UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 31, 2000
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 0-27756

ALEXION PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

25 SCIENCE PARK, NEW HAVEN, CONNECTICUT 06511
(Address of Principal Executive Offices) (Zip Code)

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

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

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

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System on October 5, 2000, was approximately $1,620,000,000.

The number of shares of Common Stock outstanding as of October 5, 2000 was 15,494,671.

PART I

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS THAT HAVE BEEN MADE PURSUANT TO THE PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD LOOKING STATEMENTS ARE BASED ON CURRENT EXPECTATIONS, ESTIMATES AND PROJECTIONS ABOUT THE COMPANY'S INDUSTRY, MANAGEMENT'S BELIEFS AND CERTAIN ASSUMPTIONS MADE BY THE COMPANY'S MANAGEMENT. WORDS SUCH AS "ANTICIPATES," "EXPECTS," "INTENDS," "PLANS," "BELIEVES," "SEEKS," "ESTIMATES," VARIATIONS OF SUCH WORDS AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT; THEREFORE, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR FORECASTED IN ANY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS AND UNCERTAINTIES INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH HEREIN UNDER "IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS," ATTACHED HERETO AS EXHIBIT 99, AS WELL AS THOSE NOTED IN THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE. UNLESS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. HOWEVER, READERS SHOULD CAREFULLY REVIEW THE RISK FACTORS SET FORTH IN OTHER REPORTS OR DOCUMENTS THE COMPANY FILES FROM TIME TO TIME WITH THE SECURITIES AND EXCHANGE COMMISSION.

ITEM 1. BUSINESS.

OVERVIEW

We develop pharmaceutical products for the treatment of heart disease, and inflammation, diseases of the immune system and cancer in humans. During the fiscal years ended July 31, 2000, 1999, and 1998, we spent $40.2 million, $23.7 million, and $12.3 million, respectively, on research and development activities. Our lead product candidates are genetically altered antibodies that target specific diseases which arise when the human immune system induces undesired inflammation in the human body. Our lead product candidates are designed to block components of the human immune system which cause undesired inflammation while allowing beneficial components of the immune system to remain functional. Our two lead genetically altered antibody product candidates are designed to block the inflammatory effects of the components of the immune system known as "complement," and are:

- 5G1.1-SC. We completed enrollment in Phase IIb trials for the treatment of acute inflammation caused by the trauma of heart and lung bypass procedures during open heart surgery, and we are enrolling patients in two Phase II heart attack trials. We are developing 5G1.1-SC in collaboration with Procter & Gamble; and

- 5G1.1. We completed enrollment in Phase II trials for the chronic treatment of rheumatoid arthritis and we are enrolling patients in Phase II trials for the treatment of membranous nephritis, and Phase Ib pilot trials for psoriasis, dermatomyositis, and bullous pemphigoid. We are developing 5G1.1 ourselves.

In September 2000, we acquired Prolifaron, Inc., through a merger with Alexion Antibody Technologies (AAT), Inc., a newly created, wholly owned subsidiary of Alexion. Prolifaron was a biopharmaceutical company that possessed extensive research expertise and technologies in the area of creating fully human antibodies from libraries containing billions of human antibody genes.

In addition, to our antibody product candidates which inhibit the inflammatory effects of complement and our technology programs focusing on human antibody discovery and development, we are developing products to block the harmful effects of a component of the immune system known as "T-cells" in pre-clinical studies. We call these products "Apogens." We are targeting our first Apogen product candidate, known as MP4, for the treatment of patients with multiple sclerosis. We are also developing methods of blocking the human immune system to permit the use of cells and organs from non-human species in the treatment of diseases in humans. This product development program is initially targeting the treatment of patients with Parkinson's disease and patients with spinal cord injury with genetically altered pig cells.

THE IMMUNE SYSTEM

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

- harmful microorganisms;

- cells containing foreign proteins known as antigens; and

- disease-causing combinations of antigens and antibodies known as immune complexes.

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

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

- cardiopulmonary bypass surgery;

- myocardial infarction;

- unstable angina;

- angioplasty; and

- stroke and other peripheral vascular diseases.

Common autoimmune diseases in which the complement cascade is activated include:

- rheumatoid arthritis;

- kidney diseases;

- lupus;

- inflammatory bowel diseases;

- inflammatory skin disorders; and

- multiple sclerosis.

T-cells, a type of white blood cell, play a critical role in the normal immune response by recognizing cells containing antigens and initiating the immune response. This response results in T-cells:

- attacking the antigen-containing tissue; and

- directing the production of antibodies by white blood cells to eliminate the antigen-bearing foreign organism.

In autoimmune diseases, T-cells may mistakenly attack healthy host tissue and may cause an inflammatory response resulting in tissue destruction. In the case of multiple sclerosis, this may cause paralysis due to destruction of nerve fibers in the brain.

PRODUCT DEVELOPMENT PROGRAMS

We have focused our product development programs on anti-inflammatory therapeutics for diseases for which we believe current treatments are either non-existent or inadequate. Currently available drugs for certain autoimmune, cardiovascular and neurologic diseases, in which the immune system attacks the patient's own tissue, broadly suppress the entire immune system, and may also cause potentially severe side effects. Our lead product candidates, which are genetically altered antibodies known as C5 Complement Inhibitors, are designed to selectively block the production of inflammation-causing proteins in the complement cascade. We believe that selective suppression of this immune response will provide a significant therapeutic advantage relative to existing therapies.

Additionally, we are developing selective T-cell inhibitors known as Apogens and UniGraft xenotransplants for neurologic disorders.

Our product candidates are as follows:

PRODUCT CANDIDATE	TECHNOLOGY	INDICATION	STATUS
5G1.1-SC	C5 Complement Inhibitor (single chain antibody)	Cardiopulmonary bypass	Phase IIb enrollment completed
		Myocardial infarction	
		(1) Thrombolysis	Phase II ongoing
		(2) PTCA	Phase II ongoing
5G1.1	C5 Complement Inhibitor (antibody)	Rheumatoid arthritis	Phase II enrollment completed
		Membranous nephritis	Phase II ongoing
		Lupus	Phase I completed
		Psoriasis	Phase Ib ongoing
		Dermatomyositis	Phase Ib ongoing
		Bullous Pemphigoid	Phase Ib ongoing
MP4	Apogen	Multiple sclerosis	Pre-clinical
UniGraft-SCI	Cell replacement	Spinal cord injury	Pre-clinical
UniGraft-PD	Cell replacement	Parkinson's disease	Pre-clinical

C5 COMPLEMENT INHIBITORS

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

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

- activation of white blood cells;

- attraction of white blood cells;

- production of injurious cytokines including tumor necrosis factor-alpha;

- activation of blood vessel-lining cells called endothelial cells, allowing leakage of white blood cells into tissue; and

- activation of blood-clotting cells called platelets.

The following diagram describes the complement cascade:

[diagram]

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

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

- preventing inflammation during cardiopulmonary bypass;

- reducing heart tissue damage during myocardial infarction;

- reducing brain damage in cerebral ischemia;

- enhancing survival in a model of lupus; and

- preserving kidney function in nephritis.

In addition, in initial human clinical trials, we have shown that C5 Inhibitors can reduce:

- inflammation during cardiopulmonary bypass surgery;

- heart tissue damage during cardiopulmonary bypass surgery;

- new cognitive deficits after cardiopulmonary bypass surgery;

- an objective measure of disease activity in rheumatoid arthritis patients; and

- the incidence of proteinuria in lupus patients.

C5 INHIBITOR IMMUNOTHERAPEUTIC PRODUCT CANDIDATES

We are developing one of our two lead C5 Inhibitor product candidates, 5G1.1-SC, for the treatment of inflammation related to acute cardiovascular diseases and procedures. Our initial indications for 5G1.1-SC are cardiopulmonary bypass surgery and myocardial infarction. We are developing our other C5 Inhibitor product candidate, 5G1.1, for the treatment of inflammation related to chronic autoimmune disorders. Our initial indications for 5G1.1 are rheumatoid arthritis, membranous nephritis, psoriosis, dermatomyositis, and bullious pemphagoid. We have selected these seven initial indications because we believe each represents a clinical condition which is:

- closely tied to the production of activated complement byproducts;

- characterized by clear development pathways;

- inadequately treated by current therapies;

- associated with substantial health care costs; and

- a significant market opportunity.

To date, 5G1.1-SC and 5G1.1 have been observed to be safe and well tolerated in completed and ongoing controlled clinical trials in over 1,300 individuals treated with either C5 Inhibitor or placebo.

5G1.1-SC

5G1.1-SC is a humanized, single chain antibody that has been shown to block complement activity for up to 20 hours at doses tested and is designed for the treatment of acute inflammatory conditions. In January 1999, we entered into a collaboration with Procter & Gamble to develop and commercialize 5G1.1-SC. Under this collaboration, we will initially pursue the development of 5G1.1-SC for the treatment of inflammation caused by various acute cardiovascular indications and procedures such as cardiopulmonary bypass surgery, myocardial infarction and angioplasty. Procter & Gamble has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications.

CARDIOPULMONARY BYPASS SURGERY

In cardiopulmonary bypass surgery, blood is diverted from a patient's heart and lungs to a cardiopulmonary, heart-lung, bypass machine in the operating room. The machine adds oxygen to the blood and circulates the oxygenated blood to the organs in the patient's body. Significant side effects of cardiopulmonary bypass surgery include tissue damage and excessive bleeding during and after the procedure. We believe these side effects may result from activation of the complement cascade when the patient's blood comes into contact with the plastic lining of the machine, when insufficient blood flows through the heart as a result of the procedure and after blood flow through the heart is reintroduced following completion of the procedure. Activated complement byproducts may be increased by over 1,000% in patients undergoing cardiopulmonary bypass surgery. The inflammation is also characterized by activation of leukocytes, a type of white blood cell, and platelets, cells responsible for clotting. We believe that this leukocyte activation is associated with impaired lung, heart, brain and kidney function. We further believe that platelet activation and subsequent platelet dysfunction during the procedure impair a patient's ability to stop the bleeding that occurs after extensive surgery.

5G1.1-SC is designed to rapidly penetrate the patient's tissues and to inhibit complement activation in patients immediately before, during and after cardiopulmonary bypass in order to reduce the cardiovascular and brain tissue damage and bleeding complications. We believe inhibition of the inflammatory response might reduce:

- incidence of death;

- incidence of heart tissue damage;

- incidence of stroke;

- post-operative complications;

- the time spent by patients in the intensive care unit;

- the scope of required treatments associated with cardiopulmonary bypass; and

- the need for blood transfusions.

The American Heart Association estimates that in 1997, approximately 600,000 cardiopulmonary bypass operations were performed in the United States. Currently, products utilized in patients undergoing cardiopulmonary bypass are designed to enhance the coagulation of blood so as to reduce the need for blood transfusions. However, we believe these products have little beneficial effect on the heart and brain inflammatory complications associated with the surgery.

Our pre-clinical studies indicated that C5 Inhibitors can prevent activation of platelets and leukocytes and the subsequent inflammatory response that occurs during circulation of human blood in a closed-loop cardiopulmonary bypass machine. These pre-clinical studies additionally indicated that administration of a C5 Inhibitor reduces cardiac damage associated with reduced heart blood flow.

CLINICAL TRIALS

In March 1996, we filed an investigational new drug application, or IND, with the FDA for 5G1.1-SC, targeting the treatment of patients undergoing cardiopulmonary bypass surgery. To date, we have initiated and completed four human clinical trials of 5G1.1-SC administered intravenously. Although we designed these early clinical studies primarily to assess dosing and safety, we also collected biological and clinical results. These trials are described below.

- In June 1996, we commenced a Phase I clinical trial in 33 healthy volunteers receiving a single bolus administration of 0.5 to 2.0 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:

  -- was safe and well tolerated in this study population as compared to placebo; and

  -- showed dose-dependent reduction in complement activity in study subjects.

- In October 1998, we commenced a Phase I clinical trial in 49 healthy volunteers receiving a single bolus dose, double bolus dose, and single bolus dose followed by continuous infusion administration of up to 6.8 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:

  -- was safe and well tolerated in this study population as compared to placebo; and

  -- showed dose-dependent reduction in complement activity in study subjects.

- In October 1996, we commenced a Phase I/II clinical trial in 17 patients undergoing cardiopulmonary bypass surgery receiving a single bolus administration of 0.5 to 2.0 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:

  -- was safe and well tolerated in this study population as compared to placebo; and

  -- showed a dose-dependent reduction in the more than ten-fold increase in activated complement byproducts experienced by placebo-treated patients.

- In August 1997, we commenced a Phase IIa clinical trial in 18 patients undergoing cardiopulmonary bypass surgery receiving a single bolus administration of 1.0 or 2.0 mg/kg of 5G1.1-SC or placebo. In this trial, 5G1.1-SC:

  -- was safe and well tolerated in this study population as compared to placebo; and

  -- showed dose-dependent reductions in activated complement byproducts.

In April 1998, we announced the combined results of our Phase I/II and Phase IIa trials in cardiopulmonary bypass surgery patients. The results for patients treated with either a 2.0 mg/kg bolus of 5G1.1-SC or placebo are shown in the table below.

CLINICAL RESULTS OF A SINGLE 2.0 MG/KG DOSE OF 5G1.1-SC
IN PATIENTS UNDERGOING CARDIOPULMONARY BYPASS

BIOLOGICAL AND CLINICAL MEASUREMENTS	5G1.1-SC VS. PLACEBO
C5 complement activation	100% less*
C3 complement activation	No difference
Leukocyte activation	60% to 70% less*+
Heart tissue damage	40% less*
New cognitive deficits	80% less*
Blood loss	400 ml less*

* P < .05 vs. placebo

+ Includes both patients treated with 1.0 mg/kg 5G1.1-SC and patients treated with 2.0 mg/kg 5G1.1-SC

In January 1999, we commenced dosing patients undergoing coronary artery bypass graft surgery with or without accompanying valve surgery during cardiopulmonary bypass in a Phase IIb clinical trial with 5G1.1-SC. In September 2000, we announced that we had completed enrollment in this multi-center, double-blinded, randomized, placebo-controlled study was completed. The study enrolled approximately 1,000 patients and is designed to gather clinical data to augment and extend previous findings regarding the safety profile and pharmacokinetics of 5G1.1-SC and its efficacy in reducing the life-threatening inflammatory complications, such as mortality, myocardial infarction, heart failure and stroke, that can be triggered by cardiopulmonary bypass procedures.

ACUTE MYOCARDIAL INFARCTION

Myocardial infarction is an acute cardiovascular disorder in which the coronary arteries, the blood vessels that supply nutrients to the heart muscle, are blocked to such an extent that the flow of blood is insufficient to supply enough oxygen and nutrients to keep the heart muscle alive. With insufficient supply of blood, oxygen, and nutrients, the heart muscle may subsequently infarct or die. Upon the reduction in flow in the coronary artery, a complex cascade of inflammatory events involving complement proteins, platelets and leukocytes and their secreted factors, and endothelial cells commences within the blood vessel. In patients suffering a myocardial infarction, activated complement byproducts are significantly elevated. This severe inflammatory response targeting the area of insufficient blood flow to cardiac muscle is associated with subsequent death of heart muscle. Restoration of blood flow is also associated with an additional inflammatory reaction with concomitant production of activated complement byproducts. In addition to the high incidence of sudden cardiac death at the onset, severe complications associated with the initial survival of an acute myocardial infarction include congestive heart failure, stroke, and death. The American Heart Association estimates that approximately 1.1 million people in the United States will have a heart attack in 2000.

We are developing 5G1.1-SC to inhibit inflammation associated with complement activation in order to reduce the extent of death of heart muscle in patients suffering an acute myocardial infarction. In contrast, most drugs currently being developed or on the market to treat myocardial infarction are designed to improve blood flow through the heart, rather than treating the damaging effects of inflammation caused by myocardial infarction. We and our scientific collaborators have performed pre-clinical studies in rodents which have demonstrated that administration of a C5 Inhibitor during periods of insufficient supply of blood to the heart muscle and prior to restoration of normal flow to the heart muscle significantly reduced the extent of subsequent death of heart muscle compared to control animal studies. Additionally, administration of a C5 Inhibitor significantly reduced the extent of

cardiac damage associated with reduced heart blood flow without subsequent restoration of blood flow. The results of these pre-clinical studies are shown in the table below.

PRE-CLINICAL RESULTS WITH C5 INHIBITOR ADMINISTRATION
IN ANIMAL MODELS OF MYOCARDIAL INFARCTION

BIOLOGICAL AND CLINICAL MEASUREMENTS	C5 INHIBITOR VS. PLACEBO
Complement activity	100% less*
Leukocyte activation	> 90% less*
Heart tissue damage	50% less*

* P < .05 vs. placebo

CLINICAL TRIALS

In October 1998, we commenced dosing subjects in a Phase I clinical trial in healthy individuals that was designed to evaluate dosing regimens for subsequent cardiopulmonary bypass and myocardial infarction clinical trials. We have used the results of this trial to select dosing regimens for subsequent clinical trials in acute myocardial infarction patients. The results of this trial indicated that 5G1.1-SC was well tolerated at doses more than three times as high as had been previously administered. In December 1999, together with our collaborator Procter & Gamble, we announced that we were commencing enrollment in two Phase II trials each one designed to enroll approximately 1,000 patients for the treatment of acute myocardial infarction.

5G1.1

5G1.1 is a humanized, monoclonal antibody that blocks complement activity for one to two weeks at doses tested and is designed for the chronic treatment of autoimmune diseases such as rheumatoid arthritis and nephritis. 5G1.1 is not included in the collaboration with Procter & Gamble, and we have retained full rights to 5G1.1.

RHEUMATOID ARTHRITIS

Rheumatoid arthritis is an autoimmune disease directed at various organ and tissue linings, including the lining of the joints, causing inflammation and joint destruction. Clinical signs and symptoms of the disease include weight loss, joint pain, morning stiffness and fatigue. Further, the joint destruction can progress to redness, swelling and pain with frequent and severe joint deformity. Diagnostic procedures, which may include obtaining a sample of joint fluid, routinely demonstrate substantial elevations in the levels of activated complement byproducts in the joint fluid of affected rheumatoid arthritis patients. Rheumatoid arthritis is generally believed to be caused by different types of white blood cells, including T-cells, which both directly attack the patient's joints and also activate B-cells to produce antibodies which activate complement proteins in the joint leading to inflammation with subsequent tissue and joint destruction. It is estimated that more than 2.0 million people are currently affected by rheumatoid arthritis in the United States.

We are developing 5G1.1 for the treatment of patients with chronic inflammatory diseases, including rheumatoid arthritis. We have performed pre-clinical studies in rodent models of rheumatoid arthritis which have shown that C5 Inhibitor administration, as compared to placebo-treated subjects:

- reduced the swelling in joints;

- prevented the onset of erosion of joints;

- reduced the inflammatory white blood cell infiltration into the joints;

- prevented the spread of disease to additional joints;

- blocked the onset of clinical signs of rheumatoid arthritis; and

- ameliorated established disease.

Currently, there are a large number of anti-inflammatory drugs under development or on the market for the treatment of patients with rheumatoid arthritis. These drugs include non-steroidal anti-inflammatory drugs, and their more recent analog the COX-2 inhibitors, which generally treat the symptoms of the disease, but do not alter disease progression. There are also several currently available drugs that are disease-modifying agents, but these are associated with undesirable side effects. More recently, tumor necrosis factor, or TNF, inhibitors have been approved or are under development to reduce the inflammatory response. TNF is one of the many injurious substances that may be generated downstream of the complement cascade. In contrast to these single agent inhibitors like TNF inhibitors, by acting at C5 of the complement cascade, we expect 5G1.1 both to block complement activation and reduce the production of many of these downstream harmful substances. Because of this dual action, we believe that 5G1.1 may provide a more potent anti-inflammatory effect.

CLINICAL TRIALS

In December 1997, we filed an IND with the FDA for 5G1.1 in the treatment of rheumatoid arthritis patients.

- In July 1998, we commenced a Phase I/II multi-center, clinical trial in 42 rheumatoid arthritis patients receiving a single bolus administration of 0.1 to 8.0 mg/kg of 5G1.1. In this trial, 5G1.1:

  -- was safe and well tolerated in this study population as compared to placebo;

  -- showed dose-dependent reduction in complement activity in study subjects; and

  -- at 8.0 mg/kg, showed a reduction in C-reactive protein blood levels in study subjects.

C-reactive protein is considered by many physicians to be the most objective component of the American College of Rheumatology's definition of efficacy criteria for rheumatoid arthritis drug trials. Although this initial clinical trial was designed to primarily assess dosing and safety, biological and clinical results were collected. These results in the patients treated with a 8.0 mg/kg bolus of 5G1.1, announced in April 1999, are shown in the table below.

CLINICAL RESULTS OF A SINGLE 8.0 MG/KG DOSE OF 5G1.1
IN PATIENTS WITH RHEUMATOID ARTHRITIS

BIOLOGICAL AND CLINICAL MEASUREMENTS	AFTER 5G1.1 TREATMENT VS. BEFORE 5G1.1 TREATMENT
Complement activity	100% reduction*
C-reactive protein blood level	30% decrease*

* P < .05 vs. before treatment

In November 1999, we announced additional results from this Phase I/II trial that demonstrated 50% of rheumatoid arthritis patients receiving 8.0 mg/kg of 5G1.1 achieved an ACR20 score, a measure of clinical benefit, as compared to 10% of placebo-treated patients. In August 1999, we initiated a Phase II multi-center, double-blinded, randomized, placebo-controlled clinical safety and efficacy trial with multiple doses of 5G1.1 at one to four week dosing intervals. We announced that we completed the trial enrollment of the 200 patients in August 2000. Also in August 2000, we announced that we

have commenced a one year extended trial designed to test safety and enroll approximately 100 rheumatoid arthritis patients.

MEMBRANOUS NEPHRITIS

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

- hypertension;

- strokes;

- infections;

- anemia;

- heart, lung and joint inflammation;

- coma; and

- death.

Many forms of damage to the glomeruli are mediated by the immune system, particularly by antibodies and activated complement proteins. Membranous nephritis is a form of kidney inflammation that is believed to be caused by a chronic autoimmune disorder that targets the kidney. We estimate that there are approximately 100,000 to 300,000 people currently afflicted with membranous nephritis in the United States.

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

- abnormally low levels of protein in the blood;

- a propensity for abnormal clotting;

- abnormal lipid elevations; and

- substantial swelling in the abdomen and under the skin.

Current therapies for membranous nephritis include potentially toxic drugs more frequently used in other indications such as cancer. These drugs generally act to suppress broadly the proliferation of many types of cells, including white blood cells. We believe that the use of such therapies is generally limited due to their unfavorable side effects. Even with current therapies, in such a severe disease population more than 30% of the patients are expected to progress to renal failure, which may require dialysis or transplantation. In contrast, 5G1.1 directly targets the inhibition of deleterious complement

activation. We believe 5G1.1 may exert more selective and effective anti-inflammatory activity without the adverse effects associated with current therapies.

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

- scarring of the kidney;

- breakdown of kidney tissue into the urine;

- clogging of the kidney filtering units; and

- proteinuria.

CLINICAL TRIALS

We are developing 5G1.1 for a family of kidney and kidney-related chronic autoimmune disorders, which include membranous nephritis, lupus nephritis, and lupus. Our strategy is to develop 5G1.1 in kidney disease by initially obtaining safety data in the more readily available lupus patient population and then to commence efficacy trials in patients with a kidney disorder known as membranous nephritis. We are initially starting efficacy trials with 5G1.1 for the treatment of membranous nephritis patients because of the more uniform clinical presentations of membranous nephritis patients as compared to lupus patients. We then intend to expand our efforts to conduct advanced clinical trials in other kidney diseases and lupus.

The results of our initial clinical trial in lupus patients are described below.

- In July 1998, we commenced a Phase I single-center, clinical study in 24 lupus patients receiving a single bolus administration of 0.1 to 8.0 mg/kg of 5G1.1 or placebo. In this trial, 5G1.1:

  - was safe and well tolerated in this study population as compared to placebo;

  - showed dose-dependent reduction in complement activity in study subjects; and

  - at 8.0 mg/kg, resulted in significantly lower incidence of proteinuria in study subjects as compared to placebo.

Although we designed this initial clinical trial to assess primarily dosing and safety, we also collected biological and clinical results. These results in the patients treated with a 8.0 mg/kg bolus of 5G1.1, announced in June 1999, are shown in the table below.

CLINICAL RESULTS OF A SINGLE 8.0 MG/KG DOSE
OF 5G1.1 IN PATIENTS WITH LUPUS

BIOLOGICAL AND CLINICAL MEASUREMENTS	5G1.1 VS. PLACEBO
Complement activity	100% less*
Incidence of proteinuria	100% less*

* P < .05 vs. placebo

In August 1999, we commenced a Phase II multi-center, double-blinded, randomized, placebo-controlled clinical safety and efficacy trial with multiple doses of 5G1.1 at two to four week dosing intervals that is intended to enroll approximately 100 membranous nephritis patients.

In February 2000, we announced that the FDA has designated Fast Track status for development of 5G1.1 for the treatment of patients with membranous nephritis.

LUPUS

Lupus is an autoimmune disorder that damages the brain, lungs, heart, joints and especially the kidneys. In lupus, antibodies deposit within particular organs causing complement activation, inflammation and tissue destruction. For decades, clinical studies by others have demonstrated the presence of complement activation in lupus patients undergoing flares. Studies have further shown an abundant deposition of activated complement proteins with localized inflammation in tissue biopsies from kidney or other tissues in lupus patients. The Lupus Foundation estimates that approximately 1.4 million people in the United States have lupus. Further, an estimated 70% of individuals afflicted with lupus have nephritis. Although lupus may affect people of either sex, women are 10 to 15 times more likely to suffer from the disease than men.

Patients with active lupus may have a broad range of symptoms related to the antibody and activated complement deposition and inflammation. Inflammation of the brain may cause seizures and other neurologic abnormalities. Inflammation of the heart may cause heart failure or sudden death. Lung inflammation causes shortness of breath. Lupus may also cause swollen joints and arthritis. One of the most common complications associated with lupus, however, is kidney disease, which often leads to kidney failure requiring dialysis or transplantation.

Current therapies generally act to suppress broadly the proliferation of many types of cells, including white blood cells. In contrast, 5G1.1 directly targets the inhibition of deleterious complement activation. We believe 5G1.1 may exert more selective and effective anti-inflammatory activity without the adverse effects associated with current therapies.

We are developing 5G1.1 for the prevention and treatment of inflammation in lupus patients. We have performed pre-clinical studies in a rodent model of lupus. In this chronic rodent model that spontaneously develops a disease similar to lupus, substantially more animals treated with a C5 Inhibitor survived as compared to untreated control animals.

CLINICAL TRIALS

We filed an IND with the FDA in late December 1997 for 5G1.1 in the treatment of patients suffering from lupus and began a Phase I clinical trial in lupus patients in July 1998. As discussed above, in the Clinical Trials section of Membranous Nephritis, we announced results of a 24 patient, placebo-controlled clinical study in June 1999. This trial showed that a single dose of 5G1.1 was safe and well tolerated, reduced complement activity in a dose-dependent manner, and a single 8.0 mg/kg dose significantly lowered incidence of proteinuria.

PRE-CLINICAL TECHNOLOGIES

COMBINATORIAL HUMAN ANTIBODY LIBRARY TECHNOLOGIES

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

AAT's goal is to develop new fully human therapeutic antibodies addressing multiple disease areas, including autoimmune and inflammatory disorders and cancer. AAT's technologies involve the generation of diverse libraries of human antibodies and the screening of these libraries against a wide array of potential drug targets. We believe that these technologies may be optimally suited to the rapid generation of novel fully human therapeutic antibodies directed at validated clinical targets. To date, we have focused on identifying validated clinical targets, antibodies to which might be therapeutically effective in different autoimmune or inflammatory disorders and cancer. In addition, we believe that

these technologies could permit the pre-clinical validation of new gene targets that are coming out of the international effort to sequence the human genome. We also believe that these technologies might also provide new therapeutic antibodies when the libraries are screened against certain of these new gene targets.

APOGEN T-CELL IMMUNOTHERAPEUTIC TECHNOLOGY AND PRODUCT CANDIDATES

MP4

MP4 is a recombinant protein consisting of two brain-derived proteins. These two proteins are believed to be major targets of disease-causing T-cells in patients with multiple sclerosis. MP4 is designed to bind specifically to, and induce cell suicide in, the small population of T-cells in multiple sclerosis patients which are responsible for attacking the patient's brain cells, while leaving the vast majority of uninvolved T-cells unaffected. In addition, MP4 is designed to induce other white blood cells to suppress other inflammatory cells.

In February 1998, we filed an IND with the FDA for MP4 for the treatment of patients suffering from multiple sclerosis. After completion of additional pre-clinical studies and amendment of the clinical protocol in line with the preferred route of administration, we may initiate a Phase I/II clinical trial in multiple sclerosis patients.

THE UNIGRAFT XENOTRANSPLANTATION TECHNOLOGIES PROGRAM

Most transplant procedures today are whole organ transplants. We believe that there is a far greater number of patients with medical disorders, such as Parkinson's disease and spinal cord injury, that are caused by the functional loss of highly specialized cells. The number of these patients is likely to grow due to both the aging of the population, with subsequent increase in the incidence of degenerative diseases, as well as the increasing incidence of trauma. Therefore, cell transplantation could be an important benefit to a large number of previously untreated, or severely under-treated patients suffering from severe medical disorders. However, since there are no human donors of such specialized cells, there is currently no available supply of such cells for replacement therapy. Further, the immune system prevents the transplantation of cells from other species, known as xenografts, as they are recognized by the immune system as foreign and they are rejected. We are developing a portfolio of UniGraft immunoregulatory technologies designed to permit the therapeutic transplantation of such cells without rejection.

Although approximately 21,000 people received whole organ transplants in the United States in 1999, there are many times that number of patients who have disorders that may be amenable to cell or tissue transplantation. It is estimated that this broader population includes approximately 200,000 patients suffering from spinal cord injury and 1.0 million individuals with Parkinson's disease. In particular, we believe that use of a safe and effective cell transplantation therapy for patients with spinal cord injury or Parkinson's disease would represent major therapeutic advances. We are developing a portfolio of UniGraft immunoregulatory technologies designed to permit the therapeutic transplantation of such cells without rejection.

NEUROLOGIC CELL TRANSPLANTATION

We have developed methods of blocking the immune system which are designed to permit the replacement of damaged human brain and other neurologic cells with potentially highly therapeutic genetically modified porcine cells.

Rejection of non-human tissue by patients is generally believed to occur in two stages:

- hyperacute phase, which is very rapid, extending from minutes to hours; and

- acute phase, which is somewhat less rapid, extending from days to months.

Hyperacute rejection is generally believed to be mediated by naturally-occurring antibodies in the patient, most of which target a sugar antigen uniquely present on the surface of non-human tissue but not on the patient's own tissue. After binding to the foreign tissue, these antibodies stimulate the activation of the recipient's inactive complement proteins on the surface of the donor tissue with subsequent destruction of the donor tissue. Subsequently, acute rejection of xenografts is generally believed to be mediated by white blood cells.

We are designing UniGraft cell products to resist complement/antibody-mediated hyperacute rejection. We have commenced preclinical studies employing the UniGraft technologies during transplantation of genetically modified and proprietary porcine cells that are resistant to destruction by human complement proteins. We are currently focusing our immunoregulatory and molecular engineering technologies primarily on the development of UniGraft cells to treat Parkinson's disease and injuries to the spinal cord. We are currently performing pre-clinical studies in the spinal cord injury and Parkinson's disease programs and optimizing manufacturing methods of the genetically modified pig cells.

STRATEGIC ALLIANCE WITH PROCTER & GAMBLE

In January 1999, we entered into an exclusive collaboration with Procter & Gamble to develop and commercialize 5G1.1-SC. Under this collaboration, we will initially pursue the development of 5G1.1-SC for the treatment of inflammation caused by cardiopulmonary bypass surgery, myocardial infarction and angioplasty. Procter & Gamble has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications. In addition, under this agreement, Procter & Gamble has agreed to pay us up to $95 million in payments, which include a non-refundable up-front license fee, as well as milestone and research and development support payments. In addition, we will receive royalties on worldwide sales of 5G1.1-SC for all indications. We also have a preferred position relative to third-party manufacturers to manufacture 5G1.1-SC worldwide. We share co-promotion rights with Procter & Gamble to sell, market and distribute 5G1.1-SC in the United States, and have granted Procter & Gamble the exclusive rights to sell, market and distribute 5G1.1-SC outside of the United States. Through July 31, 2000, we earned revenues of $37.5 million from Procter & Gamble, including a non-refundable up-front license fee of $10.0 million and $27.5 million in research and development support payments. Our collaboration with Procter & Gamble does not involve any of our other product candidates. Staff Accounting Bulletin No. 101 (SAB 101), Revenue Recognition, was issued in December 1999. SAB 101 will require companies to recognize certain up-front non-refundable fees over the life of the related collaboration agreement when such fees are received in conjunction with collaboration agreements which have multiple elements. We are required to adopt this new accounting principle through a cumulative charge to retained earnings through the statement of operations in accordance with the provisions of APB Opinion No. 20, in fiscal 2001. We believe that the adoption of SAB 101 will have a material impact on our future operating results as it applies to the $10.0 million up-front non-refundable payment received by us in connection with our collaboration with Procter & Gamble. Our historical financial statements reflect this payment as revenue in the year ended July 31, 1999. Based on guidance currently available, we will be required to record the $10.0 million fee as revenue over the future life, as defined, of the collaboration agreement. As of July 31, 2000 we have not yet adopted this new accounting principle.

GRANTS FROM ADVANCED TECHNOLOGY PROGRAM AND NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

In August 1995, we were awarded cost-shared funding from the U.S. Commerce Department's National Institute of Standards and Technology under its Advanced Technology Program. Through the program, we may receive up to approximately $2.0 million over three years to support our UniGraft cell, tissue, and organ transplantation programs. Through July 31, 2000, we have received approximately $1.9 million under this award. As of September 1999 this award has been completed.

In November 1997, both ourselves and United States Surgical Corporation ("US Surgical", a division of Tyco International, Ltd.) were awarded a three-year $2.0 million cooperative agreement from NIST under its Advanced Technology Program for funding a joint xenotransplantation project. In February 1999, this funding was amended to a single company award to us with our reacquisition of the rights to all aspects of our xenotransplantation program from US Surgical which had been acquired by Tyco International Ltd. Through July 31, 2000, we had received approximately $1.2 million under this award.

In October 1998, we were granted our third award under this program, a three-year grant supporting product development within our neurologic disorder transplantation program. Through the program, we may receive up to approximately $2.0 million over three years to support our UniGraft program to develop a spinal cord injury product within our neurologic disorder xenotransplantation program. Through July 31, 2000, we had received approximately $498,000 under this award.

In November 1999, we were granted our fourth award under this program, a three-year grant supporting product development within our UniGraft program. Through the program, we may receive up to approximately $2.0 million over three years to support our production of UniGraft products. Through July 31, 2000, we had received approximately $45,000 under this award.

MANUFACTURING

We obtain drug product to meet our requirements for pre-clinical studies using both internal and third-party contract manufacturing capabilities. At our headquarters in New Haven, Connecticut, we have pilot manufacturing facilities suitable for the fermentation and purification of certain of our recombinant compounds for clinical studies. Our pilot plant has the capacity to manufacture under cGMP regulations. We have also secured the production of clinical supplies of certain other recombinant products through third-party manufacturers. In each case, we have contracted product finishing, vial filling, and packaging through third parties.

To date, we have not invested in the development of commercial manufacturing capabilities. Although we have established a pilot manufacturing facility for the production of material for clinical trials for certain of our potential products, we do not have sufficient capacity to manufacture more than one drug candidate at a time or to manufacture our drug candidates for later stage clinical development or commercialization. In the longer term, we may contract the manufacture of our products for commercial sale or may develop large-scale manufacturing capabilities for the commercialization of some of our products. The key factors which will be given consideration when making the determination of which products will be manufactured internally and which through contractual arrangements will include the availability and expense of contracting this activity, control issues and the expertise and level of resources required for us to manufacture products. If we are unable to develop or contract for additional manufacturing capabilities on acceptable terms, our ability to conduct human clinical testing will be materially adversely affected, resulting in delays in the submission of products for regulatory approval and in the initiation of new development programs, which could have a material adverse effect on our competitive position and our prospects for achieving profitability. In addition, as our product development efforts progress, we will need to hire additional personnel skilled in product testing and regulatory compliance.

SALES AND MARKETING

We currently have no sales, marketing, or distribution capabilities. We will need to establish or contract these capabilities to commercialize successfully any of our drug candidates. We may promote our products in collaboration with marketing partners or rely on relationships with one or more companies with established distribution systems and direct sales forces. Under our collaboration agreement, Procter & Gamble is obligated to sell, market and distribute worldwide 5G1.1-SC for all

approved indications. We share with Procter & Gamble co-promotion rights for 5G1.1-SC in the United States. For other future drug products, as well as for 5G1.1-SC in the United States, we may elect to establish our own specialized sales force and marketing organization to market our products.

PATENTS AND PROPRIETARY RIGHTS

We believe that patents and other proprietary rights are important to our business. Our policy is to file patent applications to protect technology, inventions and improvements to our technologies that are considered important to the development of our business. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position.

We have filed several U.S. patent applications and international counterparts of certain of these applications. In addition, we have exclusively licensed several additional U.S. patents and patent applications. Of our owned and exclusively licensed patents and patent applications as of July 31, 2000, 14 relate to technologies or products in the C5 Inhibitor program, 8 relate to the Apogen program, 26 relate to the UniGraft program, 1 relates to the recombinant human antibody program and 1 relates to the high throughput antibody screening program.

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

We are aware of broad patents owned by third parties relating to the manufacture, use, and sale of recombinant humanized antibodies, recombinant humanized single-chain antibodies, recombinant human antibodies, recombinant human single chain antibodies, and genetically engineered animals. Many of our products are genetically engineered antibodies, including recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, and recombinant human single chain antibodies, and other products are tissues from animals. We have received notices from the owners of some of these patents in which the owners claim that some of these patents may be relevant to the development of some of our drug candidates. With respect to certain of these patents which we believe are relevant for the expeditious development and commercialization of certain of our products as currently contemplated, we have acquired licenses. With regard to certain other patents, we have either determined in our judgment that our products do not infringe the patents or have identified and are testing various approaches which we believe should not infringe the patents and which should permit commercialization of our products.

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

GOVERNMENT REGULATION

The pre-clinical studies and clinical testing, manufacture, labeling, storage, record keeping, advertising, promotion, export, and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. In the United States, pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. At the present time, we believe that our products will be regulated by the FDA as biologics.

The steps required before a novel biologic may be approved for marketing in the United States generally include:

(1) pre-clinical laboratory tests and IN VIVO pre-clinical studies;

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

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

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

(5) FDA review and approval of such application.

The testing and approval process requires substantial time, effort and financial resources. We cannot be certain that any approval will be granted on a timely basis, if at all. Prior to and following approval, if granted, the establishment or establishments where the product is manufactured are subject to inspection by the FDA and must comply with cGMP requirements enforced by the FDA through its facilities inspection program. Manufacturers of biological materials also may be subject to state regulation.

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

Clinical trials involve the administration of the investigational product to healthy volunteers or to patients, under the supervision of a qualified principal investigator. Clinical trials are conducted in accordance with protocols that detail many items, including:

- the objectives of the study;

- the parameters to be used to monitor safety; and

- the efficacy criteria to be evaluated.

Each protocol must be submitted to the FDA as part of the IND. Further, each clinical study must be reviewed and approved by an independent institutional review board, prior to the recruitment of subjects.

Clinical trials typically are conducted in three sequential phases, but the phases may overlap. In Phase I, the initial introduction of the drug into human subjects, the drug is tested for safety and, as

appropriate, for absorption, metabolism, distribution, excretion, pharmacodynamics and pharmacokinetics. Phase II usually involves studies in a limited patient population to:

- evaluate preliminarily the efficacy of the drug for specific, targeted indications;

- determine dosage tolerance and optimal dosage; and

- identify possible adverse effects and safety risks.

Phase III trials are undertaken to further evaluate clinical efficacy and to test further for safety within an expanded patient population at geographically dispersed clinical study sites. Phase I, Phase II or Phase III testing may not be completed successfully within any specific time period, if at all, with respect to any products being tested by a sponsor. Furthermore, the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The results of the pre-clinical studies and clinical trials, together with detailed information on the manufacture and composition of the product, are submitted to the FDA as part of a BLA requesting approval for the marketing of the product. The FDA may deny approval of the application if applicable regulatory criteria are not satisfied, or if additional testing or information is required. Post-marketing testing and surveillance to monitor the safety or efficacy of a product may be required. FDA approval of any application may include many delays or never be granted. Moreover, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Finally, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if safety or manufacturing problems occur following initial marketing. Among the conditions for approval is the requirement that the prospective manufacturer's quality control and manufacturing procedures conform to cGMP requirements. These requirements must be followed at all times in the manufacture of the approved product. In complying with these requirements, manufacturers must continue to expend time, monies and effort in the area of production and quality control to ensure full compliance.

Both before and after the FDA approves a product, the manufacturer and the holder or holders of the BLA for the product are subject to comprehensive regulatory oversight. Violations of regulatory requirements at any stage, including the pre-clinical and clinical testing process, the review process, or at any time afterward, including after approval, may result in various adverse consequences, including the FDA's delay in approving or refusal to approve a product, withdrawal of an approved product from the market, and/or the imposition of criminal penalties against the manufacturer and/or the license holder. In addition, later discovery of previously unknown problems may result in restrictions on a product, its manufacturer, or the license holder, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of our products under development.

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

No xenotransplantation-based therapeutic product has been approved for sale by the FDA. The FDA has not yet established definitive regulatory guidelines for xenotransplantation, but has proposed interim guidelines in an attempt to reduce the risk of contamination of transplanted organ and cellular products with infectious agents. Definitive guidelines in the United States may never be issued, if at all. Current companies involved in this field, including ourselves, may not be able to comply with any federal final definitive guidelines that may be issued.

COMPETITION

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

- substantially greater financial and other resources;

- larger research and development staffs;

- in the case of universities, lower labor costs; and/or

- more extensive marketing and manufacturing organizations.

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

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

Each of Avant Immunotherapeutics, Inc., Leukosite Inc., Abbott Laboratories, Gliatech Inc., Biocryst Pharmaceuticals Inc., and Tanox, Inc. has publicly announced intentions to develop complement inhibitors to treat diseases related to trauma, inflammation or certain brain or nervous system disorders. Avant has initiated clinical trials for a proposed complement inhibitor to treat acute respiratory distress syndrome, myocardial infarction, lung transplantation, and in infants undergoing heart and lung bypass procedures during open heart surgery. We are aware that Pfizer, Inc., SmithKline Beecham Plc, and Merck & Co., Inc. are also attempting to develop complement inhibitor therapies. We believe that our potential C5 Inhibitors differ substantially from those of our competitors due to our compounds' demonstrated ability to specifically intervene in the complement cascade at what we believe to be the optimal point so that the disease-causing actions of complement proteins generally are inhibited while the normal disease-preventing functions of complement proteins generally remain intact as do other aspects of immune function.

We further believe that, under conditions of inflammation, a complement inhibitor compound which only indirectly addresses the harmful activity of complement may be bypassed by pathologic mechanisms present in the inflamed tissue. Each of Bayer AG, Immunex Corp., Pharmacia & Upjohn Inc. and Rhone-Poulenc SA sells a product which is used clinically to reduce surgical bleeding during cardiopulmonary bypass surgery, but has little beneficial effect on other significant inflammatory morbidities associated with cardiopulmonary bypass surgery. We believe that each of these drugs does not significantly prevent complement activation and subsequent inflammation that lead to organ damage and blood loss during cardiopulmonary bypass surgery, but instead each drug attempts to reduce blood loss by shifting the normal blood thinning/blood clotting balance in the blood towards enhanced blood clotting.

Nextran Inc., a subsidiary of Baxter International Inc., and Imutran Ltd., a wholly-owned subsidiary of Novartis Pharma AG, are seeking to develop pig cell xenograft technology. Novartis Pharma AG is also collaborating with Biotransplant Inc. to commercially develop xenograft organs. We are aware that Diacrin Inc. and Genzyme Tissue Repair, Inc. are working in this field.

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

EMPLOYEES

As of October 1, 2000, we had 113 full-time employees, of which 100 were engaged in research, development, manufacturing, and clinical development, and thirteen in administration and finance. Doctorates are held by 38 of our employees. Each of our employees has signed a confidentiality agreement.

ITEM 2. PROPERTIES.

FACILITIES

We lease our administrative and research and development facilities under an operating lease at 25 Science Park, New Haven, Connecticut consisting of approximately 80,000 square feet at a fixed monthly rate of approximately $70,000. We expect to relocate our administrative and research and development facilities at the end of calendar year 2000. Our pilot manufacturing plant, encompassing approximately 21,000 square feet of labs and office space, is currently being utilized for producing compounds for our current clinical trials and will remain currently in New Haven, Connecticut at our current facilities. In addition through a wholly-owned subsidiary, we own a transgenic manufacturing facility located in the Northeast. We believe the laboratory space will be adequate for our current research and development activities.

In May 2000 we entered into a new lease for our headquarters and research and development facility in Cheshire, Connecticut. The lease commenced in August 2000 and has a term of ten years and six months. Occupancy of this lease is contingent upon the timely departure of the current tenant and subsequent additional work to be completed by the landlord. At this site we will lease and occupy a total of 82,000 square feet of space. We expect to incur initial leasehold improvements and relocation costs aggregating approximately $2.5 million, of which $16,000 were incurred as of July 31, 2000. At our option, the landlord is required to fund up to $2.5 million of these lease improvements under a financing arrangement payable over the term of the lease at 11% per annum. In addition, we will be required to pay a pro rata percentage of real estate taxes and operating expenses. Monthly fixed rent starts at approximately $80,000, increasing to approximately $95,500 over the term of the lease. We have issued a $200,000 open letter of credit to secure the lease.

In September 2000, we acquired Prolifaron, Inc. a privately held biopharmaceutical company located in San Diego, California through a merger between our wholly owned subsidiary, Alexion Antibody Technologies, Inc. and Prolifaron. ATT leases approximately 3,400 square feet of labs and office space at a monthly fixed rent that starts at approximately $3,100 increasing to approximately $3,400 over the term of the lease and terminates in August 2002.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any material legal proceeding.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY

The executive officers and key employees of the Company and their respective ages and positions with the Company as of October 1, 2000 were as follows:

NAME	AGE	POSITION WITH ALEXION
Leonard Bell, M.D.	42	President, Chief Executive Officer, Secretary, Treasurer, Director
David W. Keiser	49	Executive Vice President, Chief Operating Officer
Stephen P. Squinto, Ph.D.	44	Executive Vice President and Head of Research
Barry P. Luke	42	Vice President of Finance and Administration, Assistant Secretary
Nancy Motola, Ph.D.	47	Vice President of Regulatory Affairs and Quality Assurance
Samuel Chu, Ph.D.	50	Vice President of Process Sciences and Manufacturing
Christopher F. Mojcik, M.D., Ph.D.	40	Vice President of Clinical Development
Scott A. Rollins, Ph.D.	37	Vice President of Drug Development and Project Management
Katherine S. Bowdish, Ph.D.	43	Vice President of Antibody Discovery
Daniel N. Caron	37	Senior Director of Operations and Engineering
William Fodor, Ph.D.	42	Senior Director of Xenotransplantation

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

DAVID W. KEISER has been Executive Vice President and Chief Operating Officer of Alexion since July 1992. From 1990 to 1992, Mr. Keiser was Senior Director of Asia Pacific Operations for G.D. Searle & Company Limited, a manufacturer of pharmaceutical products. From 1986 to 1990, Mr. Keiser was successively Licensing Manager, Director of Product Licensing and Senior Director of Product Licensing for Searle. From 1984 to 1985, Mr. Keiser was New Business Opportunities Manager for Mundipharma AG, a manufacturer of pharmaceutical products, in Basel, Switzerland where he

headed pharmaceutical licensing and business development activities in Europe and the Far East. From 1978 to 1983, he was Area Manager for F. Hoffmann La Roche Ltd., a manufacturer of pharmaceutical products, in Basel, Switzerland. Mr. Keiser received his B.A. from Gettysburg College.

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

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

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

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

CHRISTOPHER F. MOJCIK, M.D., PH.D. has been Vice President of Clinical Development since August 2000. Since joining the Alexion in July 1998 to July 2000, Dr. Mojcik was Senior Director of

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

SCOTT A. ROLLINS, PH.D. is a co-founder of Alexion and has been Vice President of Drug Development and Project Management since August 2000. Dr. Rollins was Senior Director of Project Management and Drug Development from August 1999 to July 2000, Senior Director of Complement Biology from 1997 to 1999, Director of Complement Biology from 1996 to 1997, Principal Scientist from 1994 to 1996, and Staff Scientist from 1992 to 1994. Since 1994, Dr. Rollins has been responsible for the preclinical development of our anti-inflammatory compound 5G1.1-SC. Since 1999, Dr. Rollins has been additionally responsible for the project management functions of 5G1.1-SC, currently under joint development with Procter & Gamble Pharmaceuticals. Prior to 1992, Dr. Rollins was a postdoctoral research fellow in the Department of Immunobiology at Yale University School of Medicine. Dr. Rollins' work has led to over 50 scientific papers and patents in the fields of complement biology. He received his B.S. in Cytotechnology and Ph.D. in Microbiology and Immunology from the University of Oklahoma Health Sciences Center.

KATHERINE S. BOWDISH, PH.D. has been Vice President of Antibody Discovery since September 2000. Dr. Bowdish has also been President of Alexion Antibody Technologies, Inc., a wholly-owned subsidiary of the Company, since September 2000. Dr. Bowdish was a co-founder and Chief Scientific Officer and Executive Vice President of Prolifaron, Inc., a San Diego, CA-based antibody engineering company which was merged into Alexion Antibody Technologies, Inc. in September 2000, from 1997 to 1998, and the Chief Executive Officer and Chief Scientific Officer of Prolifaron from 1998 to 2000. Dr. Bowdish previously held positions at The Scripps Research Institute, Monsanto, and Rockefeller University. Dr. Bowdish is an internationally recognized expert in the field of antibody engineering and has 19 years of experience in biotechnology research. Dr. Bowdish received her B.S. degree in biology from the College of William and Mary, M.A. degree in cell biology from Columbia University, and Ph.D. degree in genetics from Columbia University.

WILLIAM FODOR, PH.D. has been Senior Director of Xenotransplantation since 1997. After joining Alexion in 1992, Dr. Fodor was a Staff Scientist from 1992 to 1994, Principal Scientist from 1994 to 1996, and Director of Xenotransplantation from 1996 to 1997. Dr. Fodor has been responsible for managing the pre-clinical development and manufacturing of our xenotransplantation product candidates. Prior to 1992, Dr. Fodor was a postdoctoral research fellow in the Section of Immunobiology at Yale University School of Medicine and at Biogen, Inc., a biopharmaceutical firm. Dr. Fodor's work has led to over 30 scientific papers and patents in the fields of immunobiology and molecular biology. Dr, Fodor received his B.S. in Genetics and Ph.D. in Molecular Genetics from Ohio State University.

DANIEL N. CARON has been Senior Director of Operations and Engineering since 1998. After joining the Company in 1992, Mr. Caron was Operations Manager from 1992 to 1993, Senior Operations Manager from 1993 to 1996, and Director of Operations from 1996 to 1998. Mr. Caron has been responsible for managing the engineering, build-out, validation and maintenance of all of the Company's research, manufacturing, and administrative facilities. Prior to 1992, Mr. Caron was a research scientist at Imclone Systems, Inc., a biopharmaceutical firm. Mr. Caron received his B.A. in Biology from Adelphia University and M.S. in Biomedical Engineering from Polytechnic University of New York.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on The Nasdaq National Market under the symbol "ALXN." The following table sets forth the range of high and low sales prices for our common stock on The Nasdaq National Market for the periods indicated since August 1, 1997.

FISCAL 1998	HIGH	LOW
First Quarter August 1, 1997 to October 31, 1997).....	$ 16.00	$ 9.25
Second Quarter (November 1, 1997 to January 31, 1998).....	$ 14.88	$ 9.88
Third Quarter (February 1, 1998 to April 30, 1998).....	$ 15.00	$12.13
Fourth Quarter (May 1, 1998 to July 31, 1998).....	$ 13.75	$ 8.00

FISCAL 1999	HIGH	LOW
First Quarter (August 1, 1998 to October 31, 1998).....	$ 10.25	$ 5.50
Second Quarter (November 1, 1998 to January 31, 1999).....	$ 17.75	$ 8.38
Third Quarter (February 1, 1999 to April 30, 1999).....	$ 14.25	$ 8.38
Fourth Quarter (May 1, 1999 to July 31, 1999).....	$ 12.75	$ 8.75

FISCAL 2000	HIGH	LOW
First Quarter (August 1, 1999 to October 31, 1999).....	$ 16.25	$10.00
Second Quarter (November 1, 1999 to January 31, 2000).....	$ 50.13	$12.75
Third Quarter (February 1, 2000 to April 30, 2000).....	$119.88	$34.81
Fourth Quarter (May 1, 2000 to July 31, 2000).....	$ 84.50	$30.50

As of October 5, 2000, we had 155 stockholders of record of our common stock and an estimated 4,000 beneficial owners. The closing sale price of our common stock on October 4, 2000 was $104.56 per share.

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

DIVIDEND POLICY

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

	FISCAL YEAR ENDED JULY 31,				
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Contract research revenues	$ 21,441	$18,754	$ 5,037	$ 3,811	$ 2,640
Operating expenses:					
Research and development	40,187	23,710	12,323	9,079	6,629
General and administrative	4,175	2,953	2,666	2,827	1,843
Total operating expenses	44,362	26,663	14,989	11,906	8,472
Operating loss	(22,921)	(7,909)	(9,952)	(8,095)	(5,832)
Other income (expense), net	2,694	1,514	2,087	843	397
Net loss	(20,227)	(6,395)	(7,865)	(7,252)	(5,435)
Preferred stock dividends	--	--	(900)	--	--
Net loss applicable to common shareholders	$(20,227)	$(6,395)	$(8,765)	$(7,252)	$(5,435)
Basic and diluted net loss per common share	$ (1.45)	$ (0.57)	$ (0.87)	$ (0.97)	$ (1.02)
Shares used in computing net loss per common share	13,914	11,265	10,056	7,451	5,351

	AS OF JULY 31,				
CONSOLIDATED BALANCE SHEET DATA:	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Cash, cash equivalents, and marketable securities	$174,529	$28,328	$37,494	$22,749	$18,598
Total current assets	180,080	35,662	37,840	22,981	19,064
Total assets	192,702	44,374	42,085	24,260	20,454
Notes payable, less current portion	3,920	4,383	832	0	128
Convertible subordinated notes	120,000	0	0	0	0
Total stockholders' equity	61,604	33,301	39,190	21,846	18,285

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WHICH INVOLVE RISKS AND UNCERTAINTIES. SUCH STATEMENTS ARE SUBJECT TO CERTAIN FACTORS WHICH MAY CAUSE OUR PLANS AND RESULTS TO DIFFER SIGNIFICANTLY FROM PLANS AND RESULTS DISCUSSED IN FORWARD-LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "IMPORTANT FACTORS REGARDING FORWARD-LOOKING STATEMENTS" ATTACHED HERETO AS EXHIBIT 99.

OVERVIEW

We are engaged in the development of biopharmaceutical products for the treatment of patients with cardiovascular and autoimmune disorders, inflammation and cancer. Since our inception in January 1992, we have devoted substantially all of our resources to drug discovery, research, product and clinical development. Since mid 1996, we have focused our resources increasingly to clinical manufacturing and clinical development. We are currently examining our two lead genetically altered antibody product candidates in eight different clinical development programs. One of our lead genetically altered antibody product candidates, 5G1.1-SC, which is in development in collaboration with Procter & Gamble, has completed enrolling in an approximately 1000 patient Phase IIb study for the treatment of inflammation caused by cardiopulmonary bypass surgery. Two additional Phase II studies are in progress in myocardial infarction patients, in the one study in patients receiving thrombolytic therapy, and in the other in patients receiving angioplasty. Our other lead genetically altered antibody product candidate 5G1.1 is in clinical development for the treatment of a variety of chronic autoimmune diseases. As of August 2000, enrollment has been completed in a Phase II clinical study in rheumatoid arthritis patients and a Phase II study in membranous nephritis patients is ongoing. In both of these indications, enrollment has commenced in an additional 12 month open-label extension study to test safety. In addition, we have commenced three separate Phase Ib pilot trials to study 5G1.1 in patients with psoriasis, dermatomyositis, and bullous pemphigoid.

To date, we have not received any revenues from the sale of products. We have incurred operating losses since our inception. As of July 31, 2000 we had an accumulated deficit of $67.2 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 manufacturing; and

- developing a sales and marketing force.

In September 2000, we acquired Prolifaron, Inc. a privately held biopharmaceutical company located in San Diego, California. Prolifaron was developing therapeutic antibodies addressing multiple diseases, including cancer. The acquisition was in the form of a merger between our new wholly owned subsidiary, Alexion Antibody Technologies, Inc., and Prolifaron. In the merger, we are obligated to issue up to 400,000 shares of our common stock, with a value of approximately $41 million, to the stockholders of Prolifaron. The acquisition will be accounted for using the purchase method of accounting.

RESULTS OF OPERATIONS

FISCAL YEARS ENDED JULY 31, 2000, 1999 AND 1998

We earned contract research revenues of $21.4 million for the fiscal year ended July 31, 2000, $18.8 million for the fiscal year ended July 31, 1999, and $5.0 million for the fiscal year ended July 31, 1998. The increase in the fiscal year ended July 31, 2000 as compared to the fiscal year ended July 31, 1999 was primarily due to the increased contract revenues from our collaborative research and development agreement with Procter & Gamble. The increase in the fiscal year ended July 31, 1999 as compared to the fiscal year ended July 31, 1998 was primarily due to a non-refundable up-front license fee of $10.0 million which we received from Procter & Gamble in February 1999 in connection with our entering into the collaboration agreement with Procter & Gamble to develop and commercialize 5G1.1-SC. Additionally, during fiscal year ended July 31, 1999, we received $7.8 million in contract revenues from Procter & Gamble under our collaborative research and development agreement.

During the fiscal year ended July 31, 2000, we incurred expenses of $40.2 million on research and development activities. In the fiscal year ended July 31, 1999, we incurred expenses of $23.7 million, and in the fiscal year ended July 31, 1998 we incurred expenses of $12.3 million in research and development activities. The increase in research and development expenses in the fiscal year ended July 31, 2000 as compared to the fiscal year ended July 31, 1999 was primarily attributable to the continued expansion of the clinical trials of our lead C5 Inhibitor product candidates and the cost of manufacturing development and manufacturing of our C5 Inhibitors for our clinical trials. In the fiscal year ended July 31, 1999 the increase as compared to the fiscal year ended July 31, 1998 was primarily attributable to an expansion of the clinical trials of our lead C5 Inhibitor product candidates and process manufacturing development for our C5 Inhibitor product candidates.

Our general and administrative expenses were $4.2 million for the fiscal year ended July 31, 2000, $3.0 million for the fiscal year ended July 31, 1999, and $2.7 million for the fiscal year ended July 31, 1998. The increase in general and administrative expenses in the fiscal year ended July 31, 2000 as compared to fiscal year ended July 31, 1999 was principally due to higher payroll-related costs, as well as higher facilities expenses related to increased rent expense and space and professional fees related to public relations and patent/legal costs. The increase in general and administrative expenses in the fiscal year ended July 31, 1999 as compared to the fiscal year ended July 31, 1998 was primarily related to higher recruiting expenses, legal expenses related to business development and patent costs in the fiscal year ended July 31, 1999.

Other income, net, was $2.7 million for the fiscal year ended July 31, 2000, $1.5 million for the fiscal year ended July 31, 1999, and $2.1 million for the fiscal year ended July 31, 1998. The increase in the fiscal year ended July 31, 2000 was due to increased interest income from higher cash balances resulting from the net proceeds obtained from the issuance of Subordinated Convertible Notes and follow-on public offering of our common stock during fiscal 2000. The decrease in other income, net, for the fiscal year ended July 31, 1999 was due to lower cash balances available for investment as compared to amounts available in fiscal year ended July 31, 1998.

As a result of the above factors, we incurred net losses of $20.2 million for the fiscal year ended July 31, 2000, $6.4 million for the fiscal year ended July 31, 1999, and $7.9 million for the fiscal year ended July 31, 1998.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception in January 1992, we have financed our operations and capital expenditures principally through private placements of our common and preferred stock, an initial public offering of our common stock and a subsequent follow-on offering, convertible subordinated notes, other debt

financing, payments under corporate collaborations and grants, and equipment and leasehold improvements financing.

In March 2000, we completed a $120 million private placement of our 5.75% Convertible Subordinated Notes due March 15, 2007. The notes bear interest semi-annually on September 15 and March 15 of each year, beginning September 15, 2000. The holders may convert all or a portion of the notes into common stock at any time on or before March 15, 2007 at a conversion price of $106.425 per share. We incurred issuance costs related to this offering of approximately $4.0 million which are being amortized into interest expense over the seven-year term of the notes. In May 2000, pursuant to a registration rights agreement, we filed a registration statement under the Securities Act of 1933 with the SEC to register resales of the notes and the shares of common stock into which the notes are convertible.

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

In February 1999, we acquired the manufacturing assets, principally land, buildings and laboratory equipment, for the xenotransplantation program developed by US Surgical. We financed the purchase of the manufacturing assets through a $3.9 million term note payable to US Surgical. Interest is 6.0% per annum and is payable quarterly. The principal balance under the note is due in May 2005. Security for this term note is the manufacturing assets that we purchased.

In the fiscal year ended July 31, 1998, we financed the purchase of laboratory and process development equipment and leasehold improvements through a $1.2 million secured term loan from a commercial bank. Principal payments of $92,000 are payable quarterly through August 2001. As of July 31, 2000, the outstanding balance on this term loan was $369,000. Principal is due with interest at a variable rate which is reset quarterly. As of July 31, 2000, the annualized interest rate was 8.46%. The term loan agreement requires us to maintain a restricted cash balance equal to the outstanding loan balance divided by 85% plus accrued interest in an interest earning money market account as collateral for the note.

As of July 31, 2000, our cash, cash equivalents, and marketable securities totaled $174.5 million. At July 31, 2000, our cash and cash equivalents consisted of $91.9 million of cash we hold in short-term highly liquid investments with original maturities of less than three months. This increase in cash, cash equivalents and marketable securities as compared to July 31, 1999 was due to the increase in available cash from our sale 5.75% Convertible Subordinated Notes and the follow-on public offering of our common stock in November 1999. As of July 31, 2000, we have invested $13.0 million in property and equipment to support our research and development efforts. We anticipate our research and development expense will increase significantly for the foreseeable future to support our clinical and manufacturing development of our product candidates.

We lease our administrative and research and development facilities under an operating lease at 25 Science Park, New Haven, Connecticut consisting of approximately 80,000 square feet at a fixed monthly rate of approximately $70,000. We expect to relocate our administrative and research and development facilities at the end of calendar year 2000. Our pilot manufacturing plant, encompassing approximately 21,000 square feet of labs and office space, is currently being utilized for producing compounds for our current clinical trials and will remain currently in New Haven, Connecticut at our current facilities. In addition through a wholly-owned subsidiary, we own a transgenic manufacturing facility located in the Northeast. We believe the laboratory space will be adequate for our current research and development activities.

In May 2000 we entered into a new lease for our headquarters and research and development facility in Cheshire, Connecticut. The lease commenced in August 2000 and has a term of ten years and six months. Occupancy of this lease is contingent upon the timely departure of the current tenant and

subsequent additional work to be completed by the landlord. At this site we will lease and occupy a total of 82,000 square feet of space. We expect to incur initial leasehold improvements and relocation costs aggregating approximately $2.5 million, of which $16,000 were incurred as of July 31, 2000. At our option, the landlord is required to fund up to $2.5 million of these lease improvements under a financing arrangement payable over the term of the lease at 11% per annum. In addition, we will be required to pay a pro rata percentage of real estate taxes and operating expenses. Monthly fixed rent starts at approximately $80,000, increasing to approximately $95,500 over the term of the lease. We have issued a $200,000 open letter of credit to secure the lease.

In September 2000, we acquired Prolifaron, Inc. a privately held biopharmaceutical company located in San Diego, California through a merger between our wholly owned subsidiary, Alexion Antibody Technologies, Inc. and Prolifaron. Alexion Antibody Technologies, Inc. leases approximately 3,400 square feet of labs and office space at a monthly fixed rent that starts at approximately $3,100 increasing to approximately $3,400 over the term of the lease and terminates in August 2002.

Procter & Gamble has agreed to fund all clinical testing of our C5 Inhibitor, 5G1.1-SC, initially for use in cardiopulmonary bypass surgery, myocardial infarction and angioplasty. The Procter & Gamble collaboration does not involve any of our other product candidates.

We anticipate that our existing available capital resources with the proceeds of our sale of $120 million of 5.75% Convertible Subordinated Notes, together with the anticipated funding from the collaboration agreement with Procter and Gamble, will provide us adequate funding for the clinical testing of our C5 inhibitor product, 5G1.1-SC in cardiopulmonary bypass and acute coronary syndromes. In addition, our interest earned on available cash and marketable securities should be sufficient to fund our operating expenses and capital requirements as currently planned for at least the next 30 months. While we currently have no material commitments for capital expenditures other than the leasehold improvements at the Cheshire facility, our future capital requirements will depend on many factors, including:

- progress of our research and development programs;
- progress and results of clinical trials;
- time and costs involved in obtaining regulatory approvals;
- costs involved in obtaining and enforcing patents and any necessary licenses;
- our ability to establish marketing and sales capabilities;
- our ability to establish development and commercialization relationships; and
- costs of manufacturing and manufacturing scale-up.

We expect to incur substantial additional costs, for:

- research;
- pre-clinical studies and clinical testing;
- manufacturing process development;
- additional capital expenditures related to personnel, and facilities expansion;
- clinical and commercial manufacturing requirements; and
- marketing and sales.

In addition to funds we may receive from our collaboration with Procter & Gamble, we will need to raise or generate substantial additional funding in order to complete the development and commercialization of our product candidates. In addition, if and when we achieve contractual

milestones related to product development and product license applications and approvals, additional payments would be required if we elect to continue and maintain our licenses with our licensors, aggregating up to a maximum of $5.5 million. Our additional financing may include public or private debt or equity offerings, equity line facilities, bank loans and/or collaborative research and development arrangements with corporate partners. There can be no assurance that funds will be available on terms acceptable by us, if at all, or that discussions with potential strategic or collaborative partners will results in any agreements on a timely basis, if at all. The unavailability of additional financing could require us to delay, scale back or eliminate certain research and product development programs or to license third parties to commercialize products or technologies that we would otherwise undertake ourself, any of which could have a material adverse effect.

For tax reporting purposes, as of July 31, 2000, we had approximately $64.6 million of federal net operating loss carryforwards which expire through 2020 and $5.6 million of tax credit carryforwards which expire commencing in fiscal 2008. Provisions of the Tax Reform Act of 1986 may limit our ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including a provision relating to cumulative changes in ownership interests in excess of 50% over a three-year period. We cannot assure you that our ability to utilize the net operating loss and tax credit carryforwards in future years will not be limited as a result of a change in ownership.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Investments in fixed rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. Due in part to these factors, the Company's future investment income may fall short of expectations due to changes in interest rates or the Company may suffer losses in principal if forced to sell securities which have seen a decline in market value due to changes in interest rates. The Company's marketable securities are held for purposes other than trading and we believe that we currently have no material adverse market risk exposure. The marketable securities as of July 31, 2000, had maturities of less than two years. The weighted-average interest rate on marketable securities at July 31, 2000 and 1999 was 6.9% and 5.7%, respectively. The fair value of marketable securities held at July 31, 2000 was $82.7 million.

At July 31, 2000, we had aggregate fixed rate debt of approximately $124 million. If interest rates associated with this debt were increased 10%, a corresponding increase in our annual interest expense of approximately $700,000 would occur.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES.

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

NAME	AGE	POSITION WITH ALEXION
John H. Fried, Ph.D.(1)(2)(3).....	70	Chairman of the Board of Directors
Leonard Bell, M.D.(3).....	42	President, Chief Executive Officer, Secretary, Treasurer, Director
David W. Keiser.....	49	Executive Vice President, Chief Operating Officer
Stephen P. Squinto, Ph.D.....	44	Executive Vice President and Head of Research
Barry P. Luke.....	42	Vice President of Finance and Administration, Assistant Secretary
Nancy Motola, Ph.D.....	47	Vice President of Regulatory Affairs and Quality Assurance
Samuel Chu, Ph.D.(4).....	50	Vice President of Process Sciences and Manufacturing
Christopher F. Mojcik, M.D., Ph.D.(4).....	40	Vice President of Clinical Development
Scott A. Rollins, Ph.D.(4).....	37	Vice President of Drug Development and Project Management
Katherine S. Bowdish, Ph.D.....	43	Vice President of Antibody Discovery
Daniel N. Caron (4).....	37	Senior Director of Operations and Engineering
William Fodor, Ph.D.(4).....	42	Senior Director of Xenotransplantation
Jerry T. Jackson (2).....	59	Director
Max Link, Ph.D.(1)(2)(3).....	60	Director
Joseph A. Madri, Ph.D., M.D.....	54	Director
Leonard Marks, Jr., Ph.D.(1).....	79	Director
R. Douglas Norby (1).....	65	Director
Alvin S. Parven (2).....	60	Director

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(1) Member of our Audit Committee of the Board of Directors.

(2) Member of our Compensation Committee of the Board of Directors.

(3) Member of our Nominating Committee of the Board of Directors.

(4) Key employee.

Each director will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Each officer serves at the discretion of the board of directors. Each of our executive officers is a party to an employment agreement with us.

JOHN H. FRIED, PH.D. has been the Chairman of our board of directors of Alexion since April 1992. Since 1992, Dr. Fried has been President of Fried & Co., Inc., a health technology venture firm. Dr. Fried was a director of Syntex Corp., a life sciences and health care company, from 1982 to 1994 and he served as Vice Chairman of Syntex from 1985 to January 1993 and President of the Syntex Research Division from 1976 to 1992. Dr. Fried has originated more than 200 U.S. Patents and has authored more than 80 scientific publications. Dr. Fried received his B.S. in Chemistry and Ph.D. in Organic Chemistry from Cornell University.

LEONARD BELL, M.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

DAVID W. KEISER incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

STEPHEN P. SQUINTO, PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

BARRY P. LUKE incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

NANCY MOTOLA, PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

SAM CHU, PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

CHRISTOPHER F. MOJCIK, M.D., PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

SCOTT A. ROLLINS, PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

KATHERINE S. BOWDISH, PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

WILLIAM FODOR, PH.D. incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

DANIEL N. CARON incorporated by reference herein to the section of this Report in Part I, Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS entitled "EXECUTIVE OFFICERS AND KEY EMPLOYEES OF THE COMPANY"

JERRY T. JACKSON has been a director of Alexion since September 1999. He was employed by Merck & Co. Inc., a major pharmaceutical company, from 1965 until his retirement in 1995. During this time, he had extensive experience in sales, marketing and corporate management, including joint ventures. From 1993 until 1995, Mr. Jackson served as Executive Vice President of Merck with broad

responsibilities for numerous operating groups including Merck's International Human Health, Worldwide Human Vaccines, the AgVet Division, Astra/Merck U.S. Operations, as well as worldwide marketing. During 1993, he was also President of the Worldwide Human Health Division in 1993. He served as Senior Vice President of Merck from 1991 to 1992 responsible for Merck's Specialty Chemicals and previously, he was President of Merck's Sharp & Dohme International. Mr. Jackson serves as a director of Cor Therapeutics, Inc., Molecular Biosystems, Inc., and Crescendo Pharmaceuticals Corporation. Mr. Jackson received his B.A. from University of New Mexico.

MAX LINK, PH.D. has been a director of Alexion since April 1992. From May 1993 to June 1994, Dr. Link was Chief Executive Officer of Corange (Bermuda), the parent company of Boehringer Mannheim Therapeutics, Boehringer Mannheim Diagnostics and DePuy Orthopedics. From 1992 to 1993, Dr. Link was Chairman of the Board of Sandoz Pharma, Ltd., a manufacturer of pharmaceutical products. From 1987 to 1992, Dr. Link was the Chief Executive Officer of Sandoz Pharma and a member of the Executive Board of Sandoz, Ltd., Basel. Prior to 1987, Dr. Link served in various capacities with the United States operations of Sandoz, including as President and Chief Executive Officer. Dr. Link is also a director of Access Pharmaceuticals, Inc., Discovery Labs, Inc., Protein Design Labs, Inc., and Cell Therapeutics, Inc., each a publicly held pharmaceutical company, as well as Human Genome Sciences Inc. and Celsion Corporation.

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

LEONARD MARKS, JR., PH.D. has been a director of Alexion since April 1992. Since 1985 Dr. Marks has served as an independent corporate director and management consultant. Dr. Marks serves on the board of directors of Ubizen, Inc. (formerly Netvision Technologies Inc.). Dr. Marks served as a director of Airlease Management Services, an aircraft leasing company (a subsidiary of Bank America Leasing & Capital Corporation), from 1995 to March 1998, and Northern Trust Bank of Arizona, a commercial and trust bank subsidiary of Northern Trust of Chicago, from 1995 to March 1998. Prior to 1985, Dr. Marks held various positions in academia and in the corporate sector including Executive Vice President, Castle & Cooke, Inc. from 1972 to 1985. Dr. Marks received his B.A. in Economics from Drew University and an M.B.A. and Doctorate in Business Administration from Harvard University.

R. DOUGLAS NORBY has been been a director of Alexion since September 1999. Since 1996, Mr. Norby has been the Executive Vice President and Chief Financial Officer of LSI Logic Corporation, a semiconductor company, and he has also served on the Board of LSI. From September 1993 until November 1996, he served as Senior Vice President and Chief Financial Officer of Mentor Graphics Corporation, a software company. Mr. Norby served as President of Pharmetrix Corporation, a drug delivery company, from July 1992 to September 1993, and from 1985 to 1992, he was President and Chief Operating Officer of Lucasfilm, Ltd., an entertainment company. From 1979 to 1985, Mr. Norby was Senior Vice President and Chief Financial Officer of Syntex Corporation, a pharmaceutical company. Mr. Norby received a B.A. in Economics from Harvard University and an M.B.A. from Harvard Business School.

ALVIN S. PARVEN has been a director of Alexion since May 1999. Since 1997, Mr. Parven has been President of ASP Associates, a management and strategic consulting firm. From 1994 to 1997, Mr. Parven was Vice President at Aetna Business Consulting, reporting to the Office of the Chairman of Aetna. From 1987 to 1994, Mr. Parven was Vice President, Operations at Aetna Health Plans. Prior

to 1987, he served in various capacities at Aetna including Vice President, Pension Services from 1983 to 1987. Mr. Parven received his B.A. from Northeastern University.

SECTION 16(A) BENEFICIAL OWNERSHIP COMPLIANCE

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

ITEM 11. EXECUTIVE COMPENSATION.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICAL OWNERS AND MANAGEMENT.

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of October 1, 2000, except as otherwise noted in the footnotes: (1) each person known by us to own beneficially more than 5% percent of our outstanding common stock; (2) each director and each named executive officer; and (3) all directors and executives of Alexion as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	NUMBER OF SHARES BENEFICIALLY OWNED(2)	PERCENTAGE OF OUTSTANDING SHARES OF COMMON STOCK
BB Biotech AG Vordergrasse 3 8200 Schaffhausen CH/Switzerland(3)	1,824,113	11.8%
Scudder Kemper Investments, Inc. 345 Park Avenue New York, NY 10154(4)	1,615,000	10.4%
Janus Capital Corporation 100 Fillmore Street, Suite 400 Denver, Colorado 80206-4923(5)	1,185,695	7.7%
Franklin Advisors, Inc. 777 Mariners Island Blvd., 7th Flr San Mateo, CA 94404(6)	1,004,500	6.5%
AMVESCAP, PLC 1315 Peachtree Street, NE Atlanta, GA 30309(7)	871,640	5.6%
The Kaufmann Fund, Inc. 140 E. 45th Street, 43rd floor New York, NY 10017(8)	837,300	5.4%
Leonard Bell, M.D.(9)	698,434	4.4%
Stephen P. Squinto, Ph.D.(10)	202,950	1.3%
David W. Keiser(11)	197,175	1.3%
John H. Fried, Ph.D.(12)	92,336	*
Joseph Madri, Ph.D., M.D.(13)	58,800	*
Max Link, Ph.D.(14)	26,823	*
Leonard Marks, Jr., Ph.D.(15)	17,300	*
Nancy Motola, Ph.D.	8,875	*
Jerry T. Jackson(17)	2,500	*
R. Douglas Norby(18)	2,500	*
Alvin S. Parven(19)	1,400	*
All Directors and Executive Officers as a group (13 persons)(20)	1,430,236	8.7%

- ---
* Less than one percent.

(1) Unless otherwise indicated, the address of all persons is 25 Science Park, Suite 360, New Haven, Connecticut 06511.

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

(3) This figure is based upon information set forth in Amendment No. 3 to Schedule 13D dated May 27, 1998, filed jointly by BB Biotech AG and Biotech Target, S.A. Biotech Target, S.A., a Panamanian corporation, is a wholly-owned subsidiary of BB Biotech AG. BB Biotech AG is a holding company incorporated in Switzerland. BB Biotech AG disclosed that it may be deemed to share with Biotech Target, S.A. the voting and dispositive power with respect to these shares.

(4) This figure is based upon information set forth in Schedule 13G dated December 10, 1999. Scudder disclosed that it has shared voting power with respect to 154,000 shares. Scudder disclaims beneficial ownership of the shares held by it.

(5) This figure is based upon information set forth in Schedule 13F dated August 14, 2000.

(6) This figure is based upon information disclosed to the Company by Franklin Advisers, Inc. representing its ownership as of September 18, 2000.

(7) This figure is based upon information disclosed to the Company by AMVESCAP, PLC representing its ownership as of August 31, 2000.

(8) This figure is based upon information set forth in Schedule 13G dated June 8, 2000.

(9) Includes 538,334 shares of Common Stock that may be acquired upon the exercise of options within 60 days of October 1, 2000 and 300 shares, in aggregate, held in the names of Dr. Bell's three minor children. Excludes 146,666 shares obtainable through the exercise of options, granted to Dr. Bell, which are not exercisable within 60 days of October 1, 2000 and 90,000 shares held in trust for Dr. Bell's children of which Dr. Bell disclaims beneficial ownership. Dr. Bell disclaims beneficial ownership of the shares held in the name of his minor children.

(10) Includes 151,250 shares of Common Stock which may be acquired upon the exercise of options within 60 days of October 1, 2000 and 6,200 shares, in aggregate, held in the names of Dr. Squinto's two minor children of which 6,000 shares are in two trusts managed by his wife. Excludes 51,250 shares obtainable through the exercise of options, granted to Dr. Squinto, which are not exercisable within 60 days of October 1, 2000. Dr. Squinto disclaims beneficial ownership of the shares held in the name of his minor children and the foregoing trusts.

(11) Includes 161,875 shares of Common Stock which may be acquired upon the exercise of options within 60 days of October 1, 2000 and 300 shares, in aggregate, held in the names of Mr. Keiser's three minor children. Excludes 65,625 shares obtainable through the exercise of options, granted to Mr. Keiser, which are not exercisable within 60 days of October 1, 2000. Mr. Keiser disclaims beneficial ownership of the shares held in the name of his minor children.

(12) Excludes 14,000 shares obtainable through the exercise of options granted to Dr. Fried, which are not exercisable within 60 days of October 1, 2000.

(13) Includes 13,800 shares of Common Stock which may be acquired on the exercise of options within 60 days of October 1, 2000. Excludes 14,000 obtainable through the exercise of options granted to Dr. Madri, which are not exercisable within 60 days of October 1, 2000.

(14) Includes 1,500 shares of Common Stock which may be acquired upon the exercise of options within 60 days of October 1, 2000. Excludes 14,000 shares obtainable through the exercise of options, granted to Dr. Link, which are not exercisable within 60 days of October 1, 2000.

(15) Includes 16,300 shares of Common Stock which may be acquired upon the exercise of options within 60 days of October 1, 2000. Excludes 14,000 shares obtainable through the exercise of options granted to Dr. Marks, which are not exercisable within 60 days of October 1, 2000.

(16) Includes 8,875 shares of Common Stock, which may be acquired upon the exercise of options within 60 days of October 1, 2000. Excludes 53,125 shares obtainable through the exercise of options, granted to Dr. Motola, which are not exercisable within 60 days of October 1, 2000.

(17) Includes 2,500 shares of Common Stock, which may be acquired upon the exercise of options within 60 days of October 1, 2000. Excludes 17,000 shares obtainable through the exercise of options, granted to Mr. Jackson, which are not exercisable within 60 days of October 1, 2000.

(18) Includes 2,500 shares of Common Stock, which may be acquired upon the exercise of options within 60 days of October 1, 2000. Excludes 17,000 shares obtainable through the exercise of options, granted to Mr. Norby, which are not exercisable within 60 days of October 1, 2000.

(19) Includes 1,400 shares of Common Stock, which may be acquired upon the exercise of options within 60 days of October 1, 2000. Excludes 17,000 shares obtainable through the exercise of options, granted to Mr. Parven, which are not exercisable within 60 days of October 1, 2000

(20) Consists of shares beneficially owned by Drs. Bell, Fried, Link, Madri, Marks, Motola, Squinto and Messrs. Jackson, Keiser, Norby and Parven, and certain other officers. Includes 978,061 shares of Common Stock, which may be acquired upon the exercise of options within 60 days of October 1, 2000.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(A)(1) FINANCIAL STATEMENTS

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

(2) FINANCIAL STATEMENT SCHEDULES

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

(3) EXHIBITS:

3.1	Certificate of Incorporation, as amended.*(1)
3.2	Bylaws.*(1)
4.1	Specimen Common Stock Certificate.*(1)
10.1	Employment Agreement, dated April 1, 2000, between the Company and Dr. Leonard Bell.*(2)
10.2	Employment Agreement, dated October 2, 2000, between the Company and David W. Keiser.
10.3	Employment Agreement, dated October 22, 1997, between the Company and Dr. Stephen P. Squinto.*(3)
10.4	Employment Agreement, dated October 22, 1997 between the Company and Dr. Louis A. Matis.*(3)
10.5	Employment Agreement, dated July 1993, between the Company and Dr. James A. Wilkins, as amended.*(1)
10.6	Administrative Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*(1)
10.7	Research and Development Facility Lease, dated August 23, 1995, between the Company and Science Park Development Corporation.*(1)
10.8	Option Agreement, dated April 1, 1992 between the Company and Dr. Leonard Bell.*(1)
10.9	Company's 1992 Stock Option Plan, as amended.*(4)
10.10	Company's 1992 Outside Directors Stock Option Plan, as amended.*(5)
10.11	Form of Investor Rights Agreement, dated December 23, 1994, between the Company and the purchasers of the Company's Series A Preferred Stock, as amended.*(1)
10.12	Exclusive License Agreement dated as of June 19, 1992 among the Company, Yale University and Oklahoma Medical Research Foundation.*(2)
10.13	License Agreement dated as of September 30, 1992 between the Company and Yale University, as amended July 2, 1993.*(1)+

10.14 License Agreement dated as of August 1, 1993 between the Company and Biotechnology Research and Development Corporation ("BRDC"), as amended as of July 1, 1995.*(1)+

10.15 License Agreement dated January 25, 1994 between the Company and The Austin Research Institute.*(1)+

10.16 Exclusive Patent License Agreement dated April 21, 1994 between the Company and the National Institutes of Health.*(1)+

10.17 License Agreement dated July 22, 1994 between the Company and The Austin Research Institute.*(1)+

10.18 License Agreement dated as of January 10, 1995 between the Company and Yale University.*(1)+

10.19 Advanced Technology Program ("ATP"), Cooperative Agreement 70NANB5H, National Institute of Standards and Technology, entitled "Universal Donor Organs for Transplantation," dated September 15, 1995.*(1)+

10.20 U.S. Department of Health and Human Services, National Heart, Lung and Book Institute, Small Business Research Program, Phase II Grant Application, entitled "Role of Complement Activation in Cardiopulmonary Bypass," dated December 14, 1994; and Notice of Grant Award dated September 21, 1995.*(1)+ License Agreement dated as of May 27, 1992 between the Company and Yale University, as amended September 23, 1992.*(1)+

10.21 Agreement to be Bound by Master Agreement dated as of August 1, 1993 between the Company and BRDC.*(1)

10.22 Research and Development Facility Lease, dated April 1, 1996, between the Company and Science Park Development Corporation.*(7)

10.23 License Agreement dated March 27, 1996 between the Company and Medical Research Council.*(7)+

10.24 License Agreement dated May 8, 1996 between the Company and Enzon, Inc.*(7)+

10.25 Stock Purchase Agreement dated September 8, 1997 by and between the Company and Biotech.Target S.A. *(8)+

10.26 Stock Purchase Agreement dated March 4, 1998 by and between the Company and Biotech.Target S.A. *(8)+

10.27 Asset Purchase Agreement date as of February 9, 1999 between the Company and United States Surgical Corporation.*(9)

10.28 Collaboration Agreement dated January 25, 1999 between the Company and the Procter & Gamble Company, as amended.*(9)+

10.29 Letter agreement dated September 14, 1999 between the Company and Leonard Bell.*(9)

23.1 Consent of Arthur Andersen LLP.

27.1 Financial data Schedule.

99.1 Risk Factors.

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* Previously filed

(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Reg. No. 333-00202).

(2) Incorporated by reference to the Company's Quarterly Report on Form 10Q for the quarter ended April 30, 2000.

(3) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1997.

(4) Incorporated by reference to the Company's Registration Statement on Form S-8 (Reg. No. 333-71879) filed on February 5, 1999.

(5) Incorporated by reference to the Company's Registration Statement on Form S-8 (Reg. No. 333-71985) filed on February 8, 1999.

(6) Incorporated by reference to the Company's Amendment No. 1 to Registration Statement Forms S-1 (Reg. No. 333-19905) filed on April 4, 1997.

(7) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1996.

(8) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1998.

(9) Incorporated by reference to the Company's Annual report on Form 10-K for the fiscal year ended July 31, 1999.

+ Confidential treatment was granted for portions of such document.

(B) REPORTS ON FORM 8-K

None.

(C) EXHIBITS.

See (a)(3) above.

(D) FINANCIAL STATEMENT SCHEDULES

See (a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on October 5, 2000.

ALEXION PHARMACEUTICALS, INC.

By: /s/ LEONARD BELL
Leonard Bell, M.D.
PRESIDENT, CHIEF EXECUTIVE OFFICER, SECRETARY AND TREASURER

By: /s/ DAVID W. KEISER
David W. Keiser
EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

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

NAME	TITLE	DATE
/s/ LEONARD BELL Leonard Bell, M.D.	President, Chief Executive Officer, Secretary, Treasurer and Director (principal executive officer)	October 5, 2000
/s/ DAVID W. KEISER David W. Keiser	Executive Vice President and Chief Operating Officer (principal financial officer)	October 5, 2000
/s/ BARRY P. LUKE Barry P. Luke	Vice President of Finance and Administration (principal accounting officer)	October 5, 2000
/s/ JOHN H. FRIED John H. Fried, Ph.D.	Chairman of the Board of Directors	October 5, 2000
/s/ JERRY T. JACKSON Jerry T. Jackson	Director	October 5, 2000
/s/ MAX LINK Max Link, Ph.D.	Director	October 5, 2000

NAME	TITLE	DATE
/s/ JOSEPH A. MADRI Joseph A. Madri, Ph.D., M.D.	Director	October 5, 2000
/s/ LEONARD MARKS Leonard Marks, Jr., Ph.D.	Director	October 5, 2000
/s/ R. DOUGLAS NORBY R. Douglas Norby	Director	October 5, 2000
/s/ ALVIN S. PARVEN Alvin S. Parven	Director	October 5, 2000

ALEXION PHARMACEUTICALS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JULY 31, 2000 AND 1999
AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED JULY 31, 2000
TOGETHER WITH
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ALEXION PHARMACEUTICALS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Alexion Pharmaceuticals, Inc. (a Delaware corporation) and subsidiary as of July 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alexion Pharmaceuticals, Inc. and subsidiary as of July 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Hartford, Connecticut
September 5, 2000 (except with respect
to the matter discussed in Note 15 as to
which the date is September 22, 2000)

ALEXION PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS)

	JULY 31,	
	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 91,858	$24,238
Marketable securities	82,671	4,090
Reimbursable contract costs:		
Billed	3,660	4,577
Unbilled	1,435	2,285
Prepaid expenses	456	472
Total current assets	180,080	35,662
PROPERTY, PLANT, AND EQUIPMENT, net	8,213	7,413
DEFERRED FINANCING COSTS, net (Note 6)	3,752	--
OTHER ASSETS	657	1,299
Total assets	$192,702	$44,374
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of notes payable	$ 369	$ 368
Accounts payable	2,100	3,544
Accrued expenses	1,229	2,255
Accrued interest	2,730	73
Deferred revenue	750	450
Total current liabilities	7,178	6,690
NOTES PAYABLE, less current portion included above	3,920	4,383
CONVERTIBLE SUBORDINATED NOTES (Note 6)	120,000	--
COMMITMENTS AND CONTINGENCIES (NOTES 7, 9, 12 AND 15)		
STOCKHOLDERS' EQUITY:		
Common stock $.0001 par value; 25,000 shares authorized; 15,146 and 11,304 shares issued at July 31, 2000 and 1999, respectively	2	1
Additional paid-in capital	128,836	80,291
Accumulated deficit	(67,214)	(46,987)
Other comprehensive loss	(20)	(4)
Treasury stock, at cost, 12 shares	--	--
Total stockholders' equity	61,604	33,301
Total liabilities and stockholders' equity	$192,702	$44,374

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

ALEXION PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	FOR THE YEARS ENDED JULY 31,		
	2000	1999	1998
CONTRACT RESEARCH REVENUES	$ 21,441	$18,754	$ 5,037
OPERATING EXPENSES:			
Research and development	40,187	23,710	12,323
General and administrative	4,175	2,953	2,666
Total operating expenses	44,362	26,663	14,989
OPERATING LOSS	(22,921)	(7,909)	(9,952)
OTHER INCOME AND EXPENSE:			
Interest income	5,833	1,702	2,129
Interest expense	(3,139)	(188)	(42)
Net loss	(20,227)	(6,395)	(7,865)
PREFERRED STOCK DIVIDENDS	--	--	(900)
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	$(20,227)	$(6,395)	$(8,765)
BASIC AND DILUTED NET LOSS PER COMMON SHARE (NOTE 2)	$ (1.45)	$ (0.57)	$ (0.87)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	13,914	11,265	10,056

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

ALEXION PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	OTHER COMPREHENSIVE
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	GAIN (LOSS)
BALANCE, July 31, 1997	--	$ --	8,858	$ 1	$ 53,665	$(31,827)	$ 7
Issuance of Series B convertible preferred stock, net of issuance costs of $493	400	--	--	--	9,507	--	--
Issuance of common stock in payment of preferred stock dividend	--	--	71	--	900	(900)	--
Conversion of Series B convertible preferred stock into common stock	(400)	--	936	--	--	--	--
Issuance of common stock, net of issuance costs of $49	--	--	837	--	11,779	--	--
Issuance of common stock from exercise of warrants	--	--	513	--	3,858	--	--
Issuance of common stock from exercise of stock options	--	--	22	--	67	--	--
Net change in unrealized losses on marketable securities	--	--	--	--	--	--	(2)
Net loss	--	--	--	--	--	(7,865)	--
Comprehensive loss							
BALANCE, July 31, 1998	--	--	11,237	1	79,776	(40,592)	5
Issuance of common stock from exercise of stock options	--	--	67	--	383	--	--
Compensation expense related to grant of stock options	--	--	--	--	132	--	--
Net change in unrealized losses on marketable securities	--	--	--	--	--	--	(9)
Net loss	--	--	--	--	--	(6,395)	--
Comprehensive loss							
BALANCE, July 31, 1999	--	$ --	11,304	$ 1	$ 80,291	$(46,987)	$ (4)

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

	TREASURY STOCK, AT COST		TOTAL STOCKHOLDERS'	TOTAL COMPREHENSIVE
	SHARES	AMOUNT	EQUITY	LOSS
BALANCE, July 31, 1997	12	$ --	$21,846	
Issuance of Series B convertible preferred stock, net of issuance costs of $493	--	--	9,507	
Issuance of common stock in payment of preferred stock dividend	--	--	--	
Conversion of Series B convertible preferred stock into common stock	--	--	--	
Issuance of common stock, net of issuance costs of $49	--	--	11,779	
Issuance of common stock from exercise of warrants	--	--	3,858	
Issuance of common stock from exercise of stock options	--	--	67	
Net change in unrealized losses on marketable securities	--	--	(2)	$ (2)
Net loss	--	--	(7,865)	(7,865)
Comprehensive loss				$ (7,867)
BALANCE, July 31, 1998	12	--	39,190	
Issuance of common stock from exercise of stock options	--	--	383	
Compensation expense related to grant of stock options	--	--	132	
Net change in unrealized losses on marketable securities	--	--	(9)	$ (9)
Net loss	--	--	(6,395)	(6,395)
Comprehensive loss				$ (6,404)
BALANCE, July 31, 1999	12	$ --	$33,301	

The accompanying notes are an integral part of these

consolidated financial
The accompanying no statements.

ALEXION PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS) (CONTINUED)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	OTHER COMPREHENSIVE
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	GAIN (LOSS)
BALANCE, July 31, 1999.....	--	$ --	11,304	$ 1	$ 80,291	$(46,987)	$ (4)
Issuance of common stock from exercise of options.....	--	--	225	--	1,697	--	--
Noncash compensation expense related to grant of stock options to employees and consultants.....	--	--	--	--	430	--	--
Issuance of common stock from exercise of warrants.....	--	--	202	--	1,998	--	--
Issuance of common stock, net of issuance costs of $3,391.....	--	--	3,415	1	44,420	--	--
Net change in unrealized losses on marketable securities.....	--	--	--	--	--	--	(16)
Net loss.....	--	--	--	--	--	(20,227)	--
Comprehensive loss.....							
BALANCE, July 31, 2000.....	--	$ --	15,146	$ 2	$128,836	$(67,214)	$(20)

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

	TREASURY STOCK, AT COST		TOTAL STOCKHOLDERS'	TOTAL COMPREHENSIVE
	SHARES	AMOUNT	EQUITY	LOSS
BALANCE, July 31, 1999.....	12	$ --	$33,301	
Issuance of common stock from exercise of options.....	--	--	1,697	
Noncash compensation expense related to grant of stock options to employees and consultants.....	--	--	430	
Issuance of common stock from exercise of warrants.....	--	--	1,998	
Issuance of common stock, net of issuance costs of $3,391.....	--	--	44,421	
Net change in unrealized losses on marketable securities.....	--	--	(16)	(16)
Net loss.....	--	--	(20,227)	(20,227)
Comprehensive loss.....				$(20,243)
BALANCE, July 31, 2000.....	12	$ --	$61,604	

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

The accompanying no

ALEXION PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	FOR THE YEARS ENDED JULY 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(20,227)	$ (6,395)	$ (7,865)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,769	889	598
Compensation expense related to grant of stock options	430	132	--
Change in assets and liabilities--			
Reimbursable contract costs	1,767	(6,725)	(137)
Prepaid expenses	16	(263)	23
Accounts payable	(1,444)	2,734	82
Accrued expenses	(1,026)	1,459	(406)
Accrued interest	2,657	51	22
Deferred revenue	300	383	(279)
Net cash used in operating activities	(15,758)	(7,735)	(7,962)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchases of) proceeds from marketable securities, net	(78,597)	1,895	20
Purchases of property, plant, and equipment	(2,229)	(1,912)	(2,057)
Investment in licensed technology	(40)	--	--
Net cash used in investing activities	(80,866)	(17)	(2,037)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of preferred and common stock	48,116	383	25,211
Repayments of capital lease obligations	--	--	(8)
Borrowings under notes payable	--	--	1,200
Repayments of notes payable	(462)	(369)	(130)
Issuance of convertible subordinated notes, net of deferred financing costs of $3,937	116,063	--	--
Other	527	467	(1,508)
Net cash provided by financing activities	164,244	481	24,765
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	67,620	(7,271)	14,766
CASH AND CASH EQUIVALENTS, beginning of period	24,238	31,509	16,743
CASH AND CASH EQUIVALENTS, end of period	$ 91,858	$ 24,238	$ 31,509
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest expense	$ 296	$ 188	$ 42
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:			
Fixed assets acquired pursuant to seller financing	$ --	$ 3,920	$ --
Preferred stock dividends paid in common stock	$ --	$ --	$ 900

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

(1) ORGANIZATION AND OPERATIONS

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

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

The Company may need additional financing to obtain regulatory approvals for its product candidates, fund operating losses, and, if deemed appropriate, establish manufacturing, sales, marketing and distribution capabilities.

The Company expects to incur substantial expenditures in the foreseeable future for the research and development and commercialization of its products. The Company will seek to raise necessary funds through public or private equity or debt financing, bank loans, collaborative or other arrangements with corporate sources, or through other sources of financing.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include Alexion Pharmaceuticals, Inc. and its wholly-owned subsidiary Columbus Farming Corporation ("Columbus"). Columbus was formed on February 9, 1999 to acquire certain manufacturing assets from United States Surgical Corporation ("US Surgical"), a subsidiary of Tyco International (see Notes 3 and 5). All significant inter-company balances and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

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

MARKETABLE SECURITIES

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

The Company has classified its marketable securities as "available for sale" and, accordingly, carries such securities at aggregate fair value. Unrealized gains or losses are included in other comprehensive income (loss) as a component of stockholders' equity. At July 31, 2000, the Company's marketable securities had a maximum maturity of less than two years with an average of approximately twelve months. The weighted average interest rate associated with these marketable debt securities is 6.9% and 5.7% as of July 31, 2000 and 1999, respectively.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following is a summary of marketable securities at July 31, 2000 and 1999 (dollars in thousands):

	AMORTIZED COST	UNREALIZED GAINS (LOSSES)	FAIR VALUE
Federal agency obligations	$43,435	$(14)	$43,421
Corporate bonds	39,256	(6)	39,250
Total marketable securities at July 31, 2000	$82,691	$(20)	$82,671
Federal agency obligations	$ 2,088	$ (9)	$ 2,079
Corporate bonds	2,006	5	2,011
Total marketable securities at July 31, 1999	$ 4,094	$ (4)	$ 4,090

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is recorded at cost and is depreciated over the estimated useful lives of the assets involved. Depreciation commences at the time the assets are placed in service and is computed using the straight-line method over the estimated useful lives of the assets (see Note 3). Maintenance and repairs are charged to expense when incurred.

ASSET	ESTIMATED USEFUL LIFE
Building and building improvements	15 years
Laboratory equipment	5 years
Office equipment	3 years
Furniture	3 years

LONG-LIVED ASSETS

The Company accounts for its investments in long-lived assets in accordance with Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" (SFAS 121). SFAS 121 requires a company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has reviewed its long-lived assets and determined that no impairments exist.

REVENUE RECOGNITION

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

products and markets are recognized as revenues as earned in accordance with the terms of the contracts (see below for recently issued accounting standard).

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

Deferred revenue results from cash received or amounts receivable in advance of revenue recognition under research and development contracts (see Note 8).

RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed in the period incurred.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

COMPREHENSIVE INCOME (LOSS)

The Company reports and presents comprehensive income (loss) in accordance with SFAS No. 130 "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income (loss) and its components in a full set of general purpose financial statements. The objective of the statement is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners (comprehensive income (loss)). The Company's other comprehensive income (loss) arises from net unrealized gains (losses) on marketable securities. The Company has elected to display comprehensive income (loss) as a component of the statements of stockholders' equity.

NET LOSS PER COMMON SHARE

The Company computes and presents net loss per common share in accordance with SFAS No. 128, "Earnings Per Share." The Company computes basic net loss per share by dividing net loss by the weighted average shares of common stock outstanding during the year. There is no difference in basic and diluted net loss per common share as the effect of stock options, warrants and convertible subordinated debt which would be included in the computation of diluted net loss per share is anti-dilutive for all periods presented. These outstanding stock options, warrants, and convertible subordinated debt entitled holders to acquire 3,829,887, 2,568,587, and 1,947,986 shares of common stock at July 31, 2000, 1999, and 1998, respectively.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
RECENTLY ISSUED ACCOUNTING STANDARDS

Staff Accounting Bulletin No. 101 (SAB 101), Revenue Recognition, was issued in December 1999. SAB 101 will require companies to recognize certain up-front non-refundable fees over the life of the related collaboration agreement when such fees are received in conjunction with collaboration agreements which have multiple elements. The Company is required to adopt this new accounting principle through a cummulative charge to retained earnings through the statements of operations, in accordance with the provisions of APB Opinion No. 20, in fiscal 2001. The Company believes that the adoption of SAB 101 will have a material impact on its future operating results as it applies to the $10.0 million up-front non-refundable payment received by it in connection with its collaboration with Procter & Gamble (see Note 8). The Company's historical financial statements reflect this payment as revenue in the year ended July 31, 1999. Based on guidance currently available, the Company will be required to record the $10.0 million fee as revenue over the future life, as defined, of the collaboration agreement. As of July 31, 2000, the Company had not yet adopted this new accounting principle.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND FOR HEDGING ACTIVITIES (SFAS No. 133) which provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Financial Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133--an Amendment of SFAS No. 133" for the sole purpose of updating the effective date of adoption of SFAS No. 133 to January 1, 2001. The Company does not believe that the adoption of SFAS No. 133 will have an impact on its results of operations or financial condition as the Company holds no derivative financial instruments and does not engage in hedging activities.

(3) PROPERTY, PLANT, AND EQUIPMENT

A summary of equipment is as follows (dollars in thousand):

	JULY 31,	
	2000	1999
Land	$ 364	$ 364
Building and building improvements	4,070	3,080
Laboratory and support equipment	7,378	6,541
Furniture and office equipment	1,217	815
	13,029	10,800
Less--Accumulated depreciation and amortization	(4,816)	(3,387)
	$ 8,213	$ 7,413

During 1999, the Company acquired land, building, and additional laboratory equipment at a total cost of approximately $3.9 million financed with a note payable to US Surgical (see Note 5).

(4) ACCRUED EXPENSES

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

	JULY 31, 2000	JULY 31, 1999
Research and development expenses	$ 176	$1,333
Payroll and employee benefits	809	617
Other	244	305
	$1,229	$2,255

(5) NOTES PAYABLE

A summary of notes payable is as follows (dollars in thousands):

	JULY 31, 2000	JULY 31, 1999
Term loan payable to a bank requiring quarterly principal payments of $92 payable through August 2001 bearing interest at a variable rate which is repriced quarterly. The rate as of July 31, 2000 was 8.46%. The term loan agreement requires the Company to maintain a restricted cash balance equal to the outstanding loan balance divided by 85% plus accrued interest in an interest bearing account as collateral for the note	$ 369	$ 831
Term note payable to US Surgical bearing interest at 6% per annum, payable quarterly. The principal balance under the note matures in May 2005. The note payable is secured by certain manufacturing assets of Columbus	3,920	3,920
	4,289	4,751
Less--Current portion	369	368
Total long-term	$3,920	$4,383

Future repayments of the notes payable are scheduled as follows (dollars in thousands):

YEAR ENDING JULY 31,	
2001	$ 369
2005	3,920
	$4,289

(6) CONVERTIBLE SUBORDINATED NOTES

In March 2000, the Company completed a $120 million private placement of 5.75% Convertible Subordinated Notes due March 15, 2007. The notes bear interest payable semi-annually on September 15 and March 15 of each year, beginning September 15, 2000. The holders may convert all

(6) CONVERTIBLE SUBORDINATED NOTES (CONTINUED)
or a portion of the notes into common stock at any time on or before March 15, 2007 at a conversion price of $106.425 per share.

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

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

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

The Company incurred deferred financing costs related to this offering of approximately $4.0 million which are recorded in the consolidated balance sheet and are being amortized as a component of interest expense over the seven-year term of the notes. Amortization expense associated with the financing costs was $185,000 for the year ended July 31, 2000.

(7) LICENSE AND RESEARCH & DEVELOPMENT AGREEMENTS

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

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

Research and development agreements generally provide for the Company to fund future project research from one to ten years. Based upon these agreements, the Company may obtain exclusive and non-exclusive rights and options to the applicable technologies developed as a result of the applicable research. The Company's policy is to expense research and development payments as incurred.

(7) LICENSE AND RESEARCH & DEVELOPMENT AGREEMENTS (CONTINUED)

The minimum payments (assuming non-termination of the above agreements) as of July 31, 2000, for each of the next five years are as follows (dollars in thousands):

YEAR ENDING JULY 31,	LICENSE AGREEMENTS	RESEARCH AND DEVELOPMENT AGREEMENTS
2001.....	$394	$8,869
2002.....	487	1,602
2003.....	367	--
2004.....	347	--
2005.....	402	--

Should the Company achieve certain milestones related to product development and product license applications and approvals, additional payments would be required. The agreements also require the Company to fund certain costs associated with the filing of patent applications.

(8) CONTRACT RESEARCH REVENUES

During the three years ended July 31, 2000 the Company recorded contract research revenues from research and development support payments, license fees and milestone payments under collaboration with third parties and amounts received from various government grants.

In February 1999, as part of the termination of the U.S. Surgical Collaborative research and development agreement, the Company purchased certain manufacturing assets and effected the return of all technology rights of its xenotransplantation program from US Surgical. The Company financed the asset purchase with a $3.9 million note payable to U.S. Surgical (see Note 5). In November 1997, the Company and US Surgical were awarded a three-year, $2 million cooperative agreement from the Commerce Department's National Institute of Standards and Technology (NIST) to fund a joint xenotransplantation project. This agreement was modified into a single entity agreement in February 1999. In October 1998, the Company was awarded another three-year $2 million agreement from NIST to fund a xenotransplantation project. In November 1999, the Company was awarded a three-year $2 million agreement from NIST to fund another xenotransplantation project.

In January 1999, the Company and Procter & Gamble Pharmaceuticals Inc. ("P&G") entered into an exclusive collaboration to develop and commercialize 5G1.1-SC, one of the Company's lead product candidates. Under this collaboration, the Company will initially pursue the development of 5G1.1-SC for the treatment of inflammation caused by cardiopulmonary bypass surgery, heart attack, and angioplasty. P&G has agreed to fund all clinical development and manufacturing costs relating to 5G1.1-SC for these indications. Additionally, P&G has agreed to pay the Company up to $95 million in payments, which include a non-refundable upfront license fee, milestone payments, and research and development support payments. The Company will also receive royalties on worldwide sales of 5G1.1-SC, if any, for all indications. The Company also has a preferred position relative to third-party manufacturers to manufacture 5G1.1-SC worldwide. The Company shares co-promotion rights with P&G to sell, market and distribute 5G1.1-SC in the United States, and has granted P&G the exclusive rights to sell, market and distribute 5G1.1-SC outside of the United States. Through July 31, 2000, the Company recorded revenues of $37.5 million from P&G, including receiving a non-refundable upfront

(8) CONTRACT RESEARCH REVENUES (CONTINUED)
license fee of $10 million in fiscal 1999 and $27.5 million for research and development support expenses (see Note 2 for recently issued accounting standards related to revenue recognition).

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

	YEAR ENDED JULY 31,		
COLLABORATION/GRANT AWARDS	2000	1999	1998
P&G	$19,708	$17,753	$ --
NIST	1,733	834	857
US Surgical	--	--	3,780
GTI/Novartis	--	167	400
	$21,441	$18,754	$5,037

(9) COMMITMENTS

The Company has entered into three-year and five-year employment agreements with its executives. These agreements provide that these individuals will receive aggregate annual base salaries of approximately $914,000 as of July 31, 2000. These individuals may also receive discretionary bonus awards, as determined by the Board of Directors.

As of July 31, 2000, the Company leases its administrative offices and a portion of its research & development facilities under an operating lease at 25 Science Park, New Haven, Connecticut (Science Park).

In May 2000, the Company entered into a new lease for its headquarters and research & development facilities in Cheshire, Connecticut. The lease commenced in August 2000 and has a term of ten years and six months. Occupancy of the leased facility is contingent upon the timely departure of the current tenant and subsequent additional work to be completed by the landlord. At this site the Company will lease and occupy a total of 82,000 square feet of space. The Company expects to incur initial leasehold improvements and relocation costs aggregating approximately $2.5 million, of which $16,000 were incurred as of July 31, 2000. At the Company's option, the landlord is required to fund up to $2.5 million of these improvements under a financing arrangement payable over the term of the lease at 11% per annum. In addition, the Company will be required to pay a pro rata percentage of real estate taxes and operating expenses. Monthly fixed rent starts at approximately $80,000, increasing to approximately $95,500 over the term of the lease. The Company has issued a $200,000 open letter of credit to secure the lease.

The pilot manufacturing plant, which is used for producing compounds for clinical trials, will remain in the current facility encompassing approximately 21,000 square feet of labs and offices at Science Park. Monthly fixed rent for the plant starts at approximately $16,500 increasing to $18,300 through December 2002.

Lease expense for the Company's facilities was $694,000, $420,000, and $415,000 for the years ended July 31, 2000, 1999 and 1998, respectively.

(9) COMMITMENTS (CONTINUED)

Future minimum annual rental payments as of July 31, 2000, under other noncancellable operating leases (primarily for equipment) are approximately $56,000, $56,000, $56,000, $56,000, and $32,000 for the five years ended July 31, 2004, respectively.

(10) COMMON STOCK AND PREFERRED STOCK

FISCAL 2000 SECONDARY PUBLIC OFFERING

In November 1999, the Company sold 3.415 million shares of common stock at a price of $14 per share in a follow-on public offering resulting in net proceeds of approximately $44.4 million to the Company.

FISCAL 1998 PRIVATE PLACEMENTS

In September 1997, the Company completed the private placement of 400,000 shares of Series B convertible preferred stock for aggregate consideration of $10 million to a single institutional investor, Biotech Target S.A., a wholly-owned subsidiary of BB Biotech AG. The net proceeds to the Company were approximately $9.5 million. The investor was entitled to a dividend of $2.25 per share of Series B convertible preferred stock if this stock was held through March 4, 1998. In March 1998 the investor converted the preferred stock into 935,782 shares of common stock and dividends of $900,000 were paid by the delivery of an additional 70,831 shares of the Company's common stock. Also, in March 1998, Biotech Target S.A. purchased an additional 670,000 shares of common stock for aggregate consideration of approximately $8.8 million.

In September 1997, the Company sold 166,945 shares of its common stock to U.S. Surgical for aggregate consideration of $3.0 million. The sale of common stock was made in connection with the modification of the joint development agreement between the Company and U.S. Surgical.

(11) STOCK OPTIONS AND WARRANTS

STOCK OPTIONS

Under the Company's 1992 Stock Option Plan, as amended, incentive and nonqualified stock options may be granted for up to a maximum of 3.1 million shares of common stock to directors, officers, key employees and consultants of the Company. Under the Company's 1992 Stock Option Plan for Outside Directors, as amended, the Company has registered an additional 200,000 shares of common stock for issuance upon exercise of options granted under the plan. Options generally become exercisable in equal proportions over three to four years and remain exercisable for up to ten years after the grant date, subject to certain conditions.

Statement of Financial Accounting Standard No. 123, Accounting for Stock-Based Compensation (SFAS 123) requires the measurement of the fair value of stock options or warrants to be included in the statement of income or disclosed in the notes to financial statements. The Company has determined that it will continue to account for stock-based compensation for employees under Accounting Principles Board Opinion No. 25 and elect the disclosure-only alternative under SFAS 123. The Company has computed the pro forma disclosure required under SFAS 123 for options granted

(11) STOCK OPTIONS AND WARRANTS (CONTINUED)
using the Black-Scholes option pricing model prescribed by SFAS 123. The weighted average assumptions used are as follows:

	2000	1999	1998
Risk free interest rate	6.00%	5.00%	5.25%
Expected dividend yield	0%	0%	0%
Expected lives	5 years	5 years	5 years
Expected volatility	85%	65%	61%

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates of awards under these plans consistent with the method of SFAS 123, the Company's net loss and pro forma net loss per common share would have been increased to the pro forma amounts indicated below (dollars in thousands, except per share amounts):

	2000	1999	1998
Net loss:			
As reported	$(20,227)	$(6,395)	$(8,765)
Pro forma	(22,887)	(8,419)	(9,958)
Net loss per common share:			
As reported	$ (1.45)	$ (0.57)	$ (0.87)
Pro forma	(1.64)	(0.74)	(0.99)

A summary of the status of the Company's stock option plans at July 31, 2000, 1999 and 1998 and changes during the years then ended is presented in the table and narrative below:

	2000		1999		1998	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at August 1	2,348,587	$ 8.10	1,727,986	$7.40	1,484,284	$ 6.63
Granted	644,800	63.18	780,750	9.64	279,750	11.31
Exercised	(225,083)	7.56	(66,587)	5.75	(21,864)	3.16
Cancelled	(84,089)	17.34	(93,562)	9.73	(14,184)	11.29
Outstanding at July 31	2,684,215	$21.09	2,348,587	$8.10	1,727,986	$ 7.40
Options exercisable at July 31	1,443,554	$ 7.26	1,238,398	$6.46	883,063	$ 5.73
Weighted-average fair value of options granted during the year		$45.02		$6.52		$ 6.42

During fiscal 1998, options to purchase 279,750 shares of common stock were granted to employees at exercise prices equal to the fair value of the stock at the date of grant.

During fiscal 1999, options to purchase 513,500 shares of common stock were granted to employees at an exercise prices equal to the fair value of the stock at the date of grant. The weighted

(11) STOCK OPTIONS AND WARRANTS (CONTINUED)
average exercise price of these options was $9.98 per share. The weighted average fair value of these options at the date of grant was $5.89 per option. In addition, options to purchase 267,250 shares of common stock were granted to employees subject to shareholders' approving an increase in total shares available to be granted under the plan. These options were granted at an exercise price of $9.00 per share which was equal to the fair value of the common stock at the date of grant. However, the exercise price of these options was less than the fair value of the stock at the date of shareholder approval. Accordingly, the Company is recording compensation expense based upon this difference over the vesting period associated with these options. Compensation expense associated with these options is $191,000 and $132,000 for the years ended July 31, 2000 and 1999, respectively. Aggregate compensation expense of approximately $430,000 associated with these option grants is expected to be recognized over the next two years. The weighted average fair value of these options at the date of shareholder approval was $7.73 per option.

During fiscal 2000, options to purchase 644,800 shares of common stock were granted to employees and consultants of the Company at an exercise price equal to the fair value of the stock at the date of grant. In accordance with EITF 96-18, "Accounting for Equity Instruments that Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services", the Company is recording compensation expense based upon the fair value of the options granted to consultants over the vesting term. Compensation expense related to these options was $239,000 for the year ended July 31, 2000.

The following table presents weighted average price and life information about significant option groups outstanding at July 31, 2000:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YRS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 2.37-$ 8.24	611,710	4.0	$ 3.44	601,960	$ 3.38
$ 8.25-$ 9.50	662,965	8.5	9.25	255,429	9.16
$ 9.51-$10.50	570,082	6.3	10.21	530,039	10.19
$10.51-$17.00	232,458	7.9	12.60	56,126	12.52
$62.00-$85.00	607,000	9.9	65.27	--	--
	2,684,215	7.3	$ 21.09	1,443,554	$ 7.26

WARRANTS

In connection with the Company's initial public offering in 1996, the Company sold to its underwriter, for nominal consideration, warrants to purchase 220,000 shares of common stock. These warrants are exercisable at a price of $9.90 per share for a period of forty-two (42) months commencing on August 27, 1997. During fiscal 2000, warrants to purchase 201,883 shares were exercised resulting in proceeds of $2.0 million to the Company.

(12) RIGHTS TO PURCHASE PREFERRED STOCK

In February 1997, the Board of Directors of the Company declared a dividend of one preferred stock purchase right for each outstanding share of common stock (including all future issuances of common stock). Under certain conditions, each right may be exercised to purchase one one-hundredth of a share of a new series of preferred stock at an exercise price of $75.00, subject to adjustment. The rights may be exercised only after a public announcement that a party acquired 20% or more of the Company's common stock or after commencement or public announcement to make a tender offer for 20% or more of the Company's common stock. The rights, which do not have voting rights, expire on March 6, 2002, and may be redeemed by the Company at a price of $.01 per right at any time prior to their expiration or the acquisition of 20% or more of the Company's stock. The preferred stock purchasable upon exercise of the rights will have a minimum preferential dividend of $10.00 per year, but will be entitled to receive, in the aggregate, a dividend of 100 times the dividend declared on a share of common stock. In the event of a liquidation, the holders of the shares of preferred stock will be entitled to receive a minimum liquidation payment of $100 per share, but will be entitled to receive an aggregate liquidation payment equal to 100 times the payment to be made per share of common stock.

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

(13) 401(K) PLAN

The Company has a 401(k) plan. Under the plan, employees may contribute up to 15 percent of their compensation with a maximum of $10,500 per employee in calendar year 2000. Effective January 1998, Company matching contributions of $0.50 for each dollar deferred (up to the first 6% of compensation) were authorized by the Board of Directors. The Company had matching contributions of approximately $127,000, $85,000, and $48,000 for the years ended July 31, 2000, 1999 and 1998, respectively.

(14) INCOME TAXES

At July 31, 2000, the Company has available for federal tax reporting purposes, net operating loss carryforwards of approximately $64.6 million which expire through 2020. The Company also has federal and state research and development credit carryforwards of approximately $5.6 million which begin to expire commencing in fiscal 2008. The Tax Reform Act of 1986 contains certain provisions that may limit the Company's ability to utilize net operating loss and tax credit carryforwards in any given year if certain events occur, including cumulative changes in ownership interests in excess of 50% over a three-year period. Accordingly there can be no assurance that the Company's ability to utilize its existing net operating loss and tax credit carryforwards in future periods will not be limited as a result of the effect of changes in ownership in excess of 50% over a three year period.

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

(14) INCOME TAXES (CONTINUED)

The components of deferred income taxes as follows (dollars in thousands):

	JULY 31,	
	2000	1999
Deferred tax assets:		
Net operating loss carryforwards, federal and state.....	$24,250	$16,801
Tax credit carryforwards.....	5,580	2,218
Other.....	230	144
Total deferred tax assets.....	30,060	19,163
Less: Valuation allowance for deferred tax assets.....	30,060	19,163
Net deferred tax assets.....	$ --	$ --

The Company has not yet achieved profitable operations. Accordingly, management believes the tax benefits as of July 31, 2000 do not satisfy the realization criteria set forth in SFAS No. 109 and has recorded a valuation allowance for the entire deferred tax assets.

(15) SUBSEQUENT EVENT

In September 2000, the Company acquired all the outstanding stock and stock options of Prolifaron, Inc., a formerly privately held company which possesses combinatorial human antibody library technologies and expertise for approximately $41 million. The Company will finance the acquisition through the issuance of up to 400,000 shares of common stock and stock options, in aggregate. The acquisition will be accounted for under the purchase method of accounting.

Exhibit 10.2

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of October 2, 2000, by and between Alexion Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and David Keiser (the "Executive").

W I T N E S S E T H

WHEREAS, the Company wishes to employ Executive in an executive capacity and Executive is desirous of being so employed;

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

1. EMPLOYMENT, DUTIES AND ACCEPTANCE.

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

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

2. TERM OF EMPLOYMENT.

The term of the Executive's employment under this Agreement (the "Term") commenced as of July 17, 2000 (the "Effective Date") and shall end on the second anniversary thereof unless sooner terminated pursuant to Section 7 or 8 of this Agreement. This Agreement shall not be renewed unless otherwise mutually agreed by the parties.

3. COMPENSATION.

(a) As full compensation for all services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the Term, an annual base salary of $234,000 for the first year of the Term and for each subsequent year of the Term an amount to be determined by the Company, payable in such installments as is the policy of the Company with respect to executive employees of the Company (the "Salary").

(b) Executive may receive bonuses on such dates, in such amounts and on such other terms as may be determined by the Board of Directors in its sole discretion. In the sole discretion of the Board of Directors, such bonuses, if any, may be paid in the form of grants of stock of the Company or non-qualified stock options, each granted pursuant to plans adopted by the Company and approved by the Company's Board of Directors.

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

(d) The Executive shall be eligible under any incentive plan, stock option plan, stock award plan, bonus, participation or extra compensation plan, relocation plan, pension, group insurance or other so-called "fringe" benefits which the Company generally provides for its executives.

4. OTHER BENEFITS.

In addition to all other benefits contained herein, the Executive shall be entitled to:

(1) Payment of health, disability, and life insurance at regular rates; and

(2) Vacation time of four weeks per year taken, subject to fulfillment of his duties hereunder, in accordance with the vacation policy of the Company during the Term.

5. CONFIDENTIALITY.

The Executive agrees that the "Proprietary Information and Inventions Agreement" annexed hereto as EXHIBIT A and made a part hereof shall be deemed to be a part of this Employment Agreement.

6. NON-COMPETITION.

(a) During the Term the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity or (2) participate in the formation of any business or commercial entity. For a period of one year following the date of termination, if terminated by the Company for Cause or by the Executive for any reason other than as provided in Section 8 hereof, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity engaged in the Company's Field of Interest or (2) participate in the formation of any business or commercial entity engaged in the Company's Field of Interest; provided, however, that nothing contained in this Section 6 shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) not exceeding 2% of such corporation's (or other entity's) then outstanding shares of capital stock. The "Company's Field of Interest" means the primary business of the Company as determined from time to time by the Board of Directors. This Section 6 shall be subject to written waivers that may be obtained by the Executive from the Company.

(b) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 6 or EXHIBIT A, the Company shall have the right and remedy to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(c) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is hereafter construed to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants, which shall be given full effect without regard to the invalid portions.

(d) If any of the covenants contained in Section 5, 6 or 10, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and, in its reduced form, such provision shall then be enforceable.

(e) The parties hereto intend to and hereby confer jurisdiction to enforce the covenants contained in Sections 5, 6 and 10 upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reasons of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other states within the geographical scope of such other covenants, as to breaches of such covenants in such other respective jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

7. TERMINATION BY THE COMPANY.

(a) The Company may terminate this Agreement without Cause or if any one or more of the following shall occur:

(1) The Executive shall die during the Term; PROVIDED, HOWEVER, that the Executive's legal representatives shall be entitled to receive his Salary through the last day of the month in which his death occurs.

(2) The Executive shall become physically or mentally disabled so that he is unable substantially to perform his services hereunder for (a) a period of 120 consecutive days, or (b) for shorter periods aggregating 180 days during any twelve-month period. Notwithstanding such disability the Company shall continue to pay the Executive his Salary through the date of such termination.

(3) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (a) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property which constitutes a felony in the jurisdiction involved, (b) the Executive's wilful and continual neglect or failure to discharge his duties, responsibilities, and obligations as Executive Vice President and COO of the Company after notice and a reasonable opportunity to cure, (c) the Executive's wilful misconduct or wilful breach of his fiduciary duties to the Company in connection with the performance of his duties, (d) the Executive's violation of any of the non-competition provisions of Section 6 hereof or the Executive's breach of any confidentiality provisions contained in EXHIBIT A hereto or (e) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates.

(b) All determinations of Cause or termination pursuant this Section 7 shall be determined by the Board (excluding the Executive if he is at such time a member of the Board).

8. TERMINATION BY THE EXECUTIVE.

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

9. SEVERANCE.

(a) If, within the Term of this Agreement, the Company terminates this Agreement for any reason other than Cause, death, or disability, or if the Executive terminates this Agreement pursuant to Section 8, then: (1) the Company shall pay the Executive a lump sum cash payment (the "Severance Payment") equal to the greater of (x) the annual salary for the remainder of the then current year of employment and (y) six months salary at the annual rate for the then current year of employment; and (2) for options granted to the Executive prior to the date of termination, the Company shall accelerate the vesting schedule for such options such that the number of such options vested on the day of termination shall be equal to the number of such options vested if the Executive were to have been continuously employed by the Company until the date twelve months after the date of termination. After termination of employment for any reason other than death of the Executive, the Company shall continue to provide all benefits subject to COBRA at its expense for the maximum required COBRA period.

(b) If the Executive is unable to continue his employment/service due to his death or unable to continue his employment and perform his duties due to physical or mental incapacity or disability, with or without reasonable accommodation, in accordance with applicable law, for a period of six months or more, all stock options and stock awards (and similar equity rights), held by Executive prior to his death/disability, or the expiration of the Agreement, shall vest and become immediately exercisable and remain exercisable through their original terms with all rights. This Section 9(b) shall survive the expiration or termination of the Agreement, except for any terminations pursuant to Section 7(a)(3) or 7(b).

10. INDEMNIFICATION.

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

11. ARBITRATION.

Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in the City of New York, in accordance with the rules then existing of the American Arbitration Association (three arbitrators), and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The parties shall be free to pursue any remedy before the

arbitration tribunal that they shall be otherwise permitted to pursue in a court of competent jurisdiction. The award of the arbitrators shall be final and binding. During the pendency of any arbitration or any dispute not yet submitted to arbitration, the Company shall not be entitled to any offset against payments, stock awards or other benefits due to the Executive under this Agreement or otherwise.

12. NOTICES.

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

If to the Company:

Alexion Pharmaceuticals, Inc.
25 Science Park
New Haven, Connecticut 06510

Telephone: 203-776-1790
Fax: 203-776-2089

If to the Executive:

David Keiser
37 Georgetown Circle
Madison, CT 06443

Telephone: 203-421-5691

13. GENERAL.

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

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

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

(d) This Agreement shall be binding upon the legal representatives, heirs, distributees, successors and assigns of the parties hereto.

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

ALEXION PHARMACEUTICALS, INC.

By /s/ Leonard Bell

Leonard Bell
President and Chief Executive Officer

/s/ David Keiser

David Keiser

EXHIBIT A

ALEXION PHARMACEUTICALS, INC.

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

I recognize that ALEXION Pharmaceuticals, Inc., a Delaware corporation (the "Company", which term includes any subsidiaries thereof), is engaged in multiple aspects of pharmaceutical development and biotechnology.

I understand that:

A. As part of my employment by the Company I am expected to make new contributions of value of the Company.

B. My employment creates a relationship of confidence and trust between me and the Company with respect to any information:

(1) Applicable to the business of the Company and made known to me by the Company or learned by me during the period of my employment; or

(2) Applicable to the business of any client, customer or strategic partner of the Company, which may be made known to me by the Company or by any client, customer or strategic partner of the Company, or learned by me during the period of my employment.

C. The Company possesses and will continue to possess information that has been created, discovered or developed, or has otherwise become known to the Company (including without limitation information created, discovered, developed or made known by or to me during the period of my employment by the Company), and/or in which property or other rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the business in which the Company is engaged and none of which is in the public domain except through the breach by me or anyone else of a confidentiality duty. All of the aforementioned information is hereinafter called "Proprietary Information." By way of illustration, but not limitation, Proprietary Information includes "Developments (as herein defined), data and know-how, techniques, marketing plans and opportunities, cost and pricing data, strategies, forecasts and customer lists. By way of illustration, but not limitation, "Developments" includes developments, improvements, discoveries, trade secrets, technologies, processes, research, methods, procedures, designs, models, testing systems, research, assays, compounds, molecules, organisms, gene sequences, cell lines, complement inhibitors and other re-agents (including the composition thereof), uses of any of the foregoing, computer software and programs (including source code and related documentation), test and/or experimental data and results, specifications, laboratory notebooks, drawings and technical information and materials.

D. As used herein, the period of my employment includes any time in which I may be retained by the Company as a consultant.

In consideration of my employment or continued employment, as the case may be, and the compensation received by me from the Company from time to time, I hereby agree as follows:

1. Prior to entering the employ of the Company, I have terminated employment with one or more prior employers. I agree to indemnify and hold harmless the Company, its directors, officers and employees against any liabilities and expenses including reasonable attorneys' fees and amounts paid in settlement, incurred by any of them in connection with any claim by any of my prior employers that the termination of my employment with such employer, my employment by the Company, or use of any skills and knowledge by the Company is a violation of contract or law.

2. All Proprietary Information shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trade secrets and trademarks and other rights in connection therewith. I hereby assign to the Company any and all rights I may have or acquire in all Proprietary Information. At all times, both during my employment by the Company and after its termination, I will keep in confidence and trust all Proprietary Information, and I will not use or disclose any Proprietary Information without the written consent of the Company, except as may be necessary in the ordinary course of performing my duties as an employee of the Company.

3. During the period of my employment by the Company I will not, without the Company's express written consent, engage in any employment or activity in any competitive business, other than for the Company.

4. I will promptly disclose to the Company, or any persons designated by it, all Developments, improvements, processes, techniques, know-how, data and Developments made or conceived or reduced to practice or learned by me, either alone or jointly with others, during the period of my employment by the Company which are related to or useful in the business of the Company, or result from use of premises owned, leased or contracted for by the Company (all said Developments, improvements, processes, techniques, know-how, data and documentation, shall be collectively hereinafter called "Know-how").

5. I agree that all Know-how shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents, copyrights, trademarks and other rights in connection therewith. I hereby assign to the Company any rights I may have or acquire in all Know-how.

I understand that this paragraph 5 does not apply to Know-how for which no equipment, supplies, facility or trade secret information of the Company was used and which was developed entirely on my own time, and (a) which does not relate (1) to the business of the Company or (2) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by me for the Company. I agree to execute any documents requested by the Company to effectuate the intent of this paragraph.

6. The Company shall have the right (but shall not be obligated) to use, assert and/or apply for patent, copyright, trademark and other statutory or common law protection for any or all Know-how in any and all countries. I agree to assist the Company in every reasonable way without additional compensation (but at the Company's expense), to apply for, prosecute and obtain, and from time to time enforce, defend and protect, any and all patent, copyright, trademark and other statutory or

common law protection for any of the Know-how in any and all countries. I shall, whether during or following my employment by the Company, at the Company's request and expense, but without additional compensation to me, execute any and all assignments, transfers, applications and other papers covering any Know-how which may be considered necessary or helpful by the Company in furtherance of the foregoing and/or to accomplish the assignment, transfer and/or license of any Know-how to persons designated by the Company.

7. In the event of the termination of my employment by me or by the Company for any reason, I will deliver to the Company all documents, materials, compounds, samples, plasmids, proteins, probes and data of any nature pertaining to my work with the Company and I will not take with me any documents or data of any description or any reproduction of any description containing or pertaining to any Proprietary Information, and Know-how.

8. I represent that to the best of my knowledge my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any agreement either written or oral in conflict herewith.

9. I understand as part of the consideration for the offer of employment extended to me by the Company and of my employment or continued employment by the Company, that I have not brought and will not bring with me to the Company or use in the performance of my responsibilities at the Company any materials or documents of a former employer which are not generally available to the public, unless I have obtained written authorization from the former employer for their possession and use.

Accordingly, this is to advise the Company that the only materials or documents of a former employer which are not generally available to the public that I have brought or will bring to the Company or have used or will use in my employment are identified on SCHEDULE A attached hereto, and, as to each such item, I represent that I have obtained prior to the effective date of my employment with the Company written authorization for their possession and use in my employment with the Company.

I also understand that, in my employment with the Company, I am not to breach any obligation of confidentiality that I have to former employers, and I agree that I shall fulfill all such obligations during my employment with the Company.

10. In the event that any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, but not limited to, any provision which may be held unenforceable because of the scope, duration or area of its applicability), unless narrowed by construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision shall have the power to modify such scope, duration or area or all of them, and such provision shall then be applicable in such modified form in such jurisdiction only). If, notwithstanding the foregoing, any provision herein would be held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11. By reason of the fact that irreparable harm would be sustained by the Company in the event that there is a breach by me of any of the terms, covenants and agreements set forth herein, in addition to any other rights that the Company may otherwise have, the Company shall be entitled to apply to any court of competent jurisdiction and obtain specific performance and/or injunctive relief against me, without making a showing that monetary damages would be inadequate and without the requirement of posting any bond or other security whatsoever, in order to enforce or prevent any breach or threatened breach of any of the terms, covenants and agreements set forth herein, and I will not object thereto.

12. This Agreement shall be binding upon me, my heirs, executors, assigns and administrators and shall inure to the benefit of the Company, its successors and assigns.

This Agreement shall be governed in all respects by the laws of the State of Delaware, applicable to agreements made and to be performed solely therein.

Dated: _____ By: _____

ACCEPTED AND AGREED TO:
ALEXION PHARMACEUTICALS, INC.

By: _____

Title: _____

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements File numbers 333-19905, 333-24863, 333-29617, 333-41397, 333-47645, 333-71879, 333-71985 and 333-36738.

/s/ ARTHUR ANDERSEN LLP

Hartford, Connecticut
October 5, 2000

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

1,000

12-MOS
JUL-31-2000
AUG-01-1999
JUL-31-2000
91,858
82,671
5,095
0
0
180,080
13,029
(4,816)
192,702
7,178
123,920
0
0
2
61,604
192,702
0
21,441
0
44,362
0
0
2,694
(20,227)
0
(20,227)
0
0
0
(20,227)
(1.45)
(1.45)

EXHIBIT 99.1

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS BEFORE YOU DECIDE TO INVEST IN ALEXION. YOU SHOULD ALSO CONSIDER THE OTHER INFORMATION IN THIS PROSPECTUS AND INFORMATION INCORPORATED BY REFERENCE IN THIS PROSPECTUS. THE RISKS AND UNCERTAINTIES BELOW ARE NOT THE ONLY ONES FACING ALEXION BECAUSE WE ARE ALSO SUBJECT TO ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US. IF ANY OF THESE RISKS ACTUALLY OCCURS, OUR BUSINESS, FINANCIAL CONDITION, OPERATING RESULTS OR CASH FLOWS COULD BE HARMED.

IF WE CONTINUE TO INCUR OPERATING LOSSES, WE MAY BE UNABLE TO CONTINUE OUR OPERATIONS.

We have incurred losses since we started our company in January 1992. As of July 31, 2000, we had an accumulated deficit of approximately $67.2 million. If we continue to incur operating losses and fail to become a profitable company, we may be unable to continue our operations. Since we began our business, we have focused on research and development of product candidates. We have no products that are available for sale. We expect to continue to operate at a net loss for at least the next several years as we continue our research and development efforts, continue to conduct clinical trials and develop manufacturing, sales, marketing and distribution capabilities. Our future profitability depends on our receiving regulatory approval of our product candidates and our ability to successfully manufacture and market approved drugs. The extent of our future losses and the timing of our profitability are highly uncertain.

IF WE DO NOT OBTAIN REGULATORY APPROVAL FOR OUR DRUG PRODUCTS WE WILL NOT BE ABLE TO SELL OUR DRUG PRODUCTS.

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

IF OUR DRUG TRIALS ARE DELAYED OR ACHIEVE UNFAVORABLE RESULTS, WE WILL NOT BE ABLE TO OBTAIN REGULATORY APPROVAL FOR OUR PRODUCTS.

We must conduct extensive testing of our product candidates before we can obtain regulatory approval for our products. We need to conduct both preclinical animal testing and clinical human trials. These tests and trials may not achieve favorable results. We would need to reevaluate any drug that did not test favorably and either alter the drug or the dose, or abandon the drug development project. As a result, we would not be able to obtain regulatory approval on a timely basis, if ever.

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

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

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

IF WE FAIL TO OBTAIN THE CAPITAL NECESSARY TO FUND OUR OPERATIONS, WE WILL BE UNABLE TO CONTINUE OR COMPLETE OUR PRODUCT DEVELOPMENT.

In the future, we will need to raise substantial additional capital to fund operations and complete our product development. We may not get funding when we need it or on favorable terms. If we cannot raise adequate funds to satisfy our capital requirements, we may have to delay, scale-back or eliminate our research and development activities or future operations. We might have to license our technology to others. This could result in sharing revenues which we might otherwise retain for ourselves. Any of these actions may harm our business.

The amount of capital we may need depends 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; and

any new collaborative, licensing and other commercial relationships that we may establish.

IF OUR COLLABORATION WITH PROCTER & GAMBLE IS TERMINATED, WE MAY BE UNABLE TO COMMERCIALIZE 5G1.1-SC IN THE TIME EXPECTED, IF AT ALL, AND OUR BUSINESS WOULD BE HARMED.

We rely exclusively on Procter & Gamble to provide funding and additional resources for the development and commercialization of 5G1.1-SC. These include funds and resources for:

clinical development and manufacturing;

obtaining regulatory approvals; and

sales, marketing and distribution efforts worldwide.

We cannot guarantee that Procter & Gamble will devote the resources necessary to successfully develop and commercialize 5G1.1-SC. Either party may terminate our collaboration agreement for specified reasons, including a material breach or the occurrence of a change of control.

Termination of our agreement with Procter & Gamble would cause significant delays in the development of 5G1.1-SC and result in additional development costs. We would need to fund the development and commercialization of 5G1.1-SC on our own or identify a new development partner. We might also have to repeat testing already completed with Procter & Gamble.

IF WE ARE UNABLE TO ENGAGE AND RETAIN THIRD-PARTY COLLABORATORS, OUR RESEARCH AND DEVELOPMENT EFFORTS MAY BE DELAYED.

We depend upon third-party collaborators to assist us in the development of our product candidates. If any of our existing collaborators breaches or terminates its agreement with us or does not perform its development work under the agreement, we would experience significant delays in the development or commercialization of our product candidates. We would also experience significant delays if we cannot engage additional collaborators when required. In either event, we would be required to devote additional funds or other resources to these activities or to terminate them.

We cannot assure you that:

we will be able to negotiate acceptable collaborative agreements to develop or commercialize our products;

any arrangements with third parties will be successful; or

current or potential collaborators will not pursue treatments for other diseases or seek other ways of developing treatments for our disease targets.

IF WE CANNOT PROTECT THE CONFIDENTIALITY AND PROPRIETARY NATURE OF OUR TRADE SECRETS, OUR BUSINESS AND COMPETITIVE POSITION WILL BE HARMED.

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

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

IF WE ARE FOUND TO BE INFRINGING ON PATENTS OWNED BY OTHERS, WE MAY BE FORCED TO OBTAIN A LICENSE TO CONTINUE THE SALE OR DEVELOPMENT OF OUR DRUGS AND PAY DAMAGES.

Parts of our technology, techniques and proprietary compounds and potential drug candidates may conflict with patents owned by or granted to others. If we cannot resolve these conflicts, we may be liable for damages or be required to obtain costly licenses. For example, we are aware of broad patents owned by others relating to the manufacture, use and sale of recombinant humanized antibodies, recombinant humanized single chain antibodies,

recombinant human antibodies, recombinant human single chain antibodies, and genetically engineered animals. Many of our products are genetically engineered antibodies, including recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, recombinant human single chain antibodies, and other products are tissues from animals.

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

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

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

IF THE TESTING OR USE OF OUR PRODUCTS HARMS PEOPLE, WE COULD BE SUBJECT TO COSTLY AND DAMAGING PRODUCT LIABILITY CLAIMS.

The testing, manufacturing, marketing and sale of drugs for use in humans exposes us to product liability risks. Side effects and other problems from using our products could give rise to product liability claims against us. We might have to recall our products, if any, from the marketplace. Some of these risks are unknown at this time. For example, little is known about the potential long-term health risks of transplanting pig tissue into humans, a goal of our UniGraft product development program.

In addition, we may be sued by people who participate in our clinical trials. A number of patients who participate in such trials are already critically ill when they enter a study. Any waivers we may obtain from people who sign up for our trials may not protect us from liability or litigation. Our product liability insurance may not cover all potential liabilities. Moreover, we may not be able to maintain our insurance on acceptable terms. As a result of these factors, a product liability claim, even if successfully defended, could have a material adverse effect on our business, financial condition and results of operations.

IF WE CANNOT MANUFACTURE OUR DRUG CANDIDATES IN SUFFICIENT AMOUNTS AT ACCEPTABLE COSTS AND ON A TIMELY BASIS, WE MAY BE UNABLE TO MEET THE NEED FOR MATERIALS FOR PRODUCT TESTING AND LATER, FOR POTENTIAL SALE IN THE MARKET. EITHER EVENT WOULD HARM OUR BUSINESS.

For our drug trials, we need to produce sufficient amounts of product for testing. We do not have the capacity to produce more than one product candidate at a time. In addition, our small manufacturing plant cannot manufacture enough of our product candidates for later stage clinical development. We depend on a few outside suppliers for manufacturing. If we experience interruptions in the manufacture of our products for testing, our drug development efforts will be delayed. If any of our outside manufacturers stops manufacturing our products or reduces the amount manufactured, we will need to find other alternatives. If we are unable to find an acceptable outside manufacturer on reasonable terms, we will

have to divert our own resources to manufacturing. As a result, our ability to conduct testing would be materially adversely affected. Submission of products and new development programs for regulatory approval would be delayed. Our competitive position and our prospects for achieving profitability could be materially and adversely affected.

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

We may encounter problems in any of the following areas as we attempt to increase the scale, process or size of manufacturing:

- design, construction and qualification of manufacturing facilities that meet regulatory requirements;
- production yields from the manufacturing process;
- purity of our drug products;
- quality control and assurance;
- shortages of qualified personnel; and
- compliance with FDA regulations.

IF OUR BUSINESS AND PRODUCTS, EVEN AFTER REGULATORY APPROVAL IS OBTAINED, FAIL TO COMPLY WITH REGULATORY REQUIREMENTS, OUR ABILITY TO SELL PRODUCTS AND CONDUCT BUSINESS WILL BE HARMED.

Even if we receive regulatory approval for any product, our business will always be subject to substantial regulation by the FDA or a comparable foreign regulatory agency. The discovery of previously unknown problems with a product or its manufacture may result in restrictions on the product or manufacturer, including withdrawal of the product from the market. The consequences for failure to comply with applicable regulatory requirements can be serious, resulting in:

- warning letters;
- fines and other civil penalties;
- suspended regulatory approvals;
- refusal to approve pending applications or supplements to approved applications;
- refusal to permit exports from the United States;
- product recalls;
- seizure of products;
- injunctions;

- operating restrictions;
- total or partial suspension of production; and/or
- criminal prosecutions.

Any of these consequences could result in withdrawal of approval, or require reformulation of the drug, additional preclinical testing or clinical trials, changes in labeling of the product, and/or additional marketing applications. We would be required to expend time and resources in correcting the problem, including any adverse publicity associated with the problem, in order to put the product back on the market. These delays and uses of resources would hurt our business, profitability and reputation.

IF WE ARE UNABLE TO ESTABLISH SALES, MARKETING AND DISTRIBUTION CAPABILITIES, OR TO ENTER INTO AGREEMENTS WITH THIRD PARTIES TO DO SO, WE WILL BE UNABLE TO SUCCESSFULLY MARKET AND SELL FUTURE DRUG PRODUCTS.

We have no sales, marketing or distribution personnel or capabilities. If we are unable to establish those capabilities, either by developing our own capabilities or entering into agreements with others, we will not be able to successfully sell our products. In that event, we will not be able to generate significant revenues. We cannot guarantee that we will be able to hire the qualified sales and marketing personnel we need. We may not be able to enter into any marketing or distribution agreements on acceptable terms, if at all. We are relying on Procter & Gamble for sales, marketing and distribution, of 5G.1-SC. Procter & Gamble, or any future collaborators, may not succeed at selling any of our future drug products.

IF WE ARE UNABLE TO OBTAIN REIMBURSEMENT FROM GOVERNMENT HEALTH ADMINISTRATION AUTHORITIES, PRIVATE HEALTH INSURERS AND OTHER ORGANIZATIONS FOR OUR FUTURE PRODUCTS, OUR PRODUCTS MAY BE TOO COSTLY FOR REGULAR USE AND OUR ABILITY TO GENERATE REVENUES WOULD BE HARMED.

Our future revenues and profitability will be affected by the continuing efforts of governmental and private third-party payors to contain or reduce the costs of health care through various means. If these entities refuse to provide reimbursement with respect to our products or determine to provide a low level of reimbursement, our products may be too costly for general use. Any limitation on the use of our products will have a material adverse effect on our ability to generate revenues and achieve profitability. We expect a number of federal, state and foreign proposals to control the cost of drugs through government regulation. We are unsure of the form that any health care reform legislation may take or what actions any of these authorities and private payors may take in response to the proposed reforms. Therefore, we cannot precisely predict the effect of any reform on our business.

EVEN IF WE SUCCESSFULLY DEVELOP OUR PRODUCTS FOR TRANSPLANTING ANIMAL CELLS INTO HUMANS, THIS TECHNOLOGY MAY NOT BE ACCEPTED BY THE MARKET DUE TO MEDICAL CONCERNS OR UNANTICIPATED REGULATION.

Our program for the development of animal cells for transplantation into humans may never result in any therapeutic products. This technology is subject to extensive clinical testing and we are not aware of any such technology that has been approved for sale by the FDA or comparable foreign regulatory authorities. Even if we succeed in developing these products, our products may not be widely accepted by the medical community or third-party payors until more facts are established and ethical consensus is reached regarding the use of animal cells. In addition, concerns relating to the risk of introducing new animal viruses to infect the human species through the transplantation process may also create additional regulatory hurdles for FDA approval. If accepted, the degree of acceptance may limit the

size of the market for our products. Moreover, due to the controversial nature of transplantation of animal cells into humans generally, market prices for our securities may be subject to increased volatility.

IF OUR COMPETITORS GET TO THE MARKETPLACE BEFORE WE DO WITH BETTER OR CHEAPER DRUGS, OUR DRUGS MAY NOT BE PROFITABLE TO SELL OR TO CONTINUE TO DEVELOP.

Each of Avant Immunotherapeutics, Inc, Leukosite Inc., a subsidiary of Millenium Pharmaceuticals, Inc., Tanox, Inc., Abbott Laboratories, Gliatech Inc. and Biocryst Pharmaceuticals have publicly announced their intentions to develop drugs which target the inflammatory effects of complement in the immune system. We are also aware that Pfizer, Inc., SmithKline Beecham Plc and Merck & Co., Inc. are also attempting to develop complement inhibitor therapies. Each of Cambridge Antibody Technology, PLC, MorphoSys AG and Dyax Corporation have publicly announced intentions to develop therapeutic human antibodies from libraries of human antibody genes. Additionally, each of Abgenix Inc. and Medarex, Inc. have publicly announced intentions to develop therapeutic human antibodies from mice that have been bred to include some human antibody genes. These and other large pharmaceutical companies with significantly greater resources than ours, may develop, manufacture and market better or cheaper drugs than our product candidates. They may establish themselves in the marketplace before we are able to even finish our clinical trials. Larger pharmaceutical companies also compete with us to attract academic research institutions as drug development partners, including for licensing these institutions' proprietary technology. If our competitors successfully enter into such arrangements with academic institutions, we will be precluded from pursuing those specific unique opportunities and may not be able to find equivalent opportunities elsewhere.

IF WE FAIL TO RECRUIT AND RETAIN PERSONNEL, OUR RESEARCH AND PRODUCT DEVELOPMENT PROGRAMS MAY BE DELAYED.

We are highly dependent upon the efforts of our senior management and scientific personnel. There is intense competition for qualified scientific and technical personnel. Since our business is very science-oriented and specialized, we need to continue to attract and retain such people. We may not be able to continue to attract and retain the qualified personnel necessary for developing our business. If we lose the services of, or fail to recruit, key scientific and technical personnel, our research and product development programs would be significantly and detrimentally affected.

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

THE RIGHTS THAT HAVE BEEN AND MAY IN THE FUTURE BE GRANTED TO OUR STOCKHOLDERS MAY FRUSTRATE ATTEMPTS BY OTHERS TO TAKE OVER OUR COMPANY.

We have in place a shareholder rights plan, or "poison pill," which enables our board of directors to issue rights to purchase preferred stock when someone acquires 20% or more of the outstanding shares of our common stock. As a result of the plan, anyone wishing to take over the company would most likely be forced to negotiate a transaction with the company in order not to trigger the pill. If we refused to negotiate, or negotiations were unsuccessful, a proposed takeover could be frustrated. This would prevent our stockholders from participating in a takeover or tender offer which might be of substantial value to them.

In addition, under our certificate of incorporation, our board of directors is authorized to issue one or more series of preferred stock with rights and preferences determined by the board. The preferences and rights of any preferred stock may be superior to those of the holders of our common stock. By issuing

preferred stock with superior right to the common stock, the board could frustrate a person who wishes to take over the company through a tender offer for the outstanding common stock. These provisions are also intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our board of directors. These provisions could also delay, deter or frustrate a merger or change in control.