FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended January 31, 2005

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)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

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

Common Stock, $0.0001 par value	**27,932,093 shares**
Class	**Outstanding at February 28, 2005**

ALEXION PHARMACEUTICALS, INC.

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ALEXION PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets
(UNAUDITED)
(amounts in thousands)

	January 31, 2005	July 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 177,019	$ 113,224
Marketable securities	193,974	153,277
Milestone receivable	—	4,000
Reimbursable contract costs	823	826
State tax receivable	700	1,493
Prepaid expenses and other current assets	3,018	3,513
Total current assets	375,534	276,333
Property, plant and equipment, net	11,003	11,336
Property, plant and equipment held for sale (see Note 7)	—	450
Goodwill	19,954	19,954
Prepaid manufacturing costs (see Note 8)	12,500	9,500
Deferred financing costs, net (see Note 3)	5,965	1,547
Other assets	456	455
TOTAL ASSETS	**$ 425,412**	**$ 319,575**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Convertible subordinated notes (see Note 3)	$ 120,000	$ —
Note payable (see Note 7)	—	3,920
Accounts payable	1,385	3,973
Accrued expenses	13,088	8,123
Accrued interest	2,628	2,881
Deferred revenue	828	588
Deferred research and development payments	188	188
Total current liabilities	138,117	19,673
Deferred revenue, less current portion included above	5,882	6,177
Deferred research and development payments, less current portion included above	1,110	1,203
Convertible subordinated notes (see Note 3)	—	120,000
Convertible senior notes (see Note 3)	150,000	—
Total liabilities	295,109	147,053
Stockholders' Equity:		
Preferred stock $.0001 par value; 5,000 shares authorized; no shares issued or outstanding	—	—
Common stock $.0001 par value; 145,000 shares authorized; 27,958 and 27,557 shares issued at January 31, 2005 and July 31, 2004, respectively	3	3
Additional paid-in capital	514,488	512,827
Accumulated deficit	(383,019)	(339,361)
Accumulated other comprehensive loss	(569)	(347)
Treasury stock, at cost; 37 shares	(600)	(600)
Total stockholders' equity	130,303	172,522
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 425,412**	**$ 319,575**

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

ALEXION PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations
(UNAUDITED)
(amounts in thousands, except per share amounts)

	Three months ended January 31,		Six months ended January 31,	
	2005	2004	2005	2004
CONTRACT RESEARCH REVENUES	$ 563	$ 147	$ 710	$ 294
OPERATING EXPENSES:				
Research and development	20,088	14,524	38,751	31,212
General and administrative	4,280	3,300	7,959	6,114
Total operating expenses	24,368	17,824	46,710	37,326
Operating loss	(23,805)	(17,677)	(46,000)	(37,032)
OTHER INCOME AND EXPENSE:				
Investment income	1,168	994	2,217	1,995
Interest expense	(1,921)	(1,926)	(3,829)	(3,855)
Gain from extinguishment of debt	—	—	3,804	—
Loss before state tax benefit	(24,558)	(18,609)	(43,808)	(38,892)
State tax benefit	88	62	150	133
Net loss	$(24,470)	$(18,547)	$(43,658)	$(38,759)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.88)	$ (0.85)	$ (1.57)	$ (1.85)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	27,838	21,893	27,722	20,924

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

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

	Six months ended January 31,	
	2005	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (43,658)	$ (38,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain from extinguishment of debt	(3,804)	—
Depreciation and amortization	1,636	1,737
Compensation expense related to grant of stock options	15	57
Change in assets and liabilities:		
Milestone receivable and reimbursable contract costs	4,003	298
State tax receivable	793	79
Prepaid expenses	495	2
Prepaid manufacturing costs	(3,000)	—
Other assets	(1)	601
Accounts payable	(2,588)	425
Accrued expenses	4,965	(1,408)
Accrued interest	80	118
Deferred revenue	(55)	(294)
Deferred research and development payments	(93)	1,484
Net cash used in operating activities	(41,212)	(35,660)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(90,631)	(72,539)
Proceeds from maturity or sale of marketable securities	49,712	49,969
Investments in patents and licensed technology	—	(5)
Purchases of property, plant and equipment	(1,003)	(941)
Net cash used in investing activities	(41,922)	(23,516)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceed from convertible debt offering	145,283	—
Net proceeds from issuance of common stock	1,646	44,864
Net cash provided by financing activities	146,929	44,864
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,795	(14,312)
CASH AND CASH EQUIVALENTS, beginning of period	113,224	24,844
CASH AND CASH EQUIVALENTS, end of period	$ 177,019	$ 10,532
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 3,450	$ 3,450

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

1. Organization and Operations -

Alexion Pharmaceuticals, Inc. ("Alexion") was incorporated in 1992 and is engaged in the discovery and development of therapeutic products to treat patients with a wide array of severe disease states, including hematologic and cardiovascular disorders, autoimmune diseases, and cancer.

The accompanying condensed consolidated financial statements include Alexion Pharmaceuticals, Inc. and our wholly owned subsidiaries, Alexion Antibody Technologies ("AAT") and Columbus Farming Corporation ("CFC"). All significant inter-company balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements included herein have been prepared by us, 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 condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Form 10-K Annual Report for the fiscal year ended July 31, 2004. Certain reclassifications have been made to prior period accounts payable balances and accrued expenses to conform to current year classifications. The year-end balance sheet data presented does not include all disclosures required by accounting principles generally accepted in the United States of America.

2. Accounting for Stock-Based Compensation -

As permitted by Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS 123", we account for our stock-based compensation awards using the intrinsic method and disclose the effect on the net loss per share as if the fair value method had been used.

At January 31, 2005, we have one stock-based compensation plan for employees, directors and consultants of Alexion, the 2004 Incentive Plan. We account for employees and directors in the plan under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. We account for non-employees in the plan under the fair value method as defined by SFAS No. 123. In December 2004, the Financial Accounting Standards Board ("FASB") issued a revised FASB 123(R), "Share-based Payments." The adoption of this standard will require us to measure compensation cost for all share-based payments (including employee stock options) at fair value and recognize such costs in the statement of operations. The effective date for public companies (not considered small business issuers) is for periods beginning after June 15, 2005. We have not evaluated the effect of the adoption of this standard on our stock-based compensation plan.

The following table illustrates the pro-forma effect on net loss and net loss per share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for the three and six months ended January 31, 2005 and 2004 (dollars in thousands, except per share amounts):

	Three months ended January 31,		Six months ended January 31,	
	2005	2004	2005	2004
Net loss, as reported	$ (24,470)	$ (18,547)	$ (43,658)	$ (38,759)
Add: Stock-based employee compensation expense included in reported net loss	—	16	5	32
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(2,246)	(3,572)	(5,143)	(7,092)
Pro forma net loss	$ (26,716)	$ (22,103)	$ (48,796)	$ (45,819)
Net loss per share:				
Basic and diluted - as reported	$ (0.88)	$ (0.85)	$ (1.57)	$ (1.85)
Basic and diluted - pro forma	$ (0.96)	$ (1.01)	$ (1.76)	$ (2.19)

The effects of applying the fair value recognition provisions of SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts. The table does not include non-employee compensation expense of $8,000 and $10,000 for the three and six months ended January 31, 2005 respectively, and $7,000 and $25,000 for the three and six months ended January 31, 2004 respectively.

3. Convertible Notes -

In January 2005 we sold $150 million principal amount of 1.375% Convertible Senior Notes due February 1, 2012 (the "1.375% Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale included the exercise in full by the initial purchasers of their option to purchase an additional $25 million principal amount of notes. The interest rate on the notes is 1.375% per annum on the principal amount from January 25, 2005, payable semi-annually in arrears in cash on February 1 and August 1 of each year, beginning August 1, 2005. The 1.375% Notes are convertible into our common stock at an initial conversion rate of 31.7914 shares of common stock (equivalent to a conversion price of approximately $31.46 per share and a conversion premium of 35% to the last reported sale price on January 19, 2005) per $1,000 principal amount of the 1.375% Notes, subject to adjustment, at any time prior to the close of business on the final maturity date of the notes. We do not have the right to redeem any of the 1.375% Notes prior to maturity.

If a holder elects to convert its 1.375% Notes upon the occurrence of a transaction or event such as a liquidation, tender offer, consolidation, merger, recapitalization, or otherwise, in connection with which 50% or more of the Company's common stock is exchanged for consideration which is not at least 90% common stock that is listed on a U.S. national exchange or market (such as NASDAQ), the holder will be entitled to receive an additional number of shares of common stock on the conversion date. These additional shares are intended to compensate the holders for the loss of the time value of the conversion option, are set according to a table within the offering document, and are capped (in no event will the shares issuable upon conversion of a note exceed 42.91 per $1,000 principal amount).

Under the terms of the offering of the 1.375% Notes, the Company has agreed to file within 90 days of the original issue date of the Notes a shelf registration statement covering the resale of these securities. In addition, we will use our reasonable best efforts to cause the shelf registration statement to become effective within 180 days after the original issue date. If the shelf registration statement is not timely filed or made effective, Alexion will be required to pay liquidated damages to the holders (0.25% per year of the principal amount during the first 90 days and 0.5% per year of the principal amount thereafter) until such failure is cured.

The 1.375% Notes and the common stock issuable upon conversion of these notes have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

We incurred deferred financing costs related to this offering of approximately $4.7 million, which are recorded in the condensed consolidated balance sheet and are being amortized on a straight-line basis as a component of interest expense over the seven year term of the notes.

The net proceeds of approximately $145.3 million from this offering will be applied to redeem all of our outstanding $120 million principal amount of 5.75% Convertible Subordinated Notes due March 2007 and for general corporate purposes.

In March 2000, we sold $120 million principal amount of 5.75% Convertible Subordinated Notes (the "5.75% Notes") due March 15, 2007 in a private placement. The 5.75% 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 5.75% Notes into common stock at any time on or before March 15, 2007 at a conversion price of $106.425 per share resulting in the potential issuance of 1,127,554 shares of common stock, in aggregate. We incurred interest expense of approximately $1.7 million and $3.5 million for the three and six months ended January 31, respectively, for both 2005 and 2004 related to these notes. The 5.75% Notes are to be redeemed on or about March 15, 2005 with the proceeds of the sale of the 1.375% Notes.

We incurred deferred financing costs related to this offering of approximately $4.0 million, which are recorded in the condensed consolidated balance sheet and are being amortized on a straight-line basis as a component of interest expense over the seven-year term of the notes.

Amortization expense associated with the financing costs was approximately $156,000 and $299,000 for the three and six months ended January 31, 2005 and $143,000 and $286,000 for the three and six months ended January 31, 2004.

On February 4, 2005, we issued a call notice for the full redemption on March 15, 2005 of our 5.75% Notes. We will redeem all of the 5.75% Notes outstanding at the redemption price of 101.643% for each $1,000 principal amount of 5.75% Notes. Upon redemption on March 15, 2005, we will record the remaining unamortized deferred financing costs of approximately $1.3 million and the redemption premium of approximately $2.0 million as a loss on extinguishment of debt.

4. Deferred Revenue -

In January 1999, we and Procter & Gamble Pharmaceuticals (“P&G”) entered into an exclusive collaboration to develop and commercialize pexelizumab. We granted P&G an exclusive license to our intellectual property related to pexelizumab, with the right to sublicense. We are recognizing a non-refundable up-front license fee of $10 million related to the P&G collaboration 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. We recorded this payment as deferred revenue. The balance at January 31, 2005 and July 31, 2004 was $6.5 million and $6.8 million, respectively.

5. Deferred Research and Development Payments—XOMA Ltd. Collaboration

In December 2003, we and XOMA (U.S.) LLC (“XOMA”) entered into a collaborative agreement for the development and commercialization of a rationally designed human c-MPL agonist antibody to treat chemotherapy-induced thrombocytopenia. Thrombocytopenia is an abnormal blood condition in which the number of platelets is reduced, potentially leading to bleeding complications.

Under the terms of the agreement, we are to share development and commercialization expenses, clinical development, manufacturing and marketing costs world-wide, as well as revenues, on generally a 70 – 30 basis, with us retaining the larger portion. In addition, we received a $1.5 million upfront non-refundable payment upon initiation of the collaboration and are to receive a similar sized payment upon the achievement of a regulatory milestone. We recorded the payment as deferred research and development payments. The balance at January 31, 2005 and July 31, 2004 was $1.3 million and $1.4 million, respectively. We are recognizing this payment as a reduction of research and development expenses over 8 years. XOMA will be entitled to royalty payments and milestones from Alexion related to its bacterial cell expression technology.

In November 2004, we and XOMA determined that the lead molecule in this c-MPL agonist antibody collaboration did not meet the criteria established in the program for continued development. We and XOMA are evaluating next steps for the collaboration, including a potential alternative c-MPL agonist antibody for development. In light of our evaluation of next steps, further payments under this agreement are uncertain.

6. Net Loss Per Common Share -

We compute and present net loss per common share in accordance with SFAS No. 128, “Earnings Per Share” and Emerging Issues Task Force (“EITF”) Issue No. 04-8, “The Effect of Contingently Convertible Instruments on Diluted Earnings per Share.” Basic net loss per common share is computed by dividing the net loss by the weighted average shares of common stock outstanding during the respective period. Diluted net loss per common share assumes in addition to the above, the

dilutive effect of common share equivalents outstanding during the period. Common share equivalents represent dilutive stock options, convertible subordinated debt, and/or convertible senior debt. These outstanding stock options, convertible subordinated debt, and/or convertible senior debt entitled holders to acquire 10,428,899 and 5,459,387 shares of common stock at January 31, 2005 and 2004, respectively. There is no difference in basic and diluted net loss per common share for the three and six months ended January 31, 2005 and 2004 as the effect of common share equivalents is anti-dilutive.

7. Note Payable –

In February 1999, CFC purchased substantially all of the assets of the UniGraft 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. 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, was payable quarterly by CFC. The xenotransplantation manufacturing assets of CFC that were purchased from Tyco, including the real estate, were pledged as security for this note. The principal balance under the note was due in May 2005. Upon CFC's failure to make its quarterly interest payment due to Tyco in August 2003, CFC defaulted on the note.

In the quarter ended October 31, 2003, in conjunction with the event of default, we notified Tyco that the UniGraft xenotransplantation program and CFC activities had been terminated. In the quarter ended October 31, 2004 an offer of $450,000 from a third-party was accepted by Tyco for CFC's assets. Tyco retained the proceeds from the sale of CFC's assets and extinguished the note and unpaid interest. We transferred the assets to Tyco as of October 31, 2004. Since CFC's assets, consisting of property, plant and equipment, were insufficient to satisfy the $3.9 million note, unpaid interest of $0.3 million, and other obligations of CFC, Tyco formally discharged CFC of any further obligations. As a result, we extinguished the $3.9 million note and unpaid interest of $0.3 million offset by the transfer of CFC's assets of $450,000 to Tyco. Consequently, we recorded the resulting gain of $3.8 million as gain from extinguishment of debt on a consolidated basis in the first quarter of fiscal 2005.

8. Prepaid Manufacturing Costs - Lonza Large-Scale Product Supply Agreement -

The Large-Scale Product Supply Agreement dated December 18, 2002 (the "Lonza Agreement") between Lonza Biologics PLC ("Lonza") and Alexion, relating to the manufacture of our product candidate eculizumab, was amended (the "Lonza Amendment") in April 2004. Under the Lonza Amendment, the facility in which Lonza will manufacture eculizumab was changed; the manufacturing capacity we are required to purchase was reduced; and future potential payments of $10 million by us to Lonza relating to achievement of eculizumab sales milestones and of up to $15 million by us relating to manufacturing yields achieved by Lonza were eliminated. Per the Lonza Agreement, we remitted cash advances aggregating $10 million through July 31, 2004 for the long-term commercial manufacture of our C5 antibody, eculizumab. In the first quarter of fiscal 2005, we paid Lonza an additional $3.5 million as a non-refundable advance under the Lonza Amendment. These prepaid manufacturing costs are amortized as Lonza completes production batches as stipulated in the contract. We amortized $0.5 million of the prepaid advance as an expense in the first six months of fiscal 2005 and $0.5 million of the prepaid advance as an expense in fiscal 2004.

9. Commitments and Contingencies -

We enter into indemnification provisions under our agreements with other companies in our ordinary course of business, typically with business partners, clinical sites, and suppliers. Pursuant to these agreements, we generally indemnify, hold harmless, and agree 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 our products, or otherwise in connection with the use or testing of our

product candidates. The term of these indemnification agreements is generally perpetual. The potential amount of future payments we could be required to make under these indemnification agreements is unlimited. We have 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, we have no liabilities recorded for these agreements as January 31, 2005.

10. Comprehensive Loss -

A summary of total comprehensive loss is as follows (dollars in thousands):

	Three months ended January 31,		Six months ended January 31,	
	2005	2004	2005	2004
Net loss	$ (24,470)	$ (18,547)	$ (43,658)	$ (38,759)
Unrealized losses on marketable securities	(278)	(139)	(222)	(445)
Total comprehensive loss	$ (24,748)	$ (18,686)	$ (43,880)	$ (39,204)

11. Approval of 2004 Incentive Plan - -

On December 10, 2004, at the Annual Meeting of shareholders, our shareholders approved the 2004 Incentive Plan (“2004 Plan”). The 2004 Plan permits the grant of options, restricted stock awards, stock appreciation rights, and stock bonus awards upon such terms and conditions as the Compensation Committee appointed by the Board of Directors shall determine. The 2004 Plan replaces the 1992 Stock Option Plan for Outside Directors and the 2000 Stock Option Plan.

12. Recently Issued Accounting Pronouncements -

In December 2004, the FASB issued SFAS No. 123(R) (revised 2004), “Share-Based Payment” (“SFAS 123(R)”), which replaces SFAS No. 123, “Accounting for Stock-Based Compensation” and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005. We are evaluating the requirements of the pronouncement and expect that the adoption of SFAS 123(R) will have a material impact on our results of operations and loss per share. We are currently reviewing the method of adoption, including the transition method, valuation methods and support for the assumptions that underlie the valuation of the awards.

In November 2003, the EITF reached a consensus on Issue No. 04-8, “The Effect of Contingently Convertible Instruments on Diluted Earnings per Share.” EITF 04-8 requires that all contingently convertible debt instruments be included in diluted earnings per share using the if-converted method, regardless of whether the market price trigger (or other contingent feature) has been met. EITF 04-8 is effective for reporting periods ending after December 15, 2004 and requires that prior period earnings per share amounts presented for comparative purposes be restated. The adoption of this standard did not have a material impact on either our operating results or financial position.

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 forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended July 31, 2004 and a variety of other risks set forth from time to time in our filings with the SEC. The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Financial Statements and Notes thereto for the fiscal year ended July 31, 2004 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the fiscal year ended July 31, 2004.

Overview

We are engaged in the discovery and development of therapeutic products to treat patients with a wide array of severe disease states, including hematologic and cardiovascular disorders, autoimmune diseases, 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.

We have significant expertise in the discovery and development of antibody therapeutics, as well as in understanding and inhibiting the aberrant manifestation of a component of the human immune system known as complement. Our two lead product candidates are each in late-stage Phase III clinical development. One of our product candidates, eculizumab, is in Phase III clinical development for treatment of a chronic hematologic disease and our second product candidate, pexelizumab, is in Phase III clinical development for two distinct acute cardiac indications. We designed both of these product candidates with the goal of eliciting the intended clinically therapeutic effect by inhibiting the aberrant manifestation of complement.

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 developing eculizumab, an antibody that inhibits complement, for the treatment of a rare blood disorder known as Paroxysmal Nocturnal Hemoglobinuria, or PNH. We are developing pexelizumab, a single-chain antibody that also inhibits complement, in collaboration with Procter & Gamble Pharmaceuticals, or P&G, as a therapeutic to reduce the incidence of death, myocardial infarction, or heart attack, and other complications associated with coronary artery bypass graft, or CABG, surgery. We are also developing pexelizumab as a therapeutic to reduce the incidence of death and morbidity often experienced by patients suffering acute myocardial infarction, or AMI, who receive angioplasty, a procedure for opening up narrowed or blocked arteries that supply blood to the heart.

To date, we have studied our two lead antibody product candidates in a variety of clinical development programs enrolling over 6,600 patients in clinical trials. In addition to our Phase III programs, we have initiated the development of a global patient registry for PNH patients, may also pursue additional indications for eculizumab, and have other product candidates in earlier stages of development.

To date, we have not received any revenues from the sale of our products. We have incurred operating losses since our inception. As of January 31, 2005, we had an accumulated deficit of $383.0 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-scale manufacturing, pre-commercialization activities and developing a sales and marketing force. We will 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 for product development and commercialization.

In January 2005, we completed the sale of $150 million principal amount of 1.375% Convertible Senior Notes due February 1, 2012 (the "1.375% Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale included the exercise in full by the initial purchasers of their option to purchase an additional $25 million principal amount of notes. The 1.375% Notes are convertible into our common stock at an initial conversion rate of 31.7914 shares of common stock (equivalent to a conversion price of approximately $31.46 per share and a conversion premium of 35% to the last reported sale price on January 19, 2005) per $1,000 principal amount of the 1.375% Notes, subject to adjustment, at any time prior to the close of business on the final maturity date of the notes. We do not have the right to redeem any of the 1.375% Notes prior to maturity.

We incurred deferred financing costs related to this offering of approximately $4.7 million, which are recorded in the condensed consolidated balance sheet and are being amortized as a component of interest expense over the seven year term of the notes.

The net proceeds of $145.3 million from this offering will be applied to redeem all of our outstanding $120 million principal amount of 5.75% Convertible Subordinated Notes due 2007 and for general corporate purposes. On February 4, 2005, we issued a call notice for the full redemption on March 15, 2005 of our 5.75% Notes. We will redeem all of the 5.75% Notes outstanding at the redemption price of 101.643% for each $1,000 principal amount of 5.75% Notes. Upon redemption on March 15, 2005, we will record the remaining unamortized deferred financing costs of approximately $1.3 million and the redemption premium of approximately $2.0 million as a loss on extinguishment of debt.

Results of Operations

A summary of revenues recognized 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 January 31,		Six months ended January 31,	
	2005	2004	2005	2004
Collaboration/Grant Awards				
P&G	$ 147	$ 147	$ 294	$ 294
U.S. government grants	416	—	416	—
Contract Research Revenues	$ 563	$ 147	$ 710	$ 294

Three Months Ended January 31, 2005
Compared with Three Months ended January 31, 2004

We earned contract research revenues of $563,000 for the three months ended January 31, 2005 and $147,000 for the same period ended January 31, 2004. Our second fiscal quarter revenue reflects the amortization of deferred revenue resulting from cash received from P&G under our collaboration for the development and commercialization of pexelizumab and U.S. government grant revenue related to our research programs.

We incurred research and development expenses of $20.1 million for the three months ended January 31, 2005 and $14.5 million for the three months ended January 31, 2004. Our research and development expenses consist primarily of payroll and benefits costs, clinical trial costs and other clinical-related development costs, manufacturing development and manufacturing costs, discovery research costs, depreciation and amortization expense, and occupancy related facility operating costs. The following table summarizes the major research and development expense categories for the three months ended January 31, 2005 and 2004, respectively (dollars in thousands):

	Three months ended January 31,	
($ in thousands)	**2005**	**2004**
Research and development expenses:		
Payroll and benefits	$ 4,085	$ 3,918
Clinical development	9,986	2,877
Manufacturing development and manufacturing	3,395	5,252
Discovery research	855	882
Operating and occupancy	1,208	989
Depreciation and amortization	559	606
	—	—
Total research and development	$ 20,088	$ 14,524

The $5.6 million increase in research and development expenses resulted primarily from higher clinical development costs related to our four ongoing Phase III clinical trials, higher payroll and benefits costs and increased occupancy costs due to increased headcount to support effort in progressing enrollment in the clinical trials, partially offset by lower manufacturing development and manufacturing activities due to scheduling. We continue to move forward with our four ongoing Phase III clinical trials and as a result we believe research and development expenses will increase in fiscal 2005.

Our general and administrative expenses were $4.3 million for the three months ended January 31, 2005 and $3.3 million for the three months ended January 31, 2004. The $1.0 million increase resulted principally from increased headcount resulting in higher payroll and benefits costs of approximately $965,000 to support growth of our operations, as well as increased pre-marketing and commercial development activities of approximately $160,000 in support of our PNH clinical trials, partially offset by lower professional fees and insurance costs of approximately $110,000.

Total operating expenses were $24.4 million and $17.8 million for the three months ended January 31, 2005 and 2004, respectively.

Investment income was $1.2 million for the three months ended January 31, 2005 compared to $1.0 million for the three months ended January 31, 2004. The increase was due primarily to higher market interest rates and slightly higher principal amounts. Interest expense, primarily on our $120 million convertible subordinated notes was $1.9 million for the quarters ended January 31, 2005 and 2004.

We recorded a state tax benefit of approximately $88,000 for the three months ended January 31, 2005 and $62,000 for the three months ended January 31, 2004. The benefit is the result of the exchange of our estimated fiscal 2004 and fiscal 2005 incremental research and development tax credits.

As a result of the above factors, we incurred a net loss of $24.5 million or $0.88 basic and diluted net loss per common share for the three months ended January 31, 2005 compared to a net loss of $18.5 million or $0.85 basic and diluted net loss per common share for the three months ended January 31, 2004.

Six Months Ended January 31, 2005
Compared with Six Months ended January 31, 2004

We earned contract research revenues of $710,000 for the six months ended January 31, 2005 compared to $294,000 for the same period ended January 31, 2004. Our fiscal six month revenue reflects the amortization of deferred revenue resulting from cash received from P&G under our collaboration for the development and commercialization of pexelizumab and U.S. government grant revenue related to our research programs.

We incurred research and development expenses of $38.8 million for the six months ended January 31, 2005 and $31.2 million for the six months ended January 31, 2004. Our research and development expenses consist primarily of payroll and benefits costs, clinical trial costs and other clinical-related development costs, manufacturing development and manufacturing costs, discovery research costs, depreciation and amortization expense, and occupancy related facility operating costs. The following table summarizes the major research and development expense categories for the six months ended January 31, 2005 and 2004, respectively (dollars in thousands):

	Six months ended January 31,	
($ in thousands)	**2005**	**2004**
Research and development expenses:		
Payroll and benefits	$ 8,113	$ 7,663
Clinical development	17,011	8,583
Manufacturing development and manufacturing	8,326	9,987
Discovery research	1,806	1,696
Operating and occupancy	2,389	2,076
Depreciation and amortization	1,106	1,207
	—	—
Total research and development	$ 38,751	$ 31,212

The $7.5 million increase in research and development expenses resulted primarily from higher clinical development costs related to our four ongoing Phase III clinical trials, higher discovery research costs principally due to higher external research expenses, higher payroll and benefits costs, and increased occupancy costs due to increased headcount to support effort in progressing clinical enrollment and late-stage development activities, partially offset by lower manufacturing development and manufacturing activities. We continue to move forward with our four ongoing Phase III clinical trials and as a result we believe research and development expenses will increase in fiscal 2005.

Our general and administrative expenses were $8.0 million for the six months ended January 31, 2005 compared to $6.1 million for the six months ended January 31, 2004. The increase of $1.8 million resulted principally from growth of our operations and increased headcount and compensation cost increases of approximately $1.1 million, and increased costs associated with our pre-marketing and commercial development activities of approximately $0.7 million.

Total operating expenses were $46.7 million and $37.3 million for the six months ended January 31, 2005 and 2004, respectively.

Investment income was $2.2 million for the six months ended January 31, 2005 compared to $2.0 million for the six months ended January 31, 2004. The increase in investment income of $222,000 resulted primarily from higher interest rates and higher principal amounts. Interest expense, primarily on our $120 million convertible subordinated notes, was $3.8 million and $3.9 million for the six months ended January 31, 2005 and 2004, respectively.

During the first fiscal quarter we recorded a net gain of $3.8 million to complete the termination of the Unigraft xenotransplantation program at CFC. This consisted of the extinguishment of the $3.9 million note payable used to purchase the xenotransplantation assets and the extinguishment of the accrued interest of $0.3 million on the note, partially offset by the transfer to Tyco of the remaining assets of $450,000 used to secure the note.

We recorded a state tax benefit of approximately $150,000 for the six months ended January 31, 2005 and $133,000 for the six months ended January 31, 2004. The benefit is the result of the exchange of our estimated fiscal 2004 and fiscal 2005 incremental research and development tax credits.

As a result of the above factors, we incurred a net loss of $43.7 million, or $1.57 basic and diluted net loss per common share, for the six months ended January 31, 2005 compared to a net loss of $38.8 million, or $1.85 basic and diluted net loss per common share, for the six months ended January 31, 2004.

Liquidity and Capital Resources

As of January 31, 2005, cash, cash equivalents, and marketable securities were $371.0 million compared with $266.5 million at July 31, 2004. The increase was primarily due to the sale of our 1.375% convertible senior notes for approximately $145.3 million net of financing fees, partially offset by funding operating activities. The 5.75% Notes issued in March 2000 will be redeemed on or about March 15, 2005 with the proceeds from the issuance of the 1.375% Notes issued in January 2005.

Net cash used in operating activities for the six months ended January 31, 2005 was $41.2 million. This consisted primarily of our net loss of $43.7 million, the add-back to the net loss of the non-cash gain on the extinguishment of the CFC note payable and interest of $3.8 million net, and the $3.0 million advance payment made to Lonza Biologics PLC ("Lonza") as per the Amendment to the Large-Scale Product Supply Agreement in April 2004. The uses of cash are partially offset by the collection of a $4.0 million milestone receivable from P&G concurrent with the dosing of our first patient in the APEX-AMI Phase III clinical trial, and increased prepaid expenses of $0.5 million and accrued expenses of $5.0 million principally related to the four Phase III clinical trials.

Net cash used in investing activities for the six months ended January 31, 2005 was $41.9 million. This included $40.9 million of purchases of marketable securities, net of proceeds from the maturity or sale of marketable securities, and $1.0 million of property, plant and equipment additions.

Net cash provided by financing activities for the six months ended January 31, 2005 was $146.9 million consisting of $145.3 million from the sale of our 1.375% Notes plus $1.6 million proceeds from stock option exercises.

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.

The following table summarizes our current contractual obligations at January 31, 2005 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 milestones and assume non-termination of agreements. These obligations, commitments, and supporting arrangements represent estimated payments based on current operating forecasts, which are subject to change ($ amounts in millions):

	Total for remainder of fiscal 2005	2006	2007	2008	2009	2010 and thereafter
Contractual obligations:						
Convertible senior notes	$ —	$ —	$ —	$ —	$ —	$ 150.0
Convertible subordinated notes	122.0	—	—	—	—	—
Interest expense	3.5	2.1	2.1	2.1	2.1	6.3
Operating leases	1.2	2.4	2.5	2.0	1.9	4.0
Total contractual obligations	$ 126.7	$ 4.5	$ 4.6	$ 4.1	$ 4.0	$ 160.3
Commercial commitments:						
Clinical and manufacturing development	$ 35.8	$ 43.1	$ 23.9	$ 23.4	$ 20.8	$ —
Licenses	0.5	0.7	1.0	0.7	0.4	—
Research and development	0.3	0.1	—	—	—	—
Total commercial commitments	$ 36.6	$ 43.9	$ 24.9	$ 24.1	$ 21.2	$ —

Contractual Obligations

Our contractual obligations include the redemption of our $120 million 5.75% Notes, our $150 million of 1.375% Notes due February 2012, our annual payments of approximately $2.3 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.

Convertible Senior Notes

In January 2005 we completed the sale of $150 million principal amount of our 1.375% Convertible Senior Notes due 2012 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The closing included the exercise in full by the initial purchasers of their option to purchase an additional $25 million principal amount of notes. The 1.375% Notes are convertible into our common stock at an initial conversion rate of 31.7914 shares of common stock per $1,000 principal amount of 1.375% Notes, subject to adjustment (equivalent to a conversion price of approximately $31.46 per share and a conversion premium of 35% to the last reported sale price on January 19, 2005). We do not have the right to redeem any of the 1.375% Notes prior to maturity.

The net proceeds of approximately $145.3 million from this offering will be applied to redeem all of our outstanding $120 million principal amount of 5.75% Notes on March 15, 2005 and for general corporate purposes.

We incurred deferred financing costs related to this offering of the 1.375% Notes of approximately $4.7 million, which are recorded in the consolidated balance sheet and are being amortized on a straight-line basis as a component of interest expense over the seven-year term of the notes.

Convertible Subordinated Notes

We will redeem all of our $120 million 5.75% Notes due March 15, 2007 on or about March 15, 2005 along with the redemption premium of approximately $2.0 million based upon the redemption price of 101.643% for each $1,000 principal amount of the 5.75% Notes with the net proceeds from the issuance of the 1.375% Notes due February 1, 2012.

Commercial Commitments

Our commercial commitments consist of cancelable research and development, licenses, operations, clinical development including clinical trials, 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. Our commercial commitments are represented principally by our agreement with Lonza and our collaboration with P&G.

Lonza Agreement

The Large-Scale Product Supply Agreement dated December 18, 2002, ("the Lonza Agreement") between Lonza and us, relating to the manufacture of our product candidate eculizumab, was amended ("the Lonza Amendment") in

April 2004. Under the Lonza Amendment, the facility in which Lonza will manufacture eculizumab is changed; the manufacturing capacity we are required to purchase is reduced; and future potential payments of $10 million by us to Lonza relating to achievement of eculizumab sales milestones and of up to $15 million payable by us relating to manufacturing yields achieved by Lonza are eliminated. In August 2004 we paid Lonza an additional $3.5 million as a non-refundable advance under the Lonza Amendment. In addition, the amounts we would be required to pay in connection with a voluntary termination of the Lonza Agreement by us have been changed. Under the Lonza Agreement, as amended by the Lonza Amendment, if we terminate the Lonza Agreement on or prior to September 30, 2006, we may be required to pay different amounts, depending on when the Lonza Agreement is terminated, which are between zero and approximately $10 million and, if we terminate the Lonza Agreement after September 30, 2006, we may be required to pay for batches of product scheduled for manufacture up to 12 months following termination.

P&G Pharmaceuticals Collaboration

In December 2001, we and P&G entered into a binding memorandum of understanding ("MOU") pursuant to which our January 1999 collaboration with P&G was revised. Under the revised structure per the MOU, we and P&G share decision-making and responsibility for all future U.S. development and commercialization costs for pexelizumab, including clinical, manufacturing, marketing, and sales efforts. 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 outside the U.S., if any. We are responsible for royalties 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.

P&G has the right to terminate the collaboration or sublicense its rights at any time. If P&G terminates the collaboration, as per the MOU, P&G is required to contribute its share of agreed to obligations and costs incurred prior to the termination, but may not be required to contribute towards obligations incurred after termination. In such circumstance all rights and the exclusive license to our intellectual property related to pexelizumab would revert back to us and we would be entitled to all future pexelizumab revenues, if any, without any sharing of revenues, if any, with P&G. If P&G were to sublicense its rights, the sublicensee would be required to assume all of P&G's obligations under 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. Under terms of our MOU we may be obligated to reimburse P&G for 50% of cancellation costs under P&G's third-party pexelizumab manufacturing contract. Our portion of those cancellation costs could amount to as much as $9.8 million.

XOMA Collaboration

In November of 2004, XOMA and we determined that the lead molecule in our c-MPL agonist antibody collaboration did not meet the criteria established in the program for continued development. XOMA and we are evaluating next steps for the collaboration, including a potential alternative c-MPL agonist antibody for development. In light of our evaluation of next steps, further payments under the collaborative agreement with XOMA are uncertain.

Additional Payments

Additional payments for research and license fees, aggregating up to $24 million, would be required if we elect to continue development under our current pre-clinical development programs and if specified development milestones are reached (including achievement of commercialization). Approximately $3 million of these costs may be incurred in the next three years.

Liquidity

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 and continue to conduct clinical trials and develop manufacturing, sales, marketing and distribution capabilities. Our operating expenses will depend on many factors, including:

- 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 expect to incur substantial additional costs for research, pre-clinical and clinical testing, manufacturing process development, additional capital expenditures related to personnel and facilities expansion, clinical and commercial manufacturing requirements, securing commercial contract manufacturing capacity, and marketing and sales in order to commercialize our products currently under development. Furthermore, we will owe royalties to parties we have licensed intellectual property from, or may in the future license intellectual property from, in connection with the development, manufacture or sale or our products.

In addition to milestone payments we may receive from our collaboration with P&G and our interest and investment income that are subject to market interest rate fluctuations, we will need to raise or generate substantial additional funding in order to complete the development and commercialization of all of our product candidates. Furthermore, the development or expansion of our business or any acquired business or companies may require a substantial capital investment by us. Any additional financing may include 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. There can be no assurance that funds will be available on terms acceptable to us, if at all, or that discussions with potential strategic or collaborative partners will result in any agreements on a timely basis, if at all. The unavailability of additional financing when and if required could require us to delay, scale back or eliminate certain research and product development programs or to enter into license agreements with third parties to commercialize products or technologies that we would otherwise undertake ourselves, any of which could have a material adverse effect.

Item 3. Quantitative and Qualitative Disclosure about Market Risks.

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 would result in no material impact on our 5.75% Subordinated Convertible Notes nor our 1.375% Convertible Senior Notes. The marketable securities as of January 31, 2005, had maturities of less than two years. The weighted-average interest rate on marketable securities at January 31, 2005 was approximately 2.8%. The fair value of marketable securities held at January 31, 2005 was $194.0 million.

Item 4. 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 Chief Financial Officer, 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 Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level in ensuring that material information relating to us and required to be included in the reports we file under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer 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 II. OTHER INFORMATION

Item 2. Sale of $150 million principal amount of 1.375% Convertible Senior Notes

In January 2005, we completed the sale of $150 million principal amount of 1.375% Convertible Senior Notes due February 1, 2012 (the "1.375% Notes") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The sale included the exercise in full by the initial purchasers of their option to purchase an additional $25 million principal amount of notes. The 1.375% Notes are convertible into our common stock at an initial conversion rate of 31.7914 shares of common stock (equivalent to a conversion price of approximately $31.46 per share and a conversion premium of 35% to the last reported sale price on January 19, 2005) per $1,000 principal amount of the 1.375% Notes, subject to adjustment, at any time prior to the close of business on the final maturity date of the notes. We do not have the right to redeem any of the 1.375% Notes prior to maturity.

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

At the Company's Annual Meeting of Stockholders held on December 10, 2004, the stockholders voted to elect the following directors by the votes indicated:

Leonard Bell, M.D.:	24,733,958 For,	582,669 Against or Withheld, 0 Abstaining
David W. Keiser:	24,598,244 For,	718,383 Against or Withheld, 0 Abstaining
Max Link, Ph.D.:	24,269,899 For,	1,046,728 Against or Withheld, 0 Abstaining
Joseph A. Madri, Ph.D.,M.D.:	24,740,461 For,	576,166 Against or Withheld, 0 Abstaining
Larry L. Mathis:	22,543,085 For,	2,773,542 Against or Withheld, 0 Abstaining
R. Douglas Norby:	24,741,761 For,	574,866 Against or Withheld, 0 Abstaining
Alvin S. Parven:	24,294,436 For,	1,022,191 Against or Withheld, 0 Abstaining

Additionally, the stockholders voted to replace the Company's 2000 Stock Option Plan and the 1992 Stock Option Plan for Outside Directors with the Company's 2004 Incentive Plan; and ratified the appointment of PricewaterhouseCoopers, LLP as the Company's independent registered public accounting firm. The votes were:

Adoption of 2004 Incentive Plan: 13,896,227 For, 5,578,678 Against, 35,162 Abstain, 5,806,560 Not Voted

Appointment of independent registered public accounting firm: 25,286,784 For, 27,654 Against, 2,189 Abstain

Item 6. Exhibits

(a) Exhibits

10.1 Form of Stock Option Agreement for Executive Officers (Form A).

10.2 Form of Stock Option Agreement for Executive Officers (Form B).

31.1 Certification by Leonard Bell, Chief Executive Officer of Alexion Pharmaceuticals, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2005.

31.2 Certification by Carsten Boess, Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2005.

32.1 Certification by Leonard Bell, Chief Executive Officer of Alexion.

Pharmaceuticals, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2005.

32.2 Certification by Carsten Boess, Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2005.

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 8, 2005 By: /s/ Leonard Bell, M.D.

Leonard Bell, M.D.
Chief Executive Officer, Secretary and Treasurer
(principal executive officer)

Date: March 8, 2005 By: /s/ David W. Keiser

David W. Keiser
President and Chief Operating Officer

Date: March 8, 2005 By: /s/ Carsten Boess

Carsten Boess
Vice President and Chief Financial Officer
(principal financial officer)

Date: March 8, 2005 By: /s/ Barry P. Luke

Barry P. Luke
Vice President of Finance and Administration
(principal accounting officer)

Exhibit 10.1

[STANDARD FORM OF OPTION AGREEMENT FOR EXECUTIVE OFFICERS (FORM A)]

ALEXION PHARMACEUTICALS, INC.
2004 INCENTIVE PLAN

STOCK OPTION AGREEMENT

AGREEMENT, made as of this __ day of _____, 200_ (the "Grant Date"), by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____ (the "Optionee").

W I T N E S S E T H:

WHEREAS, pursuant to the Alexion Pharmaceuticals, Inc. 2004 Incentive Plan (the "Plan"), the Company desires to grant to the Optionee, and the Optionee desires to accept, an option to purchase shares of the Company's common stock, $0.0001 par value (the "Common Stock"), upon the terms and conditions set forth in this Agreement and the Plan. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant. The Company hereby grants to the Optionee an option (the "Option") to purchase up to _____ shares of Common Stock, at a purchase price per share of $_____. This Option [is] [is not] intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Restrictions on Exercisability. Except as otherwise provided herein or in the Plan or in an employment agreement between the Optionee and the Company or its affiliates, this Option shall become exercisable in accordance with the schedule shown on *Exhibit A* based upon the Optionee's continuous employment or other service with the Company or its affiliates following the Grant Date. No shares of Common Stock may be purchased hereunder unless the Optionee shall have remained in the continuous employment or other service of the Company or an affiliate up to and including the specified date shown on *Exhibit A* from the Grant Date. Unless earlier terminated, this Option shall expire if and to the extent it is not exercised on or prior to the tenth anniversary of the Grant Date (the "Expiration Date").

3. Exercise and Payment. The Optionee may exercise this Option in whole or in part in accordance with the schedule shown on Exhibit A by delivering to the Company (a) a written notice of such exercise specifying the number of shares of Common Stock that the Optionee has elected to acquire and (b) payment in full of the exercise price, together with the amount, if any, deemed necessary by the Company to enable it to satisfy any tax withholding obligations with respect to the exercise (unless other arrangements acceptable to the Company are made for the satisfaction of such withholding obligation). The Option exercise price shall be payable in cash or bank or certified check or by such methods in accordance with such procedures as may be authorized or permitted by the Committee from time to time.

4. Rights as Stockholder. No shares of Common Stock shall be sold or delivered hereunder until full payment for such shares has been made. The Optionee shall have no rights as a stockholder with respect to any shares covered by this Option until a stock certificate for

such shares is issued to the Optionee. Except as otherwise provided herein or in the Plan, no adjustment shall be made for dividends or distributions of other rights for which the record date is prior to the date such stock certificate is issued.

5. Nontransferability. The Option is not assignable or transferable except upon the Optionee's death to a beneficiary designated by the Optionee or, if no designated beneficiary shall survive the Optionee, pursuant to the Optionee's will or the laws of descent and distribution. During an Optionee's lifetime, this Option may be exercised only by the Optionee.

6. Termination of Employment or other Service

(a) Disability or Death. Except as otherwise provided in an employment agreement between the Optionee and the Company or its affiliates, if the Optionee's employment or other service with the Company and its affiliates terminates due to his or her death or Disability (or if the Optionee's employment or other service is terminated by reason of his or her Disability and the Optionee dies within one year of such termination of employment or other service), then: (i) that portion of this Option that is not exercisable on the date of termination shall immediately terminate, and (ii) subject to Section 6(b) below, that portion of this Option that is exercisable on the date of termination shall remain exercisable, but only to the extent exercisable on the date of termination, by the Optionee (or the Optionee's designated beneficiary or legal representative) until the earlier of (x) the first anniversary of the date of termination (or, the first anniversary of the later death of a disabled Optionee) and (y) the Expiration Date and, to the extent not exercised during such period, shall immediately terminate thereafter.

For purposes of this Agreement, "Disability" shall mean, unless otherwise defined in an employment agreement between the Optionee and the Company or its affiliates (in which case, such meaning shall apply), the inability of an Optionee to perform the customary duties of his or her employment or other service for the Company or its affiliates by reason of a physical or mental incapacity which is expected to result in death or to be of indefinite duration.

(b) Termination for Cause or at a Time when Cause Exists. Except as otherwise provided in an employment agreement between the Optionee and the Company or its affiliates, if the Optionee's employment or other service is terminated by the Company or an affiliate for Cause or if, at the time of the Optionee's termination, grounds for a termination for Cause exist, then this Option (whether or not then exercisable) shall immediately terminate and cease to be exercisable.

For purposes of this Agreement, "Cause" shall mean, unless otherwise defined in an employment agreement between the Optionee and the Company or its affiliates (in which case, such meaning shall apply), the Optionee's dishonesty, fraud, insubordination, willful misconduct, refusal to perform services, unsatisfactory performance of services or material breach of any written agreement between the Optionee and the Company or any of its affiliates.

(c) Other Termination. Except as otherwise provided in an employment agreement between the Optionee and the Company or its affiliates, if the Optionee's employment or other service with the Company and its affiliates terminates for any reason not covered by Section 6(a) or 6(b) above, then: (i) that portion of this Option that is not exercisable on the date of termination shall immediately terminate, and (ii) subject to Section 6(b) above, that portion of this Option that is exercisable on the date of termination shall remain exercisable, but only to the extent exercisable on the date of termination, by the Optionee until the earlier of (x) the ninetieth day following the date of termination and (y) the Expiration Date and, to the extent not exercised during such period, shall immediately terminate thereafter.

7. Cancellation of Option. Notwithstanding anything herein to the contrary, the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict this Option at any time if the Optionee is not in compliance with all material applicable provisions of this Agreement or the Plan, or if the Optionee engages in a Detrimental Activity. Upon exercise of the Option, if requested by the Company the Optionee shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of this Agreement and the Plan and has not engaged in any Detrimental Activity.

For purposes of this Agreement, "Detrimental Activity" shall mean any of the following, unless authorized by the Company: (1) the rendering of services for any organization or engaging directly or indirectly in any business which is or becomes competitive with the Company or its affiliates, or which organization or business, or the rendering of services to such organization or business, is or becomes otherwise prejudicial to or in conflict with the interests of the Company or its affiliates, (2) the disclosure to anyone outside the Company or its affiliates, or the use in other than the Company's or its affiliates' business, without authorization from the Company, of any confidential information or material relating to the business of the Company or its affiliates, acquired by the Optionee either during or after employment or other service with the Company or its affiliates, (3) the failure or refusal to disclose promptly and to assign to the Company or its affiliates all right, title and interest in any invention or idea, patentable or not, made or conceived by the Optionee during employment by or other service with the Company or its affiliates, relating in any manner to the actual or anticipated business, research or development work of the Company or its affiliates or the failure or refusal to do anything reasonably necessary to enable the Company or its affiliates to secure a patent where appropriate in the United States and in other countries insofar as any matter referred to in this clause (3) violates any obligation of the Optionee to the Company or its affiliates, or (4) any attempt directly or indirectly to induce any employee of the Company or its affiliates to be employed or perform services elsewhere or any attempt directly or indirectly to solicit the trade or business of any current or prospective customer, supplier or partner of the Company or its affiliates.

8. Securities Restrictions. This Option shall not be exercisable for such period as may be required to comply with the Federal securities laws, state "blue sky" laws, an applicable listing requirement of any applicable securities exchange and any other law or regulation applicable to the exercise of this Option, and the Company shall not be obligated to issue or deliver shares of Common Stock hereunder if the issuance or delivery of such shares would constitute a violation of any law or any regulation of any governmental authority or applicable securities exchange.

9. No Employment or Other Service Rights. Nothing in this Agreement shall confer the Optionee any right to continue in the employment or other service of the Company or its affiliates, or in any way interfere with the right of the Company or its affiliates to terminate the employment or other service of the Optionee at any time.

10. Provisions of the Plan. The provisions of the Plan, the terms of which are incorporated in this Agreement, shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Optionee acknowledges that he or she received a copy of the Plan prior to the execution of this Agreement.

11. Miscellaneous. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its principles of conflicts of law. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and, except as otherwise provided in the Plan, may not be modified other than by written instrument executed by the parties.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

ALEXION PHARMACEUTICALS, INC.

By: _____

Name:
Title:

Exhibit A

Date	Options Vested

No shares of Common Stock may be purchased hereunder unless the Optionee shall have remained in the continuous employment or other service of the Company or an affiliate up to and including the specified date shown on this Exhibit A from the Grant Date. Unless earlier terminated, this Option shall expire if and to the extent it is not exercised on or prior to the Expiration Date.

[STANDARD FORM OF OPTION AGREEMENT FOR EXECUTIVE OFFICERS
(FORM B)]

ALEXION PHARMACEUTICALS, INC.
2004 INCENTIVE PLAN

STOCK OPTION AGREEMENT

AGREEMENT made as of this _____ day of _____, 200_, by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and _____ (the "Optionee").

W I T N E S S E T H

WHEREAS, pursuant to the Alexion Pharmaceuticals, Inc. 2004 Incentive Plan (the "Plan"), the Company desires to grant to the Optionee, and the Optionee desires to accept, an option to purchase shares of common stock, $.0001 par value, of the Company (the "Common Stock") upon the terms and conditions set forth in this Agreement and the Plan. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant. The Company hereby grants to the Optionee an option to purchase _____ shares of Common Stock on the terms and conditions set forth herein ("Option").

This option to purchase shares of Common Stock is granted in connection with the services rendered by the Optionee as an employee of the Company. This Option is intended to be treated as an option which [is] [is not] an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, to the extent permissible by law.

2. Purchase Price. The purchase price of each share of Common Stock subject to the Option (collectively, the "Option Shares") shall be $_____. The purchase price of the Option Shares shall be paid at the time of exercise, as provided in paragraph 3 hereof.

3. Exercise. Provided that the Optionee shall be in the employ or service (as an officer, director, consultant or other independent contractor or otherwise) by the Company or a subsidiary, the Option to purchase _____shares of Common Stock shall become exercisable, subject to acceleration of such vesting as herein provided and as provided in that certain Employment Agreement between the Company and Optionee, in accordance with the following schedule:

Event Relating to Vesting	Number of Options Vested

If the Optionee performs services for the Company or a subsidiary in a capacity other than as a director or employee, then, for purposes hereof, those services will be deemed to be continuous until they are terminated, and they will be deemed to be terminated at the time provided therefor in the consulting or other agreement governing the performance of such services or, if there is no such agreement, at the time the Company notifies the Optionee that it no longer contemplates the utilization of such services. The options may be exercised in whole or in part by delivering to the Secretary of the Company (a) a written notice specifying the number of shares to be purchased, and (b) payment in full of the exercise price, together with the amount, if any, deemed necessary by the Company to enable it to satisfy any income tax withholding obligations with respect to the exercise (unless other arrangements, acceptable to the Company, are made for the satisfaction of such withholding obligations), or by delivering to the Secretary of the Company other shares of Common Stock of the Company. The exercise price shall be payable by bank or certified check, or by such other method as the Board of Directors may in its sole discretion, determine; provided, however, that in lieu of the foregoing, the Optionee may exercise the Option, in whole or in part, by delivering to the Company shares of common stock of the Company (in proper form for

transfer and accompanied by all requisite stock transfer tax stamps or cash in lieu thereof) then owned by the Optionee for at least six months and having a fair market value equal to the cash exercise price applicable to that portion of the Option being exercised by the delivery of such shares. The fair market value of the shares delivered as consideration for the exercise of such Option shall be determined as of the date immediately preceding the date upon which the Option is exercised, or as may be required in order to comply with or to conform to the requirements of any applicable laws or regulations. Restricted stock (i.e., unregistered securities) shall be valued as if it were not subject to restrictions on transfer or possibilities of forfeiture. If shares of restricted stock are utilized as consideration for the exercise of an Option, the number of shares issued upon the exercise of such Option equal to the number of shares of restricted stock utilized as consideration therefore shall be subject to the same restrictions as the restricted stock so utilized. In addition, in lieu of payment of any such income tax withholding obligations, the Optionee shall have the right to require the Company to retain and cancel a number of Option Shares out of the Option Shares being purchased having a fair market value equal to the amount of such income tax withholding obligations (or so much thereof as shall not be paid by the Optionee in connection with such exercise).

4. Termination. The Option terminates at midnight on _____ and may not be exercised under any circumstances thereafter.

5. Riqhts as Stockholder. No shares of Common Stock shall be sold or delivered hereunder until full payment for such shares has been made. The Optionee shall have no rights as a stockholder with respect to any Option Shares until a stock certificate for such shares is issued to him or her. Except as otherwise provided herein, no adjustment shall be made for dividends or distributions of other rights for which the record date is prior to the date such stock certificate is issued.

6. Nontransferability. This Option is not assignable or transferable except by will and/or the laws of descent and distribution, and is exercisable during the Optionee's lifetime only by the Optionee. If the Optionee shall die, his estate, personal representative, or beneficiary shall have the right, subject to the provisions of paragraph 4, to exercise the Option at any time during the remainder of the term of the Option. Notwithstanding the foregoing provisions of this Section 6, the Optionee may transfer all or a portion of the Option to: (i) any of the Optionee's "family members" (as defined in General Instruction A to Form S-8 under the Securities Act of 1933, as amended)("Family Members"); (ii) a trust or trusts in which the Family Members have more than fifty percent (50%) of the beneficial interest; (iii) a foundation or foundations in which the Family Members and/or the Optionee control the management of assets; (iv) any other entity or entities in which the Family Members and/or the Optionee own more than fifty percent (50%) of the voting interests; or (v) subject to the Optionee's and the proposed transferee's satisfaction of such terms and conditions

as the Committee, in its sole discretion, any transferee or transferees approved by the Committee in writing prior to such transfer. At least thirty (30) days prior to transferring any part of this Option, the Optionee shall provide the Company with a written notice of transfer stating the proposed transferee's name, address and relationship to the Optionee and the amount and form of consideration, if any, to be received by the Optionee pursuant to the proposed transfer and such other information the Company may require in order to evaluate the proposed transfer, including, if applicable, such evidence that the Company deems necessary to establish that the transferee is a Family Member of the Optionee. A transferee of this Option shall take and hold this Option subject to the terms and conditions of this Agreement and the Plan. The Optionee hereby acknowledges that, in the event the Optionee transfers this Option in whole or in part, the Optionee shall remain responsible for the satisfaction of any tax withholding obligations relating to the transfer or exercise of this Option and, further acknowledges that, the transferee's right to exercise any part of this Option shall be subject to, and conditioned upon, the Optionee's satisfaction of any such withholding obligations.

7. Securities Restrictions. If the shares to be issued upon an exercise of the option are not registered under the Securities Act of 1933, then, as a further condition of the Company's obligation to issue such shares, the Optionee may be required to give a representation in writing that the Optionee is acquiring the shares for his own account as an investment and not

with a view to, or for sale in connection with, the distribution of such shares, and the certificates representing such shares shall bear a legend to such effect as the Company's counsel shall deem necessary or desirable. The Option shall in no event be exercisable and shares shall not be issued hereunder if, in the opinion of counsel to the Company, such exercise and/or issuance would result in a violation of federal or state securities laws.

8. Capital Changes, Reorganizations, etc.

(a) In case of any split-up or consolidation of shares or any like capital adjustment, or the payment of a stock dividend which increases or decreases the number of outstanding shares of Common Stock, appropriate adjustment shall be made to the number of shares and the exercise price per share which may still be purchased under this Agreement.

(b) In case of any capital reorganization or reclassification of the Common Stock of the Company, or in case of any consolidation or merger of the Company with or into any other corporation, or in case of any sale to another corporation of the properties and assets of the Company as or substantially as an entirety, then, and in each such case, the Optionee shall have the right to receive upon the exercise hereof, at any time after the consummation of such reorganization, reclassification, consolidation, merger or sale, the kind and amount of shares of stock or other securities or property receivable upon such reorganization, reclassification, consolidation, merger or sale by a holder of the number of shares of Common Stock issuable upon exercise of

this Option immediately prior to such reorganization, reclassification, consolidation, merger or sale; and in any such case, if necessary, the provisions set forth herein with respect to the rights and interests thereafter of the Optionee hereunder shall be appropriately adjusted so as to be applicable, as nearly as may reasonably be, to any shares of stock or other securities or property thereafter receivable upon the exercise of this Option. The above provisions of this paragraph 8 shall similarly apply to successive reclassification and changes of the Common Stock and to successive consolidations, mergers, sales or conveyances.

(c) In case the Company shall pay any stock dividend or make any distribution other than a cash dividend to the holders of the Common Stock, or shall offer for subscription to the holders of the Common Stock any additional shares of Common Stock or any stock of any class of the Company or any other securities, or in the case of any capital reorganization or reclassification of the capital stock of the Company or a consolidation or merger of the Company with another corporation, or the final dissolution, liquidation or winding up of the Company, or a sale of all or substantially all its assets (whether voluntary or involuntary); then in any one or more of said cases, the Company shall mail to the Optionee at the address of the Optionee on the records of the Company, at least ten days' prior notice of the date on which the books of the Company shall close (or a record shall be taken) for such stock dividend, distribution or subscription rights, or such reorganization,

reclassification, consolidation, merger, dissolution, liquidation, winding up or sale shall take place, as the case may be. Such notice shall also specify the date as of which shareholders of record shall be entitled to participate in such dividend, distribution or subscription rights or to exchange their shares of Common Stock for other securities or property pursuant to such reorganization, reclassification, consolidation or merger, or to receive their respective distributive shares in the event of such dissolution, liquidation, winding up or sale, as the case may be. Such notice shall also set forth a statement of the effect of such action (to the extent then known) on the exercise price and the kind and amount of shares of capital stock and property receivable upon exercise of this Option.

(d) Upon a merger (other than a merger of the Company in which the holders of Common Stock immediately prior to the merger have the same proportionate ownership of common stock in the surviving corporation immediately after the merger), consolidation, sale of property or stock, separation, reorganization (other than a mere reincorporation or the creation of a holding company) or liquidation of the Company, as a result of which the stockholders of the Company receive cash, stock or other property in exchange for or in connection with their shares of Common Stock, the Optionee will be permitted to exercise all of his outstanding Options, whether or not otherwise exercisable and notwithstanding any waiting period otherwise prescribed. Notwithstanding the preceding sentence, if, as part of any such exchange transaction, the shareholders of the Company receive

capital stock or rights to acquire capital stock of another corporation (or any securities convertible into or exchangable for capital stock of another corporation), the Board of Directors of the Company, or the Board of Directors of any corporation assuming the obligations of the Company hereunder, shall either (i) make appropriate provisions for the protection of this Option by the substitution on an equitable basis of appropriate stock of the Company, or appropriate stock of the merged, consolidated, or otherwise reorganized corporation, provided only that such substitution of options complies with any applicable requirements of the Internal Revenue Code of 1986 as amended (the "Code"), or (ii) give written notice to the Optionee at least ten (10) days prior to the later of (1) the date on which such merger, consolidation or acquisition of assets or stock is expected to become effective or (2) the date as of which a record will be taken to determine the holders of shares who shall be entitled to exchange shares for securities or other property deliverable upon such merger, consolidation or acquisition of assets or stock, that this Option, which will become immediately exercisable whether or not otherwise exercisable and notwithstanding any waiting period otherwise prescribed, must be exercised (subject to consummation of such transaction) within 60 days of the date of such notice or this Option will be terminated. In such event, the Optionee shall receive, with respect to each share subject to this Option, an amount equal to the excess of the fair market value of the shares and other property in connection with such transaction over the exercise price of such Option; payable in

cash, in one or more of the kinds of property payable in such transaction, or in a combination thereof, as the Board in its discretion shall determine. The provisions contained in the preceding sentence shall be inapplicable to an option granted within six (6) months before the occurrence of a transaction described above if any class of any equity security of the Company (other than an exempted security) is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and if the Optionee is a director or officer of the Company or a beneficial owner of the Company who is described in Section 16(a) of the Exchange Act, unless such holder dies or becomes disabled (within the meaning of Section 105(d) (4) of the Code) prior to the expiration of such six-month period.

(e) In the event of any adjustment in the number of shares covered by any option pursuant to the provisions hereof, any fractional shares resulting from such adjustment will be disregarded and each such option will cover only the number of full shares resulting from the adjustment.

(f) All adjustments under this paragraph 8 shall be made by the Board, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

9. Registration Rights.

If the Company grants registration rights with respect to Common Stock to any person or entity superior to, or on terms more favorable than, those set forth herein, such

registration rights provisions shall be immediately incorporated into this Stock Option Agreement. If language incorporated herein contradicts any previously existing provision under this Section 9, or any other section of this Stock Option Agreement, the new language so incorporated will take precedence and be deemed controlling.

If the Company shall determine to register any of its securities, either for its own account or the account of any other security holder or holders, the Company will give to the Optionee written notice thereof and offer to include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the shares of Common Stock (the "Option Shares") issued upon the exercise of the Option specified in a written request or requests, made by the Optionee within five days after receipt of the written notice from the Company, except as set forth below. Such written request may specify all or a part of any Optionee's Option Shares.

If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Optionee as a part of the written notice. In such event the right of the Optionee to registration shall be conditioned upon such holder's participation in such underwriting and the inclusion of the Optionee's Option Shares in the underwriting to the extent provided herein. The Optionee, proposing to distribute his Option Shares through such underwriting, shall (together with the

Company and the other shareholders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected by the Company. Notwithstanding the foregoing, if the representative of the underwriters advises the Company that marketing factors require a limitation on the number of shares to be underwritten, the representative may limit the number of Option Shares to be included in the registration and underwriting. The Company shall so advise the Optionee and the number of securities that are entitled to be included in the registration and underwriting shall be allocated first to the Company for securities being sold for its own account, then to the Optionee, then to other shareholders exercising “piggy-back” registration rights pro rata in accordance with the number of shares requested to be registered, and thereafter to directors, officers and other participating management personnel of the Company (except the Optionee with respect to the Option Shares).

The Optionee, to the extent that Option Shares are included in any registration, shall furnish to the Company such information regarding the Optionee and the distribution proposed by the Optionee as the Company may reasonably request in writing and as shall be reasonably required, and shall otherwise cooperate with the Company, in connection with any registration, qualification or compliance.

All registration expenses incurred in connection with any registration shall be borne by the Company, except to the extent otherwise required by applicable state “blue sky”

regulations, and except that all Selling Expenses (as defined below) shall be borne by the Optionee, pro rata on the basis of the number of Option Shares so registered. The rights to cause the Company to register securities granted to the Optionee by the Company may not be transferred or assigned by the Optionee.

"Selling Expenses" shall mean all underwriting discounts and selling commissions applicable to the sale of Option Shares and all fees and disbursements of counsel for the Optionee.

The Company will indemnify the Optionee with respect to whom registration, qualification or compliance has been effected hereunder against all claims, losses, damages and liabilities (or actions, proceedings or settlements in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse the Optionee for any legal and any other expenses reasonably incurred in connection with investigating and defending or

settling any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by the Optionee and stated to be specifically for use therein.

The Optionee will, if Option Shares held by him are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of the Securities Act and the rules and regulations thereunder, each other shareholder and each of their officers, directors and partners, and each person controlling such other shareholder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and such other shareholders, directors, officers partners, persons, underwriters, control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the

extent, that such untrue statement or omission is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by the Optionee which pertains to the Optionee and is stated to be specifically for use therein.

Each party entitled to indemnification hereunder (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations hereunder. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish

such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

The Optionee will, if requested by the Company and an underwriter of securities of the Company, not sell or otherwise transfer or dispose of any securities of the Company held by him (other than Option Shares included in the registration statement) during any period required by the underwriter following the effective date of a registration statement of the Company filed under the Securities Act. The Optionee will, if requested by the Company and the underwriter, enter into an agreement in writing in a form satisfactory to the Company and such underwriter to the foregoing effect. The Company may impose stop-transfer instruction with respect to the securities subject to the foregoing restriction until the end of said period.

10. Miscellaneous.

(a) This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(b) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. This agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be modified except by written instrument executed by the parties.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

ALEXION PHARMACEUTICALS, INC.

BY: _____

Name:
Title:

_____

OPTIONEE

Exhibit 31.1

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

1. I have reviewed this quarterly report on Form 10-Q 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 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 most recent 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:
   (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: March 7, 2005

/s/ Leonard Bell, M.D.

Leonard Bell, M.D.
Chief Executive Officer

Exhibit 31.2

I, Carsten Boess, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 most recent 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:
   (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: March 7, 2005

/s/ Carsten Boess

Carsten Boess
Vice President and Chief Financial 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 quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc. (the "Company") for the fiscal quarter ended January 31, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Leonard Bell M.D., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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.

Dated: March 7, 2005

/s/ Leonard Bell, M.D.

Leonard Bell, M.D.
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company 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 quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc. (the "Company") for the fiscal quarter ended January 31, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Carsten Boess, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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.

Dated: March 7, 2005

/s/ Carsten Boess

Carsten Boess
Vice President and Chief Financial Officer

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