SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X Quarterly report pursuant to Section 13 or 15(d) of the Securities --- Exchange Act of 1934: For the quarterly period ended January 31, 2000

OR

- --- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:
For the transition period from to
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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.) |

25 SCIENCE PARK, SUITE 360, NEW HAVEN, CONNECTICUT 06511
---
(Address of principal executive offices) (Zip Code)

203-776-1790
---
(Registrant's telephone number, including area code)

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 X No
--- ---

| COMMON STOCK, $0.0001 PAR VALUE | 15,028,023 SHARES |
|---|---|
| CLASS | OUTSTANDING AT MARCH 14, 2000 |

ALEXION PHARMACEUTICALS, INC.

INDEX

ALEXION PHARMACEUTICALS, INC.

Consolidated Balance Sheets
(amounts in thousands)

| | January 31, 2000 | July 31, 1999 |
|---|---|---|
| | (UNAUDITED) | |
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 53,311 | $ 24,238 |
| Marketable securities | 8,950 | 4,090 |
| Reimbursable contract costs: billed | 5,898 | 4,577 |
| unbilled | 1,272 | 2,285 |
| Prepaid expenses | 2,129 | 472 |
| Total current assets | 71,560 | 35,662 |
| **Fixed Assets, net of accumulated** | | |
| depreciation and amortization | 7,759 | 7,413 |
| **Security Deposits and Other Assets** | 1,011 | 1,299 |
| TOTAL ASSETS | $ 80,330 | $ 44,374 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current Liabilities:** | | |
| Current portion of notes payable | $ 368 | $ 368 |
| Accounts payable | 2,834 | 3,544 |
| Accrued expenses | 1,047 | 2,328 |
| Deferred revenue | 750 | 450 |
| Total current liabilities | 4,999 | 6,690 |
| **Notes Payable, less current portion included above** | 4,199 | 4,383 |
| **Stockholders' Equity:** | | |
| Common stock $.0001 par value; 25,000 shares authorized; 14,957 and 11,304 shares issued | | |
| at January 31, 2000 and July 31, 1999, respectively | 2 | 1 |
| Additional paid-in capital | 126,933 | 80,287 |
| Accumulated deficit | (55,803) | (46,987) |
| Treasury stock, at cost; 12 shares | -- | -- |
| Total stockholders' equity | 71,132 | 33,301 |
| TOTAL LIABILITIES AND NET STOCKHOLDERS' EQUITY | $ 80,330 | $ 44,374 |

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

ALEXION PHARMACEUTICALS, INC.

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

| | Three months ended January 31, | | Six months ended January 31, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| CONTRACT RESEARCH REVENUES | $ 6,679 | $ 170 | $ 12,967 | $ 425 |
| OPERATING EXPENSES: | | | | |
| Research and Development | 9,840 | 4,681 | 20,980 | 8,465 |
| General and Administrative | 1,150 | 790 | 1,765 | 1,418 |
| Total Operating Expenses | 10,990 | 5,471 | 22,745 | 9,883 |
| OPERATING (LOSS) | (4,311) | (5,301) | (9,778) | (9,458) |
| OTHER INCOME, net | 672 | 421 | 962 | 918 |
| NET (LOSS) | ($ 3,639) | ($ 4,880) | (8,816) | (8,540) |
| NET (LOSS) PER COMMON SHARE- BASIC AND DILUTED (Note 3) | ($ 0.26) | ($ 0.43) | ($ 0.69) | ($ 0.76) |
| SHARES USED IN COMPUTING BASIC AND DILUTED (LOSS) PER COMMON SHARE | 14,239 | 11,227 | 12,779 | 11,246 |

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

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

| | Six months ended January 31, | |
|---|---|---|
| | 2000 | 1999 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | ($ 8,816) | ($ 8,540) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 720 | 340 |
| Compensation expense related to grant of stock options | 99 | 33 |
| Change in assets and liabilities: | | |
| Reimbursable contract cost | (308) | 137 |
| Prepaid expenses | (1,657) | (252) |
| Accounts payable | (710) | 260 |
| Accrued expenses | (1,281) | 24 |
| Deferred revenue | 300 | (67) |
| Net cash used in operating activities | (11,653) | (8,065) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of marketable securities, net | (4,860) | (1,611) |
| Purchases of fixed assets | (1,066) | (333) |
| Patent application costs | -- | (4) |
| Net cash used in investing activities | (5,926) | (1,948) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from issuance of common stock | 46,548 | 364 |
| Repayments of notes payable | (184) | (185) |
| Security deposits and other assets | 288 | 0 |
| Net cash provided by financing activities | 46,652 | 179 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 29,073 | (9,834) |
| CASH and CASH EQUIVALENTS, beginning of period | 24,238 | 31,509 |
| CASH AND CASH EQUIVALENTS, end of period | $ 53,311 | $ 21,675 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest expense | $ 147 | $ 40 |

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

ALEXION PHARMACEUTICALS, INC.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. OPERATIONS AND BASIS OF PRESENTATION -

Alexion Pharmaceuticals, Inc. ("Alexion" or the "Company") was organized in 1992 and is engaged in the development of proprietary products for the treatment of cardiovascular, autoimmune and neurologic disorders. The Company is currently conducting Phase II clinical trials for its two lead C5 Inhibitor product candidates, 5G1.1-SC and 5G1.1. The Company is also developing Apogen immunotherapeutic products affecting disease-causing T-cells. In addition, the Company is developing therapies employing the transplantation of cells from other species into humans known as xenotransplantation.

On March 8, 2000, the Company completed a $120 million placement of 5.75% Convertible Subordinated Notes due March 15, 2007. The offering was made through initial purchasers to qualified institutional buyers under Rule 144A of the Securities Act of 1933. The notes will be convertible into shares of the Company's common stock at a price equal to $106.425 per share.

In November 1999, the Company sold 3.415 million shares of common stock at a price of $14.00 per share in a follow-on public offering, resulting in net proceeds of approximately $44.4 million to the Company.

The Company has incurred consolidated losses since inception and has made no product sales to date.

The Company may need additional financing to obtain regulatory approvals for its product candidates, fund operating 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 products. 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.

The accompanying consolidated financial statements include Alexion Pharmaceuticals, Inc. and its wholly-owned subsidiary Columbus Farming Corporation ("Columbus"). Columbus was formed on February 9, 1999 to acquire certain manufacturing assets from United States Surgical Corporation ("US Surgical") (See Note 5). All significant inter-company balances and transactions have been eliminated in consolidation.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and include, in the opinion of management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of interim period results. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The results for the interim periods presented are not necessarily indicative of results to be expected for any future period. These consolidated

condensed financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 10-K Annual Report for the fiscal year ended July 31, 1999, as amended.

2. CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES -

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

The Company invests in marketable 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 stockholders' equity as a component of additional paid-in capital.

3. NET (LOSS) PER SHARE -

The Company computes and presents net loss per common share in accordance with Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings Per Share". There is no difference in basic and diluted net loss per common share as the effect of stock options and equivalents is anti-dilutive for all periods presented.

4. REVENUES -

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

Research and development support revenues are recognized as the related work and expenses are incurred under the terms of the contracts for development activities. Revenues derived from the achievement of milestones are recognized when the milestone is achieved. Non-refundable license fees received in exchange for specific rights to the Company's technologies, research, potential products and markets are recognized as revenues as earned in accordance with the terms of the contracts (See Note 8).

Unbilled reimbursable contract costs as shown on the accompanying consolidated balance sheets represent reimbursable costs incurred in connection with research contracts which have not yet been billed. The Company bills these costs and recognizes the costs and related revenues in accordance with the terms of the contracts.

Deferred revenue results from cash received in advance of revenue recognition under research and development contracts.

Revenues recorded during the three and six months ended January 31, 2000 and 1999 consist of license fees, research and development support, reimbursement of costs related to clinical development and manufacturing of clinical supplies under the collaboration agreement with Procter & Gamble Pharmaceuticals Inc. ("P&G"). Revenues also include funding from the Commerce Department's National Institute of Standards and Technology ("NIST") through grants from the Advanced Technology Program ("ATP").

In November 1997, the Company and US Surgical were awarded a three-year, $2 million cooperative agreement from NIST to fund a joint xenotransplantation project. This agreement was modified into a single entity (Alexion only) agreement in February 1999. In October 1998, the Company was awarded another three-year $2 million agreement from NIST to fund a xenotransplantation project. In November 1999, the Company was awarded a three-year $2 million agreement from NIST to fund another xenotransplantation project.

In January 1999, the Company entered into an exclusive collaboration with P&G to develop and commercialize 5G1.1-SC. Under this collaboration, the Company will initially pursue the development of 5G1.1-SC for the treatment of inflammation caused by cardiopulmonary bypass surgery, myocardial infarction and angioplasty. The Company has granted P&G an exclusive license to the Company's intellectual property related to 5G1.1-SC, with the right to sublicense. P&G has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications. In addition, under this agreement, P&G has agreed to pay the Company up to $95 million in payments, which include a non-refundable upfront license fee (See Note 8), as well as milestone and research and development support payments. In addition, the Company will receive royalties on worldwide sales of 5G1.1-SC for all indications. The Company has a preferred position relative to third-party manufacturers to manufacture 5G1.1-SC worldwide. The Company shares co-promotion rights with P&G to sell, market and distribute 5G1.1-SC in the United States, and has granted P&G the exclusive rights to sell, market and distribute 5G1.1-SC outside of the United States.

A summary of revenues generated from contract research collaboration and grant awards is as follows for the three and six months ended January 31, (dollars in thousands):

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| Collaboration/Grant Awards | 2000 | 1999 | 2000 | 1999 |
| P&G | $ 6,031 | -- | $12,069 | -- |
| NIST and NIH | 648 | $ 103 | 898 | $ 258 |
| Other | -- | 67 | -- | 167 |
| | $ 6,679 | $ 170 | $12,967 | $ 425 |

5. NOTES PAYABLE -

In November 1998, a term loan was used to finance the purchase of capital equipment. The term loan requires quarterly principal payments of $92,000 commencing August 3, 1998 and payable through August 2001. The balance on the note was $647,000 at January 31, 2000. The term loan agreement requires the Company to maintain a restricted cash balance equal to 115% of the outstanding loan balance plus accrued interest in an interest bearing account as collateral for the note.

In February 1999, the Company acquired manufacturing assets for the xenotransplantation program developed by US Surgical, a subsidiary of Tyco International Ltd., and financed the purchase with a note payable bearing interest at 6% per annum, in the amount of approximately $3.9 million due in May 2005. The note is secured by certain manufacturing assets of Columbus. Interest on the note is payable quarterly.

6. EQUITY

In November 1999, the Company sold 3.415 million shares of common stock at a price of $14.00 per share in a follow-on public offering resulting in net proceeds of approximately $44.4 million to the Company.

In connection with the Company's initial public offering in 1996, the Company sold to its underwriter, for nominal consideration, warrants to purchase 220,000 shares of common stock. These warrants are exercisable at a price of $9.90 per share for a period of forty-two (42) months commencing on August 27, 1997. During the quarter ended January 31, 2000, warrants have been exercised for the purchase of 153,274 shares of Common Stock resulting in aggregate proceeds of approximately $1.5 million to the Company.

7. COMPREHENSIVE INCOME (LOSS) -

SFAS No. 130 "Reporting Comprehensive Income" establishes standards for reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. The objective of SFAS No. 130 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. There was no significant difference in comprehensive loss and net loss for the three and six month periods ended January 31, 2000 and 1999.

8. RECENTLY ISSUED ACCOUNTING STANDARDS -

Staff Accounting Bulletin No. 101 (SAB 101), Revenue Recognition, was issued in December 1999. SAB 101 will require companies to recognize certain up-front non-refundable fees over the life of the related collaboration agreement when such fees are received in conjunction with collaboration agreements which have multiple elements. The Company is required to adopt this new accounting principle through a cummulative charge to retained earnings, in accordance with the provisions of APB Opinion No. 20, no later than the first quarter of fiscal 2001. The Company believes that the adoption of SAB 101 will have a material impact on its future operating results as it applies to the $10.0 million up-front non-refundable payment received by it in connection with its collaboration with Proctor & Gamble. The Company's historical financial statements reflect this payment as revenue in the year ended July 31, 1999. Based on guidance currently available, the Company will be required to record the $10.0 million fee as revenue over the future life, as defined, of the collaboration agreement. As of January 31, 2000, the Company had not yet adopted this new accounting principle.

ITEM 2. 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 THE FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO THOSE DISCUSSED IN EXHIBIT 99.1 TO OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JULY 31, 1999, AS AMENDED.

OVERVIEW

We are engaged in the development of products for the treatment of cardiovascular, autoimmune and neurologic diseases caused by undesired effects of the human immune system. Since our inception in January 1992, we have devoted substantially all of our resources to drug discovery, research and product development. In 1998, we began to focus more of our resources in clinical testing and trials. Our two lead product candidates are currently in seven clinical development programs. 5G1.1-SC, in collaboration with Procter & Gamble, is in a Phase IIb cardiopulmonary bypass efficacy trial and in two 1000 patient Phase II myocardial infarction (heart attack) efficacy trials. 5G1.1 is in a Phase II efficacy trial for the chronic treatment of rheumatoid arthritis and a Phase II efficacy trial for the treatment of membranous nephritis. In addition, we are commencing a Phase Ib pilot study for treatment of psoriasis and a Phase Ib pilot study for treatment of dermatomyositis both using 5G1.1. To date, we have not received any revenues from the sale of products. We have incurred operating losses since we began our operations. As of January 31, 2000, we had an accumulated deficit of $55.8 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 and scale-up and developing a sales and marketing force.

We plan to develop and commercialize on our own those product candidates for which the clinical trials and marketing requirements can be funded by our own resources. For those products for which greater resources will be required, our strategy is to form corporate partnerships with major pharmaceutical companies for product development and commercialization. In January 1999, we entered into a collaboration agreement with Proctor & Gamble Pharmaceuticals to develop and commercialize one of our C5 Inhibitor products, 5G1.1-SC, for various acute cardiovascular indications such as cardiopulmonary bypass, heart attack, and angioplasty. As of January 2000, we have completed enrollment of over 35% of the up to 1000 patients in a Phase IIb efficacy trial with 5G1.1-SC in patients undergoing cardiopulmonary bypass during coronary artery bypass graft surgery and we have commenced enrolling up to 1000 patients each in two Phase IIb efficacy studies in myocardial infarction (heart attack) patients receiving thrombolytic therapy and myocardial infarction (heart attack) patients receiving angioplasty.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JANUARY 31, 2000
COMPARED WITH THREE MONTHS ENDED JANUARY 31, 1999

We earned contract research revenues of $6.7 million for the three months ended January 31, 2000 and $170,000 for the same period ended January 31, 1999. This increase was due to contract revenues from our collaborative agreement with Procter & Gamble for research and development support and clinical development and process manufacturing related expense reimbursements.

We incurred research and development expenses of $9.8 million for the three months ended January 31, 2000 and $4.7 million for the three months ended January 31, 1999. The increase resulted principally from costs associated with our expansion of clinical trials for our lead C5 Inhibitors, 5G1.1-SC and 5G1.1, and the cost of manufacturing development and manufacturing of our C5 Inhibitors.

Our general and administrative expenses were $1.2 million for the three months ended January 31, 2000 and $790,000 for the three months ended January 31, 1999. This increase resulted principally from higher payroll related costs, depreciation and other professional fees.

Other income, net, was $672,000 for the three months ended January 31, 2000 and $421,000 for the three months ended January 31, 1999. This increase resulted principally from greater interest income from higher cash balances available for investment during the period resulting from our follow-on public offering that raised $44.4 million in net proceeds.

As a result of the above factors, we incurred a net loss of $3.6 million for the three months ended January 31, 2000 and a net loss of $4.9 million for the three months ended January 31, 1999.

SIX MONTHS ENDED JANUARY 31, 2000
COMPARED WITH SIX MONTHS ENDED JANUARY 31, 1999

We earned contract research revenues of $13.0 million for the six months ended January 31, 2000 and $425,000 for the same period ended January 31, 1999. This increase was due primarily to contract revenues from our collaborative agreement with Procter & Gamble for research and development support and clinical development and process manufacturing related expense reimbursements.

We incurred research and development expenses of $21.0 million for the six months ended January 31, 2000 and $8.5 million for the six months ended January 31, 1999. The increase resulted principally from costs associated with our expansion of clinical trials for our lead C5 Inhibitors, 5G1.1-SC and 5G1.1, and the cost of manufacturing development and manufacturing of our C5 Inhibitors.

Our general and administrative expenses were $1.8 million for the six months ended January 31, 2000 and $1.4 million for the six months ended January 31, 1999. This increase resulted principally from higher payroll related costs, depreciation and other professional fees.

Other income, net, was $962,000 for the six months ended January 31, 2000 and $918,000 for the six months ended January 31, 1999. This increase resulted principally from greater interest income from higher cash balances available for investment during the period.

As a result of the above factors, we incurred net losses of $8.8 million for the six months ended January 31, 2000 and net losses of $8.5 million for the six months ended January 31, 1999.

LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 2000, we had working capital of $66.6 million, including $62.3 million of cash, cash equivalents and marketable securities. This compares with working capital at January 31, 1999 of $27.4 million, including $29.3 million of cash, cash equivalents and marketable securities. This increase in working capital was due to the increase in available cash from the follow-on public offering in November 1999.

In November 1999, we sold 3.415 million shares of common stock at a price of $14.00 per share in a follow-on public offering, resulting in net proceeds of approximately $44.4 million to the Company.

On March 8, 2000, we completed a $120 million placement of 5.75% Convertible Subordinated Notes due March 15, 2007. The offering was made through initial purchasers to qualified institutional buyers under Rule 144A of the Securities Act of 1933. The notes will be convertible into shares of our common stock at a price equal to $106.425 per share.

In connection with our initial public offering in 1996, we sold to the underwriter, for nominal consideration, warrants to purchase 220,000 shares of common stock. These warrants are exercisable at a price of $9.90 per share for a period of forty-two (42) months commencing on August 27, 1997. During the quarter ended January 31, 2000, warrants have been exercised for the purchase of 153,274 shares of Common Stock resulting in aggregate proceeds of approximately $1.5 million to the Company.

We anticipate that our existing available capital resources with the proceeds of our sale of $120 million of Convertible Subordinated Notes, together with the anticipated funding from the collaboration agreement with Procter and Gamble, will provide us adequate funding for the clinical testing of our C5 inhibitor product, 5G1.1-SC in cardiopulmonary bypass and acute coronary syndromes. We believe that our available capital resources, funding from existing grants and interest earned on available cash and marketable securities should be sufficient to fund our operating expenses and capital requirements as currently planned for at least the next thirty-six months. While we currently have no material commitments for capital expenditures, our future capital requirements will depend on many factors, including the progress of our research and development programs, progress and results of clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents and any necessary licenses, our ability to establish development and commercialization relationships, and the costs of manufacturing scale-up.

We expect to incur substantial additional costs, including costs associated with research, pre-clinical and clinical testing, manufacturing process development, and additional capital expenditures related to personnel and facilities expansion and manufacturing requirements in order to commercialize our products currently under development. In addition to funds we may receive from our collaboration with Procter & Gamble, we may need to raise or generate substantial additional funding in order to complete the development and commercialization of our product candidates. Our additional financing may include public or private equity offerings, bank loans and/or collaborative research and development arrangements with corporate partners. There can be no assurance that funds will be available on terms acceptable to us, if at all, or that discussions with potential collaborative partners will result in any agreements on a timely basis, if at all. The unavailability of additional financing could require us to delay, scale back or eliminate certain research and product development programs or to license third parties to commercialize products or technologies that we would otherwise undertake itself, any of which could have a material adverse effect.

We lease our administrative and research and development facilities under one operating lease on a month-to-month basis while we are negotiating a longer term arrangement.

YEAR 2000

While we have not experienced any Year 2000 problems to date, such problems could arise in the future. In that event, our operations could be affected in several adverse ways. Failure of a scientific instrument or laboratory facility or by any of our suppliers could result, among other things, in the loss of experiments that would take weeks to set up and repeat. Such delays in the progress of research could have an adverse impact on our stock price and on our ability to raise capital, and the cost of repeating lost experiments cannot reasonably be estimated at this time. In addition, research delays could occur due to the impact of Year 2000 problems at major vendors, government research funding agencies, or development partners.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS.

Interest income on the Company's marketable securities is carried in "Other income (expense)". The Company accounts for its marketable securities in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). All of the cash equivalents and marketable securities are treated as available-for-sale under SFAS 115.

Investments in fixed rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. Due in part to these factors, the Company's future investment income may fall short of expectations due to changes in interest rates or the Company may suffer losses in principal if forced to sell securities which have seen a decline in market value due to changes in interest rates. The Company's marketable securities are held for purposes other than trading. The marketable securities as of January 31, 2000, had maturities of less than twelve months. The

weighted-average interest rate on marketable securities at January 31, 2000 was 5.9%. The fair value of marketable securities held at January 31, 2000 was $8.9 million.

PART II. OTHER INFORMATION.

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

At the Company's Annual Meeting of Stockholders held on February 17, 2000, the stockholders voted to elect the following directors by the votes indicated:

| | |
|---|---|
| John H. Fried, Ph.D.: | 12,151,084 For, 1,975 Against or Withheld, 0 Abstaining |
| Leonard Bell, M.D.: | 12,151,084 For, 1,975 Against or Withheld, 0 Abstaining |
| Jerry T. Jackson: | 12,151,384 For, 1,675 Against or Withheld, 0 Abstaining |
| Max Link, Ph.D.: | 12,151,584 For, 1,475 Against or Withheld, 0 Abstaining |
| Joseph A. Madri, Ph.D., M.D.: | 12,151,784 For, 1,275 Against or Withheld, 0 Abstaining |
| Leonard Marks, Jr, Ph.D.: | 12,151,384 For, 1,675 Against or Withheld, 0 Abstaining |
| R. Douglas Norby: | 12,151,584 For, 1,475 Against or Withheld, 0 Abstaining |
| Alvin S. Parven: | 12,151,384 For, 1,675 Against or Withheld, 0 Abstaining |

Item 5. Other Information.

The 2000 Annual meeting of stockholders of the Company will be held on or about December 8, 2000 rather than February 2001. All stockholder proposals which are intended to be presented at the 2000 annual meeting of stockholders of the Company must be received by the Company no later than July 7, 2000 for inclusion in the Board of Directors' proxy statement and form of proxy relating to that meeting.

Item 6. Exhibits and Reports.

(a) Exhibits
Exhibit 27 - Financial Data Schedule
Exhibit 10.30 - Collaboration Agreement dated December 22, 1999 between the Company and Genzyme Transgenics Corporation.*

(b) Form 8-K

Current report on Form 8-K dated December 3, 1999, relating to the Company's November 1999 follow-on public stock offering.

Current Report on Form 8-K dated January 18, 2000, relating to the Company's agreement with Genzyme Transgenics Corporation.

*The Company has applied for confidential treatment with respect to specific portions of this agreement.

SIGNATURES

Pursuant to the requirements 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.

Date: March 15, 2000

By: /s/ Leonard Bell, M.D.
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Leonard Bell, M.D.
President and Chief Executive Officer, Secretary and Treasurer (principal executive officer)

Date: March 15, 2000

By: /s/ David W. Keiser
---
David W. Keiser
Executive Vice President and Chief Operating Officer (principal financial officer)

Date: March 15, 2000

By: /s/ Barry P. Luke
---
Barry P. Luke
Vice President of Finance and Administration
(principal accounting officer)

SECTION A

THIS AGREEMENT (the "Agreement") is made this 22nd day of December 1999 (the "Effective Date") by and between GENZYME TRANSGENICS CORPORATION ("GTC"), with offices at 175 Crossing Boulevard, Framingham, Massachusetts 01702-9322 U.S.A. and Alexion Pharmaceuticals Inc. ("Alexion") located at 25 Science Park, New Haven, Connecticut 06511.

1. BACKGROUND. Alexion is a biopharmaceutical company actively involved in the development of [***] (the "Product"). Alexion is interested in GTC producing Product in the milk of transgenic goats (the "Project"). GTC is willing to perform the Project, subject to the terms and conditions of this Agreement, including the Project Work Plan set forth herein.

2. EXPRESSION TECHNOLOGY. "Expression Technology" means GTC's proprietary technology, which GTC shall use to generate and propagate transgenic animal founder lines for Product.

3. PERFORMANCE OF THE PROJECT. The Project will be performed by GTC in accordance with the Project Work Plan, which may be amended from time to time by written agreement of the parties.

GTC shall conduct the Project in conformance with the Good Laboratory Practice requirements of the United States Food and Drug Administration ("FDA") and otherwise in compliance with all laws, ordinances, and governmental rules or regulations pertaining thereto.

GTC will have met the success criteria of the Project and the Project will be concluded upon demonstration that founder females produce in the ordinary course milk containing fully processed, functional Product and delivery of reasonable quantities of samples to Alexion, provided that GTC uses commercially reasonable and diligent efforts to achieve such criteria within the timeline as hereinafter provided. GTC makes no guarantee that such success criteria can be attained.

4. RECORDS.

4.1 GTC will keep accurate records of the status and progress of the Project. GTC will not destroy such records without giving Alexion prior written notice and the opportunity to further store such records.

4.2 Alexion's personnel shall have the right to review such records at GTC's facilities during regular business hours on 5 days' written notice.

5. REPORTS.

5.1 PROJECT UPDATES. GTC will keep Alexion advised of the status of the Project through regular telephone conversations and meetings.

5.2 FINAL REPORT. GTC will complete a final report of the Project within sixty (60) days of its completion. If performance of the Project is suspended or terminated prior to completion, GTC will promptly provide Alexion with a final report of the results of the Project through the date of suspension or termination. Alexion is and shall at all times remain the sole owner of the reports prepared by GTC.

6. COMPENSATION. Alexion agrees to pay GTC for the Project as follows:

6.1 Alexion will pay GTC a Start-up fee of [***], payable on execution of this Agreement by both parties;

6.2 Alexion will pay GTC a fee of [***] upon completion of the microinjection of a suitable number of goat embryos which would normally be expected to yield [***], and transfer of such embryos to recipient females;

6.3 Alexion will pay GTC a fee of [***] upon the birth of the first F0 goat transgenic for Product;

6.4 Alexion will pay GTC a success fee for expression of Product as follows:

a. [***]

b. [***]

For avoidance of doubt, Alexion will only pay a maximum amount equal to [***] for the successful expression of Product.

c. In the event GTC is not successful in obtaining either a male or female founder animal with induced and/or natural expression of approximately [***], as per (a)

and (b) above, and the DNA provided by Alexion is verified correct, GTC will conduct a second round of microinjections [***].

6.5 Alexion will pay GTC a fee of [***] upon delivery of an amount of clarified intermediate product which yields at least [***] of pre-pivotal clinical grade Product, as produced by a development scale purification process consistent with industry standards, for comparability testing.

6.6 Should Alexion at its sole discretion elect to enter into a Clinical Development and/or Commercial Supply Agreement pursuant to Section 10.4 below, Alexion will pay GTC a commercial fee of [***].

6.7 Alexion will pay GTC a fee in the amount of [***] in the event that Alexion decides these activities are required.

6.8 Alexion will reimburse GTC for costs incurred as a result of GTC's assistance with Alexion's collaboration with a third-party to develop and scale-up a downstream purification process for Product, [***].

Fully Burdened Costs means GTC's direct labor and materials costs, plus allocable indirect overhead expenses and allocable selling, general and administrative expenses, determined in accordance with generally accepted accounting principles, consistently applied.

6.9 Except for under the conditions set forth in Section 6.4(c), Alexion also agrees to pay for transgenic animal maintenance costs at [***] GTC's FBC during any period of delay in the Project where GTC is not funded by Alexion to conduct activities on the Project, until such time as the Project is terminated, provided that such delay is not caused by the acts or omissions of GTC. A minimum of thirty (30) days termination notice applies to these costs.

7. CONFIDENTIALITY.

7.1 For a period of [***] years from the termination of this Agreement, any Confidential Information (as defined below) disclosed by the disclosing party hereunder, directly or indirectly, to the receiving party hereunder, shall be deemed confidential, and shall not be disclosed by the receiving party to third parties, except as set forth below. Access to such Confidential Information will be limited to employees, agents, Affiliates (as defined

below), consultants or contractors of the receiving party who reasonably require such Confidential Information and who are bound to the receiving party by similar obligations in respect of confidentiality and use. The receiving party will use such Confidential Information only to carry out its obligations or to exercise its rights hereunder and will not use such Confidential Information for its own benefit or for the benefit of others or in any way inconsistent with this Agreement.

7.2 Nothing contained herein will in any way restrict or impair each party's right to use, disclose or otherwise deal with any Confidential Information which:

i) at the time of disclosure, is in the public knowledge;

ii) after disclosure, becomes part of the public knowledge by publication or otherwise, except by breach of this Agreement by the receiving party;

iii) was demonstrably in the receiving party's possession at the time of such disclosure, and which was not acquired, directly or indirectly, from the disclosing party;

iv) the receiving party receives from third parties, provided such Confidential Information was not obtained by such third parties, directly or indirectly, from the disclosing party on a confidential basis;

v) results from research and development of the receiving party demonstrably independent of such disclosure;

vi) is required to be disclosed by legal process; provided, however, in each case the party so disclosing Confidential Information timely informs the other party and uses its reasonable efforts to limit the disclosure and maintain confidentiality to the extent possible and permits the other party to attempt by appropriate legal means to limit such disclosure; and

vii) the disclosing party identifies in writing as being for public disclosure.

7.3 For purposes of this Agreement, the term "Confidential Information" shall mean all of the data, information, technology, samples, DNA, specimens, materials and any other information affecting the business operations of the disclosing party received by the receiving party from the disclosing party hereunder.

7.4 For purposes of this Agreement, the term "Affiliate" shall mean any corporation which controls, is controlled by or is under common control with a party hereto. A corporation shall be regarded as in control of another corporation if it owns or directly

or indirectly controls at least fifty percent (50%) of the voting stock of the other corporation, or in the absence of the ownership of at least fifty percent (50%) of the voting stock, if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the corporation.

7.5 In addition, neither party shall originate any written publicity, news release or other public announcement or statement relating to this Agreement or to the performance hereunder or the existence of an arrangement between the parties without prior review and written approval of the other party. Notwithstanding the foregoing, either party may make a public written disclosure if required by applicable law provided that prior to making such written disclosure, the disclosing party shall provide the other party with a copy of, and reasonable opportunity to review, the materials to be disclosed. To the extent that the non-disclosing party requests that any information in the proposed disclosure be deleted, the disclosing party shall request confidential treatment of such information pursuant to applicable law, so that there be omitted from the materials that are publicly filed any information that the non-disclosing party requests to be deleted.

8. RIGHTS AND DEVELOPMENTS.

8.1 DEFINITION. "Rights and Developments" include, without limitation, ideas, concepts, discoveries, inventions, developments, know-how, patent rights, trade secrets, techniques, methodologies, innovations, improvements, writings, documentation, data and other rights (whether or not protectable under state, federal, or foreign patent, trademark, copyright or similar laws) that are conceived, discovered, invented, developed, created, made or reduced to practice by GTC, alone or jointly with others, in performance of the Project.

8.2 OWNERSHIP.

a. All Rights and Developments relating to Alexion's Product or its use shall be solely owned by Alexion, regardless of the designation of inventorship between the parties and their employees.

GTC shall promptly notify Alexion of all such Rights and Developments and shall transfer and assign to Alexion all rights, title and interest in the Rights and Developments, and Alexion, in its sole discretion, may apply for patents and other intellectual property rights relating to the Rights and Developments. GTC shall, at Alexion's request, execute such declarations, assignments and other documents required by Alexion to effect such transfer and assignment and any intellectual property applications.

b. All Rights and Developments relating to the Expression Technology shall be solely owned by GTC, regardless of the designation of inventorship between the parties and their employees.

Alexion shall promptly notify GTC of all such Rights and Developments and shall transfer and assign to GTC all rights, title and interest in the Rights and Developments, and GTC, in its sole discretion, may apply for patents and other intellectual property rights relating to the Rights and Developments. Alexion shall, at GTC's request, execute such declarations, assignments and other documents required by GTC to effect such transfer and assignment and any intellectual property applications.

c. All transgenic animals expressing Alexion's Product which are generated by GTC as part of the Project performed under this Agreement shall be solely owned by Alexion, regardless of the designation of inventorship between the parties and their employees, [***].

In the case where Alexion uses the animals to make at least a portion of Alexion's commercial Product and where GTC does not manufacture all of Alexion's commercial Product, [***] from the commercial manufacture of transgenic Product on Alexion's behalf.

d. All other Rights and Developments shall be jointly owned by the parties, regardless of the designation of inventorship between the parties and their employees.

8.3 PATENT RIGHTS. Any patent applications covering Rights and Developments owned by Alexion will be prepared and filed by Alexion, with expenses paid [***]. Any patent applications covering Rights and Developments owned by GTC or jointly owned by the parties will be prepared and filed by GTC, [***]. If either party elects not to file or maintain an application or patent covering any jointly owned Rights and Developments, that party shall promptly notify the other party, which shall

have the right to file or maintain such applications or patents, at its expense. Inventorship will be determined according to U.S. patent law.

8.4 INFRINGEMENT OF THIRD PARTY PATENTS.

a. GTC warrants that it shall not knowingly infringe any existing third-party patents or other intellectual property rights of any third party relating to the transgenic expression vectors, clarification and other processes used in connection with the Project.

b. Alexion warrants that it shall not knowingly infringe any existing thirdparty patents or other intellectual property rights of any third party relating to the DNA supplied by Alexion to GTC hereunder and used in connection with the Project.

9. INDEMNIFICATION. Alexion and GTC shall each defend, indemnify and hold the other and it's affiliates and the respective directors, officers, employees and agents and affiliates, harmless from and against any and all losses, damages, liabilities, claims, demands, judgements, settlements, costs and expenses (including, without limitation, reasonable attorneys' fees and other costs of defense) arising out of, relating to or resulting from the breach of any of their respective representations, warranties and covenants contained within this Agreement or their respective negligence or willful misconduct.

10. TERM AND TERMINATION.

10.1 TERM. The term of this Agreement shall commence on the Effective Date. Unless earlier terminated in accordance with the provisions of this Agreement, the Project shall terminate upon GTC's making available for delivery to Alexion:

a. the Final Report in a form reasonably satisfactory to Alexion,

b. any transgenic founder animals generated for Alexion's Product, and

c. samples of deliverable Product as indicated in the Project Work Plan.

10.2 TERMINATION BY EITHER PARTY. This Agreement may be terminated by either party in the event of a material breach by the other party of the terms hereof; provided, however, the nondefaulting party shall first give to the defaulting party written notice of the proposed termination of this Agreement, specifying the grounds therefore, and the defaulting party shall have thirty (30) days after such notice is given to cure the breach. If not so cured, this Agreement shall terminate at the expiration of such thirty (30) days.

Upon termination, neither party will have any further obligations under this Agreement, except (a) the liabilities accrued through the date of termination and (b) the obligations which by their terms survive termination shall survive. Upon termination, GTC will return to Alexion or dispose of any of Alexion's Product and any transgenic animals generated by GTC pursuant to the Project in accordance with Alexion's instructions.

10.3 CONTINUING OBLIGATION. The termination or expiration of this Agreement shall not relieve either party of its obligations to the other party in respect of (a) the confidentiality or use of Confidential Information and, (b) any publication or presentation relating to the Project, or (c) indemnification as provided in Section 9.

10.4 FURTHER CLINICAL DEVELOPMENT AND COMMERCIAL SUPPLY AGREEMENT. In the event that the parties decide to enter into an agreement for the supply of Product for clinical and/or commercial use, GTC agrees to scale up the transgenic production herd, develop and scale up a primary recovery step (Tangential Flow Filtration, "TFF"), and assist Alexion [***]. The parties agree to commence good faith negotiations in an effort to reach agreement on the terms of such an agreement, such negotiations to ensure an efficient transition from development to clinical and/or commercial activities and not to unnecessarily delay the development of transgenically-produced Product.

In the event of an agreement to produce Product for clinical studies, GTC will provide the required Product at [***].

In the event of entering into a Development and Commercial Agreement, the key compensation elements will be as follows:

a. Within a Development and Commercial Agreement constructed under industry standard terms and conditions, GTC will provide Product for commercial activities at [***] at a commercially relevant scale for Alexion. [***] TFF stage Product. This would result in an effective transfer price to Alexion of [***] of TFF stage Product). In the event GTC is able to lower its costs, GTC and Alexion will share equally in the benefits;

b. [***] will pay the capital costs associated with herd scale up and the construction of a dedicated barn, dairy and primary recovery (TFF) suite as agreed to by the parties;

c. Alexion will pay GTC a royalty of [***].

11. ASSIGNABILITY. This Agreement, and the rights and obligations hereunder, may not be assigned or transferred by either party without the prior written consent of the other party, such consent not to be unreasonably withheld, except that GTC or Alexion may assign this Agreement to an affiliated company or in connection with the merger, consolidation or sale of all or substantially all of it assets.

12. PUBLICATION. Any publication or presentation relating to the Project must first be approved in writing by both parties, such approval not to be unreasonably withheld. Each party agrees to submit, for review, any proposed publication (including any writing to be presented orally) relating to the Project at least forty-five (45) days prior to submission for publication or presentation. If either party requests a delay in publication or presentation, the other party agrees to delay the publication or presentation, for a period of ninety (90) days from the date of such request. Such period may be extended, if necessary, for an additional period mutually acceptable to the parties. Notwithstanding the foregoing, both parties agree that no publication or presentation shall contain Confidential Information with respect to which it has confidentiality obligations pursuant to Section 7 hereof.

13. GOVERNING LAW AND ENTIRETY. The validity, interpretation and performance of this Agreement shall be governed and construed in accordance with the laws of the State of Massachusetts, U.S.A. This document along with any Confidentiality Agreement, constitutes the full understanding of the parties with respect to the subject matter hereof, and a complete and exclusive statement of the terms of their agreement, and no terms, conditions, understanding or agreement purporting to modify or vary the terms of this Agreement shall be binding unless made in writing and signed by the party to be bound.

14. NO WAIVER. No waiver of any term or condition of this Agreement shall be valid or binding on either party unless agreed in writing by the party to be charged. The failure of either party to enforce at any time any of the provisions of this Agreement, or the failure to require at any time performance by the other party of any of the provisions of this Agreement, shall in no way be construed to be a present or future waiver of such provisions, nor in any way affect the validity of either party to enforce each and every such provision thereafter.

15. COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one instrument.

16. INDEPENDENT CONTRACTORS. The relationship of Alexion and GTC established by this Agreement is that of independent contractors, and nothing contained in this Agreement shall be

construed to: (a) give either party the power to direct or control the day-to-day activities of the other, (b) constitute the parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking; or (c) allow a party to create or assume any obligation on behalf of the other party for any purpose whatsoever. Nothing in this Agreement will give rise to the creation of any labor relation by and between either party and any employees of the other party.

IN WITNESS WHEREOF, duly-authorized representatives of the parties have signed this Agreement as a document under seal of the Effective Date.

| | |
|---|---|
| ALEXION PHARMACEUTICALS INC. | GENZYME TRANSGENICS CORPORATION |
| By: /s/ David W. Keiser | By: /s/ Michael W. Young |
| Print Name: David W. Keiser | Print Name: Michael W. Young |
| Title: Exec. Vice-President and COO Duly Authorized | Title: Vice-President, Commercial Development Duly Authorized |

SECTION B

PROJECT WORK PLAN

WORK PLAN OBJECTIVES:

1. Generate founder goats transgenic for Product

2. Evaluate transgenic technology for the manufacture of Product for clinical use at a scale of [***].

3. Provide Product samples for in vitro testing

4. Deliver to Alexion an amount of clarified intermediate Product which yields [***], as produced by a development scale purification process consistent with industry standards.

WORK PLAN ACTIVITIES:

1. [***]

2. [***]

3. [***]

4. [***]

5. [***]

6. [***]

7. [***]

8. [***]

9. [***]

10. [***]

11. [***]

12. [***]

FROM GTC

GTC agrees to conduct the Project as described below. GTC shall provide personnel, facilities and resources as required to perform the Project.

[***]

A provisional timeline is set forth below:

| TIME | ACTIVITY |
|---|---|
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |
| [***] | [***] |

FROM ALEXION

In connection with the Project, Alexion shall supply GTC with the following:

(a) [***];

(b) [***];

(c) [***];

(d) [***].

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET. THE STATEMENT OF OPERATIONS, AND THE STATEMENT OF CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
JUL-31-2000
AUG-01-1999
JAN-31-2000
53,311
8,950
7,170
0
0
71,560
11,791
(4,032)
80,330
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4,199
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80,330
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0
22,745
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(962)
(8,816)
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