facility in New Haven has an initial term of approximately 5 years, ending October 2007 with three renewal options to extend of one year each. We believe our research and development facilities and our pilot manufacturing facility, together with third party manufacturing facilities, will be adequate for our on-going current clinical activities. Alexion Antibody Technologies, Inc. leases approximately 25,000 square feet of labs, office and unimproved storage space in San Diego, California. The lease has an initial term of ten years, expiring in August 2012.

In addition, our subsidiary, Columbus Farming Corporation or CFC, retains real estate consisting of farmland and buildings used in the development and manufacture of Xenotransplantation or UniGraft cells and tissues. We have terminated the UniGraft program in order to focus our resources on our other discovery targets and development programs. CFC's real estate secures a $3.9 million note payable by CFC to Tyco Healthcare. We expect that the CFC real estate will be sold, with proceeds paid to Tyco Healthcare. See "Recent Developments."

Item 3. ***Legal Proceedings*****.**

We are not a party to any material legal proceeding.

Item 4. ***Submission of Matters to a Vote of Security Holders*****.**

None.

EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY

The executive officers and key employees of the Company and their respective ages and positions with the Company as of October 1, 2003 were as follows:

Name	Age	Position with Alexion
*Leonard Bell, M.D	45	Chief Executive Officer, Secretary, Treasurer, Director
*David W. Keiser	52	President and Chief Operating Officer, Director
*Stephen P. Squinto, Ph.D	47	Executive Vice President and Head of Research
*Katherine S. Bowdish, Ph.D.	46	Senior Vice President, Antibody Discovery, and President, Alexion Antibody Technologies
*Scott A. Rollins, Ph.D	40	Senior Vice President, Drug Development and Project Management
Samuel S. Chu, Ph.D	53	Vice President, Manufacturing and Process Sciences
*Thomas I.H. Dubin, J.D.	41	Vice President and General Counsel
Paul W. Finnegan, M.D., M.B.A	43	Vice President, Commercial Operations and Development
*Barry P. Luke	45	Vice President, Finance and Administration, Assistant Secretary
*Christopher F. Mojcik, M.D., Ph.D	43	Vice President, Clinical Development
*Nancy C. Motola, Ph.D	50	Vice President, Regulatory and Quality
Russell P. Rother, Ph.D	42	Vice President, Discovery Research
Daniel N. Caron	40	Senior Director, Operations and Engineering

* These employees are officers for purposes of Section 16 of the Securities Exchange Act of 1934.

Leonard Bell, M.D. is the principal founder of Alexion, and has been a director of Alexion since February 1992 and the Company's President and Chief Executive Officer, Secretary and Treasurer from January 1992 to April 2002. In April 2002, the title of President was transferred to David Keiser. From 1991 to 1992, Dr. Bell was an Assistant Professor of Medicine and Pathology and co-Director of the program in Vascular Biology at the Yale University School of Medicine. From 1990 to 1992, Dr. Bell was an attending physician at the Yale-New Haven Hospital and an Assistant Professor in the Department of Internal Medicine at the Yale University School of Medicine. Dr. Bell was a recipient of the Physician Scientist Award from the National Institutes of Health and Grant-in-Aid from the American Heart Association as well as various honors and awards from academic and professional organizations. His work has resulted in more than 20 scientific publications and three patent applications. Dr. Bell is a director of The Medicines Company and Connecticut United for Research Excellence, Inc. He also served as a director of the Biotechnology Research and Development Corporation from 1993 to 1997. Dr. Bell received his A.B. from Brown University and M.D. from Yale University School of Medicine. Dr. Bell is currently an Adjunct Assistant Professor of Medicine and Pathology at Yale University School of Medicine.

David W. Keiser became President and Chief Operating Officer and joined the board as a director in April 2002. From July 1992 to April 2002, Mr. Keiser was Executive Vice President and Chief Operating Officer of Alexion. From 1990 to 1992, Mr. Keiser was Senior Director of Asia Pacific Operations for G.D. Searle & Company Limited, a manufacturer of pharmaceutical products. From 1986 to 1990, Mr. Keiser was successively Licensing Manager, Director of Product Licensing and Senior Director of Product Licensing for Searle. From 1984 to 1985, Mr. Keiser was New Business Opportunities Manager for Mundipharma AG, a manufacturer of pharmaceutical products, in Basel, Switzerland where he headed pharmaceutical licensing and business development activities in Europe and the Far East. From 1978 to 1983, he was Area Manager for F. Hoffmann La Roche Ltd., a manufacturer of pharmaceutical products, in Basel, Switzerland. Mr. Keiser received his B.A. from Gettysburg College.

Stephen P. Squinto, Ph.D. is a founder of Alexion and has been Executive Vice President and Head of Research since August 2000. He held the positions of Senior Vice President and Chief Technical Officer from March 1998 to July 2000, Vice President of Research, Molecular Sciences, from August 1994 to March 1998, Senior Director of Molecular Sciences from July 1993 to July 1994, and Director of Molecular Development from 1992 to July 1993. From 1989 to 1992 Dr. Squinto held various positions at Regeneron Pharmaceuticals, Inc. most recently serving as Senior Scientist and Assistant Head of the Discovery Group. From 1986 to 1989, Dr. Squinto was an Assistant Professor of Biochemistry and Molecular Biology at Louisiana State University Medical Center. Dr. Squinto's work has led to over 70 scientific papers in the fields of gene regulation, growth factor biology and gene transfer. Dr. Squinto's work is primarily in the fields of regulation of eukaryotic gene expression, mammalian gene expression systems and growth receptor and signal transduction biology. Dr. Squinto has also served as a Director of the BRDC since 1997. Dr. Squinto received his B.A. in Chemistry and Ph.D. in Biochemistry and Biophysics from Loyola University of Chicago.

Katherine S. Bowdish, Ph.D. has been Senior Vice President, Antibody Discovery since August 2001 and was Vice President of Antibody Discovery from September 2000 upon joining the Company. Dr. Bowdish has also been President of Alexion Antibody Technologies, Inc., a wholly-owned subsidiary of the Company, since September 2000. From 1997 to 1998, Dr. Bowdish was a co-founder and Chief Scientific Officer and Executive Vice President of Prolifaron, Inc. and the Chief Executive Officer and Chief Scientific Officer of Prolifaron from 1998 to 2000. Prolifaron, a San Diego, California based antibody engineering company was merged into Alexion Antibody Technologies, Inc. in September 2000. Dr. Bowdish previously held positions at The Scripps Research

Institute, Monsanto, and Rockefeller University. Dr. Bowdish is an internationally recognized expert in the field of antibody engineering and has 19 years of experience in biotechnology research. Dr. Bowdish received her B.S. degree in biology from the College of William and Mary, M.A. degree in cell biology from Columbia University, and Ph.D. degree in genetics from Columbia University.

Scott A. Rollins, Ph.D. is a co-founder of Alexion and has been Senior Vice President, Drug Development and Project Management since September 2002. From August 2000 to September 2002, Dr. Rollins was Vice President, Drug Development and Project Management. Dr. Rollins was Senior Director of Project Management and Drug Development from August 1999 to July 2000, Senior Director of Complement Biology from 1997 to 1999, Director of Complement Biology from 1996 to 1997, Principal Scientist from 1994 to 1996, and Staff Scientist from 1992 to 1994. Since 1994, Dr. Rollins has been responsible for the pre-clinical development of our anti-inflammatory compound pexelizumab. Since 1999, Dr. Rollins has been additionally responsible for the project management functions of pexelizumab, currently under joint development with Procter & Gamble Pharmaceuticals. Prior to 1992, Dr. Rollins was a postdoctoral research fellow in the Department of Immunobiology at Yale University School of Medicine. Dr. Rollins' work has led to over 50 scientific papers and patents in the fields of complement biology. He received his B.S. in Cytotechnology and Ph.D. in Microbiology and Immunology from the University of Oklahoma Health Sciences Center.

Samuel S. Chu, Ph.D. has been Vice President, Manufacturing and Process Sciences since September 2000. Before joining Alexion Dr. Chu was Director of the Biotech Development and Pilot Plant, Bio-Chemistry Division operations at Bristol-Myers Squibb Company from 1993 to 2000. From 1990 to 1993, Dr. Chu was an Associate Director of Product Development and Scale-up at Lederle-Praxis Biologicals, a division of American Cyanamid. From 1985 to 1990 Dr. Chu was the Associate Director of Product Development and Scale-up at Praxis Biologics. Dr. Chu received his B.S. from National Chung-Hsing University, M.S. from Illinois Institute of Technology, and Ph.D. degree from the University of Toronto.

Thomas I.H. Dubin, J.D. has been Vice President and General Counsel since January 2001. From February 1999 to September 2000 he served as Vice President, General Counsel and Secretary for ChiRex Inc., a NASDAQ-traded international corporation providing advanced process development services and specialty manufacturing to the pharmaceutical industry, which in September 2000 was acquired by and merged into Rhodia. From 1992 to 1999, Mr. Dubin held various positions with Warner-Lambert Company, including Assistant General Counsel, Pharmaceuticals. Prior to his tenure with Warner-Lambert, Mr. Dubin was a corporate attorney for five years with Cravath, Swaine & Moore in New York. Mr. Dubin received his J.D. from New York University and his B.A., cum laude, from Amherst College.

Paul W. Finnegan, M.D., M.B.A. has been Vice President, Commercial Operations and Development since February 2002, responsible for marketing, sales, business development, external relations, pharmaco-economics, strategic planning and corporate development. He joined Alexion in April 2001 as Executive Director of Commercial Operations. From 1999 to 2000, Dr. Finnegan was Senior Director, Global Medical Marketing at Pharmacia Corporation, formerly Searle. He joined Searle, a Monsanto company, as Director, Global Medical Marketing in 1998. At Searle, he was responsible for various pre-launch and launch initiatives in Japan, Asia-Pacific, Latin America and Canada for all therapeutic areas as well as contributing to the scale up of international operations and partnership management. From 1993 to 1997, Dr. Finnegan was Director and Partner of Toronto East General & Orthopaedic Radiology Associates, LLC. Dr. Finnegan earned his M.B.A. with Honors, in Finance and Strategy, from the University of Chicago, Graduate School of Business. He also holds the degree of M.D., C.M. from McGill University in Montreal and is a Fellow of the Royal College of Physicians, Canada.

Barry P. Luke has been Vice President, Finance and Administration since September 1998 and Senior Director of Finance and Administration of Alexion from August 1995 to September 1998. Prior thereto he was Director of Finance and Accounting of the Company from May 1993 to August 1995. From 1989 to 1993, Mr. Luke was Chief Financial Officer, Secretary and Vice President-Finance and Administration at Comtex Scientific Corporation, a publicly held distributor of electronic news and business information. From 1985 to 1989, he was Controller and Treasurer of Softstrip, Inc., a manufacturer of computer peripherals and software. From 1980 to 1985, Mr. Luke was employed by General Electric Company where he held positions at GE's Corporate Audit Staff after completing GE's Financial Management Program. Mr. Luke received a B.A. in Economics from Yale University and an M.B.A. in management and marketing from the University of Connecticut.

Christopher F. Mojcik, M.D., Ph.D. has been Vice President, Clinical Development since August 2000. From the time he joined Alexion in July 1998, until July 2000, Dr. Mojcik was Senior Director of Clinical Development. From 1996 until July 1998, he was an Associate Director in the Metabolics/Rheumatics Department at Bayer Corporation's Pharmaceuticals Division. Dr. Mojcik was responsible for Phase II and III development of certain arthritis programs and certain Phase IV programs in cardiopulmonary bypass. From 1993 to 1996, he was a Senior Staff Fellow in the Cellular Immunology Section of the Laboratory of Immunology in the NIAID at the NIH. From 1991 to 1993, he completed his Fellowship in Rheumatology in the National Institute of Arthritis and Musculoskeletal and Skin Diseases at the NIH. He received his B.A. from Washington University in St. Louis, Missouri, and his M.D. and Ph.D. from the University of Connecticut.

Nancy C. Motola, Ph.D. has been the Vice President, Regulatory and Quality since 1998. From 1991 to 1998, Dr. Motola served as Assistant, Associate and then Deputy Director, Regulatory Affairs for the Bayer Corporation Pharmaceuticals Division where she was responsible for regulatory aspects of product development programs for cardiovascular, neuroscience, metabolic and oncology drugs and included drugs targeting arthritis, cardiac disorders, stroke and cognitive dysfunction. Dr. Motola has been responsible for the filing of numerous INDs, other regulatory submissions and has filed New Drug Applications for marketing approval resulting in three currently marketed drugs. Dr. Motola held regulatory affairs positions of increasing responsibility at Abbott Laboratories from 1989 to 1991 and at E.R. Squibb and Sons, Inc. from 1983 to 1989. She also served as past Chairperson of the Regulatory Affairs Section of the American Association of Pharmaceuticals Scientists. Dr. Motola received her B.A. from Central Connecticut State University and M.S. and Ph.D. degrees in medical chemistry from the University of Rhode Island.

Russell P. Rother, Ph.D. has been Vice President, Discovery Research since August 2001, Senior Director of Discovery Research from 1999 to 2001, Director of Gene Technologies from 1996 to 1999, Senior Staff Scientist from 1994 to 1996 and Staff Scientist from 1992 to 1994. As one of the original scientists at Alexion, Dr. Rother has played a critical role in the engineering and development of Alexion's current antibody therapeutics and continues to lead discovery efforts in the identification of new targets. Prior to 1992, Dr. Rother was a Postdoctoral Research Fellow in the Department of Immunobiology at Yale University School of Medicine. Dr. Rother's work has led to over 30 scientific papers and issued patents in the fields of gene therapy, autoimmunity and complement biology. Dr. Rother received a B.S. in Biology from Southwestern Oklahoma State University and a Ph.D. in Microbiology and Immunology from the University of Oklahoma Health Sciences Center in conjunction with the Oklahoma Medical Research Foundation.

Daniel N. Caron has been Senior Director, Operations and Engineering since 1998. After joining the Company in 1992, Mr. Caron was Operations Manager from 1992 to 1993, Senior Operations Manager from 1993 to 1996, and Director of Operations from 1996 to 1998. Mr. Caron has been responsible for managing the

engineering, build-out, validation and operations of all of the Company's research, manufacturing, and administrative facilities. Prior to 1992, Mr. Caron was a research scientist at Imclone Systems, Inc., a biopharmaceutical firm. Mr. Caron received his B.A. in Biology from Adelphi University and M.S. in Biomedical Engineering from Polytechnic University of New York.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters.***

Our common stock is quoted on The Nasdaq National Market under the symbol "ALXN." The following table sets forth the range of high and low sales prices for our common stock on The Nasdaq National Market for the periods indicated since August 1, 2001.

Fiscal 2002	High	Low
First Quarter (August 1, 2001 to October 31, 2001)	$ 20.05	$ 14.01
Second Quarter (November 1, 2001 to January 31, 2002)	$ 25.00	$ 16.74
Third Quarter (February 1, 2002 to April 30, 2002)	$ 26.69	$ 17.30
Fourth Quarter (May 1, 2002 to July 31, 2002)	$ 18.24	$ 10.66

Fiscal 2003	High	Low
First Quarter (August 1, 2002 to October 31, 2002)	$ 15.64	$ 9.05
Second Quarter (November 1, 2002 to January 31, 2003)	$ 17.98	$ 9.50
Third Quarter (February 1, 2003 to April 30, 2003)	$ 15.06	$ 10.00
Fourth Quarter (May 1, 2003 to July 31, 2003)	$ 20.15	$ 12.80

As of October 23, 2003, we had 136 stockholders of record of our common stock and an estimated 4,000 beneficial owners. The closing sale price of our common stock on October 23, 2003 was $17.39 per share.

In March 2000, we completed a $120 million private placement of our 5.75% Convertible Subordinated Notes due March 15, 2007. The notes bear interest semi-annually on September 15 and March 15 of each year, beginning September 15, 2000. The holders of the notes may convert all or a portion of the notes into common stock at any time on or before March 15, 2007 at a conversion price of $106.425 per share. The notes were offered to qualified institutional buyers under the exemption from registration provided by Rule 144A under the Securities Act of 1933, as amended, and to persons outside the United States under Regulation S under the Securities Act. We incurred issuance costs related to this offering of approximately $4.0 million, including discounts to J.P. Morgan & Co., U.S. Bancorp Piper Jaffray, Chase H&Q and Warburg Dillon Read LLC, the initial purchasers of the notes. The costs are being amortized into interest expense over the seven-year term of the notes.

In September 2003, we sold 3.6 million shares of our common stock at a price of $13.00 per share resulting in net proceeds of approximately $43.9 million, net of underwriting discount, fees and other expenses of approximately $2.9 million related to the transaction. We expect to use the net proceeds of the sale of common stock to fund working capital and other general corporate purposes, including additional clinical trials of pexelizumab and eculizumab, as well as other research and product development activities.

Dividend Policy

We have never paid cash dividends. We do not expect to declare or pay any dividends on our common stock in the foreseeable future. We intend to retain all earnings, if any, to invest in our operations. The payment of future dividends is within the discretion of our board of directors and will depend upon our future earnings, if any, our capital requirements, financial condition and other relevant factors.

Item 6. ***Selected Consolidated Financial Data*.**

	Fiscal Year Ended July 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Contract research revenues	$ 877	$ 6,536	$ 11,805	$ 21,441	$ 18,754
Operating expenses:					
Research and development	71,042	60,005	38,871	40,187	23,710
General and administrative	10,621	7,993	7,135	4,175	2,953
Impairment of fixed assets ts	2,560	—	—	—	—
In-process research and development (IPRD)	—	—	21,000	—	—
Amortization of goodwill (GW)	—	—	2,901	—	—
Total operating expenses	84,223	67,998	69,907	44,362	26,663
Operating loss	(83,346)	(61,462)	(58,102)	(22,921)	(7,909)
Other income (expense), net	(1,885)	4,220	10,177	2,694	1,514
State tax benefit, net	764	700	—	—	—
Loss before cumulative effect of SAB 101	(84,467)	(56,542)	(47,925)	(20,227)	(6,395)
Cumulative effect of adoption of SAB 101	—	—	(9,118)	—	—
Net loss	$ (84,467)	$ (56,542)	$ (57,043)	$ (20,227)	$ (6,395)
Basic and diluted net loss per common share	$ (4.64)	$ (3.12)	$ (3.28)	$ (1.45)	$ (0.57)
Shares used in computing net loss per common share	18,209	18,146	17,371	13,914	11,265

	As of July 31,				
	2003	2002	2001	2000	1999
Consolidated Balance Sheet Data:					
Cash, cash equivalents, and marketable securities	$ 215,410	$ 308,584	$ 355,274	$ 174,529	$ 28,328
Total current assets	219,760	310,784	362,747	180,080	35,662
Total assets	266,077	354,069	400,259	192,702	44,374
Notes payable, less current portion	3,920	3,920	3,920	3,920	4,383
Convertible subordinated notes	120,000	120,000	120,000	120,000	—
Total stockholders' equity	120,286	205,478	260,408	61,604	33,301

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations*.**

This report contains forward-looking statements which involve risks and uncertainties. Such statements are subject to certain factors which may cause our plans and results to differ significantly from plans and results

discussed in forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in "Important Factors Regarding Forward-Looking Statements" attached hereto as Exhibit 99.1.

Overview

We are engaged in the discovery and development of therapeutic products aimed at treating patients with a wide array of severe disease states, including cardiovascular, autoimmune and hematologic disorders, inflammation and cancer. Since our incorporation in January 1992, we have devoted substantially all of our resources to drug discovery, research, and product and clinical development. Additionally, through our wholly owned subsidiary, Alexion Antibody Technologies, Inc., or AAT, we are engaged in the discovery and development of a portfolio of additional antibody therapeutics targeting severe unmet medical needs.

Our two lead product candidates are therapeutic antibodies that address specific diseases that arise when the human immune system produces inflammation in the human body. Antibodies are proteins that bind specifically to selected targets, or antigens, in the body. After the antibody binds to its target, it may activate the body's immune system against the target, block activities of the target or stimulate activities of the target. We are currently examining our two lead antibody product candidates in a variety of clinical development programs. We are developing pexelizumab in collaboration with Procter & Gamble Pharmaceuticals, or P&G, and rely on P&G for the timely development and potential commercialization of pexelizumab

To date, we have not received any revenues from the sale of products. We have incurred operating losses since our inception. As of July 31, 2003, we had an accumulated deficit of approximately $265 million. We expect to incur substantial and increasing operating losses for the next several years due to expenses associated with product research and development, pre-clinical studies and clinical testing, regulatory activities, manufacturing development, scale-up and commercial manufacturing, pre-commercialization activities, developing a sales and marketing force, and increasing administrative personnel and professional services to support growth of our operations, and we may need to obtain additional financing to cover these costs.

We plan to develop and commercialize on our own those product candidates for which the clinical trials and commercialization requirements can be funded and accomplished by our own resources. For those products which require greater resources, our strategy is to form corporate partnerships with major pharmaceutical companies for product development and commercialization, where we will stay play a major role.

Critical Accounting Policies and the Use of Estimates

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Research and development expenses—We record research and development expenses when they are incurred unless recoverable under contract. Research and development expenses include the following major types of costs: salaries and benefit costs, research license fees and various contractor costs, depreciation and amortization of lab facilities and leasehold improvements, building and utilities costs related to research space, and lab supplies. Research and development expenses can fluctuate significantly from milestone payments due to third parties upon the attainment or triggering of contractual milestones such as the grant of a patent, FDA filing, FDA approval, or achieving a manufacturing or sales objective. Accrued research and development expenses are comprised of amounts owed to suppliers for research and development work

performed on behalf of the Company. At each period end we evaluate the accrued expense balance related to these activities based upon information received from the supplier and estimated progress toward completion of the research or development objectives to ensure that the balance is appropriately stated. These evaluations are subject to changes in estimate in subsequent periods.

Goodwill—At July 31, 2003, we carried $20.0 million of goodwill, net, acquired in connection with our acquisition of Prolifaron (see Financial Note No.3), representing the excess cost over fair value of the net assets acquired. On a prospective basis, this goodwill or any long-lived investment asset is subject to annual impairment reviews. Impairment charges, if any, will be recorded as a component of operating expenses in the period in which the impairment is determined, if any.

Long-lived assets and prepaid manufacturing costs—We evaluate the recoverability of our long-lived assets and prepaid manufacturing costs based upon planned usage and projected cash flows. These plans are subject to periodic revisions dependent on the success of our research and development programs and product candidate development. Accordingly, impairment charges may periodically occur if these revisions result in a change in planned asset use or cash flow generation. We record cash advances paid to secure future long term manufacturing production at third-party contract manufacturers as prepaid manufacturing costs. These costs will be amortized over the period of manufacturing production. These cash advances are subject to a refund, if the manufacturing facility is unavailable as scheduled or forfeiture if we terminate the scheduled manufacturing production pursuant to contractual terms. We currently anticipate that we will proceed with production under the contract.

Results of Operations

Fiscal Years Ended July 31, 2003, 2002, and 2001

We earned contract research revenues of $0.9 million, $6.5 million, and $11.8 million for the fiscal years ended July 31, 2003, 2002, and 2001, respectively. The decrease in revenues in fiscal year 2003 as compared to fiscal year 2002 was principally due to decreased research payments from Procter & Gamble Pharmaceuticals, or P&G, resulting from our December 2001 agreement per a binding memorandum of understanding, or MOU, to revise our 1999 collaboration agreement with P&G. The decrease in revenues in fiscal year 2002 as compared to 2001 was primarily due to decreased research payments from P&G, resulting from our revised 1999 collaboration agreement and the completion of the Phase II pexelizumab CPB study.

During fiscal year 2003, we incurred research and development expenses of $71.0 million. For fiscal years 2002 and 2001, we incurred research and development expenses of $60.0 million and $38.9 million, respectively. The increase in research and development expenses for fiscal year 2003 as compared to 2002 was due to greater clinical trial costs while sustaining greater manufacturing costs for our two lead product candidates – pexelizumab and eculizumab. Our agreement with P&G to bear the first 50% of the Phase III pexelizumab PRIMO-CABG trial costs, along with our concurrent clinical trials with eculizumab in PNH, rheumatoid arthritis, and membranous nephritis patients, resulted in higher clinical trial costs in fiscal 2003 as compared to 2002, although we had completed in January 2003 our obligations associated with incurring the first 50% of the projected PRIMO-CABG trial costs. The increase in research and development expenses for fiscal year 2002 as compared to 2001 was attributable to higher clinical trial costs associated primarily with the Phase III pexelizumab PRIMO-CABG trial (enrollment began in January 2002) as a result of the revised collaboration agreement with P&G which required us to share in the pexelizumab development costs and greater clinical manufacturing costs associated with our two lead product candidates. We expect that subject to the outcome of

discussions regarding potential further clinical development requirements for pexelizumab, our overall research and development expenses in fiscal 2004 will decrease due to lower clinical trial study costs resulting from the Phase III PRIMO-CABG clinical trial completion. This however will be offset by increased manufacturing development, scale-up and manufacturing activities costs associated with our two lead C5 inhibitor candidates, pexelizumab and eculizumab. However, clinical and manufacturing activities costs are highly dependent upon the initiation, performance and enrollment of clinical trials.

Our general and administrative expenses were $10.6 million, $8.0 million and $7.1 million for fiscal years 2003, 2002, and 2001, respectively. The increase in general and administrative expenses in fiscal year 2003 as compared to 2002 was principally due to increased costs associated with our pre-marketing and business development activities and increased personnel and professional services to support growth of our operations. The increase in general and administrative expenses in fiscal year 2002 as compared to 2001 was principally due to higher payroll related costs. We expect our general and administrative expenses to increase with our pre-marketing and business development activities and increased personnel to support growth of our operations.

We concluded that further investment in the UniGraft program by us did not meet sufficient criteria for continued development with our own resources, as compared to other internal programs; consequently, we have suspended our financial commitment to this program. This termination of our UniGraft program, following our inability to secure a collaboration to share in future funding of this program, resulted in an impairment to our UniGraft manufacturing assets, principally the real estate, building, building improvements and capital lab and farm equipment at our subsidiary, Columbus Farming Corporation, or CFC, resulting in a write down of approximately $2.7 million of those assets. As of July 31, 2003, the carrying value of those assets was approximately $1.2 million after the write down. These assets will continue to be classified as held for use until such time that we have the ability to dispose of them. CFC had purchased the assets relating to the UniGraft program in 1999 from our then partner in the xenotransplantation program, U.S. Surgical Corporation, now a division of Tyco Healthcare, or Tyco. The purchase price was paid through the issuance of a $3.9 million note. All of these assets are pledged to secure CFC’s obligations under the note. CFC failed to make the August 2003 interest payment due under the note. Accordingly, CFC and Tyco are in discussions regarding the sale of these assets and the application of the proceeds to CFC’s obligations under the note.

The acquisition of Prolifaron in fiscal 2001 resulted in a one-time, non-cash charge of $21 million allocated to in-process research and development projects. In addition, we recognized approximately $23 million of the purchase price as goodwill which was being amortized over the seven years following purchase. The amortization of this goodwill resulted in a charge of $2.90 million in the twelve months ended July 31, 2001. Effective August 1, 2001, our adoption of SFAS No. 142 caused the amortization of goodwill to cease.

Total operating expenses were $84.2 million, $68.0 million, and $69.9 million for fiscal years 2003, 2002, and 2001, respectfully. Total operating expenses in the twelve months ended July 31, 2001 included the one-time non-cash in-process research and development charge and the non-cash amortization of goodwill related to the acquisition of Prolifaron.

Other income (expense), net, was an expense of $(1.9 million) in fiscal year 2003 and income of $4.2 million and $10.2 million for fiscal years 2002, and 2001, respectively, and represents interest expense offset by investment income. The other expense, net, in fiscal year 2003 as compared to 2002 was due to interest expense offset by lower investment income from lower market interest rates and lower cash balances. The decrease in fiscal year 2002, other income, net, as compared to 2001 was due to decreased investment income from lower

cash balances and lower market interest rates. A state tax benefit of $0.8 million and $0.7 million was recognized in each of fiscal year 2003 and 2002 resulting from our exchange of our fiscal 2003, 2002 and 2001 incremental research and development tax credits.

During fiscal year 2001, we recorded a $9.1 million non-cash charge that is related to the cumulative effect of a change in accounting principle per the adoption of Staff Accounting Bulletin No. 101 or SAB 101. We adopted SAB 101 in fiscal year 2001 and therefore changed our revenue recognition policy for up front non-refundable payments from immediate recognition to deferral of the revenue with the up front fee amortized into revenue over the life of the agreement. We recognized the non-cash cumulative effect adjustment of $9.1 million as of August 1, 2000. Included in each of fiscal years 2003, 2002 and 2001 were contract revenues of $0.6 million related to the SAB 101 amortization of the up front, non-refundable payment over the life of the agreement.

As a result of the above factors, we incurred net losses of $84.5 million, $56.5 million, and $57.0 million or $4.64, $3.12, and $3.28 basic and diluted net loss per share for fiscal years ended July 31, 2003, 2002, and 2001, respectively. Shown below are our statements of operations for fiscal years ended 2003, 2002, and 2001.

The following table displays the results of our operations relative to our 2001 results.

	Twelve months ended July 31,		
	2003	2002	2001
	($ in thousands, except per share data)		
Contract Research Revenues	$ 877	$ 6,536	$ 11,805
Operating Expenses:			
Research and development	71,042	60,005	38,871
General and administrative	10,621	7,993	7,135
Impairment of fixed assets	2,560	—	—
In-process research development (IPRD)	—	—	21,000
Amortization of goodwill (GW)	—	—	2,901
Total operating expenses	84,223	67,998	69,907
Operating loss	(83,346)	(61,462)	(58,102)
Other income (expense), net	(1,885)	4,220	10,177
State tax benefit, net	764	700	—
Loss before cumulative effect of SAB 101	(84,467)	(56,542)	(47,925)
Cumulative effect of adoption of SAB 101	—	—	(9,118)
Net loss	$ (84,467)	$ (56,542)	$ (57,043)
Basic and diluted net loss per share	$ (4.64)	$ (3.12)	$ (3.28)

Liquidity and Capital Resources

Since our inception in January 1992, we have financed our operations and capital expenditures principally through private placements of our common and preferred stock, an initial public offering of our common stock and subsequent follow-on offerings, the sale of convertible subordinated notes, other debt financing, payments received under corporate collaborations and grants, and equipment and leasehold improvements financing.

As of July 31, 2003, our cash, cash equivalents, and marketable securities totaled $215.4 million compared to $308.6 million as of July 31, 2002. At July 31, 2003, our cash and cash equivalents consisted of $24.8 million

that we hold in short-term highly liquid investments with original maturities of less than three months. The decrease in cash, cash equivalents and marketable securities as compared to July 31, 2002 was due to the use of funds to fund our operations, including prepaid manufacturing costs to reserve commercial manufacturing capacity, and capital equipment investments. During the year ended July 31, 2003, we invested $3.1 million in property, plant and equipment to support our research and development efforts. We anticipate our research and development expense will increase generally for the foreseeable future to support our clinical and manufacturing development of our product candidates. We anticipate that our existing capital resources together with the anticipated funding from our revised collaboration with P&G, as well as the addition of our interest and investment income earned on available cash and marketable securities should provide us adequate resources to fund our operating expenses and capital requirements as currently planned for at least the next twenty-four months. This should also provide us adequate funding for the clinical testing of our C5 Inhibitor product candidates and support our broad research and development of our additional product candidates.

Our contractual obligations include our $120 million of convertible subordinated notes due March 2007, our annual payments of approximately $2.2 million for operating leases, principally for facilities and equipment, and, an open letter of credit of $200,000 which serves as a security deposit on our facility in Cheshire, Connecticut. In addition, CFC is the payer under a $3.9 million note.

Our commercial commitments consist of cancelable research and development, clinical development and manufacturing cost commitments along with anticipated supporting arrangements, subject to certain limitations and cancellation clauses. The timing and level of our commercial scale manufacturing costs (assuming we utilize our long-term commercial scale product manufacturing capacity), which may or may not be realized, are contingent upon our clinical development programs' progress as well as our commercialization plans. Under the terms of our agreement for Lonza Biologics plc, or Lonza, to manufacture commercial supplies of eculizumab, we could owe penalties for failure to purchase a minimum manufacturing capacity volume or if we terminate the agreement prior to its expiration. If we terminate the agreement, we could be required to pay for unused contracted or scheduled manufacturing capacity usage for up to 18 months following termination, or at our election to make a termination payment of up to $25 million, less partial return of any unused portion of prepaid manufacturing costs. These obligations, commitments and supporting arrangements represent payments based on current operating forecast, which are subject to change. Further, under terms of our Memorandum of Understanding with Procter & Gamble Pharmaceuticals, we may be obligated to reimburse P&G 50% of cancellation costs under P&G's third-party pexelizumab manufacturing contract. Our portion of those cancellation costs could amount up to $9.8 million.

Additional payments, aggregating up to $49 million, would be required if we elect to continue development under our current pre-clinical development programs and specified development milestones are reached (including achievement of commercialization). Approximately $3 million of these costs may be incurred in the next three years.

The following table summarizes our contractual obligations and the effect such obligations and commercial commitments are expected to have on our liquidity and cash flow in future fiscal years. These do not include the aforementioned milestones and assume non-termination of agreements ($ amounts in millions):

	2004	2005	2006	2007	2008	2009 and thereafter
Contractual obligations:						
Subordinated convertible notes	$ —	$ —	$ —	$ 120.0	$ —	$ —
Note payable	—	3.9[(a)]	—	—	—	—
Operating leases	2.2	2.3	2.4	2.5	2.1	6.1
Total contractual obligations	$ 2.2	$ 6.2	$ 2.4	$ 122.5	$ 2.1	$ 6.1
Commercial commitments:						
Clinical and manufacturing development	$ 15.7	$ 25.6	$ 23.4	$ 23.7	$ 24.1	$ —
Licenses	0.4	0.4	0.5	0.6	0.8	—
Research and development	0.3	0.1	—	—	—	—
Total commercial commitments	$ 16.4	$ 26.1	$ 23.9	$ 24.3	$ 24.9	$ —

(a) In August, 2003 the Note Payable will be classified as a current liability based upon the default in August, 2003 (see discussion below).

In February 1999, our wholly owned subsidiary Columbus Farming Corporation, or CFC, purchased substantially all of the assets of the xenotransplantation program, including principally, land, buildings and laboratory equipment, from our then partner in the program, U.S. Surgical Corporation, now a division of Tyco Healthcare, or Tyco. The purchase was financed through the issuance by CFC of a $3.9 million note payable to Tyco. Interest on the $3.9 million note payable, at 6% per annum, is payable quarterly by CFC. In August 2003, CFC was unable to make a scheduled quarterly interest payment under the note. The principal balance under the note is stated to be due in May 2005, but will be classified as a current liability when the note is deemed in default since CFC was unable to make the quarterly interest payment due to Tyco. The xenotransplantation manufacturing assets of CFC that were purchased from U.S. Surgical, including the real estate, are pledged as security for this note.

We have notified Tyco that CFC operations have been suspended and that CFC is seeking to liquidate itself to fulfill its debt obligation as best as possible. CFC has further notified Tyco that it does not have the funds or assets to satisfy the $3.9 million note, and was unable to make the quarterly interest payment due to Tyco in August 2003. CFC has had discussions with Tyco regarding the sale of the CFC assets and application of the proceeds to CFC's obligations under the note, as well as with regard to satisfaction of the note generally. The event of default under the note requires the note to be classified as a current liability at the time of default. If CFC's assets, consisting of property, plant and equipment with a current estimated fair value of $1.2 million, are insufficient to satisfy the $3.9 million note and other obligations of CFC, then the unpaid amount of the note may be discharged debt, recognized as other income in a future period to CFC.

We lease our headquarters and research and development facility in Cheshire, Connecticut that we relocated to in November 2000. The lease has an initial term of ten years and six months, expiring in December 2010. At this site, we lease a total of 89,000 square feet of space, which includes approximately 69,000 square feet related

to research and laboratories. We have incurred initial leasehold improvements aggregating approximately $7.4 million. In addition, we are paying a pro rata percentage of real estate taxes and operating expenses. Our pilot manufacturing plant, which may be used for producing compounds for some of our current and anticipated clinical trials, is expected to remain in New Haven, Connecticut and encompasses approximately 33,000 square feet of labs and offices. The lease in New Haven has an initial term of approximately 5 years, ending in October 2007 with three options to extend of one year each. We believe our research and development facilities and our pilot manufacturing facility, together with third party manufacturing facilities, will be adequate for our current ongoing activities. Alexion Antibody Technologies, Inc., our wholly-owned subsidiary, leases approximately 25,000 square feet of labs, office space and unimproved storage in San Diego, California. The lease has a term of ten years, expiring in August 2012.

In January 1999, we entered into a collaboration with P&G with respect to the joint development of pexelizumab. In December 2001, we and P&G entered into a binding memorandum of understanding, or MOU, pursuant to which we and P&G revised our January 1999 collaboration. Under the revised structure per the MOU, we and P&G will share decision-making and responsibility for all future U.S. development and commercialization costs for pexelizumab, including clinical, manufacturing, marketing, and sales efforts. Prior to December 2001, P&G was generally funding all clinical development and manufacturing costs for pexelizumab. The revised collaboration per the MOU provides that we and P&G each incur approximately 50% of all Phase III clinical trial, product development and manufacturing, and commercialization costs necessary for the potential approval and marketing of pexelizumab in the U.S. and that we will receive approximately 50% of the gross margin on U.S. sales, if any. P&G agreed to retain responsibility for future development and commercialization costs outside the U.S., with us receiving a royalty on sales to the rest of the world, if any. We are responsible for paying royalties and licensing fees on certain third party intellectual property worldwide, if such intellectual property is necessary. Additionally, as part of the MOU, we will receive milestone payments for achieving specified development steps, regulatory filings and approvals, but not for previously agreed sales milestones and we will generally forego further research and development support payments from P&G.

We agreed to bear the first 50% of projected costs associated with the U.S. Phase III PRIMO-CABG clinical trials and P&G will bear the second 50% of such costs, with a final adjustment to make even the 50% sharing of costs. As of January 31, 2003, we had completed our obligation associated with the first 50% of the projected costs. It is expected that by the end of our first fiscal quarter of fiscal year 2004, P&G will complete its obligation with respect to the second 50% of projected costs. With the Phase III PRIMO-CABG completion, a final adjustment to make even the 50% sharing costs will occur in fiscal 2004. Reimbursements received from P&G in connection with Alexion services and related personnel and P&G's 50% cost share are recorded as a reduction of research and development and market research expense.

As part of the revised collaboration per the MOU, P&G agreed to continue to fund 100% of the costs for the two Phase II clinical trials in acute myocardial infarction, AMI, or heart attack, patients. We and P&G have agreed that each will share concurrently 50% of the ongoing U.S. pre-production and development manufacturing costs for pexelizumab as well as any future AMI-Phase III clinical trial costs. P&G has the right to terminate the collaboration or sublicense its collaboration rights at any time. If P&G terminates the collaboration, P&G is required to contribute its share of agreed to obligations and costs incurred prior to termination, but may not be required to contribute towards costs incurred after termination. In the event that P&G were to terminate the collaboration, under the MOU, all rights and the exclusive license to our intellectual property related to pexelizumab would revert back to us. The MOU does not contemplate any payments to P&G in the event P&G were to terminate the collaboration; however, P&G might seek to negotiate such a payment or

might seek to sublicense its MOU rights, rather than terminate the collaboration. We rely heavily on P&G for the development, manufacture and potential commercialization of pexelizumab. Termination of our agreement by P&G or sublicense of its collaboration rights could cause significant delays in the development, manufacture and potential commercialization of pexelizumab and result in substantial additional cost to us.

For tax reporting purposes, as of July 31, 2003, we had approximately $245.6 million of federal net operating loss carryforwards, which expire through 2022 (of which approximately $18.2 million resulted from the exercise of nonqualified stock options) and $9.5 million of tax credit carryforwards, which expire commencing in fiscal 2008. Provisions of the Tax Reform Act of 1986 may limit our ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including a provision relating to cumulative changes in ownership interests in excess of 50% over a three-year period. We believe that we have triggered these limitation provisions.

In September 2003, we sold 3.6 million shares of our common stock at a price of $13.00 per share resulting in net proceeds of approximately $43.9 million, net of underwriting discount, fees and other expenses of approximately $2.9 million related to the transaction. We expect to use the net proceeds of the sale of common stock to fund working capital and other general corporate purposes, including additional clinical trials of pexelizumab and eculizumab, as well as other research and product development activities.

Recently issued accounting standards

In June 2002, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (“EITF”) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of this new standard did not have a material impact on either our operating results or financial position.

In November 2002, the EITF issued abstract No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF No. 00-21 addresses certain aspects of the accounting for arrangements under which a vendor will perform multiple revenue-generating activities. The guidance in this issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We do not believe that the adoption of EITF No. 00-21 will be material to our operating results or financial position.

In November 2002, the FASB issued FASB Interpretations No. (“FIN) 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB interpretation No. 34.” FIN 45 clarifies the requirements of SFAS No. 5, “Accounting for Contingencies”, relating to the guarantor’s accounting for, and disclosure of, the issuance of certain types of guarantees. The adoption of FIN 45 did not have a material impact on either our operating results or financial position. We have complied with the disclosure provisions of FIN 45.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 establishes standards for how an issuer classifies and measures financial instruments. The standard is effective for new or modified contracts after May 31, 2003,

and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We do not believe that the adoption of SFAS No. 150 will be material to our operating results or financial position.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk*****.**

As part of our investment portfolio we own financial instruments that are sensitive to market risks. The investment portfolio is used to preserve our capital until it is required to fund operations, including our research and development activities. Our short-term investments and investments consist of U.S. Government obligations, high-grade corporate notes and commercial paper. All of our investments in debt securities are classified as "available-for-sale" and are recorded at fair value. Our investments are subject to interest rate risk, and could decline in value if interest rates increase. Due to the conservative nature of our short-term investments and investments policy we do not believe that we have a material exposure to interest rate risk. Although our investments are subject to credit risk, our investment policies specify credit quality standards for our investments and limit the amount of credit exposure from any single issue, issuer or type of investment.

Our "available-for-sale" marketable securities are sensitive to changes in interest rates. Interest rate changes would result in a change in the fair value of these financial instruments due to the difference between the market interest rate and the rate at the date of purchase of the financial instrument. A 10% decrease in year-end market interest rates would result in no material impact on the net fair value of such interest-sensitive financial instruments.

A 10% increase or decrease in market interest rates on our 5.75% Subordinated Convertible Notes would result in no material impact on our notes.

Item 8. ***Financial Statements and Supplementary Data*****.**

The consolidated financial statements and supplementary data of the Company required in this item are set forth at the pages indicated in Item 14(a)(1).

Item 9. ***Changes In and Disagreements with Accountants on Accounting and Financial Disclosure*****.**

The Board of Directors, based upon a recommendation of its Audit Committee, dismissed Arthur Andersen LLP ("Arthur Andersen" or "AA") as our independent public accountants on May 31, 2002. We engaged PricewaterhouseCoopers LLP as our independent auditors to audit our consolidated financial statements for the year ended July 31, 2002. PricewaterhouseCoopers commenced its engagement on May 31, 2002 with the review of our financial statements for the fiscal third quarter ended April 30, 2002.

Arthur Andersen's reports on our consolidated financial statements for each of the years ended July 31, 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended July 31, 2001 and 2000 and through May 31, 2002, there were no disagreements between us and Arthur Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused it to make reference to the subject matter in connection with its report on our consolidated financial statements for such years; and during such periods there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Arthur Andersen submitted a letter, dated May 31, 2002, stating its agreement with our statements filed on Form 8-K dated May 31, 2002 related to our change in public accountants.

During the two most recent fiscal years ended July 31, 2001 and 2000 and through May 31, 2002, we did not consult with PricewaterhouseCoopers LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report was provided to us nor was oral advice provided that PricewaterhouseCoopers LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing, or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Item 9A. ***Controls and Procedures.***

We have carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and President, of the effectiveness of the design and operation of our disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving control objectives and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon their evaluation and subject to the foregoing, the Chief Executive Officer and the President concluded that our disclosure controls and procedures were effective in ensuring that material information relating to us and required to be included in the reports we file under the Securities and Exchange Act of 1934, as amended, is accumulated and communicated to the Chief Executive Officer and President, or other persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal controls over financial reporting in connection with the evaluation required under paragraph (d) of Rule 13a-15 under the Exchange Act that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART III

Item 10. ***Directors, Executive Officers and Key Employees.***

Set forth below is certain information regarding our executive officers, directors and key employees:

Name	Age	Position with Alexion
Max Link, Ph.D.[1][2][3]	63	Chairman of the Board of Directors
Leonard Bell, M.D.[4]	45	Chief Executive Officer, Secretary, Treasurer, Director
David W. Keiser[4]	52	President and Chief Operating Officer, Director
Stephen P. Squinto, Ph.D.[4]	47	Executive Vice President and Head of Research
Katherine S. Bowdish, Ph.D.[4]	46	Senior Vice President, Antibody Discovery, and President, Alexion Antibody Technologies
Scott A. Rollins, Ph.D.[4]	40	Senior Vice President, Drug Development and Project Management
Samuel S. Chu, Ph.D.	53	Vice President, Manufacturing and Process Sciences
Thomas I.H. Dubin, J.D.[4]	41	Vice President and General Counsel
Paul W. Finnegan M.D., M.B.A.	43	Vice President, Commercial Operations and Development
Barry P. Luke[4]	45	Vice President, Finance and Administration, Assistant Secretary
Christopher F. Mojcik, M.D., Ph.D.[4]	43	Vice President, Clinical Development
Nancy Motola, Ph.D.[4]	50	Vice President, Regulatory and Quality
Russell P. Rother, Ph.D.	42	Vice President, Discovery Research
Daniel N. Caron	40	Senior Director, Operations and Engineering
Jerry T. Jackson[1][2][3]	62	Director
Joseph A. Madri, Ph.D., M.D.	57	Director
R. Douglas Norby[1][3]	68	Director
Alvin S. Parven[2][3]	63	Director

(1) Member of our Audit Committee of the Board of Directors.
(2) Member of our Compensation Committee of the Board of Directors.
(3) Member of our Nominating and Governance Committee of the Board of Directors.
(4) Officer, for purposes of Section 16 of the Securities Exchange Act of 1934.

Each director will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Each officer serves at the discretion of the board of directors. Dr. Bell, Mr. Keiser, Dr. Squinto and Dr. Bowdish are each a party to an employment agreement with us.

Biographical details of the following persons are incorporated by reference herein to the section of this Report in Part I under the header entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY": Leonard Bell, M.D., David W. Keiser, Stephen P. Squinto, Ph.D., Katherine S. Bowdish, Ph.D., Scott A. Rollins, Ph.D., Samuel S. Chu, Ph.D., Thomas I.H. Dubin, J.D. Paul W. Finnegan, M.D., M.B.A., Barry P. Luke, Christopher F. Mojcik, M.D., Ph.D., Nancy Motola, Ph.D., Russell P. Rother, Ph.D., and Daniel N. Caron

Max Link, Ph.D. has been the Chairman of our board of directors since December 2002 and a director of Alexion since April 1992. From March 2001 to September 2003, Dr. Link was Chairman of the Board and CEO of Centerpulse AG, a medical implant company. From May 1993 to June 1994, Dr. Link was Chief Executive Officer of Corange (Bermuda), the parent company of Boehringer Mannheim Therapeutics, Boehringer Mannheim Diagnostics and DePuy Orthopedics. From 1992 to 1993, Dr. Link was Chairman of the Board of Sandoz Pharma, Ltd., a manufacturer of pharmaceutical products. From 1987 to 1992, Dr. Link was the Chief Executive Officer of Sandoz Pharma and a member of the Executive Board of Sandoz, Ltd., Basel. Prior to 1987, Dr. Link served in various capacities with the United States operations of Sandoz, including as President and Chief Executive Officer. Dr. Link is also a director of Access Pharmaceuticals, Inc., Columbia Laboratories, Inc, Discovery Labs, Inc., Protein Design Labs, Inc., Human Genome Sciences, Inc., CytRx Corporation, Cell Therapeutics, Inc. and Celsion Corporation, each a publicly held pharmaceutical and/or life-science company. Dr. Link holds a Ph.D. in economics from University of St. Gallen (Switzerland).

Jerry T. Jackson has been a director of Alexion since September 1999. He was employed by Merck & Co. Inc., a major pharmaceutical company, from 1965 until his retirement in 1995. During this time, he had extensive experience in sales, marketing and corporate management, including joint ventures. From 1993 until 1995, Mr. Jackson served as Executive Vice President of Merck with broad responsibilities for numerous operating groups including Merck's International Human Health, Worldwide Human Vaccines, the AgVet Division, Astra/Merck U.S. Operations, as well as worldwide marketing. During 1993, he was also President of the Worldwide Human Health Division. He served as Senior Vice President of Merck from 1991 to 1992 responsible for Merck's Specialty Chemicals and previously, he was President of Merck's Sharp & Dohme International. Mr. Jackson serves as a director of Langford I.C. Systems, Inc., IntraBiotics Pharmaceuticals, Inc., and Myogen, Inc, each a small pharmaceutical company. He received his B.A. from University of New Mexico.

Joseph A. Madri, Ph.D., M.D. is a founder of Alexion and has been a director of Alexion since February 1992. Since 1980, Dr. Madri has been on the faculty of the Yale University School of Medicine and is currently a Professor of Pathology. Dr. Madri serves on the editorial boards of numerous scientific journals and he is the author of over 175 scientific publications. Dr. Madri works in the areas of regulation of angiogenesis, vascular cell-matrix interactions, cell-cell interactions, lymphocyte-endothelial cell interactions and endothelial and smooth muscle cell biology and has been awarded a Merit award from the National Institutes of Health. Dr. Madri received his B.S. and M.S. in Biology from St. John's University and M.D. and Ph.D. in Biological Chemistry from Indiana University.

R. Douglas Norby has been a director of Alexion since September 1999. Since July 2003, Mr. Norby has been Sr. Vice-President and Chief Financial Officer of Tessera, Inc., a provider of intellectual property for advanced semiconductor packaging. From March 2002 to February 2003, Mr. Norby served as Senior Vice President and Chief Financial Officer of Zambeel, Inc., a data storage systems company. From December 2000 to March 2002, Mr. Norby served as Senior Vice President and Chief Financial Officer of Novalux, Inc., a manufacturer of lasers for optical networks. From 1996 until December 2000, Mr. Norby served as Executive Vice President and Chief Financial Officer of LSI Logic Corporation, a semiconductor company, and he has also served as a director of LSI Logic Corporation since 1993. From July 1993 until November 1996, he served as Senior Vice President and Chief Financial Officer of Mentor Graphics Corporation, a software company. Mr. Norby served as President of Pharmetrix Corporation, a drug delivery company, from July 1992 to September 1993, and from 1985 to 1992, he was President and Chief Operating Officer of Lucasfilm, Ltd., an entertainment company. From 1979 to 1985, Mr. Norby was Senior Vice President and Chief Financial Officer of Syntex Corporation, a pharmaceutical company. Mr. Norby is a director of LSI Corporation and Chip PAC, Inc., a

semiconductor company. Mr. Norby received a B.A. in Economics from Harvard University and an M.B.A. from Harvard Business School.

Alvin S. Parven has been a director of Alexion since May 1999. Since 1997, Mr. Parven has been President of ASP Associates, a management and strategic consulting firm. From 1994 to 1997, Mr. Parven was Vice President at Aetna Business Consulting, reporting to the Office of the Chairman of Aetna. From 1987 to 1994, Mr. Parven was Vice President, Operations at Aetna Health Plans. Prior to 1987, he served in various capacities at Aetna including Vice President, Pension Services from 1983 to 1987. Mr. Parven received his B.A. from Northeastern University.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The information concerning our directors regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this Item will be set forth in our definitive Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated by reference to our Proxy Statement.

AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that R. Douglas Norby, chairman of our audit committee, is an “audit committee financial expert.” Mr. Norby is an independent director, as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934.

CODE OF ETHICS

We have adopted a Code of Ethics (our “Code of Ethics”) that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. Our Code of Ethics is located on our website *(www.alexionpharm.com)*. Any amendments or waivers to our Code of Ethics will be promptly disclosed on our website as required by applicable laws, rules and regulations of the Securities and Exchange Commission and Nasdaq.

Item 11. ***Executive Compensation*****.**

The information required by this Item will be set forth in our definitive Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated by reference to our Proxy Statement.

Item 12. ***Security Ownership of Certain Benefical Owners and Management.***

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of October 1, 2003, except as otherwise noted in the footnotes: (1) each person known by us to own beneficially more than 5% percent of our outstanding common stock; (2) each director and each named executive officer; and (3) all directors and executive officers of us as a group.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned (2)	Percentage of Outstanding Shares of Common Stock
OppenheimerFunds, Inc. 498 Seventh Avenue New York, NY 10018[3]	2,808,900	12.9%
Viking Global Performance, LLC 280 Park Avenue New York, NY 10017 (NN)[4]	2,025,000	9.3%
Fidelity Management & Research Company 82 Devonshire Street Boston, MA 02109[3]	1,893,265	8.7%
OrbiMed Advisors, LLC 41 Madison Avenue, 40th Floor New York, NY 10010[3]	1,796,400	8.2%
T. Rowe Price Associates 100 East Pratt Street Baltimore, MD 21202-1008[3]	1,171,700	5.4%
Leonard Bell, M.D.[5]	891,454	4.0%
David W. Keiser[6]	279,281	1.3%
Stephen P. Squinto, Ph.D.[7]	271,216	1.2%
Joseph Madri, Ph.D., M.D.[8]	80,300	*
Christopher F. Mojcik, M.D., Ph.D.[9]	69,701	*
Max Link, Ph.D.[10]	48,323	*
Thomas I.H. Dubin, J.D.[11]	43,374	*
Jerry T. Jackson[12]	27,000	*
R. Douglas Norby[13]	27,000	*
Alvin S. Parven[14]	25,900	*
All directors and executive officers as a group (14 persons)[15]	2,130,665	9.1%

* Less than one percent.

(1) Unless otherwise indicated, the address of all persons is 352 Knotter Drive, Cheshire, Connecticut 06410.

(2) To our knowledge, except as set forth below, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes in this table.

(3) This figure is based upon information set forth in Schedule 13F dated June 30, 2003.
(4) This figure is based upon information set forth in Schedule SC 13G dated September 22, 2003.
(5) Includes 672,009 shares of common stock that may be acquired upon the exercise of options within 60 days of October 1, 2003 and 300 shares, in aggregate, held in the names of Dr. Bell's three children. Excludes 67,846 shares obtainable through the exercise of options, granted to Dr. Bell, which are not exercisable within 60 days of October 1, 2003 and 90,000 shares held in trust for Dr. Bell's children of which Dr. Bell disclaims beneficial ownership. Dr. Bell disclaims beneficial ownership of the shares held in the names of his children.
(6) Includes 242,981 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003 and 300 shares, in aggregate, held in the names of Mr. Keiser's three children. Excludes 55,019 shares obtainable through the exercise of options, granted to Mr. Keiser, which are not exercisable within 60 days of October 1, 2003. Mr. Keiser disclaims beneficial ownership of the shares held in the names of his minor children.
(7) Includes 220,516 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003; 7,106 shares held in trust for the benefit of Dr. Squinto's three minor children of which Dr. Squinto's spouse is the trustee; and 8,517 shares held in a charitable remainder trust of which Dr. Squinto and his spouse are the trustees and income beneficiaries. Excludes 39,984 shares obtainable through the exercise of options, granted to Dr. Squinto, which are not exercisable within 60 days of October 1, 2003. Dr. Squinto disclaims beneficial ownership of the shares held in the names of his minor children and the foregoing trusts.
(8) Includes 30,300 shares of common stock which may be acquired on the exercise of options that are exercisable within 60 days of October 1, 2003. Excludes 19,000 obtainable through the exercise of options granted to Dr. Madri, which are not exercisable within 60 days of October 1, 2003.
(9) Includes 69,701 shares of common stock, which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 33,299 shares obtainable through the exercise of options granted to Dr. Mojcik, which are not exercisable within 60 days of October 1, 2003.
(10) Includes 20,167 shares of common stock which may be acquired upon the exercise of options within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Dr. Link, which are not exercisable within 60 days of October 1, 2003.
(11) Includes 43,374 shares of common stock which may be acquired on the exercise of options that are exercisable within 60 days of October 1, 2003. Excludes 47,626 shares obtainable through the exercise of options granted to Mr. Dubin, which are not exercisable within 60 days of October 1, 2003.
(12) Includes 27,000 shares of common stock which may be acquired on the exercise of options that are exercisable within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Mr. Jackson, which are not exercisable within 60 days of October 1, 2003.
(13) Includes 27,000 shares of common stock which may be acquired on the exercise of options that are exercisable within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Mr. Norby, which are not exercisable within 60 days of October 1, 2003
(14) Includes 25,900 shares of common stock which may be acquired on the exercise of options that are exercisable within 60 days of October 1, 2003. Excludes 19,000 shares obtainable through the exercise of options granted to Mr. Parven, which are not exercisable within 60 days of October 1, 2003.
(15) Consists of shares beneficially owned by Drs. Bell, Link, Madri, Mojcik, and Squinto and Messrs. Dubin, Jackson, Keiser, Norby and Parven, and certain other officers. Includes 1,684,268 shares of common stock, which may be acquired upon the exercise of options within 60 days of October 1, 2003.

Equity Compensation Plan Information

The following table provides information about shares of our common stock that may be issued upon the exercise of options and rights under all of our existing equity compensation plans as of July 31, 2003.

Plan Category	Number of shares of common stock to be issued upon exercise of outstanding options [2]	Weighted-average exercise price of outstanding options	Number of shares of common stock remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders[1]	3,982,225	$ 22.62	671,836
Equity compensation plans not approved by stockholders	—	—	—

(1) Reflects aggregate options outstanding and available for issuance, if applicable, under our 1992 Stock Option Plan, 1992 Stock Option Plan for Outside Directors, and 2000 Stock Option Plan.

(2) Does not include 38,585 shares of common stock to be issued upon exercise of options granted under Prolifaron Inc. 1999 Long Term Incentive and Stock Option Plan with a vested average exercise price of $45.24 per share. The stock options granted under this plan were converted into options to acquire shares of our common stock in connection with our acquisition of Prolifaron in September 2000. No subsequent grants of options will be made under this plan.

Item 13. ***Certain Relationships and Related Transactions*.**

In June and October 1992, we entered into patent licensing agreements with Oklahoma Medical Research Foundation, or OMRF, and Yale University. The agreements provide that we will pay to these institutions royalties based on sales of products incorporating technology licensed thereunder and also license initiation fees, including annual minimum royalties that increase in amount based on the status of product development and the passage of time. Under policies of OMRF and Yale, the individual inventors of patents are entitled to receive a percentage of the royalties and other license fees received by the licensing institution. Some of our founders and scientific advisors are inventors under patent and patent applications, including Dr. Bell, one of our directors and our Chief Executive Officer, Dr. Madri, one of our directors, Dr. Squinto, Executive Vice President and Head of Research, and Dr. Rollins, Senior Vice President, Drug Development and Project Management, with respect to patent applications licensed from Yale and therefore, are entitled to receive a portion of royalties and other fees payable by us.

PART IV

Item 14. ***Principle Accountant Fees and Services*.**

The information required by this Item will be set forth in our definitive Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated by reference to our Proxy Statement.

Item 15. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K*.**

(a) (1) Financial Statements

The financial statements required by this item are submitted in a separate section beginning on page F-1 of this report.

(2) Financial Statement Schedules

Schedules have been omitted because of the absence of conditions under which they are required or because the required information is included in the financial statements or notes thereto.

(3) Exhibits:

2.1	Agreement and Plan of Merger by and among Alexion Pharmaceuticals, Inc., PI Acquisition Company, Inc., and Prolifaron, Inc., dated September 22, 2000.*(1)
3.1	Certificate of Incorporation, as amended.*(2)
3.2	Bylaws.*(2)
4.1	Specimen Common Stock Certificate.*(2)
10.1	Employment Agreement, dated October 20, 2003, between the Company and Dr. Leonard Bell.
10.2	Employment Agreement, dated October 20, 2003, between the Company and David W. Keiser.
10.3	Employment Agreement, dated October 20, 2003, between the Company and Dr. Stephen P. Squinto.
10.4	Administrative, Research and Development Facility Lease, dated May 9, 2000, between the Company and WE Knotter L.L.C.*(4)
10.5	Company's 1992 Stock Option Plan, as amended.*(5)
10.6	Company's 2000 Stock Option Plan, as amended.*(6)
10.7	Company's 1992 Outside Directors Stock Option Plan, as amended.*(7)
10.8	Exclusive License Agreement dated as of June 19, 1992 among the Company, Yale University and Oklahoma Medical Research Foundation.*(3)
10.9	License Agreement dated as of September 30, 1992 between the Company and Yale University, as amended July 2, 1993.*(2)+
10.10	Exclusive Patent License Agreement dated April 21, 1994 between the Company and the National Institutes of Health.*(2)+
10.11	License Agreement dated as of January 10, 1995 between the Company and Yale University.*(2)+
10.12	License Agreement dated as of May 27, 1992 between the Company and Yale University, as amended September 23, 1992.*(2)+
10.19	License Agreement dated March 27, 1996 between the Company and Medical Research Council.*(8)+
10.20	License Agreement dated May 8, 1996 between the Company and Enzon, Inc.*(8)+
10.21	Asset Purchase Agreement date as of February 9, 1999 between the Company and United States Surgical Corporation.*(9)
10.22	Collaboration Agreement dated January 25, 1999 between the Company and the Procter & Gamble Company, as amended.*(9)+
10.24	Binding Memorandum of Understanding dated December 11, 2001 between the Company and the Procter & Gamble Company.*(10)+
10.25	Research and Development Facility lease, dated February 1, 2002, between the Company and PMSI SRF L.L.C.*(10)
10.26	Large-Scale Product Supply Agreement, dated December 18, 2002, between the Company and Lonza Biologics plc. *(11)

10.27	Industrial Real Estate lease, dated January 1, 2003, between the Company and SP-K Development, LLC. *(11)
21.1	Subsidiaries of Alexion Pharmaceuticals, Inc.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certificate of Chief Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 Sarbanes Oxley Act of 2002.
31.2	Certificate of President pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of Sarbanes Oxley Act of 2002.
32.1	Certificate of Chief Executive Officer pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act.
32.2	Certificate of President pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act.
99.1	Risk Factors.
99.2	Copy of a report previously issued by Arthur Andersen LLP and has not been reissued by Arthur Andersen LLP.

* Previously filed

(1) Incorporated by reference to our report on Form 8-K, filed on October 3, 2000.
(2) Incorporated by reference to our Registration Statement on Form S-1 (Reg. No. 333-00202).
(3) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended April 30, 2000.
(4) Incorporated by reference to our Registration Statement on Form S-3 (Reg. No. 333-36738) filed on May 10, 2000.
(5) Incorporated by reference to our Registration Statement on Form S-8 (Reg. No. 333-71879) filed on February 5, 1999.
(6) Incorporated by reference to our Registration Statement on Form S-8 (Reg. No. 333-106854) filed on July 7, 2003.
(7) Incorporated by reference to our Registration Statement on Form S-8 (Reg. No. 333-71985) filed on February 8, 1999.
(8) Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended July 31, 1996.
(9) Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended July 31, 1999.
(10) Incorporated by reference to our Quarterly report Form 10-Q for the quarter ended January 31, 2002.
(11) Incorporated by reference to our Quarterly report form 10-Q for the quarter ended January 31, 2003.
† Confidential treatment was granted for portions of such document.

(b) Reports on Form 8-K

None

(c) Exhibits

See (a) (3) above.

(d) Financial Statement Schedules

See (a) (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL

Leonard Bell, M.D.
Chief Executive Officer,
Secretary and Treasurer

By: /s/ DAVID W. KEISER

David W. Keiser
President and Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ LEONARD BELL **Leonard Bell, M.D.**	Chief Executive Officer, Secretary, Treasurer and Director (principal executive officer)	October 24, 2003
/s/ DAVID W. KEISER **David W. Keiser**	President, Chief Operating Officer and Director (principal financial officer)	October 24, 2003
/s/ BARRY P. LUKE **Barry P. Luke**	Vice President, Finance and Administration (principal accounting officer)	October 24, 2003
/s/ MAX LINK **Max Link, Ph.D.**	Chairman of the Board of Directors	October 24, 2003
/s/ JERRY T. JACKSON **Jerry T. Jackson**	Director	October 24, 2003
/s/ JOSEPH A. MADRI **Joseph A. Madri, Ph.D., M.D.**	Director	October 24, 2003
/s/ R. DOUGLAS NORBY **R. Douglas Norby**	Director	October 24, 2003
/s/ ALVIN S. PARVEN **Alvin S. Parven**	Director	October 24, 2003

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ALEXION PHARMACEUTICALS, INC.

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July 31, 2003 and 2002

Report of Independent Auditors

To the Board of Directors and Stockholders of
Alexion Pharmaceuticals, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity and comprehensive loss and of cash flows present fairly, in all material respects, the financial position of Alexion Pharmaceuticals, Inc. and its subsidiaries at July 31, 2003 and 2002, and the results of their operations and their cash flows for each of the two years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements of the Company for the year ended July 31, 2001, were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements before the revisions described in Note 2 in their report dated August 31, 2001.

As discussed above, the financial statements of Alexion Pharmaceuticals, Inc. for the year ended July 31, 2001, were audited by other independent accountants who have ceased operations. As described in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of August 1, 2001. We audited the transitional disclosures described in Note 2. In our opinion, the transitional disclosures for 2001 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

As discussed in Note 4 to the consolidated financial statements, the Company changed its method of revenue recognition relating to non-refundable upfront licensing fees in accordance with Staff Accounting Bulletin No. 101 in fiscal 2001.

/S/ PRICEWATERHOUSECOOPERS LLP

Hartford, Connecticut
September 17, 2003

ALEXION PHARMACEUTICALS, INC.

Consolidated Balance Sheets
(in thousands)

	July 31, 2003	July 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 24,844	$ 47,574
Marketable securities	190,566	261,010
Reimbursable contract costs	390	863
State tax receivable	1,012	—
Prepaid expenses and other current assets	2,948	1,337
Total current assets	219,760	310,784
PROPERTY, PLANT AND EQUIPMENT, net	12,276	14,874
GOODWILL	19,954	19,954
Prepaid manufacturing costs	10,000	2,750
DEFERRED FINANCING COSTS, net	2,119	2,692
OTHER ASSETS	1,968	3,015
Total assets	$ 266,077	$ 354,069
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 7,560	$ 9,843
Accrued expenses	4,312	4,303
Accrued interest	2,646	2,627
Deferred revenue	589	546
Total current liabilities	15,107	17,319
DEFERRED REVENUE, less current portion included above	6,764	7,352
NOTE PAYABLE (see Note 7)	3,920	3,920
CONVERTIBLE SUBORDINATED NOTES	120,000	120,000
Total liabilities	145,791	148,591
COMMITMENTS AND CONTINGENCIES (Notes 10, 11, and 14)		
STOCKHOLDERS' EQUITY		
Preferred stock, $.0001 par value; 5,000 shares authorized; no shares issued or outstanding	—	—
Common stock, $.0001 par value; 145,000 shares authorized; 18,257 and 18,241 shares issued at July 31, 2003 and 2002, respectively	2	2
Additional paid-in capital	385,498	385,197
Accumulated deficit	(265,266)	(180,799)
Accumulated other comprehensive income	652	1,678
Treasury stock, at cost, 37 shares at July 31, 2003 and 2002	(600)	(600)
Total stockholders' equity	120,286	205,478
Total liabilities and stockholders' equity	$ 266,077	$ 354,069

The accompanying notes are an integral part of these consolidated financial statements.

ALEXION PHARMACEUTICALS, INC.

Consolidated Statements Of Operations
(in thousands, except per share amounts)

	For the Years Ended July 31,		
	2003	2002	2001
CONTRACT RESEARCH REVENUES	$ 877	$ 6,536	$ 11,805
OPERATING EXPENSES			
Research and development	71,042	60,005	38,871
General and administrative	10,621	7,993	7,135
Impairment of fixed assets (Note 5)	2,560	—	—
In-process research and development ("IPRD") (Note 3)	—	—	21,000
Amortization of goodwill ("Goodwill", Note 2)	—	—	2,901
Total operating expenses	84,223	67,998	69,907
Operating loss	(83,346)	(61,462)	(58,102)
OTHER INCOME AND EXPENSE			
Investment income	5,809	11,920	17,975
Interest expense	(7,694)	(7,700)	(7,798)
Loss before state tax benefit and cumulative effect of adoption of Staff Accounting Bulletin No. 101 ("SAB 101")	(85,231)	(57,242)	(47,925)
STATE TAX BENEFIT	764	700	—
Loss before cumulative effect of adoption of SAB 101	(84,467)	(56,542)	(47,925)
CUMULATIVE EFFECT OF ADOPTION OF SAB 101 (Note 4)	—	—	(9,118)
Net loss	$ (84,467)	$ (56,542)	$ (57,043)
BASIC AND DILUTED PER SHARE DATA			
Loss before cumulative effect of adoption of SAB 101	$ (4.64)	$ (3.12)	$ (2.76)
Cumulative effect of adoption of SAB 101	—	—	(0.52)
Net loss	$ (4.64)	$ (3.12)	$ (3.28)
PRO FORMA AMOUNTS ASSUMING ADOPTION OF SAB 101 APPLIED RETROACTIVELY			
Pro forma operating loss			$ (58,102)
Pro forma net loss			$ (47,925)
Pro forma basic and diluted net loss per common share			$ (2.76)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE AND PRO FORMA NET LOSS PER COMMON SHARE	18,209	18,146	17,371

The accompanying notes are an integral part of these consolidated financial statements.

ALEXION PHARMACEUTICALS, INC.

Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Loss
For the Years Ended July 31, 2003, 2002 and 2001
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Treasury Stock at Cost		Total Stockholders' Equity	Total Comprehensive Loss
	Shares	Amount				Shares	Amount		
BALANCE, July 31, 2000	15,146	$ 2	$128,836	$(67,214)	$ (20)	12	$—	$61,604	
Issuance of common stock from exercise of options	299	—	2,199	—	—	—	—	2,199	
Noncash compensation expense related to grant of stock options	—	—	408	—	—	—	—	408	
Issuance of common stock from exercise of warrants	18	—	179	—	—	—	—	179	
Issuance of common stock, net of issuance costs of $201	2,300	—	208,524	—	—	—	—	208,524	
Issuance of common stock and stock options to acquire all outstanding equity of Prolifaron	356	—	43,945	—				43,945	
Net change in unrealized gains (losses) on marketable securities	—	—	—	—	592	—	—	592	$ 592
Net loss	—	—	—	(57,043)	—	—	—	(57,043)	(57,043)
Comprehensive loss	—	—	—	—	—	—	—	—	$ (56,451)
BALANCE, July 31, 2001	18,119	$ 2	$ 384,091	$ (124,257)	$ 572	12	$ —	$ 260,408	
Issuance of common stock from exercise of options	122	—	926	—	—	25	(600)	326	
Noncash compensation expense related to grant of stock options	—	—	180	—	—	—	—	180	
Net change in unrealized gains on marketable securities	—	—	—	—	1,106	—	—	1,106	$ 1,106
Net loss	—	—	—	(56,542)	—	—	—	(56,542)	(56,542)
Comprehensive loss	—	—	—	—	—	—	—	—	$ (55,436)
BALANCE, July 31, 2002	18,241	$ 2	$ 385,197	$ (180,799)	$ 1,678	37	$ (600)	$ 205,478	
Issuance of common stock from exercise of options	16	—	155	—	—	—	—	155	
Noncash compensation expense related to grant of stock options	—	—	146	—	—	—	—	146	
Net change in unrealized gains on marketable securities	—	—	—	—	(1,026)	—	—	(1,026)	$ (1,026)
Net loss	—	—	—	(84,467)	—	—	—	(84,467)	(84,467)
Comprehensive loss	—	—	—	—	—	—	—	—	$ (85,493)
BALANCE, July 31, 2003	18,257	$ 2	$ 385,498	$ (265,266)	$ 652	37	$ (600)	$ 120,286	

The accompanying notes are an integral part of these consolidated financial statements.

ALEXION PHARMACEUTICALS, INC.
Consolidated Statements of Cash Flows
(in thousands)

	For the Years Ended July 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (84,467)	$ (56,542)	$ (57,043)
Adjustments to reconcile net loss to net cash used in operating activities			
In-process research and development	—	—	21,000
Cumulative effect of adopting SAB 101	—	—	9,118
Amortization of goodwill	—	—	2,901
Impairment of fixed assets	2,560	—	—
Depreciation and amortization	3,726	3,562	2,620
Gain on sale of marketable securities	—	(1,891)	—
Compensation expense related to grant of stock options	146	180	408
Changes in assets and liabilities			
Reimbursable contract costs	473	6,117	(1,842)
State tax receivable	(1,012)	—	—
Prepaid expenses	(1,611)	(844)	270
Other assets	1,039	(2,769)	—
Prepaid manufacturing costs	(7,250)	(2,750)	—
Accounts payable	(2,283)	8,121	(789)
Accrued expenses	9	2,008	845
Accrued interest	19	(19)	(84)
Deferred revenue	(545)	(1,394)	(576)
Net cash used in operating activities	(89,196)	(46,221)	(23,172)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of marketable securities	(114,116)	(533,117)	(561,940)
Proceeds from maturity or sale of marketable securities	183,534	495,190	425,117
Purchases of property, plant and equipment	(3,070)	(4,096)	(7,021)
Investments in patents and licensed technology	(37)	(36)	(65)
Net cash received (paid) in acquisition of Prolifaron	—	340	(464)
Net cash provided by (used in) investing activities	66,311	(41,719)	(144,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of common stock	155	326	210,902
Repayments of notes payable	—	—	(369)
Other	—	—	342
Net cash provided by financing activities	155	326	210,875
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,730)	(87,614)	43,330
CASH AND CASH EQUIVALENTS, beginning of year	47,574	135,188	91,858
CASH AND CASH EQUIVALENTS, end of year	$ 24,844	$ 47,574	$ 135,188
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest expense	$ 7,135	$ 7,077	$ 7,316
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES			
Exercise of stock options through tendering of mature common stock	$ —	$ 600	$ —
Acquisition of Prolifaron through issuance of common stock and stock options	$ —	$ —	$ 43,945

The accompanying notes are an integral part of these consolidated financial statements.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2003 and 2002

1. Organization and Operations

Alexion Pharmaceuticals, Inc. ("Alexion" or the "Company") was organized in 1992 and is engaged in the development of therapeutic products for the treatment of a wide array of severe diseases, including cardiovascular, autoimmune and hemotologic disorders, inflammation and cancer. The Company's two lead product candidates are therapeutic antibodies that address specific diseases that arise when the human immune system produces inflammation in the human body.

The Company has incurred consolidated losses since inception and has made no product sales to date. The Company will continue to seek financing to obtain regulatory approvals for its product candidates, fund operations losses, and if deemed appropriate, establish manufacturing, sales, marketing and distribution capabilities. The Company expects to incur substantial expenditures in the foreseeable future for the research and development and commercialization of its product candidates. The Company will seek to raise necessary funds through public or private equity or debt financings, bank loans, collaborative or other arrangements with corporate sources, or through other sources of financing.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include Alexion Pharmaceuticals, Inc. and its wholly-owned subsidiaries, Alexion Antibody Technologies ("AAT") and Columbus Farming Corporation ("CFC"). Results of operations of AAT are included in the Company's consolidated statements of operations since September 23, 2000, the effective date of the Prolifaron acquisition (see Note 3). CFC was formed on February 9, 1999 to acquire certain research and development assets from U.S. Surgical Corporation, a subsidiary of Tyco Healthcare (see Notes 5 and 7). All significant inter-company balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market, and includes short-term highly liquid investments with original maturities of less than 90 days.

Marketable Securities

The Company invests in marketable debt securities of highly rated financial institutions and investment-grade debt instruments and limits the amount of credit exposure with any one entity.

The Company has classified its marketable securities as "available for sale" and, accordingly, carries such securities at aggregate fair value. Unrealized gains or losses are included in accumulated other comprehensive (loss) as a component of stockholders' equity. During the year ended July 31, 2002, the Company realized a gain on sales of marketable securities of approximately $1.9 million. No realized gains or losses were recorded during the years ended July 31, 2003 and 2001. The Company utilizes the specific identification method in computing

realized gains and losses. At July 31, 2003, the Company's marketable securities had a maximum maturity of less than two years with an average of approximately nine months. The weighted average interest rate associated with marketable debt securities was 1.4 percent and 2.4 percent as of July 31, 2003 and 2002, respectively.

The following is a summary of marketable securities at July 31, 2003 and 2002 (amounts in thousands):

	Amortized Cost	Unrealized Gains	Fair Value
Federal agency obligations	$ 116,301	$ 466	$ 116,767
Corporate bonds	54,383	138	54,521
Certificates of deposit	19,171	5	19,176
Other	59	43	102
Total marketable securities at July 31, 2003	$ 189,914	$ 652	$ 190,566
Federal agency obligations	$ 159,827	$ 1,228	$ 161,055
Corporate bonds	81,496	405	81,901
Certificates of deposit	17,950	12	17,962
Other	59	33	92
Total marketable securities at July 31, 2002	$ 259,332	$ 1,678	$ 261,010

Goodwill

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets", which together significantly change the accounting and disclosures required for these activities and related assets. The primary changes resulting from these standards consist of the cessation of the "pooling of interests" method of accounting and how goodwill and intangible assets will be segregated, amortized (or not amortized), reviewed for impairment (if any), and disclosed within the footnotes to financial statements.

The Company adopted SFAS No. 142 effective August 1, 2001. The adoption of SFAS No. 142 caused the amortization as it relates to the $22.9 million of goodwill acquired in connection with the acquisition of Prolifaron (see Note 3) to cease effective August 1, 2001. Prior to the adoption of this standard, this annual amortization was expected to be approximately $3.3 million annually over a seven-year period. On a prospective basis, this goodwill is subject to annual impairment reviews, and, if conditions warrant, interim reviews based upon its estimated fair value. Impairment charges, if any, will be recorded as a component of operating expenses in the period in which the impairment is determined. No impairment charge resulted upon the adoption of this standard and as a result of the Company's annual impairment assessment.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A reconciliation of reported net loss to adjusted net loss before amortization of goodwill is as follows (dollars in thousands, except per share amounts):

	Year Ended July 31,		
	2003	2002	2001
Reported net loss	$ (84,467)	$ (56,542)	$ (57,043)(a)
Amortization of goodwill	—	—	2,901
Adjusted net loss	$ (84,467)	$ (56,542)	$ (54,142)(a)
Basic and diluted loss per share:			
Reported net loss	$ (4.64)	$ (3.12)	$ (3.28)(b)
Amortization of goodwill	—	—	.16
Adjusted net loss	$ (4.64)	$ (3.12)	$ (3.12)(b)

(a) Includes the noncash charge for IPRD of $21,000 and Cumulative Effect of Adoption of SAB 101 of $9,118.
(b) Includes the noncash charges for IPRD of $1.21 and Cumulative Effect of Adoption of SAB 101 of $0.52.

Long-Lived Assets

Property, Plant and Equipment

In August 2001, the FASB issued SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” effective for fiscal years beginning after December 15, 2001. SFAS No. 144 establishes a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be held for use. SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets. The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable (see Note 5). Factors that the Company considers important, which could trigger an impairment review, include, among others, the following:

- a significant adverse change in the extent or manner in which a long-lived asset is being used;
- a significant adverse change in the business climate that could affect the value of a long-lived asset; and
- a significant decrease in market value of assets.

If the Company determines that the carrying value of long-lived assets may not be recoverable, based upon the existence of one or more of the above indicators of impairment, the Company will compare the carrying value of the asset group to the undiscounted cash flows expected to be generated by the group. If the carrying value exceeds the undiscounted cash flows, the Company will then compare the carrying value of the asset group to its fair value to determine whether an impairment charge is required. If the fair value is less than the carrying value, such amount is recognized as an impairment charge.

Prepaid Manufacturing Costs

Cash advances paid by the Company to secure future long term manufacturing production at third-party contract manufacturers are recorded as prepaid manufacturing costs. These costs will be amortized over the period of manufacturing production. The cash advances are subject to refund if the manufacturing facility is unavailable as scheduled, or forfeiture if the Company terminates the scheduled production (see Note 11).

Revenue Recognition

Contract research revenues recorded by the Company consist of research and development support payments and license fees under collaborations with third parties and amounts received under various government grants.

As a result of the Company's adoption of SAB 101 (see Note 4), up-front, non-refundable license fees received in connection with a collaboration are deferred and amortized into revenue based upon the terms of each collaborative arrangement.

Revenues derived from the achievement of milestones are recognized when the milestone is achieved, provided that the milestone is substantive and a culmination of the earnings process has occurred. Research and development support revenues are recognized as the related work is performed and expenses are incurred under the terms of the contracts for development activities.

Deferred revenue results from cash received or amounts receivable in advance of revenue recognition under research and development contracts (see Notes 4 and 9).

Research and Development Expenses

Research and development expenses are comprised of costs incurred in performing research and development activities including salaries and benefits, clinical trial and related clinical manufacturing costs, manufacturing development and scale-up costs, contract services and other outside contractor costs, research license fees, depreciation and amortization of lab facilities and leasehold improvements, building, facilities and utilities related costs related to research space, and lab supplies. The Company has entered into certain research agreements in which it shares costs with its collaborator. The Company records these costs as research and development expenses. Certain of these costs are reimbursed by the Company's collaborator and are recorded as a reduction of research and development expense.

Accrued research and development expenses include amounts owed to suppliers for research and development work performed on behalf of the Company. At each period end the Company evaluates the accrued expense balance related to these activities based upon information received from the supplier and estimated progress toward completion of the research or development objectives to ensure that the balance is appropriately stated. Such estimates are subject to changes as additional information becomes available.

Comprehensive Loss

The Company reports and presents comprehensive loss in accordance with SFAS No. 130 "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income or loss

and its components in a full set of general purpose financial statements. The objective of the statement is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners (comprehensive income or loss). The Company's other comprehensive loss arises from net unrealized gains (losses) on marketable securities. The Company has elected to display comprehensive loss as a component of the statements of changes in stockholders' equity and comprehensive loss.

Stock Options

At July 31, 2003, the Company has two stock-based compensation plans for employees, directors, and consultants of the Company. The Company accounts for stock options granted to employees in accordance with Accounting Principles Board Opinion ("APB") No. 25. The Company accounts for stock options granted to consultants in accordance with Emerging Issues Task Force ("EITF") 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services". The Company may incur charges to operations in connection with awards from these stock option plans. In accordance with APB No. 25 and related interpretations, the Company records compensation expense from employee stock-based awards under certain conditions. Generally, when the terms of the award and the amount the employee must pay to acquire the stock are fixed, compensation expense for options will total the grant date intrinsic value, if any, amortized over the vesting period.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of SFAS 123." SFAS No. 148 provides additional transition guidance for those entities that elect to voluntarily adopt the accounting provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 148 also mandates certain new disclosures that are incremental to those required by SFAS No. 123. The provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002, and for interim periods beginning after December 15, 2002. The Company adopted the disclosure provisions of SFAS No. 148 during the year ended July 31, 2003.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for the years ended July 31, 2003, 2002 and 2001 (dollars in thousands, except per share amounts):

	Years Ended July 31,		
	2003	2002	2001
Net loss, as reported	$(84,467)	$(56,542)	$(57,043)
Add: Stock-based employee compensation expense included in reported net loss	96	168	315
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(15,433)	(16,080)	(12,742)
Pro forma net loss	(99,804)	$(72,454)	$(69,470)
Net loss per share:			
Basic and diluted-as reported	$ (4.64)	$ (3.12)	$ (3.28)
Basic and diluted-pro forma	(5.48)	(3.99)	(4.00)

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the purposes of pro forma disclosure, the estimated value of each employee and non-employee option grant was calculated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the use of subjective assumptions, including the expected stock price volatility. The effects of applying the fair value recognition provisions of SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. The additional disclosures required by SFAS No. 123 are included in Note 13.

Net Loss Per Common Share

The Company computes and presents net loss per common share in accordance with SFAS No. 128, “Earnings Per Share”. Basic net loss per common share is based on the weighted average shares of common stock outstanding during the period. Diluted net loss per common share assumes in addition to the above, the dilutive effect of common shares equivalents outstanding during the period. Common share equivalents represent dilutive stock options and convertible subordinated debt. These outstanding stock options and convertible subordinated debt entitled holders to acquire 5,148,365, 4,685,160 and 4,689,075 shares (prior to the application of the treasury stock method) of common stock at July 31, 2003, 2002 and 2001, respectively. There is no difference in basic and diluted net loss per common share as the effect of common share equivalents is anti-dilutive for all periods presented.

The pro forma net loss per share as reported in the accompanying statements of operations for the year ended July 31, 2001, assumes the retroactive adoption of SAB 101 (see Note 4).

Segment Reporting

SFAS No. 131, “Disclosure about Segments of an Enterprise and Related Information”, establishes annual and interim reporting standards for an enterprise’s operating segments and related disclosures about its products, services, geographic areas and major customers. The Company has determined that it operates in only one segment. In addition, all revenues are generated from United States (“U.S.”) entities, and all long-lived assets are maintained in the U.S.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, marketable securities, reimbursable contract costs, accounts payable, notes payable and convertible subordinated notes. Cash and cash equivalents and marketable securities are carried at fair value. Reimbursable contract costs, accounts payable, notes payable and convertible subordinated notes are carried at cost. Management believes reimbursable contract costs and accounts payable approximate fair value. The carrying value of convertible subordinated notes exceeded fair value by approximately $34.9 million based upon trading values reported at July 31, 2003. Management believes the fair value of the note payable approximates the estimated fair value of the underlying collateral of approximately $1.2 million (see Note 7).

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of this new standard did not have a material impact on either the operating results or financial position of the Company.

In November 2002, the FASB issued FASB Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34." FIN 45 clarifies the requirements of SFAS No. 5, "Accounting for Contingencies", relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. The adoption of FIN 45 did not have a material impact on either the operating results or financial position of the Company. The Company has complied with the disclosure provisions of FIN 45.

In November 2002, the EITF issued abstract No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF No. 00-21 addresses certain aspects of the accounting for arrangements under which a vendor will perform multiple revenue-generating activities. The guidance in this issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF No. 00-21 did not have a material impact on the Company's operating results or financial position of the Company.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures financial instruments. The standard is effective for new or modified contracts after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material impact on either the operating results or financial position of the Company.

3. Alexion Antibody Technologies, Inc.

On September 23, 2000, the Company acquired Prolifaron, Inc. ("Prolifaron"), a privately-held biopharmaceutical company with extensive combinatorial human antibody library technologies and expertise. The acquisition was accomplished when Prolifaron was merged with a wholly owned subsidiary of Alexion and renamed Alexion Antibody Technologies, Inc. In consideration thereof, the Company issued 355,594 shares of

the Company's common stock and fully vested options to purchase 44,364 shares of the Company's common stock at a weighted average exercise price of $44.35 per share, in exchange for all of the outstanding equity of Prolifaron including fully vested options under their stock option plan. The fair value of the Company's common stock and stock options issued at the date of the acquisition was approximately $43.9 million.

The Prolifaron acquisition was accounted for as a purchase and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. The Company allocated $21.0 million of the purchase price to in-process research and development projects. This allocation represented the estimated fair value based on risk-adjusted cash flows related to the incomplete research and development projects. At the date of the acquisition, development of these projects had not yet reached technological feasibility and the research and development in progress has no alternative future use. Accordingly, these costs were expensed as of the acquisition date. At the merger date, Prolifaron was conducting pre-clinical development and testing activities with a goal to develop technologies for antibody discovery and engineering and identify new fully human therapeutic antibodies addressing multiple disease areas. The drug candidates under development represent innovative technologies addressing autoimmune and inflammatory disorders and cancer.

As of the acquisition date, Prolifaron had incurred approximately $5.7 million of expenses on development projects since its inception in 1998, and expected to spend approximately $8.5 million over the next seven years to complete animal testing of the developmental drug candidates. Management anticipates the in-process projects would, if successful, be marketed in the U.S. in five to nine years.

In making its purchase price allocation, management considered present value calculations of income, an analysis of project accomplishments and remaining outstanding items, an assessment of overall contributions, as well as technological and regulatory risks. The value assigned to purchased in-process technology was determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting net cash flows from the projects, and discounting the net cash flows to their present value. The revenue projection used to value the in-process research and development was based on estimates of relevant market sizes and growth factors, expected trends in technology, and nature and expected timing of new product introductions by Prolifaron and its competitors.

The rates utilized to discount the net cash flows to their present value were based on estimated cost of capital calculations. Due to the risks associated with the projected cash flow forecast, a discount rate of 40 percent was considered appropriate for the in-process research and development. The selected rate reflects the inherent uncertainties surrounding the successful development of the purchased in-process technology, the useful life of such technology, and the uncertainty of technological advances that are unknown at this time.

If these projects are not successfully developed, the sales and profitability of the combined companies may by adversely affected in future periods. Additionally, the value of other acquired intangible assets may become impaired. Management believes that the research and development projects acquired in connection with the acquisition of Prolifaron are expected to continue in line with the estimates described above.

The excess cost over the fair value of the net assets acquired, which amounted to approximately $22.9 million, was reflected as goodwill and was being amortized over approximately 7 years during fiscal 2001 (see

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill, Note 2). The following table summarizes the allocation of the purchase price to the net assets acquired (amounts in thousands):

Cash and cash equivalents acquired	$ 771
Reimbursable contract costs	43
Prepaid expenses and other current assets	623
Property, plant and equipment	493
Other	3
Goodwill	22,855
In-process research and development	21,000
Accounts payable and accrued expenses	(540)
Accrued transaction costs	(1,303)
Total fair value of equities issued	$43,945

The following unaudited pro forma condensed consolidated information has been prepared to give effect to the acquisition as if such transaction had occurred at the beginning of the period presented. The historical results have been adjusted to reflect: i) elimination of the one-time charge to operations for the purchase of acquired in- process research and development, ii) amortization of goodwill arising from the transaction, and iii) elimination of income tax benefits or expenses that would not have been realized on a combined basis (amounts in thousands, except per share amounts).

	Year Ended July 31, 2001 Pro Forma
Contract research revenues	$ 12,926
Net loss before cumulative effect of adoption of SAB 101	$(27,724)
Net loss	$(36,842)
Basic and diluted net loss per common share	$ (2.11)
Shares used in computing basic and diluted net loss per common share	17,423

The unaudited pro forma condensed consolidated financial information is not necessarily indicative of what actual results would have been had the transaction occurred on the dates indicated and do not purport to indicate the results of future operations.

4. Cumulative Effect of Accounting Change

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements” (SAB 101). The Company adopted SAB 101 in fiscal 2001 and therefore changed its revenue recognition policy for up-front non-refundable payments from immediate recognition to deferral of the revenue with the up-front fee amortized into revenue over the life of the agreement.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In fiscal 1999 the Company recognized $10 million of revenue from a non-refundable up-front licensing fee received from Procter & Gamble Pharmaceuticals ("P&G") (see Note 10). With the adoption of SAB 101, the Company is now required to recognize this $10 million license fee as revenue over the average of the remaining patent lives of the underlying technologies (17 years) as the agreement with P&G provided for ongoing collaborative services and the funding of specified clinical development and manufacturing costs of the Company's pexelizumab product candidate. The license is being recognized over the lives of the patents, as the agreement does not have a specified contractual term. As part of the change to the accounting method, the Company recognized a non-cash cumulative effect adjustment of $9.1 million as of August 1, 2000. There were no income tax effects related to this accounting change.

The Company has provided pro forma operating loss, net loss and net loss per share information as if the Company had adopted SAB 101 at the beginning of fiscal 2001 in the accompanying consolidated statements of operations for the fiscal year ended July 31, 2001.

5. Property, Plant and Equipment

Property, plant, and equipment is recorded at cost and is depreciated over the estimated useful lives of the assets involved. Depreciation and amortization commences at the time the assets are placed in service and is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense when incurred. Depreciation and amortization of fixed assets was approximately $3,108,000, $2,953,000 and $2,095,000 for the years ended July 31, 2003, 2002 and 2001, respectively.

Asset	Estimated Useful Life
Building and building improvements	15 years
Leasehold improvements	Life of lease
Laboratory equipment	5 years
Furniture and office equipment	3 years

A summary of property, plant and equipment is as follows (amounts in thousand):

	July 31,	
	2003	2002
Land	$ 364	$ 364
Building, building improvements and leasehold improvements	12,185	10,302
Laboratory and support equipment	12,081	11,644
Furniture and office equipment	3,045	2,428
	27,675	24,738
Less: Accumulated depreciation and amortization	(12,699)	(9,864)
Impairment of fixed assets	(2,700)	—
	$ 12,276	$14,874

During the year ended July 31, 2003, the Company determined that conditions had arisen which triggered the need to review certain of the Company's long-lived assets for potential impairment (see Note 2). The

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Company concluded that further investment in the UniGraft program did not meet sufficient criteria for continued development, as compared to other internal programs; consequently, the Company has suspended its financial commitment to this program. The program's suspension has led to a significant change in the manner in which the Company's subsidiary, CFC, utilizes the xenotransplantation facility and related assets. This termination of the UniGraft program, following its inability to secure a collaboration to share in future funding of this program, resulted in an impairment to CFC's UniGraft manufacturing assets, principally the real estate, building, building improvements and capital lab and farm equipment, resulting in a write down of approximately $2.7 million of those assets. As of July 31, 2003, the carrying value of those assets was approximately $1.2 million after the write down. These assets will continue to be classified as held for use until such time that CFC has the ability to dispose of them.

6. Accrued Expenses

A summary of accrued expenses is as follows (amounts in thousands):

	July 31,	
	2003	2002
Payroll and employee benefits	$1,332	$1,365
Research and development expenses	1,142	1,445
Other	1,838	1,493
	$4,312	$4,303

7. Note Payable

In February 1999, the Company's wholly owned subsidiary Columbus Farming Corporation, or CFC, purchased substantially all of the assets of the xenotransplantation program, including principally, land, buildings and laboratory equipment, from its then partner in the program, U.S. Surgical Corporation, now a division of Tyco Healthcare, or Tyco. The purchase was financed through the issuance by CFC of a $3.9 million note payable to Tyco. Interest on the $3.9 million note payable, at 6% per annum, is payable quarterly by CFC. The xenotransplantation manufacturing assets of CFC that were purchased from U.S. Surgical, including the real estate, are pledged as security for this note. The principal balance under the note is stated to be due in May 2005, and is to be classified as a long-term obligation. However, upon default the note would be classified as a current liability. Accordingly, as of July 31, 2003, the note was classified as a long-term obligation.

Subsequent to July 31, 2003, the Company notified Tyco that CFC operations have been suspended and that CFC is seeking to liquidate itself to fulfill its debt obligation as best as possible. CFC has further notified Tyco that it does not have the funds or assets to satisfy the $3.9 million note, and CFC failed to make the quarterly interest payment due to Tyco in August 2003. Accordingly, subsequent to July 31, 2003 the note is classified as current. CFC has had discussions with Tyco regarding the sale of the CFC assets and application of the proceeds to CFC's obligations under the note, as well as with regard to satisfaction of the note generally. The event of default under the note requires the note to be classified as a current liability at the time of default. If CFC's

assets, consisting of property, plant and equipment with a current estimated fair value of $1.2 million (see Note 5), are insufficient to satisfy the $3.9 million note and other obligations of CFC, then the unpaid amount of the note may be discharged debt, recognized as other income in a future period to CFC.

8. Convertible Subordinated Notes

In March 2000, the Company completed a $120 million private placement of 5.75 percent Convertible Subordinated Notes due March 15, 2007. The notes bear interest payable semi-annually on September 15 and March 15 of each year, beginning September 15, 2000. The holders may convert all or a portion of the notes into common stock at any time on or before March 15, 2007 at a conversion price of $106.425 per share which would result in the issuance of 1,127,555 shares of common stock, in aggregate.

The notes are subordinated to all the Company's existing and future senior indebtedness and are effectively subordinated to all of the indebtedness and other liabilities (including trade and other payables) of the Company and its subsidiaries. The indenture governing the notes does not limit the amount of indebtedness, including senior indebtedness, which the Company may incur.

Noteholders may require the Company to repurchase their notes upon a repurchase event, as defined by the loan agreement in cash, or, at the option of the Company, in common stock, at 105 percent of the principal amount of the notes, plus accrued and unpaid interest.

The notes are not entitled to any sinking fund. At any time or from time to time on or after March 20, 2003 and ending on March 14, 2007, the Company may elect to redeem, solely at its discretion, some or all the notes on at least 30 days notice as a whole or, from time to time, in part at certain premiums over the principal amount plus accrued interest.

The Company incurred deferred financing costs related to this offering of approximately $4.0 million which are recorded in the consolidated balance sheet and are being amortized as a component of interest expense over the seven-year term of the notes. Amortization expense associated with the financing costs was approximately $573,000 for each of the years ended July 31, 2003, 2002 and 2001. Accumulated amortization associated with these costs was approximately $1,897,000 and $1,324,000 as of July 31, 2003 and 2002, respectively.

9. Contract Research Revenues

During the three years ended July 31, 2003, the Company recorded contract research revenues from research and development support payments and license fees under collaboration agreement with third parties and amounts received from various government grants.

The Company and Procter & Gamble Pharmaceuticals ("P&G") entered into an exclusive collaboration in January 1999 to develop and commercialize pexelizumab. The Company granted P&G an exclusive license to the Company's intellectual property related to pexelizumab, with the right to sublicense. The Company is recognizing a non-refundable up-front license fee of $10 million, related to the Company's January 1999

collaboration with P&G, as revenue over 17 years representing the average of the remaining patent lives of the underlying technologies at the time the payment was received in fiscal 1999 (see Note 4).

In December 2001, the Company and P&G entered into a binding memorandum of understanding ("MOU") pursuant to which they revised their January 1999 collaboration. Under the revised structure per the MOU, the Company and P&G will share decision-making and responsibility for all future U.S. development and commercialization costs for pexelizumab, including clinical, manufacturing, marketing, and sales efforts. Prior to December 2001, P&G was generally funding all clinical development and manufacturing costs for pexelizumab. The revised collaboration per the MOU provides that the Company and P&G each incur approximately 50% of all Phase III clinical trial, product development and manufacturing, and commercialization costs necessary for the potential approval and marketing of pexelizumab in the U.S. and that the Company will receive approximately 50% of the gross margin on U.S. sales, if any. P&G agreed to retain responsibility for future development and commercialization costs outside the U.S., with the Company receiving a royalty on sales to the rest of the world, if any. The Company is responsible for paying royalties and licensing fees on certain third party intellectual property worldwide, if such intellectual property is necessary. Additionally, as part of the MOU, the Company will receive milestone payments for achieving specified development steps, regulatory filings and approvals of such costs.

The Company agreed to bear the first 50% of projected costs associated with the U.S. coronary artery bypass graft surgery ("CABG")-Phase III clinical trial (called "PRIMO-CABG") costs and P&G will bear the second 50%, but not for previously agreed sales milestones and the Company will generally forgo further research and development support payments from P&G, with a final adjustment to make even the 50% sharing costs. As of January 31, 2003 the Company had completed its obligation associated with the first 50% of the projected costs. The Company anticipates that P&G will complete its obligation with respect to the second 50% of projected costs by the end of the Company's first quarter in fiscal 2004. With the Phase III PRIMO-CABG completion, a final adjustment to make even the 50% sharing of costs will occur in fiscal 2004.

Reimbursements received from P&G by the Company in connection with the Company's services and related personnel and P&G's 50% cost share are recorded as a reduction of research and development and market research expenses.

As part of the revised collaboration per the MOU, P&G agreed to continue to fund 100% of the costs for the two acute myocardial infarction (AMI) Phase II clinical trials in myocardial infarction (heart attack) patients. The Company and P&G have agreed that each will share concurrently 50% of the ongoing U.S. pre-production and development manufacturing costs for pexelizumab as well as any future AMI-Phase III clinical trial costs.

P&G has the right to terminate the collaboration or sublicense its collaboration rights at any time. If P&G terminates the collaboration, P&G is required to contribute its share of the agreed upon obligations and costs incurred prior to the termination, but may not be required to contribute towards costs incurred after termination. In the event that P&G were to terminate the collaboration, all rights and the exclusive license to the Company's intellectual property related to pexelizumab will revert back to the Company and the Company will be entitled to all future pexelizumab revenues, if any, without any sharing of revenues, if any, with P&G.

The Company has been awarded various grants by agencies of the U.S. government to fund specific research projects. At July 31, 2003, the Company has no additional funding available under these grants.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of revenues generated from contract research collaboration and grant awards is as follows (amounts in thousands):

	Year Ended July 31,		
	2003	2002	2001
Collaboration/Grant Awards			
P&G	$673	$4,591	$ 9,728
U.S. government grants	204	1,745	1,677
Other	—	200	400
Total revenues	$877	$6,536	$11,805

10. License and Research and Development Agreements

The Company has entered into a number of license and research and development agreements since its inception. These agreements have been made with various research institutions, universities, contractors, collaborators, and government agencies in order to advance and obtain technologies and necessary services management believes important to the Company's overall business strategy.

License agreements generally provide for an initial fee followed by annual minimum royalty payments. Additionally, certain agreements call for future payments upon the attainment of agreed to milestones, such as, but not limited to, Investigational New Drug (IND) application or Product License Approval (PLA). These agreements require minimum royalty payments based upon sales developed from the applicable technologies, if any.

Research and development agreements generally provide for the Company to fund future research projects. Based upon these agreements, the Company may obtain exclusive and non-exclusive rights and options to the applicable technologies developed as a result of the applicable research.

Clinical and manufacturing development agreements generally provide for the Company to fund manufacturing development and on-going clinical trials. Clinical trial and development agreements include contract services and outside contractor services including contracted clinical site services related to patient enrollment for the Company's clinical trials. Manufacturing development agreements include clinical manufacturing and manufacturing development and scale-up. The Company has executed a large-scale product supply agreement with Lonza Biologics, plc for the long-term commercial scale manufacture of eculizumab (see Note 11 "Purchase Commitments").

In order to maintain its rights under these agreements, the Company may be required to provide a minimum level of funding or support. The Company may elect to terminate these arrangements. Accordingly, the Company recognizes the expense and related obligation related to these arrangements over the period of performance.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The minimum fixed payments (assuming non-termination of the above agreements) as of July 31, 2003, for each of the next five years are as follows (amounts in thousands):

Years Ending July 31,	License Agreements	Research & Development Agreements	Clinical & Manufacturing Development Agreements
2004	$ 367	$ 250	$ 15,720
2005	422	63	25,600
2006	447	—	23,400
2007	597	—	23,700
2008	842	—	24,100

Should the Company achieve certain milestones related to product development and product license applications and approvals, additional payments would be required. In addition to the payments above, as of July 31, 2003, these agreements contain milestone payment provisions aggregating approximately $49 million. The agreements also require the Company to fund certain future costs associated with the filing of patent applications.

11. Commitments and Contingencies

Operating Leases

As of July 31, 2003, the Company leases its headquarters and primary research and development facilities. The lease commenced in August 2000 and has a term of ten years and six months. The Company is required to pay a pro rata percentage of real estate taxes and operating expenses. Monthly fixed rent started at approximately $80,000, increasing to approximately $104,000 over the term of this lease. The Company has issued a $200,000 open letter of credit to secure the lease.

The Company entered into a lease agreement in January 2003 for their pilot manufacturing plant, which is used for producing compounds for clinical trials. Monthly fixed rent started at approximately $36,000, increasing to approximately $50,000 over the term of the lease, which expires in 2007. The Company has the option to extend the lease for an additional three years.

The Company leases an additional research facility starting at a monthly fixed rent of approximately $35,000 increasing to approximately $90,000 as the facility is expanded. This lease expires in 2012.

Aggregate lease expense for the Company’s facilities was $1,998,000, $1,373,000 and $1,536,000 for the years ended July 31, 2003, 2002 and 2001, respectively. Lease expense is being recorded on a straight-line basis over the applicable lease terms.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Aggregate future minimum annual rental payments for the next five years and thereafter under noncancellable operating leases (including facilities and equipment) are as follows (amounts in thousands):

Years Ended July 31,	
2004	$2,186
2005	2,257
2006	2,354
2007	2,454
2008	2,057
2009 and thereafter	6,118

Purchase Commitments

In January 2003, the Company remitted a cash advance of $7.25 million to Lonza Biologics, Plc (Lonza) pursuant to a large-scale product supply agreement for the long-term commercial scale manufacture of the Company's C5 inhibitor antibody, eculizumab. This advance, along with a previously paid commitment fee of $2.75 million, will be amortized as a cost of manufacture by the Company over the large-scale product manufacturing production. The amounts advanced are subject to refund or forfeiture pursuant to contractual terms related to cancellation, termination, or failure to purchase a minimum manufacturing capacity usage. These amounts are included within prepaid manufacturing costs within the accompanying balance sheets. Under terms of the agreement for Lonza to manufacture commercial supplies of eculizumab, the Company could owe penalties for failure to purchase a minimum manufacturing capacity volume or if the Company terminates the agreement prior to its expiration. The Company plans to proceed with production under the agreement, but planned commercial scale manufacture depends upon clinical development program progress as well as commercialization plans. If the Company terminates the agreement, the Company could be required to pay for unused contractual or scheduled manufacturing capacity usage up to 18 months following termination, or at the Company's election to make a termination payment of up to $25 million, less partial return of the unused portion of prepaid manufacturing costs.

Indemnifications

The Company enters into indemnification provisions under its agreements with other companies in its ordinary course of business, typically with business partners, clinical sites, and suppliers. Pursuant to these agreements, the Company generally indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified parties in connection with any U.S. patent, or any copyright or other intellectual property infringement claim by any third party with respect to the Company's products, or use of the Company's product candidates. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements is minimal. Accordingly, the Company has no liabilities recorded for these agreements as of July 31, 2003.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Common Stock

Fiscal 2001 Common Stock Sale

In October 2000, the Company filed a shelf registration statement to offer up to $300 million of equity securities. In November 2000, the Company sold 2.3 million shares of common stock at a price of $90.75 per share resulting in proceeds of approximately $208.5 million, net of fees and other expenses of approximately $201,000 related to the transaction.

13. Stock Options

The Company has two stock-based compensation plans, which are described below.

Under the 2000 Stock Option Plan ("2000 Plan"), incentive and nonqualified stock options may be granted for up to a maximum of 2,400,000 shares of common stock to directors, officers, key employees and consultants of the Company. Stock options granted under the 2000 Plan have a maximum term of ten years from the date of grant, have an exercise price not less than the fair value of the stock on the grant date and generally vest over four years. In December 2002, the stockholders approved amendments to the 2000 Plan: (1) increasing the number of shares of common stock available for grant by 900,000 to 2,400,000 from 1,500,000; (2) prohibiting the repricing of options granted pursuant to the 2000 Plan; and (3) prohibiting the grant of options pursuant to the 2000 Plan with an exercise price that is less than the fair market value of common stock on the date of the grant. In December 2000, the stockholders approved the adoption of the 2000 Plan and elected to terminate the previous 1992 Plan. At July 31, 2003, there were 663,502 options available for grant under the 2000 Plan. Under the 1992 Stock Option Plan ("1992 Plan"), which was terminated in December 2000, stock options to acquire 2,087,305 shares of common stock are outstanding as of July 31, 2003.

Under the 1992 Stock Option Plan for Outside Directors ("1992 Outside Directors' Plan"), nonqualified stock options are granted initially (12,000 options) to qualifying directors as well as upon annual re-election (7,500 options) to the board of directors. Options are granted at the fair market value of the common stock on the date of the grant and generally become exercisable in equal proportions over three to four years and remain exercisable for up to ten years after the grant date, subject to certain conditions. In December 2002, the stockholders approved amendments to the 1992 Outside Director's Plan: (1) extending the term of the 1992 Outside Director's Plan by an additional five years to August 26, 2007; and (2) prohibiting the repricing of options granted pursuant to the 1992 Outside Directors' Plan. In December 2000, the stockholders approved an amendment to the 1992 Outside Directors' Plan increasing the initial option grant to qualifying directors to 12,000 options from 7,500 options and additional grants upon annual re-election to the board of directors to 7,500 options from 2,000 options pursuant to the 1992 Outside Directors' Plan. At July 31, 2003, stock options to acquire 158,734 shares of common stock are outstanding under the 1992 Outside Directors' Plan.

SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, requires the measurement of the fair value of stock options or warrants to be disclosed in the notes to financial statements.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has computed the required pro forma disclosure for options granted using the Black-Scholes option pricing model prescribed by SFAS No. 123. The assumptions used are as follows:

	2003	2002	2001
Risk free interest rate	3.7%	4.5%	4.7%
Expected dividend yield	—	—	—
Expected lives	5 years	5 years	5 years
Expected volatility	92%	92%	101%

A summary of the status of the Company's stock option plans at July 31, 2003, 2002 and 2001 and changes during the years then ended is presented in the table and narrative below:

	2003		2002		2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at August 1	3,557,605	$ 25.30	3,561,520	$ 25.12	2,684,215	$ 21.09
Granted	662,500	11.68	203,855	21.17	1,275,164	30.05
Exercised	(16,650)	9.29	(121,750)	7.27	(299,525)	7.34
Cancelled	(182,645)	31.38	(86,020)	33.87	(98,334)	33.20
Outstanding at July 31	4,020,810	$ 22.84	3,557,605	$ 25.30	3,561,520	$ 25.12
Options exercisable at July 31	2,732,900	$ 22.94	2,163,580	$ 20.25	1,622,164	$ 14.65
Weighted-average fair value of options granted during the year		$ 8.58		$ 15.16		$ 25.70

During fiscal 2003, options to purchase 662,500 shares of common stock were granted to employees, directors and a consultant of the Company at an exercise price equal to the fair value of the stock at the date of grant. The Company is recording compensation expense based upon the fair value of the options granted to the consultant over the vesting term. Compensation expense related to these options was $4,000 for the year ended July 31, 2003. Aggregate compensation expense of approximately $41,000 associated with this option grant is expected to be recognized over the next four years.

During fiscal 2002, options to purchase 203,855 shares of common stock were granted to employees and directors at exercise prices equal to the fair value of the stock at the date of grant.

During fiscal 2001, options to purchase 1,220,800 shares of common stock were granted to employees and directors at exercise prices equal to the fair value of the stock at the date of grant. The weighted average exercise price of these options was $29.16 per share. The weighted average fair value of these options at the date of grant was $22.40 per option. In addition, options to purchase 10,000 shares of common stock were granted to an employee at exercise prices which were less then the fair value of the common stock at the date of grant. Accordingly, the Company is recording compensation expense based upon this difference over the vesting period associated with these options.

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Compensation expense associated with these options is $65,000, $65,000 and $121,000 for the years ended July 31, 2003, 2002 and 2001, respectively. Aggregate compensation expense of approximately $73,000 associated with these option grants is expected to be recognized next year. The weighted average exercise price of these options was $75.51 per share. The weighted average fair value of these options at the date of grant was $92.27 per option.

During fiscal 2001, in connection with acquisition of Prolifaron (see Note 3), the Company also issued fully vested options to purchase 44,364 shares of common stock at a weighted average exercise price of $44.35 per share. The weighted average fair value of these options at the date of grant was $101.46 per option. The value of these options was included as a component of the purchase price of Prolifaron at the date of acquisition.

The Company also records compensation expense on certain options to purchase common stock granted prior to fiscal 2001 to employees and consultants. Compensation expense associated with these options was $78,000, $116,000 and $287,000 for the years ended July 31, 2003, 2002 and 2001, respectively. Aggregate compensation expense of approximately $9,000 associated with these option grants is expected to be recognized over the next year.

The following table presents weighted average price and life information about significant option groups outstanding at July 31, 2003:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 2.37 – $ 9.00	634,387	3.0	$ 5.30	634,387	$ 5.30
$ 9.01 – $ 20.99	1,605,671	6.4	11.12	973,873	10.60
$ 21.00 – $ 24.50	995,250	7.7	21.25	524,763	21.17
$ 32.00 – $ 54.00	161,585	7.3	37.73	105,085	39.00
$ 61.00 – $ 87.00	584,917	6.8	66.98	474,792	66.65
$106.00 – $108.00	39,000	7.0	107.88	20,000	107.88
	4,020,810	6.3	$ 22.84	2,732,900	$ 22.94

14. Rights to Purchase Preferred Stock

In February 1997, the Board of Directors of the Company declared a dividend of one preferred stock purchase right for each outstanding share of common stock (including all future issuances of common stock). Under certain conditions, each right may be exercised to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of $75.00 (see below), subject to adjustment. The rights may be exercised only after a public announcement that a party acquired 20 percent or more of the Company's common stock or after commencement or public announcement to make a tender offer for 20 percent or more of the Company's common stock. The rights, which do not have voting rights, expire on March 6, 2007, and may be redeemed by the Company at a price of $0.01 per right at any time prior to their expiration or the acquisition of 20 percent or more of the Company's stock. The preferred stock purchasable upon exercise of the rights will have a minimum

preferential dividend of $10.00 per year, but will be entitled to receive, in the aggregate, a dividend of 100 times the dividend declared on a share of common stock. In the event of a liquidation, the holders of the shares of preferred stock will be entitled to receive a minimum liquidation payment of $100 per share, but will be entitled to receive an aggregate liquidation payment equal to 100 times the payment to be made per share of common stock.

On September 18, 2000, the Board of Directors of the Company amended the purchase price under the preferred stock purchase rights. Such purchase price, for each one one-hundredth of a share of preferred stock to be issued upon the exercise of each preferred stock purchase right was increased from $75.00 to $725.00. Except for the increase in the purchase price, the terms and conditions of the rights remain unchanged.

In the event that the Company is acquired in a merger, other business combination transaction, or 50 percent or more of its assets, cashflow, or earning power are sold, proper provision shall be made so that each holder of a right shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the right.

15. 401(k) Plan

The Company has a 401(k) plan. Under the plan, employees may contribute up to a maximum of $12,000 per employee in calendar year 2003. The Company matches contributions at a rate of $0.50 for each dollar deferred up to the first 6 percent of compensation. The Company made matching contributions of approximately $291,000, $207,000 and $177,000 for the years ended July 31, 2003, 2002 and 2001, respectively.

16. Income Taxes

At July 31, 2003, the Company has available for federal tax reporting purposes, net operating loss carryforwards of approximately $245.6 million which expire through 2022 (of which approximately $18.2 million resulted from the exercise of nonqualified stock options as discussed below). The Company also has federal and state research and development credit carryforwards of approximately $9.5 million which begin to expire commencing in fiscal 2008. The Tax Reform Act of 1986 contains certain provisions that limits the Company’s ability to utilize net operating loss and tax credit carryforwards in any given year resulting from cumulative changes in ownership interests in excess of 50 percent over a three-year period. The Company believes it has triggered these limitation provisions.

As a result of recent legislation, the State of Connecticut provides companies with the opportunity to exchange certain research and development tax credit carryforwards for cash in exchange for foregoing the carryforward of the research and development credit. The program provides for such exchange of the research and development credits at a rate of 65 percent of the annual incremental research and development credits, as defined. During the year ended July 31, 2003, the Company filed claims to exchange their fiscal 2003 and 2002 incremental researched development credit, net of minimum capital taxes, and as a result recognized a state tax benefit of $764,000, net of estimated capital-based state taxes of approximately $248,000. During the year ended

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

July 31, 2002, the Company had filed a claim to exchange their fiscal 2001 incremental research and development credit and as a result recognized a state tax benefit of $700,000.

The Company follows SFAS No. 109, "Accounting for Income Taxes." This statement requires that deferred income tax assets and liabilities reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

The components of deferred income tax assets are as follows (amounts in thousands):

	July 31,	
	2003	2002
Deferred tax assets		
Net operating loss carryforwards, federal and state	$ 93,463	$ 61,830
Tax credit carryforwards	9,486	9,640
Deferred revenues	2,864	3,100
Other	1,624	230
Total deferred tax assets	107,437	74,800
Less: Valuation allowance for deferred tax assets	(107,437)	(74,800)
	$ —	$ —

The exercise price of nonqualified stock options gives rise to compensation which is included in the taxable income of the applicable employees and deducted by the Company for federal and state income tax purposes. As a result of the exercise of nonqualified stock options, the Company has related net operating loss carryforwards of approximately $18.2 million which can be used to offset future taxable income, if any. When realized, the related tax benefits of these net operating loss carryforwards will be credited directly to paid in capital.

The reconciliation of the statutory Federal income tax rate to the Company's effective income tax rate is as follows:

	Year Ended July 31,		
	2003	2002	2001
Statutory rate	(34)%	(34)%	(34)%
State tax benefit, net of Federal taxes	(5)	(5)	(5)
In-process research and development	—	—	14
Amortization of goodwill	—	—	2
Research & development credits	(2)	4	(5)
Increase in deferred tax valuation allowance	40	34	28
Effective rate	(1)%	(1)%	— %

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has not yet achieved profitable operations. Accordingly, management believes the tax benefits as of July 31, 2003 do not satisfy the realization criteria set forth in SFAS No. 109 and has recorded a valuation allowance for the entire deferred tax assets.

17. Unaudited Quarterly Financial Information

The following is condensed quarterly financial information (amounts in thousands, except per share amounts):

	Fiscal 2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Contract research revenues	$ 323	$ 220	$ 167	$ 167
Operating expenses	21,869	21,362	19,402	21,590
Operating loss	(21,546)	(21,142)	(19,235)	(21,423)
Net loss applicable to common shareholders	(21,640)	(21,465)	(19,778)	(21,584)
Net loss per common share, basic and diluted	(1.19)	(1.18)	(1.09)	(1.18)

	Fiscal 2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Contract research revenues	$ 1,860	$ 3,380	$ 539	$ 757
Operating expenses	11,270	16,879	18,338	21,511
Operating loss	(9,410)	(13,499)	(17,799)	(20,754)
Net loss applicable to common shareholders	(7,789)	(10,810)	(17,105)	(20,838)
Net loss per common share, basic and diluted	(0.43)	(0.60)	(0.94)	(1.15)

18. Subsequent Event—Sale of Common Stock

In September 2003, the Company sold 3.6 million shares of common stock for net proceeds of approximately $44 million.

Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 20, 2003 by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Leonard Bell, M.D. (the "Executive").

WITNESSETH

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of April 1, 2000 (the "Old Employment Agreement");

WHEREAS, the Old Employment Agreement expired on April 1, 2003, and the Company and Executive desire to enter into a new Employment Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. Duties and Acceptance.

(a) The Company hereby employs the Executive, for the Term (as hereinafter defined), to render full-time services to the Company as Chief Executive Officer, and to perform such duties commensurate with such office as the Executive shall reasonably be directed by the Board of Directors (the "Board") of the Company to perform, which duties shall be consistent with the provisions of the Bylaws in effect on the date hereof that relate to the duties of the Chief Executive Officer.

(b) The Executive hereby accepts such employment and agrees to render the services described above. The Executive further agrees to accept election and to serve during all or any part of the Term as a director of the Company without any compensation therefor other than that specified in this Agreement, if elected to such position by the shareholders of the Company. The Company shall use its best efforts to cause the Executive to be elected as a director and shall include him in the management slate for election as a director at every shareholders meeting at which his term as a director would otherwise expire.

(c) The principal place of employment of the Executive hereunder shall at all times during the Term be in the greater Cheshire, Connecticut area, or other locations acceptable to the Executive, in the Executive's sole discretion.

(d) Notwithstanding anything to the contrary herein, although the Executive shall provide services as a full time employee, it is understood that the

Executive, with notification to the Board of Directors, may (1) have non full-time academic appointments; (2) participate in professional activities; (3) be a member of the scientific or medical advisory board or the board of directors of, or act as a consultant to, other companies that do not directly compete with the Company; (4) publish academic articles; (5) support non-competing external research programs; and (6) participate in community and/or philanthropic activities (collectively, "Permitted Activities"); provided, however, that such Permitted Activities do not interfere with the Executive's duties to the Company.

2. Term of Employment.

The term of the Executive's employment under this Agreement (the "Term") commences as of October 1, 2003 (the "Effective Date") and shall end on the third anniversary thereof, unless sooner terminated pursuant to Section 6, 7 or 8 of this Agreement. Notwithstanding the foregoing, unless notice is given by the Executive or the Company at least six months prior to the expiration of the Term of this Agreement (or at least six months prior to the expiration of any extension hereof), the Term of the Agreement shall be automatically extended by one year from the date it would otherwise end (whether upon expiration of the original Term or any extension(s) thereof), unless sooner terminated pursuant to Section 6, 7 or 8 hereof.

3. Compensation and Benefits.

(a) As compensation for services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of not less than the Executive's base salary in effect immediately prior to the Effective Date (the "Base Salary"), payable in accordance with its regular payroll practices. The Executive's Base Salary hereunder shall be reviewed as of July 31, 2004 and at least annually thereafter during the Term of the Agreement for increase in the discretion of the Board of Directors or the Compensation Committee of the Board of Directors. Base Salary, as adjusted, shall be considered the new Base Salary for all purposes of this Agreement.

(b) The Company agrees that the Executive shall be eligible for an annual performance bonus from the Company with respect to each fiscal year of the Company that ends during the Term, pursuant to the Company's management incentive bonus program in effect from time to time. The amount of any such bonus shall be determined by the Board of Directors or the Compensation Committee of the Board of Directors in its discretion, consistent with the Company's performance, the Executive's contribution to the Company's performance and the provisions of any applicable incentive bonus program.

(c) The Company agrees to grant to the Executive during the Term, at the time of its usual annual, or semi-annual, grant to employees for the applicable year, such options to purchase shares of the Company's common stock as the Board of Directors or the Compensation Committee of the Board of Directors shall determine. In

the event of the consummation of a Change in Control (as defined in Section 14) of the Company, all stock options and stock awards (and similar equity rights) previously granted shall immediately vest and remain fully exercisable through their original term with all rights.

(d) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive during the Term in the performance of services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as it reasonably may require.

(e) During the Term, the Executive shall be eligible to participate in all qualified and non-qualified savings and retirement plans, and all other compensation and benefit plans and programs, including welfare and fringe benefit programs, that are generally available to other senior executives of the Company, as well as medical malpractice insurance coverage reasonably satisfactory to the Executive.

(f) During the Term, the Executive shall be eligible for paid vacation of four weeks per calendar year taken in accordance with the vacation policy of the Company.

4. Confidentiality.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as Exhibit A shall be deemed incorporated in and made a part of this Employment Agreement. Notwithstanding any other provision of this Agreement, the Executive shall continue to be bound by the terms of such Proprietary Information and Inventions Agreement for a period of five years after the termination of this Agreement for any reason. Executive and the Company agree that following termination of this Agreement for any reason the Proprietary Information and Inventions Agreement shall be applicable only to material, non-public proprietary information of the Company.

5. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) During the Term, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity without the consent of the Board of Directors, such consent not to be unreasonably withheld, or (2) participate in the formation of any business or commercial entity without the consent of the Board of Directors, such consent not to be unreasonably withheld; provided, however, that nothing contained in this Section 5(a) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock and provided, further, that nothing contained herein shall be deemed to limit the Executive's Permitted Activities pursuant to Section 1(d).

(b) If the Executive is terminated by the Company for Cause (as defined in Section 6(c)) or if the Executive terminates this Agreement other than in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, or if the Executive is receiving Severance Payments in accordance with Sections 9(c)or payments under Section 9(d)(i), then for a period of one year following the date of termination (or, should the Executive receive Severance Payments in accordance with Sections 9(c) or payments under Section 9(d), for the period utilized to calculate such Severance Payments or payments under Section 9(c) or Section 9(d)), the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity in the Company's Field of Interest (as defined in Section 14), (2) participate in the formation of any business or commercial entity engaged primarily in the Company's Field of Interest, or (3) directly or indirectly employ, or seek to employ or secure the services in any capacity of, any person employed at that time by the Company or any of its Affiliates, or otherwise encourage or entice any such person to leave such employment; provided, however, that nothing contained in this Section 5(b) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) in the Company's Field of Interest not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock and provided, further, that nothing contained herein shall be deemed to limit Executive's Permitted Activities pursuant to Section 1(d). This Section 5(b) shall be subject to written waivers that may be obtained by the Executive from the Company.

(c) At no time during the Term of this Agreement or thereafter will Executive knowingly make any written or oral untrue statement that disparages the Company or its Affiliates in communications with any customer, client or the public.

(d) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 5 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(e) If any of the covenants contained in this Section 5 or Appendix A, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(f) If any of the covenants contained in this Section 5 or Appendix A, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(g) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in this Section 5 and Appendix A upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

6. Termination by the Company.

During the Term of this Agreement, the Company may terminate this Agreement, upon expiration of 90 days' prior written notice given by the Company to the Executive (except in the case of the Executive's death), if any one or more of the following shall occur:

(a) The Executive shall die during the Term; provided, however, that the Executive's legal representatives shall be entitled to receive the (1) Executive's Base Salary through the date which is 90 days after the Executive's date of death and (2) a pro-rata annual performance bonus with respect to the fiscal year of the Company during which death occurs. Upon the Executive's death, stock options previously granted to the Executive shall become immediately exercisable and remain exercisable through their original terms with full rights as if the Executive's employment had not terminated.

(b) The Executive shall become physically or mentally disabled so that the Executive is unable substantially to perform his services hereunder for (1) a period of 120 consecutive days, or (2) for shorter periods aggregating 180 days during any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Base Salary through the date of such termination. In addition, the Executive shall be entitled to a pro-rata annual performance bonus with respect to the fiscal year of the Company during which such termination occurs. Upon such a disability, stock options previously granted to the Executive shall become immediately exercisable and remain exercisable through their original terms with full rights as if the Executive's employment had not terminated.

(c) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (1) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (2) the Executive's willful and continual neglect or failure to discharge duties (including fiduciary duties), responsibilities and obligations with respect to the Company hereunder; provided such neglect or failure remains uncured for a period of 30 days after written notice

describing the same is given to the Executive; provided that isolated and insubstantial neglect or failures shall not constitute Cause hereunder, (3) the Executive's violation of any of the non-competition provisions of Section 5 hereof or the Executive's breach of any confidentiality provisions contained in Exhibit A hereto, or (4) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates. All determinations of Cause for termination pursuant to this Section 6 shall be determined by the Board, and shall require at least a two-thirds vote of the entire Board, excluding the participation of the Executive.

7. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company and such breach continues uncured for 30 days after written notice of such breach is first given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after written notice of such breach is given. Such termination by Executive is deemed to follow a "Constructive Termination" by Company. The Executive may also terminate this Agreement upon written notice to the Company if any one or more of the following shall occur, each of which is also deemed a "Constructive Termination":

(a) loss of any material duties or authority of the Executive, and such loss continues for 30 days after written notice of such loss is given to the Company;

(b) a Prohibited Event occurs; provided that the Executive gives written notice of termination within 90 days after such occurrence and such Prohibited Event is not remedied within 30 days of such notice. For this purpose, a "Prohibited Event" exists if: (1) the Executive is not continuously a member of the Board of Directors and Chief Executive Officer of the Company during the Term; (2) the Chief Executive Officer is not the highest ranking officer of the Company with the power to appoint and remove all other employees of the Company; or (3) any senior executive officer is retained by the Company, or an offer is made to pay compensation to any senior executive of the Company, that in either case is unacceptable to the Executive, in his reasonable judgment;

(c) the Company shall make a general assignment for benefit of creditors; or any proceeding shall be instituted by the Company seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property or the Company shall take any corporate action to authorize any of the actions set forth above in this subsection 7(c);

(d) an involuntary petition shall be filed or an action or proceeding otherwise commenced against the Company seeking reorganization, arrangement or readjustment of the Company's debts or for any other relief under the Federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency act or law, state or federal, now or hereafter existing and shall remain undismissed or unstayed for a period of 30 days;

(e) a receiver, assignee, liquidator, trustee or similar officer for the Company or for all or any part of its property shall be appointed involuntarily; or

(f) a material breach by the Company of any other material agreement with the Executive and such breach continues uncured for 30 days after written notice of such breach is first, given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after written notice of such breach is first given.

8. Termination Following a Change in Control.

In addition to the above, during the period commencing on the six month anniversary of a Change in Control (as defined in Section 14) of the Company and ending on the two year anniversary of such Change in Control, the Executive may terminate this Agreement upon expiration of 90 days' prior written notice if "Good Reason" exists for the Executive's termination. For this purpose, termination of the Executive for "Good Reason" shall mean a termination of the Executive of his employment hereunder following the occurrence, without his prior written consent, of any of the following events, unless the Company fully cures all grounds for such termination within 30 days after the Executive's notice:

(a) any material adverse change in the Executive's authority, duties, titles or offices (including reporting responsibility), or any significant increase in the Executive's business travel obligations, from those existing immediately prior to the Change in Control;

(b) any failure by the Company to continue in effect any compensation plan in which the Executive participated immediately prior to such Change in Control and which is material to the Executive's total compensation, including but not limited to the Company's stock option, bonus and other plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or any failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis no less favorable to the Executive, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to such Change in Control;

(c) any failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any

of the Company's retirement, life insurance, medical, health and accident, or disability plans, programs or arrangements in which the Executive was participating immediately prior to such Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any perquisite enjoyed by the Executive at the time of such Change in Control, or the failure by the Company to maintain a vacation policy with respect to the Executive that is at least as favorable as the vacation policy (whether formal or informal) in place with respect to the Executive immediately prior to such Change in Control; or

(d) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company upon a merger, consolidation, sale or similar transaction.

In addition, the Executive may elect to terminate his employment, at his own initiative, for any reason or for no reason, during the six month period commencing on the six month anniversary of a Change in Control of the Company and ending on the one year anniversary of such Change in Control, in which case such termination of employment shall also be deemed to be for "Good Reason".

9. Severance and Benefit Continuation.

(a) *Termination for Cause*. If the Company terminates this Agreement for Cause pursuant to Section 6(c) hereof, or if the Executive terminates this Agreement other than in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, no severance or benefit continuation provisions shall apply, provided however that the Executive shall have the same opportunity to continue group health benefits at the Executive's expense in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") as is available generally to other employees terminating employment with the Company.

(b) *Termination for Death or Disability*. In the event of termination of this Agreement pursuant to Section 6(a) or 6(b) by reason of the death or disability of the Executive, in addition to the Base Salary payments and pro-rata annual performance bonus provided for in paragraph (a) or (b) of Section 6, as applicable, the Company shall continue to provide all benefits subject to COBRA at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA.

(c) *Involuntary Termination Other Than for Cause, Voluntary Termination Following Constructive Termination, or Nonrenewal by the Company*. If (1) the Company terminates this Agreement other than pursuant to Section 6 hereof, (2) the Executive terminates this Agreement in accordance with Section 7 following a Constructive Termination, or (3) at the end of the Term of this Agreement the Executive shall cease to be employed by the Company in the capacity of Chief Executive Officer by reason of the Company's decision not to continue to employ the Executive as Chief Executive Officer at least on terms substantially similar to those set forth herein, and in each case the termination of employment does not occur within two years following the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive in accordance with its normal payroll practice an amount equal to the sum of the Executive's Base Salary at the time of his termination of employment plus the average bonus received by the Executive for the two years preceding the year in which his termination of employment occurs (the "Severance Payment") for each year of the period of the next three years (the "Severance Period");

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Section 3(e)), other than participation in any Company tax-qualified retirement plan, applicable to the Executive shall be continued for the Severance Period (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, provided that with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA; and

(iii) all stock options and stock awards (and similar equity rights) shall fully and immediately vest and become exercisable immediately prior to such termination of employment, and shall remain exercisable through their original term with full rights as if the Executive's employment had not terminated.

(d) *Involuntary Termination Other Than for Cause, Voluntary Termination Following Constructive Termination or for Good Reason, or Nonrenewal by the Company, Upon a Change in Control*. If (1) the Company terminates this Agreement other than pursuant to Section 6 hereof, (2) the Executive terminates this Agreement in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, or (3) at the end of the Term of this Agreement the Executive shall cease to be employed by the Company in the capacity of Chief Executive Officer by reason of the Company's decision not to continue to employ the Executive as Chief Executive Officer at least on terms substantially similar to those set forth herein, and in each case the termination of employment occurs within two years of the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive a cash lump sum immediately upon such termination of employment equal to three times the sum of the Executive's Base Salary at the time of his termination of employment plus the average bonus received by the Executive for the two years preceding the year in which his termination of employment occurs;

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Sections 3(e), other than participation in any Company tax-qualified retirement plan, applicable to the Executive shall be continued for three years from the date of such termination of employment (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, provided that with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA; and

(iii) all stock options and stock awards (and similar equity rights) shall fully and immediately vest and become exercisable immediately prior to such termination of employment, and shall remain exercisable through their original term with full rights as if the Executive's employment had not terminated.

(e) The payments provided in Section 9(c) and 9(d) are intended as enhanced severance for a termination by the Company without Cause, or a termination by the Executive in the circumstances provided. As a condition of receiving such payments, the Executive shall first execute and deliver a general release of all claims against the Company, its Affiliates, agents and employees (other than any claims or rights pursuant to the Agreement or pursuant to equity or employee benefit plans), in a form and substance reasonably satisfactory to the Company.

(f) It is intended that this Agreement replace the Old Employment Agreement as if this Agreement was entered into on April 1, 2003, and the parties accordingly agree that the Executive was not entitled to any acceleration of vesting and exercisability of any stock options or stock awards (or similar equity rights) by virtue of the expiration of the Old Employment Agreement, notwithstanding any provision thereof.

10. Cooperation.

Following his termination of employment, the Executive agrees to cooperate with, and assist, the Company to ensure a smooth transition in management and, if requested by the Company, will make himself available to consult during regular business hours at mutually agreed upon times for up to a three month period thereafter. At any time following his termination of employment, the Executive will provide such information as the Company may reasonably request with respect to any Company-related transaction or other matter in which the Executive was involved in any way while employed by the Company. The Executive further agrees, during the Term of this Agreement and thereafter, to assist and cooperate with the Company in connection with the defense or prosecution of any claim that may be made against, or by, the Company or its Affiliates, in connection with any dispute or claim of any kind involving the Company or

its Affiliates, including providing testimony in any proceeding before any arbitral, administrative, judicial, legislative or other body or agency. The Executive shall be entitled to reimbursement for all properly documented expenses incurred in connection with rendering services under this Section, including, but not limited to, reimbursement for all reasonable travel, lodging, meal expenses and legal fees, and the Executive shall be entitled to a per diem amount for his services equal to his then most recent annualized Base Salary under this Agreement, divided by 240 (business days).

11. Indemnification.

The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of being an officer, director or employee of the Company or of any subsidiary or Affiliate of the Company. The Company shall provide, at its expense, Directors and Officers insurance for the Executive in amounts reasonably satisfactory to the Executive, to the extent such insurance is available at reasonable rates, which determination shall be made by the Board.

12. Excise Tax.

If any payments made in respect of this Agreement, or otherwise in respect of the Executive's employment or termination of employment with the Company, become subject to the excise tax described in Section 4999 of the Internal Revenue Code of 1986 (or any successor to such section), the Company shall make a special payment to the Executive sufficient, on an after-tax basis (taking into account federal, state and local income, employment and excise taxes and related interest and penalties), to put the Executive in the same position as would have been the case had no such excise taxes been applicable to any payments or benefits provided in this Agreement or otherwise in respect of the Executive's employment or termination of employment with the Company. Any such special payment shall be made prior to the time any excise tax is payable by the Executive (through withholding or otherwise). The determination of whether any payment is subject to an excise tax and, if so, the amount to be paid by the Company to the Executive and the time of payment shall be made by an independent auditor selected jointly by the Company and the Executive and paid by the Company. Unless the Executive agrees otherwise in writing, the auditor shall be a nationally recognized public accounting firm that has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company or any of its Affiliates. If the Executive and the Company cannot agree on the firm to serve as the auditor under this Section, then the Executive and the Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the auditor.

13. No Mitigation.

The Executive shall not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor shall the

amount of any payment provided for hereunder be reduced by any compensation earned by the Executive as the result of employment by another employer after the date of termination of employment by the Company.

14. Definitions.

As used herein, the following terms have the following meaning:

(a) "Affiliate" means and includes any person, corporation or other entity controlling, controlled by or under common control with the corporation in question.

(b) "Change in Control" means the occurrence of any of the following events:

(i) Any Person, other than the Company, its affiliates (as defined in Rule 12b-2 under the Exchange Act) or any Company employee benefit plan (including any trustee of such plan acting as trustee), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than 40% of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors ("Voting Securities") of the Company, or

(ii) Individuals who constitute the Board of Directors of the Company (the "Incumbent Directors") as of the beginning of any twenty-four month period (not including any period prior to the date of this Agreement), cease for any reason to constitute at least a majority of the directors. Notwithstanding the foregoing, any individual becoming a director subsequent to the beginning of such period, whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Directors, shall be considered an Incumbent Director; or

(iii) Consummation by the Company of a recapitalization, reorganization, merger, consolidation or other similar transaction (a "Business Combination"), with respect to which all or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities immediately prior to such Business Combination (the "Incumbent Shareholders") do not, following consummation of all transactions intended to constitute part of such Business Combination, beneficially own, directly or indirectly, 50% or more of the Voting Securities of the corporation, business trust or other entity resulting from or being the surviving entity in such Business Combination (the "Surviving Entity"), in substantially the same proportion as their ownership of such Voting Securities immediately prior to such Business Combination; or

(iv) Consummation of a complete liquidation or dissolution of the Company, or the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, business trust or other entity with respect to which, following consummation of all transactions intended to constitute part of such sale or disposition, more than 50% of the combined Voting Securities is then owned beneficially, directly or indirectly, by the Incumbent Shareholders in substantially the same proportion as their ownership of the Voting Securities immediately prior to such sale or disposition.

For purposes of this definition, the following terms shall have the meanings set forth below:

(A) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(B) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; and

(C) "Person" shall have the meaning as used in Sections 13(d) and 14(d) of the Exchange Act.

(c) "Company's Field of Interest" means the primary businesses of the Company as described in the Company's then most-recent filings with the Securities and Exchange Commission during the Executive's employment hereunder and as determined from time to time by the Board of Directors during the Term hereof.

15. Representations by Executive.

The Executive represents and warrants that he has full right, power and authority to execute the terms of this Agreement; this Agreement has been duly executed by the Executive and such execution and the performance of this Agreement by the Executive does not result in any conflict, breach or violation of or default under any other agreement or any judgment, order or decree to which the Executive is a party or by which he is bound. The Executive acknowledges and agrees that any material breach of the representations set forth in this Section will constitute Cause under Section 6.

16. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, without limitation, disputes under Title VII, the ADEA, the ADA and other state and federal discrimination or employment laws) shall be settled by arbitration in Connecticut, in accordance with the employment dispute rules then existing of the American Arbitration Association, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the arbitrator that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrator shall be final and binding. The costs of the American Arbitration Association and the arbitrator will be borne equally by the Company and the Executive, subject to the provisions of Section 17.

17. Legal Costs.

If the Executive institutes any legal action to enforce his rights under, or to recover damages for breach of, this Agreement, and the Executive prevails, he shall be entitled to recover from the Company any actual expenses for attorney's fees and disbursements incurred by the Executive. If any payment made to or in respect of the Executive pursuant to this Section 17 becomes subject to any tax, the Company shall

make a special payment to the Executive sufficient, on an after-tax basis (taking into account federal, state and local taxes and related interest and penalties), to put the Executive in the same position as would have been the case had no such taxes been applicable to any payments or benefits provided in this Section.

18. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):

If to the Company:

Thomas I.H. Dubin, Esq.
Vice President and General Counsel
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, Connecticut 06410
Telephone: (203) 272-2596
Fax: (203) 271-8199

If to the Executive:

Leonard Bell, M.D.
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, Connecticut 06410
Telephone: (203) 272-2596
Fax: (203) 271-8199

19. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed entirely in Connecticut by Connecticut residents.

(b) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement

(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto. The Company may not assign its rights and obligation under this Agreement without the prior written consent of the Executive, except to a successor of substantially all the Company's business which expressly assumes the Company's obligations hereunder in writing. In the event of a sale of all or substantially all of the assets of the Company, the Company shall use its best efforts to cause the purchaser to expressly assume this Agreement. The Executive may not assign, transfer, alienate or encumber any rights or obligations under this Agreement, except by will or operation of law, provided that the Executive may designate beneficiaries to receive any payments permitted under the terms of the Company's benefit plans.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ALEXION PHARMACEUTICALS, INC.

By: /S/ LEONARD BELL, M.D.

Leonard Bell, M.D.

Exhibit 10.2

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 20, 2003 by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and David W. Keiser (the "Executive").

WITNESSETH

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of October 2, 2000 (the "Old Employment Agreement");

WHEREAS, the Old Employment Agreement expired on July 17, 2002, and the Company and Executive desire to enter into a new Employment Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. Duties and Acceptance.

(a) The Company hereby employs the Executive, for the Term (as hereinafter defined), to render full-time services to the Company as President, and to perform such duties commensurate with such office as the Executive shall reasonably be directed by the Board of Directors (the "Board") of the Company to perform, which duties shall be consistent with the provisions of the Bylaws in effect on the date hereof that relate to the duties of the President. The Executive will report directly to the Chief Executive Officer.

(b) The Executive hereby accepts such employment and agrees to render the services described above. The Executive further agrees to accept election and to serve during all or any part of the Term as a director of the Company without any compensation therefor other than that specified in this Agreement, if elected to such position by the shareholders of the Company. The Company shall use its best efforts to cause the Executive to be elected as a director and shall include him in the management slate for election as a director at every shareholders meeting at which his term as a director would otherwise expire.

(c) The principal place of employment of the Executive hereunder shall at all times during the Term be in the greater Cheshire, Connecticut area, or other locations acceptable to the Executive, in the Executive's sole discretion.

(d) With the prior approval of the Chief Executive Officer of the Company, the Executive may serve on boards of directors of non-profit institutions and other companies that are not competitive with the Company, and participate in professional, community and/or philanthropic activities, (collectively, "Permitted Activities"); provided, however, that such Permitted Activities do not interfere with the Executive's duties to the Company.

2. Term of Employment.

The term of the Executive's employment under this Agreement (the "Term") commences as of October 1, 2003 (the "Effective Date") and shall end on the third anniversary thereof, unless sooner terminated pursuant to Section 6, 7 or 8 of this Agreement. Notwithstanding the foregoing, unless notice is given by the Executive or the Company at least six months prior to the expiration of the Term of this Agreement (or at least six months prior to the expiration of any extension hereof), the Term of the Agreement shall be automatically extended by one year from the date it would otherwise end (whether upon expiration of the original Term or any extension(s) thereof), unless sooner terminated pursuant to Section 6, 7 or 8 hereof.

3. Compensation and Benefits.

(a) As compensation for services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of not less than the Executive's base salary in effect immediately prior to the Effective Date (the "Base Salary"), payable in accordance with its regular payroll practices. The Executive's Base Salary hereunder shall be reviewed as of July 31, 2004 and at least annually thereafter during the Term of the Agreement for increase in the discretion of the Board of Directors or the Compensation Committee of the Board of Directors, after consultation with the Company's Chief Executive Officer. Base Salary, as adjusted, shall be considered the new Base Salary for all purposes of this Agreement.

(b) The Company agrees that the Executive shall be eligible for an annual performance bonus from the Company with respect to each fiscal year of the Company that ends during the Term, pursuant to the Company's management incentive bonus program in effect from time to time. The amount of any such bonus shall be determined by the Board of Directors or the Compensation Committee of the Board of Directors in its discretion, consistent with the Company's performance, the Executive's contribution to the Company's performance and the provisions of any applicable incentive bonus program.

(c) The Company agrees to grant to the Executive during the Term, at the time of its usual annual, or semi-annual, grant to employees for the applicable year, such options to purchase shares of the Company's common stock as the Board of Directors or the Compensation Committee of the Board of Directors shall determine. In the event of the consummation of a Change in Control (as defined in Section 14) of the Company, all stock options and stock awards (and similar equity rights) previously granted shall immediately vest and remain fully exercisable through their original term with all rights.

(d) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive during the Term in the performance of services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as it reasonably may require.

(e) During the Term, the Executive shall be eligible to participate in all qualified and non-qualified savings and retirement plans, and all other compensation and benefit plans and programs, including welfare and fringe benefit programs, that are generally available to other senior executives of the Company.

(f) During the Term, the Executive shall be eligible for paid vacation of four weeks per calendar year taken in accordance with the vacation policy of the Company.

4. Confidentiality.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as Exhibit A shall be deemed incorporated in and made a part of this Employment Agreement. Notwithstanding any other provision of this Agreement, the Executive shall continue to be bound by the terms of such Proprietary Information and Inventions Agreement for a period of five years after the termination of this Agreement for any reason. Executive and the Company agree that following termination of this Agreement for any reason, the Proprietary Information and Inventions Agreement shall be applicable only to material, non-public proprietary information of the Company.

5. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) During the Term, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity or (2) participate in the formation of any business or commercial entity; provided, however, that nothing contained in this Section 5(a) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock and provided, further, that nothing contained herein shall be deemed to limit the Executive's Permitted Activities pursuant to Section 1(d).

(b) If the Executive is terminated by the Company for Cause (as defined in Section 6(c)) or if the Executive terminates this Agreement other than in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, or if the Executive is receiving Severance Payments in accordance with Section 9(c) or payments under Section 9(d), then for a period of one

year following the date of termination (or, should the Executive receive Severance Payments in accordance with Section 9(c) or payments under Section 9(d), for the period utilized to calculate such Severance Payments under Section 9(c) or payments under Section 9(d)), the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity in the Company's Field of Interest (as defined in Section 14), (2) participate in the formation of any business or commercial entity engaged primarily in the Company's Field of Interest, or (3) directly or indirectly employ, or seek to employ or secure the services in any capacity of, any person employed at that time by the Company or any of its Affiliates, or otherwise encourage or entice any such person to leave such employment; provided, however, that nothing contained in this Section 5(b) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) in the Company's Field of Interest not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock and provided, further, that nothing contained herein shall be deemed to limit Executive's Permitted Activities pursuant to Section 1(d). This Section 5(b) shall be subject to written waivers that may be obtained by the Executive from the Company.

(c) At no time during the Term of this Agreement or thereafter will Executive knowingly make any written or oral untrue statement that disparages the Company or its Affiliates in communications with any customer, client or the public.

(d) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 5 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(e) If any of the covenants contained in this Section 5 or Appendix A, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(f) If any of the covenants contained in this Section 5 or Appendix A, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(g) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in this Section 5 and Appendix A upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties hereto that such

determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

6. Termination by the Company.

During the Term of this Agreement, the Company may terminate this Agreement, upon expiration of 90 days' prior written notice given by the Company to the Executive (except in the case of the Executive's death), if any one or more of the following shall occur:

(a) The Executive shall die during the Term; provided, however, that the Executive's legal representatives shall be entitled to receive the (1) Executive's Base Salary through the date which is 90 days after the Executive's date of death and (2) a pro-rata annual performance bonus with respect to the fiscal year of the Company during which death occurs. Upon the Executive's death, stock options previously granted to the Executive shall become immediately exercisable and remain exercisable through their original terms with full rights as if the Executive's employment had not terminated.

(b) The Executive shall become physically or mentally disabled so that the Executive is unable substantially to perform his services hereunder for (1) a period of 120 consecutive days, or (2) for shorter periods aggregating 180 days during any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Base Salary through the date of such termination. In addition, the Executive shall be entitled to a pro-rata annual performance bonus with respect to the fiscal year of the Company during which such termination occurs. Upon such a disability, stock options previously granted to the Executive shall become immediately exercisable and remain exercisable through their original terms with full rights as if the Executive's employment had not terminated.

(c) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (1) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (2) the Executive's willful and continual neglect or failure to discharge his duties (including fiduciary duties), responsibilities and obligations with respect to the Company hereunder; provided such neglect or failure remains uncured for a period of 30 days after written notice describing the same is given to the Executive; provided that isolated and insubstantial neglect or failure shall not constitute Cause hereunder, (3) the Executive's violation of any of the non-competition provisions of Section 5 hereof or the Executive's breach of any confidentiality provisions contained in Exhibit A hereto, or (4) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates. All determinations of Cause for termination pursuant to this Section 6 shall be determined by the Board.

7. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company and such breach continues uncured for 30 days after written notice of such breach is first given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after written notice of such breach is given. Such termination by Executive is deemed to follow a "Constructive Termination" by Company.

8. Termination Following a Change in Control.

In addition to the above, during the period commencing on the six month anniversary of a Change in Control (as defined in Section 14) of the Company and ending on the two year anniversary of such Change in Control, the Executive may terminate this Agreement upon expiration of 90 days' prior written notice if "Good Reason" exists for the Executive's termination. For this purpose, termination of the Executive for "Good Reason" shall mean a termination of the Executive of his employment hereunder following the occurrence, without his prior written consent, of any of the following events, unless the Company fully cures all grounds for such termination within 30 days after the Executive's notice:

(a) any material adverse change in the Executive's authority, duties, titles or offices (including reporting responsibility), or any significant increase in the Executive's business travel obligations, from those existing immediately prior to the Change in Control;

(b) any failure by the Company to continue in effect any compensation plan in which the Executive participated immediately prior to such Change in Control and which is material to the Executive's total compensation, including but not limited to the Company's stock option, bonus and other plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or any failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis no less favorable to the Executive, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to such Change in Control;

(c) any failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's retirement, life insurance, medical, health and accident, or disability plans, programs or arrangements in which the Executive was participating immediately prior to such Change in Control, the taking of any action by the Company which would

directly or indirectly materially reduce any of such benefits or deprive the Executive of any perquisite enjoyed by the Executive at the time of such Change in Control, or the failure by the Company to maintain a vacation policy with respect to the Executive that is at least as favorable as the vacation policy (whether formal or informal) in place with respect to the Executive immediately prior to such Change in Control; or

(d) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company upon a merger, consolidation, sale or similar transaction.

In addition, the Executive may elect to terminate his employment, at his own initiative, for any reason or for no reason, during the six month period commencing on the six month anniversary of a Change in Control of the Company and ending on the one year anniversary of such Change in Control, in which case such termination of employment shall also be deemed to be for "Good Reason".

9. Severance and Benefit Continuation.

(a) *Termination for Cause*. If the Company terminates this Agreement for Cause pursuant to Section 6(c) hereof, or if the Executive terminates this Agreement other than in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, no severance or benefit continuation provisions shall apply, provided however that the Executive shall have the same opportunity to continue group health benefits at the Executive's expense in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") as is available generally to other employees terminating employment with the Company.

(b) *Termination for Death or Disability*. In the event of termination of this Agreement pursuant to Section 6(a) or 6(b) by reason of the death or disability of the Executive, in addition to the Base Salary payments and pro-rata annual performance bonus provided for in paragraph (a) or (b) of Section 6, as applicable, the Company shall continue to provide all benefits subject to COBRA at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA.

(c) *Involuntary Termination Other Than for Cause, Voluntary Termination following Constructive Termination, or Nonrenewal by the Company*. If (1) the Company terminates this Agreement other than pursuant to Section 6 hereof, (2) the Executive terminates this Agreement in accordance with Section 7 following a Constructive Termination, or (3) at the end of the Term of this Agreement, the Executive shall cease to be employed by the Company in the capacity of President by reason of the Company's decision not to continue to employ the Executive as President at least on terms substantially similar to those set forth herein, and in each case the termination of employment does not occur within two years following the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive in accordance with its normal payroll practice an amount equal to the sum of the Executive's Base Salary at the time of his termination of employment plus the average bonus received by the Executive for the two years preceding the year in which his termination of employment occurs (the "Severance Payment") for each year of the period of the next two years (the "Severance Period");

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Section 3(e)), other than participation in any Company tax-qualified retirement plan, applicable to the Executive shall be continued for the Severance Period (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, provided that with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA; and

(iii) all stock options and stock awards (and similar equity rights) shall fully and immediately vest and become exercisable immediately prior to such termination of employment, and shall remain exercisable through their original term with full rights as if the Executive's employment had not terminated.

(d) *Involuntary Termination Other Than for Cause, Voluntary Termination following a Constructive Termination or for Good Reason, or Nonrenewal by the Company, Upon a Change in Control*. If (1) the Company terminates this Agreement other than pursuant to Section 6 hereof, (2) the Executive terminates this Agreement in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, or (3) at the end of the Term of this Agreement the Executive shall cease to be employed by the Company in the capacity of President by reason of the Company's decision not to continue to employ the Executive as President at least on terms substantially similar to those set forth herein, and in each case the termination of employment occurs within two years of the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive a cash lump sum immediately upon such termination of employment equal to three times the sum of the Executive's Base Salary at the time of his termination of employment plus the average bonus received by the Executive for the two years preceding the year in which his termination of employment occurs;

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Sections 3(e), other than participation in any Company tax-qualified retirement plan, applicable to the Executive

shall be continued for three years from the date of such termination of employment (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, provided that with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA;

(iii) all stock options and stock awards (and similar equity rights) shall fully and immediately vest and become exercisable immediately prior to such termination of employment, and shall remain exercisable through their original term with full rights as if the Executive's employment had not terminated; and

(iv) notwithstanding the foregoing, if the Executive elects to terminate his employment, at his own initiative, during the six month period commencing on the six month anniversary of a Change in Control of the Company and ending on the one year anniversary of such Change in Control, without a basis for such termination that would constitute "Good Reason" in the absence of the last paragraph of Section 8, then "two times" shall be substituted for "three times" in subparagraph (i) of this Section 9(d), and "two years" shall be substituted for "three years" in subparagraph (ii) of this Section 9(d).

(e) The payments provided in Section 9(c) and 9(d) are intended as enhanced severance for a termination by the Company without Cause, or a termination by the Executive in the circumstances provided. As a condition of receiving such payments, the Executive shall first execute and deliver a general release of all claims against the Company, its Affiliates, agents and employees (other than any claims or rights pursuant to the Agreement or pursuant to equity or employee benefit plans), in a form and substance reasonably satisfactory to the Company.

10. Cooperation.

Following his termination of employment, the Executive agrees to cooperate with, and assist, the Company to ensure a smooth transition in management and, if requested by the Company, will make himself available to consult during regular business hours at mutually agreed upon times for up to a three month period thereafter. At any time following his termination of employment, the Executive will provide such information as the Company may reasonably request with respect to any Company-related transaction or other matter in which the Executive was involved in any way while employed by the Company. The Executive further agrees, during the Term of this Agreement and thereafter, to assist and cooperate with the Company in connection with the defense or prosecution of any claim that may be made against, or by, the Company or its Affiliates, in connection with any dispute or claim of any kind involving the Company or

its Affiliates, including providing testimony in any proceeding before any arbitral, administrative, judicial, legislative or other body or agency. The Executive shall be entitled to reimbursement for all properly documented expenses incurred in connection with rendering services under this Section, including, but not limited to, reimbursement for all reasonable travel, lodging, meal expenses and legal fees, and the Executive shall be entitled to a per diem amount for his services equal to his then most recent annualized Base Salary under this Agreement, divided by 240 (business days).

11. Indemnification.

The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of being an officer, director or employee of the Company or of any subsidiary or Affiliate of the Company. The Company shall provide, at its expense, Directors and Officers insurance for the Executive in amounts reasonably satisfactory to the Executive, to the extent such insurance is available at reasonable rates, which determination shall be made by the Board.

12. Excise Tax.

If any payments made in respect of this Agreement, or otherwise in respect of the Executive's employment or termination of employment with the Company, become subject to the excise tax described in Section 4999 of the Internal Revenue Code of 1986 (or any successor to such section), the Company shall make a special payment to the Executive sufficient, on an after-tax basis (taking into account federal, state and local income, employment and excise taxes and related interest and penalties), to put the Executive in the same position as would have been the case had no such excise taxes been applicable to any payments or benefits provided in this Agreement or otherwise in respect of the Executive's employment or termination of employment with the Company. Any such special payment shall be made prior to the time any excise tax is payable by the Executive (through withholding or otherwise). The determination of whether any payment is subject to an excise tax and, if so, the amount to be paid by the Company to the Executive and the time of payment shall be made by an independent auditor selected jointly by the Company and the Executive and paid by the Company. Unless the Executive agrees otherwise in writing, the auditor shall be a nationally recognized public accounting firm that has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company or any of its Affiliates. If the Executive and the Company cannot agree on the firm to serve as the auditor under this Section, then the Executive and the Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the auditor.

13. No Mitigation.

The Executive shall not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor shall the

amount of any payment provided for hereunder be reduced by any compensation earned by the Executive as the result of employment by another employer after the date of termination of employment by the Company.

14. Definitions.

As used herein, the following terms have the following meaning:

(a) "Affiliate" means and includes any person, corporation or other entity controlling, controlled by or under common control with the corporation in question.

(b) "Change in Control" means the occurrence of any of the following events:

(i) Any Person, other than the Company, its affiliates (as defined in Rule 12b-2 under the Exchange Act) or any Company employee benefit plan (including any trustee of such plan acting as trustee), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than 40% of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors ("Voting Securities") of the Company, or

(ii) Individuals who constitute the Board of Directors of the Company (the "Incumbent Directors") as of the beginning of any twenty-four month period (not including any period prior to the date of this Agreement), cease for any reason to constitute at least a majority of the directors. Notwithstanding the foregoing, any individual becoming a director subsequent to the beginning of such period, whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Directors, shall be considered an Incumbent Director; or

(iii) Consummation by the Company of a recapitalization, reorganization, merger, consolidation or other similar transaction (a "Business Combination"), with respect to which all or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities immediately prior to such Business Combination (the "Incumbent Shareholders") do not, following consummation of all transactions intended to constitute part of such Business Combination, beneficially own, directly or indirectly, more than 50% of the Voting Securities of the corporation, business trust or other entity resulting from or being the surviving entity in such Business Combination (the "Surviving Entity"), in substantially the same proportion as their ownership of such Voting Securities immediately prior to such Business Combination; or

(iv) Consummation of a complete liquidation or dissolution of the Company, or the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, business trust or other entity with respect to which, following consummation of all transactions intended to constitute part of such sale or disposition, more than 50% of the combined Voting Securities is then owned beneficially, directly or indirectly, by the Incumbent Shareholders in substantially the same proportion as their ownership of the Voting Securities immediately prior to such sale or disposition.

For purposes of this definition, the following terms shall have the meanings set forth below:

(A) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(B) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; and

(C) "Person" shall have the meaning as used in Sections 13(d) and 14(d) of the Exchange Act.

(c) "Company's Field of Interest" means the primary businesses of the Company as described in the Company's then most-recent filings with the Securities and Exchange Commission during the Executive's employment hereunder and as determined from time to time by the Board of Directors during the Term hereof.

15. Representations by Executive.

The Executive represents and warrants that he has full right, power and authority to execute the terms of this Agreement; this Agreement has been duly executed by the Executive and such execution and the performance of this Agreement by the Executive does not result in any conflict, breach or violation of or default under any other agreement or any judgment, order or decree to which the Executive is a party or by which he is bound. The Executive acknowledges and agrees that any material breach of the representations set forth in this Section will constitute Cause under Section 6.

16. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, without limitation, disputes under Title VII, the ADEA, the ADA and other state and federal discrimination or employment laws) shall be settled by arbitration in Connecticut, in accordance with the employment dispute rules then existing of the American Arbitration Association, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the arbitrator that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrator shall be final and binding. The costs of the American Arbitration Association and the arbitrator will be borne equally by the Company and the Executive, subject to the provisions of Section 17.

17. Legal Costs.

If the Executive institutes any legal action to enforce his rights under, or to recover damages for breach of, this Agreement, and the Executive prevails, he shall be entitled to recover from the Company any actual expenses for attorney's fees and disbursements incurred by the Executive. If any payment made to or in respect of the Executive pursuant to this Section 17 becomes subject to any tax, the Company shall

make a special payment to the Executive sufficient, on an after-tax basis (taking into account federal, state and local taxes and related interest and penalties), to put the Executive in the same position as would have been the case had no such taxes been applicable to any payments or benefits provided in this Section.

18. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):

If to the Company:

Thomas I.H. Dubin, Esq.
Vice President and General Counsel
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, Connecticut 06410
Telephone: (203) 272-2596
Fax: (203) 271-8199

If to the Executive:

David W. Keiser
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, Connecticut 06410
Telephone: (203) 272-2596
Fax: (203) 271-8199

19. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed entirely in Connecticut by Connecticut residents.

(b) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement

(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto. The Company may not assign its rights and obligation under this Agreement without the prior written consent of the Executive, except to a successor of substantially all the Company's business which expressly assumes the Company's obligations hereunder in writing. In the event of a sale of all or substantially all of the assets of the Company, the Company shall use its best efforts to cause the purchaser to expressly assume this Agreement. The Executive may not assign, transfer, alienate or encumber any rights or obligations under this Agreement, except by will or operation of law, provided that the Executive may designate beneficiaries to receive any payments permitted under the terms of the Company's benefit plans.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ALEXION PHARMACEUTICALS, INC.

By: /S/ DAVID W. KEISER

David W. Keiser

Exhibit 10.3

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 20, 2003 by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Stephen P. Squinto, Ph.D. (the "Executive").

WITNESSETH

WHEREAS, the Company and Executive are parties to that certain Employment Agreement dated as of October 22, 1997 (the "Old Employment Agreement");

WHEREAS, the Old Employment Agreement expired on March 23, 2002, and the Company and Executive desire to enter into a new Employment Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. Employment. Duties and Acceptance.

(a) The Company hereby employs the Executive, for the Term (as hereinafter defined), to render full-time services to the Company as Executive Vice President and Head of Research, and to perform such duties commensurate with such office as the Executive shall reasonably be directed by the Board of Directors (the "Board") of the Company to perform, which duties shall be consistent with the provisions of the Bylaws in effect on the date hereof that relate to the duties of the Executive Vice President and Head of Research. The Executive will report directly to the Chief Executive Officer.

(b) The Executive hereby accepts such employment and agrees to render the services described above.

(c) The principal place of employment of the Executive hereunder shall at all times during the Term be in the greater Cheshire, Connecticut area, or other locations acceptable to the Executive, in the Executive's sole discretion.

(d) With the prior approval of the Chief Executive Officer of the Company, the Executive may serve on boards of directors of non-profit institutions and other companies that are not competitive with the Company, and participate in professional activities, (collectively, "Permitted Activities"); provided, however, that such Permitted Activities do not interfere with the Executive's duties to the Company.

2. Term of Employment.

The term of the Executive's employment under this Agreement (the "Term") commences as of October 1, 2003 (the "Effective Date") and shall end on the third anniversary thereof, unless sooner terminated pursuant to Section 6, 7 or 8 of this Agreement. Notwithstanding the foregoing, unless notice is given by the Executive or the Company at least six months prior to the expiration of the Term of this Agreement (or at least six months prior to the expiration of any extension hereof), the Term of the Agreement shall be automatically extended by one year from the date it would otherwise end (whether upon expiration of the original Term or any extension(s) thereof), unless sooner terminated pursuant to Section 6, 7 or 8 hereof.

3. Compensation and Benefits.

(a) As compensation for services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of not less than the Executive's base salary in effect immediately prior to the Effective Date (the "Base Salary"), payable in accordance with its regular payroll practices. The Executive's Base Salary hereunder shall be reviewed as of July 31, 2004 and at least annually thereafter during the Term of the Agreement for increase in the discretion of the Board of Directors or the Compensation Committee of the Board of Directors, after consultation with the Company's Chief Executive Officer. Base Salary, as adjusted, shall be considered the new Base Salary for all purposes of this Agreement.

(b) The Company agrees that the Executive shall be eligible for an annual performance bonus from the Company with respect to each fiscal year of the Company that ends during the Term, pursuant to the Company's management incentive bonus program in effect from time to time. The amount of any such bonus shall be determined by the Board of Directors or the Compensation Committee of the Board of Directors in its discretion, consistent with the Company's performance, the Executive's contribution to the Company's performance and the provisions of any applicable incentive bonus program.

(c) The Company agrees to grant to the Executive during the Term, at the time of its usual annual, or semi-annual, grant to employees for the applicable year, such options to purchase shares of the Company's common stock as the Board of Directors or the Compensation Committee of the Board of Directors shall determine. In the event of the consummation of a Change in Control (as defined in Section 14) of the Company, all stock options and stock awards (and similar equity rights) previously granted shall immediately vest and remain fully exercisable through their original term with all rights.

(d) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive during the Term in the performance of services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as it reasonably may require.

(e) During the Term, the Executive shall be eligible to participate in all qualified and non-qualified savings and retirement plans, and all other compensation and benefit plans and programs, including welfare and fringe benefit programs, that are generally available to other senior executives of the Company.

(f) During the Term, the Executive shall be eligible for paid vacation of four weeks per calendar year taken in accordance with the vacation policy of the Company.

4. Confidentiality.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as Exhibit A shall be deemed incorporated in and made a part of this Employment Agreement. Notwithstanding any other provision of this Agreement, the Executive shall continue to be bound by the terms of such Proprietary Information and Inventions Agreement for a period of five years after the termination of this Agreement for any reason. Executive and the Company agree that following termination of this Agreement for any reason, the Proprietary Information and Inventions Agreement shall be applicable only to material, non-public proprietary information of the Company.

5. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) During the Term, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity or (2) participate in the formation of any business or commercial entity; provided, however, that nothing contained in this Section 5(a) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock and provided, further, that nothing contained herein shall be deemed to limit the Executive's Permitted Activities pursuant to Section 1(d).

(b) If the Executive is terminated by the Company for Cause (as defined in Section 6(c)) or if the Executive terminates this Agreement other than in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8 hereof, or if the Executive is receiving Severance Payments in accordance with Section 9(c) or payments under Section 9(d), then for a period of one year following the date of termination (or, should the Executive receive Severance Payments in accordance with Section 9(c) or payments under Section 9(d), for the period used to calculate such Severance Payments under Section 9(c) or payments under Section 9(d)), the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity in the Company's Field of Interest (as defined in

Section 14), (2) participate in the formation of any business or commercial entity engaged primarily in the Company's Field of Interest, or (3) directly or indirectly employ, or seek to employ or secure the services in any capacity of, any person employed at that time by the Company or any of its Affiliates, or otherwise encourage or entice any such person to leave such employment; provided, however, that nothing contained in this Section 5(b) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) in the Company's Field of Interest not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock and provided, further, that nothing contained herein shall be deemed to limit Executive's Permitted Activities pursuant to Section 1(d). This Section 5(b) shall be subject to written waivers that may be obtained by the Executive from the Company.

(c) At no time during the Term of this Agreement or thereafter will Executive knowingly make any written or oral untrue statement that disparages the Company or its Affiliates in communications with any customer, client or the public.

(d) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 5 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(e) If any of the covenants contained in this Section 5 or Appendix A, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(f) If any of the covenants contained in this Section 5 or Appendix A, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(g) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in this Section 5 and Appendix A upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

6. Termination by the Company.

During the Term of this Agreement, the Company may terminate this Agreement, upon expiration of 90 days' prior written notice given by the Company to the Executive (except in the case of the Executive's death), if any one or more of the following shall occur:

(a) The Executive shall die during the Term; provided, however, that the Executive's legal representatives shall be entitled to receive the (1) Executive's Base Salary through the date which is 90 days after the Executive's date of death and (2) a pro-rata annual performance bonus with respect to the fiscal year of the Company during which death occurs. Upon the Executive's death, stock options previously granted to the Executive shall become immediately exercisable and remain exercisable through their original terms with full rights as if the Executive's employment had not terminated.

(b) The Executive shall become physically or mentally disabled so that the Executive is unable substantially to perform his services hereunder for (1) a period of 120 consecutive days, or (2) for shorter periods aggregating 180 days during any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Base Salary through the date of such termination. In addition, the Executive shall be entitled to a pro-rata annual performance bonus with respect to the fiscal year of the Company during which such termination occurs. Upon such a disability, stock options previously granted to the Executive shall become immediately exercisable and remain exercisable through their original terms with full rights as if the Executive's employment had not terminated.

(c) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (1) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (2) the Executive's willful and continual neglect or failure to discharge his duties (including fiduciary duties), responsibilities and obligations with respect to the Company hereunder; provided such neglect or failure remains uncured for a period of 30 days after written notice describing the same is given to the Executive; provided that isolated and insubstantial neglect or failure shall not constitute Cause hereunder, (3) the Executive's violation of any of the non-competition provisions of Section 5 hereof or the Executive's breach of any confidentiality provisions contained in Exhibit A hereto, or (5) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates. All determinations of Cause for termination pursuant to this Section 6 shall be determined by the Board.

7. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company and such breach continues uncured for 30 days after written notice of such breach is first given; provided, however, it shall constitute the termination of this Agreement if such breach is for the payment of money and continues uncured for ten days after written notice of such breach is given. Such termination by Executive is deemed to follow a "Constructive Termination" by Company.

8. Termination Following a Change in Control.

In addition to the above, during the period commencing on the six month anniversary of a Change in Control (as defined in Section 14) of the Company and ending on the two year anniversary of such Change in Control, the Executive may terminate this Agreement upon expiration of 90 days' prior written notice if "Good Reason" exists for the Executive's termination. For this purpose, termination of the Executive for "Good Reason" shall mean a termination of the Executive of his employment hereunder following the occurrence, without his prior written consent, of any of the following events, unless the Company fully cures all grounds for such termination within 30 days after the Executive's notice:

(a) any material adverse change in the Executive's authority, duties, titles or offices (including reporting responsibility), or any significant increase in the Executive's business travel obligations, from those existing immediately prior to the Change in Control;

(b) any failure by the Company to continue in effect any compensation plan in which the Executive participated immediately prior to such Change in Control and which is material to the Executive's total compensation, including but not limited to the Company's stock option, bonus and other plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or any failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis no less favorable to the Executive, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to such Change in Control;

(c) any failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's retirement, life insurance, medical, health and accident, or disability plans, programs or arrangements in which the Executive was participating immediately prior to such Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Executive of any perquisite enjoyed by the Executive at the time of such Change in Control, or the failure by the Company to maintain a vacation policy with respect to the Executive that is at least as favorable as the vacation policy (whether formal or informal) in place with respect to the Executive immediately prior to such Change in Control; or

(d) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company upon a merger, consolidation, sale or similar transaction.

In addition, the Executive may elect to terminate his employment, at his own initiative, for any reason or for no reason, during the six month period commencing on the six month anniversary of a Change in Control of the Company and ending on the one year anniversary of such Change in Control, in which case such termination of employment shall also be deemed to be for "Good Reason".

9. Severance and Benefit Continuation.

(a) *Termination for Cause*. If the Company terminates this Agreement for Cause pursuant to Section 6(c) hereof, or if the Executive terminates this Agreement other than in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8, no severance or benefit continuation provisions shall apply, provided however that the Executive shall have the same opportunity to continue group health benefits at the Executive's expense in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") as is available generally to other employees terminating employment with the Company.

(b) *Termination for Death or Disability*. In the event of termination of this Agreement pursuant to Section 6(a) or 6(b) by reason of the death or disability of the Executive, in addition to the Base Salary payments and pro-rata annual performance bonus provided for in paragraph (a) or (b) of Section 6, as applicable, the Company shall continue to provide all benefits subject to COBRA at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA.

(c) *Involuntary Termination Other Than for Cause, Voluntary Termination following Constructive Termination, or Nonrenewal by the Company*. If (1) the Company terminates this Agreement other than pursuant to Section 6 hereof, (2) the Executive terminates this Agreement in accordance with Section 7 following a Constructive Termination, or (3) at the end of the Term of this Agreement, the Executive shall cease to be employed by the Company in the capacity of Executive Vice President and Head of Research by reason of the Company's decision not to continue to employ the Executive as Executive Vice President and Head of Research at least on terms substantially similar to those set forth herein, and in each case the termination of employment does not occur within two years following the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive in accordance with its normal payroll practice an amount equal to the sum of the Executive's Base Salary at the time of his termination of employment plus the average bonus received by the Executive for the two years preceding the year in which his termination of employment occurs (the "Severance Payment") for each year of the period of the next two years (the "Severance Period");

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Section 3(e)), other than participation in any Company tax-qualified retirement plan, applicable to the Executive shall be continued for the Severance Period (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, provided that with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA; and

(iii) all stock options and stock awards (and similar equity rights) shall fully and immediately vest and become exercisable immediately prior to such termination of employment, and shall remain exercisable through their original term with full rights as if the Executive's employment had not terminated.

(d) *Involuntary Termination Other Than for Cause, Voluntary Termination following Constructive Termination or for Good Reason, or Nonrenewal by the Company, Upon a Change in Control*. If (1) the Company terminates this Agreement other than pursuant to Section 6 hereof, (2) the Executive terminates this Agreement in accordance with Section 7 following a Constructive Termination or for Good Reason under Section 8, or (3) at the end of the Term of this Agreement the Executive shall cease to be employed by the Company in the capacity of Executive Vice President and Head of Research by reason of the Company's decision not to continue to employ the Executive as Executive Vice President and Head of Research at least on terms substantially similar to those set forth herein, and in each case the termination of employment occurs within two years of the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive a cash lump sum immediately upon such termination of employment equal to three times the sum of the Executive's Base Salary at the time of his termination of employment plus the average bonus received by the Executive for the two years preceding the year in which his termination of employment occurs;

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Sections 3(e), other than participation in any Company tax-qualified retirement plan, applicable to the Executive shall be continued for three years from the date of such termination of employment (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, provided that with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums

expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA;

(iii) all stock options and stock awards (and similar equity rights) shall fully and immediately vest and become exercisable immediately prior to such termination of employment, and shall remain exercisable through their original term with full rights as if the Executive's employment had not terminated; and

(iv) notwithstanding the foregoing, if the Executive elects to terminate his employment, at his own initiative, during the six month period commencing on the six month anniversary of a Change in Control of the Company and ending on the one year anniversary of such Change in Control, without a basis for such termination that would constitute "Good Reason" in the absence of the last paragraph of Section 8, then "two times" shall be substituted for "three times" in subparagraph (i) of this Section 9(d), and "two years" shall be substituted for "three years" in subparagraph (ii) of this Section 9(d).

(e) The payments provided in Section 9(c) and 9(d) are intended as enhanced severance for a termination by the Company without Cause, or a termination by the Executive in the circumstances provided. As a condition of receiving such payments, the Executive shall first execute and deliver a general release of all claims against the Company, its Affiliates, agents and employees (other than any claims or rights pursuant to the Agreement or pursuant to equity or employee benefit plans), in a form and substance reasonably satisfactory to the Company.

10. Cooperation.

Following his termination of employment, the Executive agrees to cooperate with, and assist, the Company to ensure a smooth transition in management and, if requested by the Company, will make himself available to consult during regular business hours at mutually agreed upon times for up to a three month period thereafter. At any time following his termination of employment, the Executive will provide such information as the Company may reasonably request with respect to any Company-related transaction or other matter in which the Executive was involved in any way while employed by the Company. The Executive further agrees, during the Term of this Agreement and thereafter, to assist and cooperate with the Company in connection with the defense or prosecution of any claim that may be made against, or by, the Company or its Affiliates, in connection with any dispute or claim of any kind involving the Company or its Affiliates, including providing testimony in any proceeding before any arbitral, administrative, judicial, legislative or other body or agency. The Executive shall be entitled to reimbursement for all properly documented expenses incurred in connection with rendering services under this Section, including, but not limited to, reimbursement for all reasonable travel, lodging, meal expenses and legal fees, and the Executive shall be entitled to a per diem amount for his services equal to his then most recent annualized Base Salary under this Agreement, divided by 240 (business days).

11. Indemnification.

The Company shall indemnify the Executive, to the maximum extent permitted by applicable law, against all costs, charges and expenses incurred or sustained by the Executive in connection with any action, suit or proceeding to which the Executive may be made a party by reason of being an officer, director or employee of the Company or of any subsidiary or Affiliate of the Company. The Company shall provide, at its expense, Directors and Officers insurance for the Executive in amounts reasonably satisfactory to the Executive, to the extent such insurance is available at reasonable rates, which determination shall be made by the Board.

12. Excise Tax.

If any payments made in respect of this Agreement, or otherwise in respect of the Executive's employment or termination of employment with the Company, become subject to the excise tax described in Section 4999 of the Internal Revenue Code of 1986 (or any successor to such section), the Company shall make a special payment to the Executive sufficient, on an after-tax basis (taking into account federal, state and local income, employment and excise taxes and related interest and penalties), to put the Executive in the same position as would have been the case had no such excise taxes been applicable to any payments or benefits provided in this Agreement or otherwise in respect of the Executive's employment or termination of employment with the Company. Any such special payment shall be made prior to the time any excise tax is payable by the Executive (through withholding or otherwise). The determination of whether any payment is subject to an excise tax and, if so, the amount to be paid by the Company to the Executive and the time of payment shall be made by an independent auditor selected jointly by the Company and the Executive and paid by the Company. Unless the Executive agrees otherwise in writing, the auditor shall be a nationally recognized public accounting firm that has not, during the two years preceding the date of its selection, acted in any way on behalf of the Company or any of its Affiliates. If the Executive and the Company cannot agree on the firm to serve as the auditor under this Section, then the Executive and the Company shall each select one accounting firm and those two firms shall jointly select the accounting firm to serve as the auditor.

13. No Mitigation.

The Executive shall not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor shall the amount of any payment provided for hereunder be reduced by any compensation earned by the Executive as the result of employment by another employer after the date of termination of employment by the Company.

14. Definitions.

As used herein, the following terms have the following meaning:

(a) "Affiliate" means and includes any person, corporation or other entity controlling, controlled by or under common control with the corporation in question.

(b) "Change in Control" means the occurrence of any of the following events:

(i) Any Person, other than the Company, its affiliates (as defined in Rule 12b-2 under the Exchange Act) or any Company employee benefit plan (including any trustee of such plan acting as trustee), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than 40% of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors ("Voting Securities") of the Company, or

(ii) Individuals who constitute the Board of Directors of the Company (the "Incumbent Directors") as of the beginning of any twenty-four month period (not including any period prior to the date of this Agreement), cease for any reason to constitute at least a majority of the directors. Notwithstanding the foregoing, any individual becoming a director subsequent to the beginning of such period, whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Directors, shall be considered an Incumbent Director; or

(iii) Consummation by the Company of a recapitalization, reorganization, merger, consolidation or other similar transaction (a "Business Combination"), with respect to which all or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities immediately prior to such Business Combination (the "Incumbent Shareholders") do not, following consummation of all transactions intended to constitute part of such Business Combination, beneficially own, directly or indirectly, more than 50% of the Voting Securities of the corporation, business trust or other entity resulting from or being the surviving entity in such Business Combination (the "Surviving Entity"), in substantially the same proportion as their ownership of such Voting Securities immediately prior to such Business Combination; or

(iv) Consummation of a complete liquidation or dissolution of the Company, or the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, business trust or other entity with respect to which, following consummation of all transactions intended to constitute part of such sale or disposition, more than 50% of the combined Voting Securities is then owned beneficially, directly or indirectly, by the Incumbent Shareholders in substantially the same proportion as their ownership of the Voting Securities immediately prior to such sale or disposition.

For purposes of this definition, the following terms shall have the meanings set forth below:

(A) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(B) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; and

(C) "Person" shall have the meaning as used in Sections 13(d) and 14(d) of the Exchange Act.

(c) "Company's Field of Interest" means the primary businesses of the Company as described in the Company's then most-recent filings with the Securities and Exchange Commission during the Executive's employment hereunder and as determined from time to time by the Board of Directors during the Term hereof.

15. Representations by Executive.

The Executive represents and warrants that he has full right, power and authority to execute the terms of this Agreement; this Agreement has been duly executed by the Executive and such execution and the performance of this Agreement by the Executive does not result in any conflict, breach or violation of or default under any other agreement or any judgment, order or decree to which the Executive is a party or by which he is bound. The Executive acknowledges and agrees that any material breach of the representations set forth in this Section will constitute Cause under Section 6.

16. Arbitration.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, without limitation, disputes under Title VII, the ADEA, the ADA and other state and federal discrimination or employment laws) shall be settled by arbitration in Connecticut, in accordance with the employment dispute rules then existing of the American Arbitration Association, and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the arbitrator that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrator shall be final and binding. The costs of the American Arbitration Association and the arbitrator will be borne equally by the Company and the Executive, subject to the provisions of Section 17.

17. Legal Costs.

If the Executive institutes any legal action to enforce his rights under, or to recover damages for breach of, this Agreement, and the Executive prevails, he shall be entitled to recover from the Company any actual expenses for attorney's fees and disbursements incurred by the Executive. If any payment made to or in respect of the Executive pursuant to this Section 17 becomes subject to any tax, the Company shall make a special payment to the Executive sufficient, on an after-tax basis (taking into account federal, state and local taxes and related interest and penalties), to put the Executive in the same position as would have been the case had no such taxes been applicable to any payments or benefits provided in this Section.

18. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):

If to the Company:

Thomas I.H. Dubin, Esq.
Vice President and General Counsel
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, Connecticut 06410
Telephone: (203) 272-2596
Fax: (203)271-8199

If to the Executive:

Stephen P. Squinto, Ph.D.
Alexion Pharmaceuticals, Inc.
352 Knotter Drive
Cheshire, Connecticut 06410
Telephone: (203) 272-2596
Fax: (203) 271-8199

19. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut applicable to agreements made and to be performed entirely in Connecticut by Connecticut residents.

(b) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case

of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement

(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto. The Company may not assign its rights and obligation under this Agreement without the prior written consent of the Executive, except to a successor of substantially all the Company's business which expressly assumes the Company's obligations hereunder in writing. In the event of a sale of all or substantially all of the assets of the Company, the Company shall use its best efforts to cause the purchaser to expressly assume this Agreement. The Executive may not assign, transfer, alienate or encumber any rights or obligations under this Agreement, except by will or operation of law, provided that the Executive may designate beneficiaries to receive any payments permitted under the terms of the Company's benefit plans.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

ALEXION PHARMACEUTICALS, INC.

By: /S/ STEPHEN P. SQUINTO

Stephen P. Squinto

Exhibit 21.1

SUBSIDIARIES OF ALEXION PHARMACEUTICALS, INC.

Columbus Farming Corporation (New York)
100% owned by Registrant

Alexion Antibody Technologies, Inc. (California)
100% owned by Registrant

EXHIBIT 23.1

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statements File numbers 333-19905, 333-24863, 333-29617, 333-36738, 333-41397, 333-47594, 333-47645, 333-52856, 333-52886, 333-59702, 333-69478, 333-71879, 333-71985 and 333-106854 of our report dated September 17, 2003 relating to the consolidated financial statements of Alexion Pharmaceuticals, Inc., which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Hartford, Connecticut
October 24, 2003

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14 AND 15d-14 UNDER THE
SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED

I, Leonard Bell, M.D., certify that:

1. I have reviewed this annual report on Form 10-K of Alexion Pharmaceuticals, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 24, 2003

/s/ LEONARD BELL

Leonard Bell, M.D.
Chief Executive Officer,
Secretary and Treasurer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14 AND 15d-14 UNDER THE
SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED

I, David W. Keiser, certify that:

1. I have reviewed this annual report on Form 10-K of Alexion Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 24, 2003

/s/ DAVID W. KEISER

David W. Keiser
President and Chief Operating Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Alexion Pharmaceuticals, Inc. (the "Company") on Form 10-K for the fiscal year ended July 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leonard Bell, Chief Executive Officer, Secretary and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, and to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the end of, and for, the period covered by the Report.

Dated: October 27, 2003

/s/ LEONARD BELL

Leonard Bell, M.D.
Chief Executive Officer,
Secretary and Treasurer

A signed original of this written statement required by Section 906 has been provided to Alexion Pharmaceuticals, Inc. and will be retained by Alexion Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Alexion Pharmaceuticals, Inc. (the "Company") on Form 10-K for the fiscal year ended July 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Keiser, President and Chief Operating Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, and to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the end of, and for, the period covered by the Report.

Dated: October 27, 2003

/s/ DAVID W. KEISER

David W. Keiser
President and Chief Operating Officer

A signed original of this written statement required by Section 906 has been provided to Alexion Pharmaceuticals, Inc. and will be retained by Alexion Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

RISK FACTORS

You should carefully consider the following risk factors before you decide to invest in our Company and our business because these risk factors may have a significant impact on our business, operating results, financial condition, and cash flows. If any of these risks actually occurs, our business, financial condition, operating results and/or cash flows could be harmed.

If we continue to incur operating losses, we may be unable to continue our operations.

We have incurred losses since we started our company in January 1992. As of July 31, 2003, we had an accumulated deficit of approximately $265 million. If we continue to incur operating losses and fail to become a profitable company, we may be unable to continue our operations. Since we began our business, we have focused on research and development of product candidates. We have no products that are available for sale and do not know when we will have products available for sale, if ever. We expect to continue to operate at a net loss for at least the next several years as we continue our research and development efforts, continue to conduct clinical trials and develop manufacturing, sales, marketing and distribution capabilities. Our future profitability depends on our receiving regulatory approval of our product candidates and our ability to successfully manufacture and market approved drugs. The extent and the timing of our future losses and our profitability, if we are ever profitable, are highly uncertain.

If we do not obtain regulatory approval for our drug products, we will not be able to sell our drug products.

We cannot sell or market our drugs without regulatory approval. If we do not obtain and maintain regulatory approval for our products, the value of our company and our results of operations will be harmed. In the United States, we must obtain and maintain approval from the U.S. Food and Drug Administration, or FDA, for each drug that we intend to sell. Obtaining FDA approval is typically a lengthy and expensive process, and approval is highly uncertain. Foreign governments also regulate drugs distributed outside the United States, whose approval can also be lengthy, expensive and highly uncertain. None of our product candidates has received regulatory approval to be marketed and sold in the United States or any other country. We may not receive regulatory approval for any of our product candidates, if ever, for at least the next several years.

If our drug trials are delayed or achieve unfavorable results, we will have to delay or may be unable to obtain regulatory approval for our products.

We must conduct extensive testing of our product candidates before we can obtain regulatory approval for our products. We need to conduct both preclinical animal testing and clinical human trials. These tests and trials may not achieve favorable results. We would need to reevaluate any drug that did not test favorably and either alter the study, the drug or the dose and perform additional or repeat tests, or abandon the drug development project. In those circumstances, we would not be able to obtain regulatory approval on a timely basis, if ever. Even if approval is granted, the approval may require limitations on the indicated uses for which the drug may be marketed.

Clinical trials completed to date have not achieved their primary endpoints.

In December 1999 we completed a Phase IIb trial of pexelizumab, one of our two lead antibody product candidates, for the treatment of complications in patients after cardiopulmonary bypass surgery, including the reduction of the frequency and severity of myocardial infarctions, or heart attacks, and frequency of death. The primary therapeutic pre-set goal of the trial, referred to as the primary endpoint, was not achieved. However, in the pre-specified population that included approximately 90% of the patient population, (i.e. the 800 patients who had coronary artery bypass graft surgery without valve surgery), those that received pexelizumab at the highest dose level experienced a statistically significant reduction in larger post-surgical heart attacks. Based on these results, in January 2002, we commenced enrollment of a Phase III clinical trial of pexelizumab in patients undergoing coronary artery bypass graft surgery, or CABG, with cardiopulmonary bypass operations. This study completed the target patient enrollment of approximately 3,000 patients in February 2003. In August 2003, we disclosed preliminary results that indicated that the primary endpoint was not achieved with statistical significance. The primary endpoint in this Phase III trial was a composite of the incidence of death or myocardial infarction, measured at 30 days post-procedure, in patients undergoing CABG without concomitant valve surgery.

We are not currently able to predict the reaction of the United States Food and Drug Administration and other regulatory agencies to the results of this Phase III trial of pexelizumab in CABG patients. Such reactions may include, but are not limited to, the view that the results may be sufficient for filing and approval of a Biologics License Application, or BLA, supportive of the filing and approval of a BLA together with additional studies, or not supportive of the filing or approval of a BLA.

We have also announced, in 2001, the completion of a Phase IIa trial of eculizumab, our other lead antibody product candidate, for the treatment of rheumatoid arthritis, or RA. The primary endpoint, or therapeutic pre-set goal, for this trial was met by the group of patients who received the mid-level dosing regimen of eculizumab. Patients who received higher or lower doses of eculizumab in the clinical trial did not achieve the primary endpoint. The primary endpoint in this Phase IIa trial was ACR 20 at 3.25 months.

In January 2002, we initiated a Phase IIb multi-center study in RA patients. The trial is designed to assess safety and efficacy of eculizumab and to confirm the most efficacious dose regimen of the drug in RA patients. The trial consists of approximately 350 patients who are being treated concomitantly with disease-modifying anti-rheumatic drugs. We completed enrollment in January 2003 for this ongoing Phase IIb study. We expect to release the full results in the latter part of 2003 or the first half of 2004. We are also conducting an on-going 12 month open-label extension study in RA which will continue to help us assess long-term safety.

Completion of these and other trials does not guarantee that we will initiate additional trials for our product candidates, that if the trials are initiated what the scope and phase of the trial will be or that they will be completed, or that if the trials are completed, the results will provide a sufficient basis to proceed with further trials or to apply for or receive regulatory approvals or to commercialize products. Results of trials could be inconclusive, requiring additional or repeat trials. If the results achieved in our clinical trials are insufficient to proceed to further trials or to regulatory approval of our product candidates our company could be materially adversely affected. Failure of a trial to achieve its prespecified primary endpoint generally increases the likelihood that additional studies will be required if the sponsoring company determines to continue development of the product candidate, and reduces the likelihood of timely development of and regulatory approval to market the product candidate.

There are many additional reasons why drug testing could be delayed or terminated.

For human trials, patients must be recruited and each product candidate must be tested at various doses and formulations for each clinical indication. Also, to ensure safety and effectiveness, the effect of drugs often must be studied over a long period of time, especially for the chronic diseases that we are studying. Unfavorable results or insufficient patient enrollment in our clinical trials could delay or cause us to abandon a product development program.

Additional factors that can cause delay or termination of our clinical trials include:

- slow patient enrollment;
- long treatment time required to demonstrate effectiveness;
- lack of sufficient supplies of the product candidate;
- adverse medical events or side effects in treated patients;
- lack of effectiveness of the product candidate being tested; and
- lack of sufficient funds.

We may expand our business through new acquisitions that could disrupt our business and harm our financial condition.

Our business strategy includes expanding our products and capabilities, and we may seek acquisitions to do so. Acquisitions involve numerous risks, including:

- substantial cash expenditures;
- potentially dilutive issuance of equity securities;
- incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of acquisition;
- difficulties in assimilating the operations of the acquired companies;
- diverting our management's attention away from other business concerns;
- risks of entering markets in which we have limited or no direct experience; and
- the potential loss of our key employees or key employees of the acquired companies.

We cannot assure you that any acquisition will result in short-term or long-term benefits to us. We may incorrectly judge the value or worth of an acquired company or business. In addition, our future success would depend in part on our ability to manage the rapid growth associated with some of these acquisitions. We cannot assure you that we will be able to make the combination of our business with that of acquired businesses or companies work or be successful. Furthermore, the development or expansion of our business or any acquired business or companies may require a substantial capital investment by us. We may not have these necessary funds or they might not be available to us on acceptable terms or at all. We may also seek to raise funds by selling shares of our stock, which could dilute current shareholder's ownership interest in our company.

On September 22, 2000, we purchased all of the capital stock and other outstanding securities of Prolifaron, Inc., a privately held biopharmaceutical company that is developing therapeutic antibodies addressing multiple diseases, including cancer, for approximately 400,000 shares of our outstanding capital stock. The business of Prolifaron, now our wholly-owned subsidiary, Alexion Antibody Technologies, Inc., or AAT, is subject to many of the same risks that our

business is subject to. We cannot assure you that AAT will successfully develop any products or that we will realize any benefits from the acquisition of Prolifaron

If we fail to obtain the capital necessary to fund our operations, we will be unable to continue or complete our product development.

We believe we have sufficient capital to fund our operations and product development for at least twenty-four months. We may need to raise additional capital before or after that time to complete the development and commercialization of our product candidates. We are currently conducting or completing several clinical trials, including the Phase III trial of pexelizumab in CABG patients. Funding needs may shift between programs and potentially accelerate and increase if we initiate new pivotal trials for our product candidates, including any pivotal clinical trial of pexelizumab for acute myocardial infarction, or heart attack, patients undergoing angioplasty, a procedure for opening up narrowed or blocked arteries that supply blood to the heart. We rely heavily on Procter & Gamble to fund development of pexelizumab. If Procter & Gamble were to terminate the pexelizumab collaboration, we could have to raise additional capital or find new collaboration partners in order to continue the development of pexelizumab.

Additional financing could take the form of public or private debt or equity offerings, equity line facilities, bank loans, collaborative research and development arrangements with corporate partners and/or the sale or licensing of some of our property. The amount of capital we may need depends on many factors, including:

- the existence, terms and status of collaborative arrangements and strategic partnerships, such as our collaboration with Procter & Gamble;
- the progress, timing and scope of our research and development programs;
- the progress, timing and scope of our preclinical studies and clinical trials;
- the time and cost necessary to obtain regulatory approvals;
- the time and cost necessary to further develop manufacturing processes, arrange for contract manufacturing or build manufacturing facilities and obtain the necessary regulatory approvals for those facilities;
- the time and cost necessary to develop sales, marketing and distribution capabilities;
- the cost necessary to sell, market and distribute our products, if any are approved;
- changes in applicable governmental regulatory policies; and
- any new collaborative, licensing and other commercial relationships that we may establish.

We may not get funding when we need it or funding may only be available on unfavorable terms. If we cannot raise adequate funds to satisfy our capital requirements, we may have to delay, scale-back or eliminate our research and development activities or future operations. We might have to license our technology to others. This could result in sharing revenues that we might otherwise retain for ourselves. Any of these actions would harm our business.

If our collaboration with Procter & Gamble is terminated or Procter & Gamble reduces its commitment to our collaboration, our ability to develop and commercialize pexelizumab in the time expected, or at all, and our business would be harmed.

We rely heavily on Procter & Gamble to perform development, obtain commercial manufacturing, and provide sales and marketing for pexelizumab. While we cannot assure you that pexelizumab will ever be successfully developed and commercialized, if Procter & Gamble does not perform its obligations in a timely manner, or at all, our ability to commercialize pexelizumab will be significantly adversely affected. We rely on Procter & Gamble, or P&G, to provide funding and additional resources for the development and commercialization of pexelizumab. These include funds and resources for:

- clinical development and clinical and commercial manufacturing;
- obtaining regulatory approvals; and
- sales, marketing and distribution efforts worldwide.

P&G has rights to terminate the collaboration or sublicense its collaboration rights at any time. Termination of our agreement with Procter & Gamble would cause significant delays in the development of pexelizumab and result in significant additional development costs to us. If we were to continue development of pexelizumab following termination by P&G, we would need to fund the development and commercialization of pexelizumab on our own or identify a new development partner. We would need to develop or acquire replacement expertise in many areas necessary for the development and potential commercialization of pexelizumab, or enter into agreements with other companies with respect to those matters. We do not have the resources to replace some of the functions provided or funded by P&G. Accordingly, we might have to stop the development of pexelizumab or shift resources from other product development programs until alternative resources were obtained. Sublicense by P&G also could cause significant delays in the development of pexelizumab and result in substantial additional development costs to us. In addition, sublicense would introduce a new collaboration partner which could create new and additional risks to the development of pexelizumab that can not be identified at this time.

We cannot guarantee that Procter & Gamble will devote the resources necessary to successfully develop and commercialize pexelizumab in a timely manner, if at all. Furthermore, Procter & Gamble may devote the necessary resources, but we may still not successfully develop and commercialize pexelizumab. We might also have to repeat testing already completed with Procter & Gamble.

We are not currently able to predict the reaction of P&G to the results of the Phase III PRIMO-CABG trial of pexelizumab, including how those results may affect P&G’s future plans for pexelizumab.

If we are unable to engage and retain third-party collaborators, our research and development efforts may be delayed.

We depend upon third-party collaborators to assist us in the development of our product candidates. If any of our existing collaborators breaches or terminates its agreement with us or does not perform its development work under an agreement in a timely manner or at all, we would experience significant delays in the development or commercialization of our product candidates. We would also experience significant delays if we could not engage additional collaborators when required. In either event, we would be required to devote additional funds or

other resources to these activities or to terminate them. This would divert funds or other resources from other parts of our business.

We cannot assure you that:

- current collaboration arrangements will be continued in their current form;
- we will be able to negotiate acceptable collaborative agreements to develop or commercialize our product candidates;
- any arrangements with third parties will be successful; or
- current or potential collaborators will not pursue treatments for other diseases or seek other ways of developing treatments for our disease targets.

If the trading price of our common stock continues to fluctuate in a wide range, our stockholders will suffer considerable uncertainty with respect to an investment in our stock.

The trading price of our common stock has been volatile and may continue to be volatile in the future. Factors such as announcements of fluctuations in our or our competitors' operating results or clinical or scientific results, fluctuations in the trading prices or business prospects of our competitors and collaborators, including, but not limited to Procter & Gamble, changes in our prospects, and market conditions for biotechnology stocks in general could have a significant impact on the future trading prices of our common stock and our outstanding notes. In particular, the trading price of the common stock of many biotechnology companies, including ours, has experienced extreme price and volume fluctuations, which have at times been unrelated to the operating performance of the companies whose stocks were affected. This is due to several factors, including general market conditions, the announcement of the results of our clinical trials or product development and the results of our attempts to obtain FDA approval for our products. In particular, since August 1, 2001, the sales price of our common stock has ranged from a low of $9.05 per share to a high of $26.69 per share and since August 1, 1999, the sales price of our common stock has ranged from a low of $9.05 per share to a high of $119.88 per share. While we cannot predict our future performance, if our stock continues to fluctuate in a wide range, an investment in our stock or our outstanding notes may result in considerable uncertainty for an investor.

If we cannot protect the confidentiality and proprietary nature of our trade secrets, our business and competitive position will be harmed.

Our business requires using sensitive technology, techniques and proprietary compounds that we protect as trade secrets. However, since we are a small company, we also rely heavily on collaboration with suppliers, outside scientists and other drug companies. Collaboration presents a strong risk of exposing our trade secrets. If our trade secrets were exposed, it would help our competitors and adversely affect our business prospects.

In order to protect our drugs and technology more effectively, we need to obtain patents covering the drugs and technologies we develop. We may obtain patents through ownership or license. Our drugs are expensive and time-consuming to test and develop. Without patent protection, competitors may copy our methods, or the chemical structure or other aspects of our drugs. Even if we obtain patents, the patents may not be broad enough to protect our drugs from copycat products.

If we are found to be infringing on patents owned by others, we may be forced to obtain a license to continue the manufacture, sale or development of our drugs and/or pay damages. If we cannot obtain a license, we may be prevented from the sale or development of our drugs.

Parts of our technology, techniques and proprietary compounds and potential drug candidates may conflict with patents owned by or granted to others. If we cannot resolve these conflicts, we may be liable for damages, be required to obtain costly licenses or be stopped from manufacturing, using or selling our products or conducting other activities. For example, we are aware of broad patents owned by others relating to the manufacture, use and sale of recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, and recombinant human single chain antibodies. Many of our product candidates are genetically engineered antibodies, including recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, and recombinant human single chain antibodies.

We have received notices from the owners of some of these patents claiming that their patents may be relevant to the development, manufacture or sale of some of our drug candidates. In response to some of these notices, we have obtained licenses, or expect to obtain licenses. However, with regard to other patents, we have either determined in our judgment that:

- our products do not infringe the patents;
- we do not believe the patents are valid; or
- we have identified and are testing various modifications that we believe should not infringe the patents and which should permit commercialization of our product candidates.

Any patent holders could sue us for damages and seek to prevent us from manufacturing, selling or developing our drugs. Legal disputes can be costly and time consuming to defend. If any of these actions are successful, we could be required to pay costly damages or to obtain a license to sell or develop our drugs. A required license may be costly or may not be available on acceptable terms, if at all.

If the testing or use of our products harms people, we could be subject to costly and damaging product liability claims.

The testing, manufacturing, marketing and sale of drugs for use in humans exposes us to product liability risks. Side effects and other problems from using our products could give rise to product liability claims against us. We might have to recall our products, if any, from the marketplace. Some of these risks are unknown at this time.

In addition, we may be sued by people who participate in our trials. A number of patients who participate in such trials are already very ill when they enter the trial. Any informed consents or waivers obtained from people who sign up for our trials may not protect us from liability or litigation. Our product liability insurance may not cover all potential liabilities or may not completely cover any covered liabilities. Moreover, we may not be able to maintain our insurance on acceptable terms. In addition, negative publicity relating to a product liability claim may make it more difficult, or impossible, for us to recruit patients for our clinical trials or to market and sell our products. As a result of these factors, a product liability claim, even if successfully defended, could have a material adverse effect on our business, financial condition or results of operations.

Use of C5 Inhibitors, such as pexelizumab and eculizumab, is associated with an increased risk for infection with Neisseria bacteria. One patient in our eculizumab membranous nephritis trials

became infected with Neisseria bacteria. Serious cases of Neisseria infection can result in brain damage, loss of limbs or parts of limbs, kidney failure, or death.

If we cannot manufacture our drug candidates in sufficient amounts at acceptable costs and on a timely basis, we may be unable to have the necessary materials for product testing, and later for potential sale in the market. Either event would harm our business.

For our drug trials, we need to produce sufficient amounts of product for testing. Our small manufacturing plant cannot manufacture enough of our product candidates for later stage clinical development. In addition, we do not have the capacity to produce more than one product candidate at a time. We depend on a few outside suppliers for manufacturing. If we experience interruptions in the manufacture of our products for testing, our drug development and commercialization efforts will be delayed. If any of our outside manufacturers stops manufacturing our products or reduces the amount manufactured, or is otherwise unable to manufacture our required amounts at our required quality, we will need to find other alternatives. If we are unable to find an acceptable outside manufacturer on reasonable terms, we will have to divert our own resources to manufacturing, which may not be sufficient to produce the necessary quantity or quality of product. As a result, our ability to conduct testing and drug trials and our plans for commercialization would be materially adversely affected. Submission of products and new development programs for regulatory approval, as well as our plans for commercialization, would be delayed. Our competitive position and our prospects for achieving profitability would be materially and adversely affected.

Manufacture of drug products is highly regulated by the FDA and other domestic and foreign authorities, including the need to develop and utilize manufacturing processes that consistently produce our drug products to their required quality specifications. We cannot assure you that we or our third-party collaborators will successfully comply with all of those regulations, which would have a materially adverse effect on our business.

Manufacture of our drug products is highly technical and only a few third-parties have the ability and capacity to manufacture our drug products for our development and commercialization needs. We can not assure you that these potential third-party collaborators will agree to manufacture our products on our behalf on commercially reasonable terms, if at all. If we do achieve agreement from one or more third parties to manufacture our drug products, we can not assure you that they will be able or willing to honor the terms of the agreements, including any obligations to manufacture the drug products in accordance with regulatory requirements and to our specific quality specifications and volume requirements. Due to the highly technical requirements of manufacturing our drug products, our third-party collaborators and we may be unable to manufacture our drug products despite their and our efforts. Inability to contract with third-party manufacturers on commercially reasonable terms, or failure or delay by our third-party manufacturers, if any, in manufacturing our drug products in the volumes and quality required, would have a material adverse effect on our business.

We have no experience or capacity for manufacturing drug products in volumes that would be necessary to support commercial sales. If we are unable to establish and maintain commercial scale manufacturing within our planned time and cost parameters, sales of our products and our financial performance would be adversely affected.

Currently, we are relying on Procter & Gamble to retain appropriate commercial manufacturing for pexelizumab through one or more third-party manufacturers. P&G has contracted with one third-party manufacturer for the large-scale commercial manufacture of pexelizumab. The failure of Procter & Gamble to obtain appropriate commercial manufacturing for pexelizumab on a

timely basis, or at all, may prevent or impede the commercialization of pexelizumab. We have executed a large-scale product supply agreement with Lonza Biologics, plc for the long-term manufacture of eculizumab. The failure of Lonza Biologics, plc to manufacture appropriate supplies of eculizumab on a timely basis, or at all, may prevent or impede the commercialization of eculizumab.

Due to the nature of the current market for third-party commercial manufacturing arrangements, many arrangements require substantial penalty payments by the customer for failure to use the manufacturing capacity contracted for. We could owe substantial penalty payments to Lonza Biologics, plc if we were not to use the manufacturing capacity contracted for with them; and we could be required to share on an equal basis with P&G substantial penalty payments owed by P&G for its failure to utilize the manufacturing capacity contracted for by it with third-party manufacturers for supply of pexelizumab. The payment of a substantial penalty would harm our financial condition.

If we are unable to establish sales, marketing and distribution capabilities, or to enter into agreements with third parties to do so, we will be unable to successfully market and sell future drug products.

We have no sales or distribution personnel or capabilities, and have only recently established core pre-commercial marketing capabilities. If we are unable to continue developing or contract those capabilities, either by developing our own capabilities or entering into agreements with others, we will not be able to successfully sell our products. In that event, we will not be able to generate significant revenues. We cannot guarantee that we will be able to hire the qualified sales and marketing personnel we need. We may not be able to enter into any marketing or distribution agreements with third-party providers on acceptable terms, if at all. Currently, we are relying on Procter & Gamble for sales, marketing and distribution of pexelizumab. Procter & Gamble, or any future third-party collaborators, may not succeed at selling, marketing or distributing any of our future drug products.

If we are unable to obtain reimbursement from government health administration authorities, private health insurers and other organizations for our future products, our products may be too costly for regular use and our ability to generate revenues would be harmed.

Our products, if commercialized, like similar products in the marketplace, may be significantly more expensive than traditional drug treatments. Our future revenues and profitability will be adversely affected if we cannot depend on governmental and private third-party payors to defray the cost of our products to the consumer. If these entities refuse to provide reimbursement with respect to our products or determine to provide an insufficient level of reimbursement, our products may be too costly for general use. Our profitability may be adversely impacted if we choose to offer our products at a reduced price. Any limitation on the use of our products or any decrease on the price of our products without a corresponding decrease in expenses will have a material adverse effect on our ability to achieve profitability.

If our competitors get to the marketplace before we do with better or cheaper drugs, our drugs may not be profitable to sell or to continue to develop.

Each of Abbott laboratories, Adprotech Ltd., Avant Immunotherapeutics, Inc., Baxter International, Inc., Millennium Pharmaceuticals, Inc., Neurogen Corporation, Tanox, Inc., and Xoma, Inc. have publicly announced their intentions to develop drugs which target the inflammatory effects of complement in the immune system. We are also aware that

GlaxoSmithKline plc, Merck & Co., Inc. and Pfizer, Inc. are also attempting to develop complement inhibitor therapies. Each of Cambridge Antibody Technology Group plc, MorphoSys AG and Dyax Corporation has publicly announced intentions to develop therapeutic human antibodies from libraries of human antibody genes. Additionally, each of Abgenix Inc. and Medarex, Inc. has publicly announced intentions to develop therapeutic human antibodies from mice that have been bred to include some human antibody genes. These and other pharmaceutical companies, many of which have significantly greater resources than we, may develop, manufacture and market better or cheaper drugs than our product candidates. They may establish themselves in the marketplace before we are able to even finish our clinical trials. Other pharmaceutical companies also compete with us to attract academic research institutions as drug development partners, including for licensing these institutions' proprietary technology. If our competitors successfully enter into such arrangements with academic institutions, we will be precluded from pursuing those specific unique opportunities and may not be able to find equivalent opportunities elsewhere.

If we fail to recruit and retain personnel, our research and product development programs may be delayed.

We are highly dependent upon the efforts of our senior management and scientific personnel, particularly, Leonard Bell, M.D., our Chief Executive Officer and a member of our Board of Directors, David W. Keiser, our President, Chief Operating Officer and a member of our Board of Directors, and Stephen P. Squinto, Ph.D., our Executive Vice President and Head of Research. There is intense competition in the biotechnology industry for qualified scientific and technical personnel. Since our business is very science-oriented and specialized, we need to continue to attract and retain such people. We may not be able to continue to attract and retain the qualified personnel necessary for developing our business. We have a key man insurance policy for Dr. Bell and employment agreements with Dr. Bell, Mr. Keiser and Dr. Squinto. To our knowledge, none of our key personnel is planning to retire or is nearing retirement age. Further, to our knowledge, there is no tension between any of our key personnel and the Board of Directors. If we lose the services of our management and scientific personnel or fail to recruit other scientific and technical personnel, our research and product development programs would be materially and adversely affected.

In particular, we highly value the services of Dr. Leonard Bell, our Chief Executive Officer. The loss of his services could materially and adversely affect our ability to achieve our development objectives.

The large number of shares that may be sold in the market following our September 2003 sale of common stock may depress the market price of our stock.

Sale or issuance of a substantial number of shares of our common stock could cause the market price of our common stock to decline. All of the 3,600,000 shares sold in our September 2003 offering of common stock are freely tradable without restriction or further registration under the Securities Act of 1933. In addition, as of October 1, 2003, there are 2,127,026 shares of common stock issuable upon exercise of options granted by us, which also have been registered for resale on registration statements filed with the Securities and Exchange Commission. We also may issue up to 1,127,555 shares of common stock upon conversion of 5 3/4% convertible subordinated notes due in March 2007, which have been registered for resale pursuant to a registration statement filed with the Securities and Exchange Commission.

The conviction of our former independent public accountants, Arthur Andersen LLP, on federal obstruction of justice charges may adversely affect Arthur Andersen LLP's ability to satisfy any claims arising from the provision of auditing services to us and may impede our access to the capital markets.

On March 14, 2002, our previous independent public accounting firm, Arthur Andersen LLP, was indicted on federal obstruction of justice charges arising from the federal government's investigation of Enron Corp. On June 15, 2002, a jury returned with a guilty verdict against Arthur Andersen LLP following a trial. As a public company, we are required to file with the U.S. Securities and Exchange Commission, or SEC, periodic financial statements audited or reviewed by an independent public accountant. On May 31, 2002, we dismissed Arthur Andersen LLP as our independent public accountants, and engaged a new independent public accounting firm to audit our financial statements for fiscal 2002. It may be impossible for you to obtain recoveries from Arthur Andersen LLP with respect to its audits of our financial statements as a result of its conviction in the Enron matter. In addition, Arthur Andersen LLP has not performed any procedures in connection with our Annual Report on Form 10-K for the fiscal years ended July 31, 2002 and July 31, 2003 and has not consented to the incorporation by reference of its reports in our Annual Report on Form 10-K for the fiscal years ended July 31, 2002, and July 31, 2003 and therefore, you will not be able to recover against Arthur Andersen LLP for any untrue statements of material fact contained in the financial statements audited by Arthur Andersen LLP or any omissions to state a material fact required to be stated therein.

Should we seek access to the public capital markets, the SEC rules will require us to include or incorporate by reference in any prospectus three years of audited financial statements. The SEC's current rules would require us to present audited financial statements for one or more fiscal years audited by Arthur Andersen LLP and obtain their consent and representations until our audited financial statements for the fiscal year ending July 31, 2004 become available in the first quarter ended October 31, 2004. We expect that we would not be able to obtain the necessary consent and representations from Arthur Andersen LLP who have ceased operations. As a result, we may not be able to satisfy the SEC requirements for a registration statement or for our periodic reports. Even if the SEC decides to accept financial statements previously audited by Arthur Andersen LLP, but without their current consent and representations, those financial statements would not provide us and any underwriters with the same level of protection under current securities laws as would otherwise be the case. In either of these situations, our access to the capital markets would be impaired unless PricewaterhouseCoopers LLP, our current independent public accounting firm, or another independent public accounting firm, is able to audit the financial statements originally audited by Arthur Andersen LLP. Any delay or inability to access the public capital markets caused by these circumstances could have a material adverse effect on our business, profitability and growth prospects.

EXHIBIT 99.2

THE FOLLOWING REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. THE COMPANY IS UNABLE TO OBTAIN A REISSUED REPORT OR CONSENT TO INCORPORATION BY REFERENCE OF ARTHUR ANDERSEN LLP'S REPORT FROM ARTHUR ANDERSEN LLP BECAUSE ARTHUR ANDERSEN LLP HAS CEASED OPERATIONS.

Report of Independent Public Accountants

To the Board of Directors and Stockholders of
Alexion Pharmaceuticals, Inc.:

We have audited the accompanying consolidated balance sheets of Alexion Pharmaceuticals, Inc. (a Delaware corporation) and subsidiaries (collectively, the Company) as of July 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended July 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alexion Pharmaceuticals, Inc. and subsidiaries as of July 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 31, 2001, in conformity with accounting principles generally accepted in the United States.

As further discussed in Note 2 to the consolidated financial statements, during the year ended July 31, 2001, the Company changed its method of revenue recognition relating to non-refundable upfront licensing fees in accordance with Staff Accounting Bulletin No. 101.

/s/ Arthur Andersen LLP

Hartford, Connecticut
August 31, 2001