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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 31, 2004

OR

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

For the transition period from _____ to _____

Commission file number: 0-27756

Alexion Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3648318**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

352 Knotter Drive, Cheshire, Connecticut 06410
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

Common Stock, $0.0001 par value	21,956,277 shares
Class	**Outstanding at March 10, 2004**

ALEXION PHARMACEUTICALS, INC.

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

	January 31, 2004	July 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,525	$ 24,816
Marketable securities	212,691	190,566
Reimbursable contract costs	92	390
State tax receivable	933	1,012
Prepaid expenses and other current assets	2,946	2,939
Assets of discontinued operations held for sale (see Note 3)	1,217	1,247
Total current assets	228,404	220,970
Property, plant, and equipment, net	10,577	11,066
Goodwill	19,954	19,954
Deferred financing costs, net	1,833	2,119
Prepaid manufacturing costs	10,000	10,000
Other assets	1,351	1,968
TOTAL ASSETS	$ 272,119	$ 266,077
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,985	$ 7,560
Accrued expenses	2,904	4,312
Accrued interest	2,587	2,587
Deferred revenue	589	589
Deferred research and development payments	188	—
Liabilities of discontinued operations held for sale (see Note 3)	4,097	59
Total current liabilities	18,350	15,107
Deferred revenue, less current portion included above	6,470	6,764
Deferred research and development payments, less current portion included above	1,296	—
Note payable of discontinued operations held for sale (see Note 3)	—	3,920
Convertible subordinated notes	120,000	120,000
Total liabilities	146,116	145,791
Commitments and contingencies (see Note 12)		
Stockholders' Equity:		
Preferred stock $.0001 par value; 5,000 shares authorized; no shares issued or outstanding	—	—
Common stock $.0001 par value; 145,000 shares authorized; 21,959 and 18,257 shares issued at January 31, 2004 and July 31, 2003, respectively	2	2
Additional paid-in capital	430,419	385,498
Accumulated deficit	(304,025)	(265,266)
Other comprehensive income	207	652
Treasury stock, at cost; 37 shares	(600)	(600)
Total stockholders' equity	126,003	120,286
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 272,119	$ 266,077

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

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

	Three months ended January 31,		Six months ended January 31,	
	2004	2003	2004	2003
CONTRACT RESEARCH REVENUES	$ 147	$ 220	$ 294	$ 543
OPERATING EXPENSES:				
Research and development	14,565	18,243	31,212	37,436
General and administrative	3,300	2,754	6,114	4,900
Total operating expenses	17,865	20,997	37,326	42,336
Operating loss from continuing operations	(17,718)	(20,777)	(37,032)	(41,793)
OTHER INCOME AND EXPENSE				
Investment income	994	1,662	1,995	3,544
Interest expense	(1,867)	(1,867)	(3,737)	(3,735)
Loss from continuing operations before state tax benefit	(18,591)	(20,982)	(38,774)	(41,984)
State tax benefit	62	—	133	—
Net loss from continuing operations	(18,529)	(20,982)	(38,641)	(41,984)
Loss from discontinued operations of Columbus Farming Corporation (see Note 3)	(18)	(483)	(118)	(1,121)
Net loss	$ (18,547)	$ (21,465)	$ (38,759)	$ (43,105)
BASIC AND DILUTED NET LOSS PER SHARE:				
Loss from continuing operations	$ (0.85)	$ (1.15)	$ (1.84)	$ (2.31)
Loss from discontinued operations of Columbus Farming Corporation	$ (0.00)	$ (0.03)	$ (0.01)	$ (0.06)
NET LOSS PER SHARE	$ (0.85)	$ (1.18)	$ (1.85)	$ (2.37)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	21,893	18,207	20,924	18,206

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

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

	Six months ended January 31,	
	2004	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (38,759)	$ (43,105)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations	118	1,121
Depreciation and amortization	1,737	1,567
Compensation expense related to grant of stock options	57	67
Change in assets and liabilities:		
Reimbursable contract costs	298	474
State tax receivable	79	—
Prepaid expenses	(7)	(629)
Other assets	601	(176)
Prepaid manufacturing costs	—	(7,250)
Accounts payable	425	(3,441)
Accrued expenses	(1,408)	(1,297)
Accrued interest	—	(1)
Deferred revenue	(294)	(251)
Deferred research and development payments	1,484	—
Net cash used in continuing operations	(35,669)	(52,919)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(72,539)	(49,667)
Proceeds from maturity or sale of marketable securities	49,969	109,649
Investments in patents and licensed technology	(5)	(27)
Purchases of property, plant and equipment	(941)	(1,299)
Net cash provided by (used in) investing activities	(23,516)	58,656
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	44,864	50
Net cash provided by financing activities	44,864	50
Net cash provided by (used in) discontinued operations	**30**	**(980)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,291)	4,808
CASH AND CASH EQUIVALENTS, beginning of period	24,816	47,522
CASH AND CASH EQUIVALENTS, end of period	$ 10,525	$ 52,330
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 3,450	$ 3,568

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

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Operations -

Alexion Pharmaceuticals, Inc. ("Alexion") was organized in 1992 and is engaged in the discovery and development of therapeutic products for the treatment of a wide array of severe disease states, including cardiovascular, hematologic and autoimmune disorders, inflammation, and cancer.

The accompanying consolidated financial statements include Alexion Pharmaceuticals, Inc. and our wholly owned subsidiaries, Alexion Antibody Technologies ("AAT") and Columbus Farming Corporation ("CFC"). All significant inter-company balances and transactions have been eliminated in consolidation. CFC operations were suspended and commencing in the quarter ended January 31, 2004 CFC is classified as a discontinued operation (see Note 3). Certain reclassifications have been made to the prior year operating expenses and interest expense for the three and six months ended January 31, 2003 to classify CFC as a discontinued operation and also to conform prior year expense classifications to current year expense classifications.

The consolidated financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of interim period results. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The results for the interim periods presented are not necessarily indicative of results to be expected for any future period. Certain amounts in the fiscal 2003 financial statements have been reclassified to conform to the fiscal 2004 presentation. These consolidated condensed financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Form 10-K Annual Report for the fiscal year ended July 31, 2003. The year-end balance sheet data presented does not include all disclosures required by accounting principles generally accepted in the United States of America.

2. Accounting for Stock-Based Compensation -

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

At January 31, 2004, we have two stock-based compensation plans for employees, directors and consultants of Alexion. We account for the plans under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations.

The following table illustrates the effect on net loss and net loss per share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation for the three and six months ended January 31, 2004 and 2003 (dollars in thousands, except per share amounts):

	Three months ended January 31,		Six months ended January 31,	
	2004	2003	2004	2003
Net loss, as reported	$ (18,547)	$ (21,465)	$ (38,759)	$ (43,105)
Add: Stock-based employee compensation expense included in reported net loss	16	45	32	67
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(3,572)	(4,220)	(7,092)	(8,293)
Pro forma net loss	$ (22,103)	$ (25,640)	$ (45,819)	$ (51,331)
Net loss per share:				
Basic and diluted - as reported	$ (0.85)	$ (1.18)	$ (1.85)	$ (2.37)
Basic and diluted - pro forma	$ (1.01)	$ (1.41)	$ (2.19)	$ (2.82)

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The table does not include non-employee compensation expense of $7,000 and $25,000 for the three and six months ended January 31, 2004 respectively.

The effects of applying the fair value recognition provisions of SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts.

3. Discontinued Operations

In February 1999, CFC purchased substantially all of the assets of the xenotransplantation program, including principally, land, buildings and laboratory equipment, from its then partner in the program, U.S. Surgical Corporation, now a division of Tyco International, Ltd. (“Tyco”). The purchase was financed through the issuance by CFC of a $3.9 million note payable to Tyco. Interest on the $3.9 million note payable, at 6% per annum, is payable quarterly by CFC. The xenotransplantation manufacturing assets of CFC that were purchased from Tyco, including the real estate, were pledged as security for this note. The principal balance under the note is due in May 2005, and accordingly was classified as a long-term obligation as of July 31, 2003. However, upon CFC’s failure to make its quarterly interest payment due to Tyco in August 2003, CFC defaulted on the note. As a result of the event of default, the note is classified as a current liability of discontinued operations as of January 31, 2004.

In the quarter ended October 31, 2003, in conjunction with the event of default, we notified Tyco that CFC operations were suspended and that CFC would seek to liquidate itself to fulfill its debt obligation in whole or in part. CFC further notified Tyco that it does not have the funds or assets to satisfy the $3.9 million note.

As of January 31, 2004 we have classified our subsidiary CFC as a discontinued operation as per the guidelines set forth in SFAS No. 144. We have suspended operations of CFC and Tyco is currently paying for on-going expenses and maintenance of the xenotransplantation facility. CFC was not previously classified as a discontinued operation because Tyco held a lien against CFC’s xenotransplantation facility pledged as collateral for the note payable and accordingly the related assets could not be treated as available for sale. During the quarter ended January 31, 2004, Tyco initiated a plan to sell or liquidate CFC’s assets in their present condition (subject to terms that are normal and customary for sales of such assets). We expect the sale or liquidation of CFC to take place within one year. If CFC’s assets are insufficient to satisfy the $3.9 million note payable and other obligations of CFC, then the unpaid amount, if any, of the note along with unpaid interest may be discharged debt and recognized as income from discontinued operations in a future period.

We have reclassified certain amounts in our financial statements to reflect the change in CFC’s status as a discontinued operation. CFC’s assets consist primarily of property, plant, and equipment. The carrying value of these assets is $1.2 million. CFC’s liabilities consist primarily of the $3.9 million note payable to Tyco and interest expense accrued on the note. We continue to recognize CFC’s interest expense on the note payable as such obligations have not been discharged. CFC’s expenses in the prior fiscal year consisted of interest expense, research and development expenses, and facility and maintenance expenses.

4. Issuance of Common Stock -

In September 2003, we sold 3.6 million shares of our common stock at a price of $13.00 per share resulting in net proceeds of approximately $43.9 million, net of underwriting discounts, fees and other expenses of approximately $2.9 million related to the transaction. We expect to use the net proceeds of the sale of common stock to fund

ALEXION PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

working capital and other general corporate purposes, including additional clinical trials of pexelizumab and eculizumab, as well as other research and product development activities.

5. Procter & Gamble Pharmaceuticals Collaboration -

In January 1999, we and Procter & Gamble Pharmaceuticals ("P&G") entered into an exclusive collaboration to develop and commercialize pexelizumab. We granted P&G an exclusive license to our intellectual property related to pexelizumab, with the right to sublicense. We are recognizing a non-refundable up-front license fee of $10 million, related to the P&G collaboration, as revenue over 17 years representing the average of the remaining patent lives of the underlying technologies at the time the payment was received in fiscal 1999.

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

We agreed to bear the first 50% of projected costs associated with the Phase III clinical trial in coronary artery bypass graft surgery ("CABG") (called "PRIMO-CABG") and P&G agreed to bear the second 50% as part of our revised collaboration. As of January 31, 2004, we and P&G both completed each of our obligations with respect to the originally projected costs. Additional costs incurred over the original projected costs are shared equally by us and P&G. Reimbursements received by us from P&G in connection with P&G's 50% share of our services and related personnel are recorded as a reduction of research and development expense. As part of the revised collaboration per the MOU, P&G funded 100% of the costs for the two acute myocardial infarction ("AMI") Phase II clinical trials in myocardial infarction, or heart attack, patients.

We and P&G have agreed, as per the MOU, that each will share concurrently 50% of the ongoing U.S. pre-production and development manufacturing costs for pexelizumab as well as any future AMI or CABG Phase III clinical trial costs.

P&G has the right to terminate the collaboration or sublicense its rights at any time. If P&G terminates the collaboration, as per the MOU, P&G is required to contribute its share of agreed to obligations and costs incurred prior to the termination, but may not be required to contribute towards obligations incurred after termination. In such circumstance, as per the MOU, all rights and the exclusive license to our intellectual property related to pexelizumab would revert back to us and we would be entitled to all future pexelizumab revenues, if any, without any sharing of revenues, if any, with P&G. If P&G were to sublicense its rights, the sublicensee would be required to assume all of P&G's obligations under the collaboration.

Under terms of our MOU we may be obligated to reimburse P&G for 50% of cancellation costs under P&G's third-party pexelizumab manufacturing contract. Our portion of those cancellation costs could amount to as much as $9.8 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. XOMA Ltd. Collaboration

In December 2003, we and XOMA (U.S.) LLC ("XOMA") entered into a collaborative agreement for the development and commercialization of a rationally designed human c-MPL agonist antibody to treat chemotherapy-induced thrombocytopenia. Thrombocytopenia is an abnormal blood condition in which the number of platelets is reduced, potentially leading to bleeding complications. The compound was discovered at AAT and is in pre-clinical development. The c-MPL antibody was designed to mimic the activity of human thrombopoietin ("TPO"), a naturally occurring protein responsible for platelet production. The collaboration will initially focus on preclinical, process development and scale-up work in preparation for future clinical testing.

Under the terms of the agreement, we and XOMA will jointly develop and commercialize the c-MPL agonist antibody for chemotherapy-induced thrombocytopenia. We will share development and commercialization expenses, clinical development, manufacturing and marketing costs world-wide, as well as revenues, on generally a 70 – 30 basis, with us retaining the larger portion. In addition, we received a $1.5 million upfront non-refundable payment upon initiation of the collaboration and will receive a similar sized payment upon the achievement of a regulatory milestone. We are recognizing the $1.5 million upfront payment as a reduction of research and development expenses over 8 years, which represents the estimated length of time to achieve commercial viability. XOMA will be entitled to royalty payments and milestones from Alexion related to its bacterial cell expression technology.

7. Revenues -

Our current revenue is deferred revenue from cash received from P&G (see Note 5). The prior fiscal year includes deferred revenue from P&G and revenue from government grants.

We record 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. We evaluate all deliverables in our collaborative agreements to determine whether they represent separate units of accounting. Deliverables qualify for separate accounting treatment if they have standalone value to the customer and if there is objective evidence of fair value. Up-front, non-refundable license fees received in connection with a collaboration are deferred and amortized into revenue over the life of the agreement or underlying technologies. Revenues derived from the achievement of milestones are recognized when the milestone is achieved, provided that the milestone is substantive and a culmination of the earnings process has occurred. Research and development support revenues are recognized as the related work is performed and expenses are incurred under the terms of the contracts for development activities. Revenues derived from the achievement of milestones or recognition of related work when performed under terms of a contract may cause our operating results to vary considerably from period to period. Deferred revenue results from cash received or amounts receivable in advance of revenue recognition under research and development contracts.

8. Net Loss Per Common Share -

We compute and present net loss per common share in accordance with SFAS No. 128, "Earnings Per Share." Basic net loss per common share is based on the weighted average shares of common stock outstanding during the period. Diluted net loss per common share includes in addition to the above, the dilutive effect of common share equivalents outstanding during the period. Common share equivalents represent dilutive stock options and convertible subordinated debt. These outstanding stock options and convertible subordinated debt entitled holders to acquire 5,459,387 and 4,732,749 shares of common stock at January 31, 2004 and 2003, respectively. There is no difference in basic and diluted net loss per common share for the three and six months ended January 31, 2004 and 2003 as the effect of common share equivalents is anti-dilutive.

9. Accrued Research and Development Expenses -

Accrued research and development expenses are comprised of amounts owed to suppliers for research and development work performed on behalf of us. At each period end we evaluate the accrued expense balance related to these activities based upon information received from the supplier and estimated progress toward completion of

ALEXION PHARMACEUTICALS, INC.

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the research or development objectives to ensure that the balance is appropriately stated. Such estimates are subject to changes as additional information becomes available. Accrued research and development expenses were $1.4 million at January 31, 2004 and $1.1 million at July 31, 2003.

10. Convertible Subordinated Notes -

In March 2000, we 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 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 resulting in the issuance of 1,127,555 shares of common stock, in aggregate. We incurred interest expense of approximately $1.7 million and $3.5 million for the three and six months ended January 31, respectively, for both 2004 and 2003 related to these notes.

We incurred deferred financing costs related to this offering of approximately $4.0 million, which are recorded in the consolidated balance sheet and are being amortized as a component of interest expense over the seven-year term of the notes. Amortization expense associated with the financing costs was approximately $143,000 and $286,000 for the three and six months ended January 31, respectively, for both 2004 and 2003.

11. Lonza Large-Scale Product Supply Agreement -

In January 2003, we remitted a cash advance of $7.25 million to Lonza Biologics, plc (“Lonza”) pursuant to a large-scale product supply agreement for the long-term commercial manufacture of our C5 inhibitor antibody, eculizumab. We expect to amortize this advance, along with a previously paid commitment fee of $2.75 million, over the large-scale manufacture of eculizumab. The amounts advanced are subject to refund or forfeiture pursuant to contractual terms related to cancellation, termination, or failure to purchase a minimum volume of product. These amounts are included within prepaid manufacturing costs within the accompanying balance sheets. Under terms of the agreement with Lonza, we could owe penalties for failure to purchase a minimum volume of product or if we terminate the agreement prior to its expiration. On a quarterly basis, we evaluate our plans to proceed with production under the agreement which depends upon our clinical development programs’ progress as well as commercialization plans. In addition, we evaluate the prepaid manufacturing costs, which will be amortized over the large-scale manufacture of eculizumab, against estimated net realizable value (“NRV”). If estimated NRV is not positive, then all or a portion of the prepaid manufacturing cost may have to be recognized as an expense. If we terminate the agreement, we could be required to complete the purchase of product scheduled for manufacture up to 18 months following termination, or at our election to make a termination payment of up to $25 million, less partial return of the unused portion of prepaid manufacturing costs. Any portion of the prepaid manufacturing cost that becomes unusable, due to amendment or termination of the agreement, may have to be recognized as an expense at such time.

12. Commitments and Contingencies -

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

We enter into indemnification provisions under our agreements with other companies in our ordinary course of business, typically with business partners, clinical sites, and suppliers. Pursuant to these agreements, we generally indemnify, hold harmless, and agree to reimburse the indemnified parties for losses suffered or incurred by the indemnified parties in connection with any U.S. patent or any copyright or other intellectual property infringement claim by any third party with respect to our products, or use or testing of our product candidates. The term of these indemnification agreements is generally perpetual. The potential amount of future payments we could be required to make under these indemnification agreements is unlimited. We have not incurred material costs to defend lawsuits

ALEXION PHARMACEUTICALS, INC.

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(Unaudited)

or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements is minimal. Accordingly, we have no liabilities recorded for these agreements as of January 31, 2004.

13. Comprehensive Income (Loss) -

We report and present comprehensive income (loss) in accordance with SFAS No. 130, "Reporting Comprehensive Income", which establishes standards for the 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)). Our other comprehensive income (loss) arises from net unrealized gains (losses) on marketable securities. We have elected to display comprehensive income (loss) as a component of the statements of stockholders' equity and comprehensive loss.

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

	Three months ended January 31,		Six months ended January 31,	
	2004	2003	2004	2003
Net loss	$ (18,547)	$ (21,465)	$ (38,759)	$ (43,105)
Other comprehensive income	(139)	(306)	(445)	(146)
Total comprehensive loss	$ (18,686)	$ (21,771)	$ (39,204)	$ (43,251)

14. Recently Issued Accounting Pronouncements -

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51." FIN 46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risk will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. FIN 46 also requires enhanced disclosure requirements related to variable interest entities. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period ending after December 15, 2003 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 did not have a material effect on our financial statements.

In November 2003, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," regarding the issue of disclosures for marketable securities and debt securities accounted for under Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The EITF requires additional quantitative disclosure related to unrealized losses, specifically presentation of the aging of such losses. It also requires additional qualitative disclosures to help users understand why the quantitative disclosures are not other-than-temporarily impaired. The adoption of these disclosure requirements are effective for companies with years ending after December 15, 2003.

In December 2003, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 104 ("SAB 104"), "Revenue Recognition", which supercedes SAB 101, "Revenue Recognition in Financial Statements." SAB 104's primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superceded as a result of the issuance of EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The issuance of SAB 104 reflects the concepts contained in EITF 00-21; the other revenue recognition concepts contained in SAB 101 remain unchanged. The issuance of SAB 104 did not have a material impact on our results of operations or financial position.

ALEXION PHARMACEUTICALS, INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains forward-looking statements which involve risks and uncertainties. Such statements are subject to certain factors which may cause our plans and results to differ significantly from plans and results discussed in forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors" - Exhibit 99.1 to our Annual Report on Form 10-K for our fiscal year ended July 31, 2003. The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Financial Statements and Notes thereto for the fiscal year ended July 31, 2003 and the related Management's Discussion and Analysis of Financial Conditions and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the fiscal year ended July 31, 2003.

Overview

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

To date, we have not received any revenues from the sale of our products. We have incurred operating losses since our inception. As of January 31, 2004, we had an accumulated deficit of $304.0 million. We expect to incur substantial and increasing operating losses for the next several years due to expenses associated with product research and development, pre-clinical studies and clinical testing, regulatory activities, manufacturing development, scale-up and commercial manufacturing and developing a sales and marketing force. We may need to obtain additional financing to cover these costs.

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

Our two lead product candidates are antibodies that address specific diseases that arise when the human immune system attacks the human body itself and produces undesired inflammation. We are currently examining our two lead antibody product candidates in a variety of clinical development programs.

One of our antibody product candidates, pexelizumab, is an antibody fragment under development in collaboration with Procter & Gamble Pharmaceuticals ("P&G") for treatment of acute cardiovascular disorders. In 2003, we completed a Phase III clinical trial of pexelizumab, known as the PRIMO-CABG trial, in approximately 3000 patients undergoing coronary artery bypass graft surgery ("CABG") with cardio-pulmonary bypass ("CPB"). In November 2003, at the Late-Breaking Clinical Trials Session of the 2003 Scientific Sessions Meeting of the American Heart Association, the results of the PRIMO-CABG study were presented. As we disclosed in August 2003, there was reduction in the primary endpoint, although it was not achieved with statistical significance. The primary endpoint in this trial was a composite of the incidence of death or myocardial infarction, measured at 30 days post-procedure, in the subpopulation of patients undergoing CABG without concomitant valve surgery. However, key secondary endpoints were achieved, including the same death or myocardial infarction composite in the overall study population, which included all patients undergoing CABG with or without concomitant valve surgery. We, along with our partner P&G, are currently planning and expect to initiate a confirmatory pivotal Phase III trial in CABG patients this year to expand upon and confirm observations from the PRIMO-CABG trial. In September 2000 the FDA granted "Fast Track" status for the development of pexelizumab in CPB. Fast Track designation provides for expedited development and application review for approval of a drug through the FDA. In addition, we expect to advance pexelizumab into a pivotal Phase III clinical trial in acute myocardial infarct ("AMI") patients receiving angioplasty.

Our other lead antibody product candidate, eculizumab, is in clinical development for the treatment of a variety of chronic inflammatory diseases. In particular, eculizumab is under evaluation in a Phase I extension study in paroxysmal nocturnal hemoglobinuria ("PNH") patients. PNH is a rare chronic blood disease characterized by severe anemia and risk of blood clotting or thrombosis. Results from the twelve months of therapy in this open-label three month PNH pilot study performed in the United Kingdom were presented at the American Society of Hematology meeting in December 2003. The three month results were also published in the February 5, 2004 issue of the New England Journal of Medicine. In this PNH study, eculizumab was well-tolerated and associated with a 71% reduction in the need for blood transfusions, up to 81% reduction in biochemical parameters of hemolysis, or destruction of red cells, and 96% reduction in clinical paroxysms. An open-label extension trial that will help us evaluate long term-safety is ongoing in which all eleven PNH patients from the original Phase I trial are participating. We are currently in discussion with the FDA to determine the next steps required for the Phase III development of eculizumab in PNH. We are planning and expect to initiate this year a pivotal Phase III program with eculizumab in PNH patients.

During the quarter ended January 31, 2004, we announced preliminary results of our approximately 350 patient Phase IIb study of eculizumab in rheumatoid arthritis patients. The primary efficacy endpoint of the trial was the improvement in ACR20 score after a six month treatment period. Results of the current trial indicate that the primary endpoint was achieved with statistical significance in the monthly dosing arm but not in the bimonthly dosing arm. Eculizumab treatment appeared to be safe and well tolerated, with the most common adverse events being upper respiratory tract infection, headache and nausea. The most common serious adverse events were myocardial infarction, accidental injury and cerebral infarction. Serious and common adverse event rates appeared to be similar between placebo and eculizumab in the study population. After completing the analysis of this Phase IIb rheumatoid arthritis trial, we anticipate presenting the results at an upcoming scientific conference and determining our plans for eculizumab in rheumatoid arthritis.

In December 2003, we and XOMA (U.S.) LLC ("XOMA") entered into a collaborative agreement for the development and commercialization of a rationally designed human c-MPL agonist antibody to treat chemotherapy-induced thrombocytopenia. Thrombocytopenia is an abnormal blood condition in which the number of platelets is reduced, potentially leading to bleeding complications. The compound was discovered at AAT and is in pre-clinical development. The c-MPL antibody was designed to mimic the activity of human thrombopoietin ("TPO"), a naturally occurring protein responsible for platelet production. Under the terms of the agreement, we and XOMA will share development and commercialization expenses, including clinical development, manufacturing and marketing costs world-wide, as well as revenues, on generally a 70 – 30 basis, with us retaining the larger portion. In addition, we received a $1.5 million upfront non-refundable payment upon initiation of the collaboration and will receive a similar sized payment tied to achievement of a regulatory milestone. We are recognizing the $1.5 million upfront payment as a reduction of research and development expenses over 8 years, which represents the estimated length of time to achieve commercial viability. XOMA will be entitled to royalty payments and milestones related to its bacterial cell expression technology.

Discontinued Operations - Columbus Farming Corporation

In February 1999, our wholly owned subsidiary, Columbus Farming Corporation ("CFC"), purchased from U.S. Surgical Corporation substantially all of the assets of our xenotransplantation program that we were conducting (through CFC) in conjunction with U.S. Surgical, now a division of Tyco International, Inc. ("Tyco"). The assets consisted principally of land, buildings and laboratory equipment. The purchase was financed through the issuance by CFC of a $3.9 million note payable to U.S. Surgical. Interest on the $3.9 million note payable, at 6% per annum, is payable quarterly. The xenotransplantation manufacturing assets of CFC that were purchased from Tyco, including the real estate, were pledged as security for the note. The principal balance under the note is due in May 2005, and accordingly was classified as a long-term obligation as of July 31, 2003.

CFC failed to make its quarterly interest payment due to Tyco in August 2003, resulting in an event of default under the note. In the quarter ended October 31, 2003, in conjunction with the event of default, we notified Tyco that CFC

operations were suspended and that CFC would seek to liquidate itself to fulfill its debt obligation in whole or in part. CFC further notified Tyco that it does not have the funds or assets to satisfy the $3.9 million note. CFC had discussions with Tyco regarding the potential sale of the CFC assets and application of the proceeds to CFC's obligations under the note, as well as with regard to satisfaction of the note generally. If CFC's assets are insufficient to satisfy the $3.9 million note and other obligations of CFC, then the unpaid amount, if any, of the note along with unpaid interest may be discharged debt, recognized as income from discontinued operations in a future period. We have suspended the operations of CFC and Tyco incurs and pays for on-going CFC xenotransplantation facility expenses and maintenance. CFC was not previously classified as a discontinued operation because Tyco held a lien against CFC's assets pledged as collateral for the note payable. During the quarter ended January 31, 2004 Tyco initiated a plan to sell or liquidate CFC's assets in their present condition (subject to terms that are normal and customary for sales of such assets). Accordingly, we have classified our subsidiary CFC as a discontinued operation as per the guidelines set forth in SFAS No. 144, and as a result of the event of default, the note is classified as a current liability of discontinued operations as of January 31, 2004. We expect the sale or liquidation of CFC to take place within a year.

We have reclassified certain amounts in our financial statements to reflect the change in CFC's status to a discontinued operation. The carrying value of CFC's assets is $1.2 million. CFC's liabilities consist primarily of a $3.9 million note payable to Tyco and interest expense accrued on the note. CFC's expenses in the current year consist of interest expense on the note. CFC's expenses in the prior fiscal year consist of interest expense, research and development expenses, and facility and maintenance expenses.

Critical Accounting Policies and Changes

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent liabilities. On an on-going basis, we evaluate our estimates, including those related to intangible assets; collaborative, royalty and license arrangements; and other contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Different assumptions might cause our estimates to differ.

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

Revenues - We record 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. We evaluate all deliverables in our collaborative agreements to determine whether they represent separate units of accounting. Deliverables qualify for separate accounting treatment if they have standalone value to the customer and if there is objective evidence of fair value. Up-front, non-refundable license fees received in connection with a collaboration are deferred and amortized into revenue over the life of the agreement or underlying technologies. Revenues derived from the achievement of milestones are recognized when the milestone is achieved, provided that the milestone is substantive and a culmination of the earnings process has occurred. Research and development support revenues are recognized as the related work is performed and expenses are incurred under the terms of the contracts for development activities. Revenues derived from the achievement of milestones or recognition of related work when performed under terms of a contract may cause our operating results to vary considerably from period to period. Deferred revenue results from cash received or amounts receivable in advance of revenue recognition under research and development contracts.

Research and development expenses - We record research and development expenses when they are incurred unless recoverable under contract. Research and development expenses include the following major types of costs: salaries and benefit costs, research license fees and various contractor costs, depreciation and amortization of lab facilities and leasehold improvements, building and utilities costs

related to research space, and lab supplies. Research and development expenses can fluctuate significantly from milestone payments due to third parties upon the attainment or triggering of contractual milestones such as the grant of a patent, FDA filing, FDA approval, or achieving a manufacturing or sales objective. Accrued research and development expenses are comprised of amounts owed to suppliers for research and development work performed on behalf of us. At each period end we evaluate the accrued expense balance related to these activities based upon information received from the supplier and estimated progress toward completion of the research or development objectives to ensure that the balance is appropriately stated. Such estimates are subject to changes as additional information becomes available.

Goodwill, net – At January 31, 2004, we carry $20.0 million of goodwill, net, acquired in connection with our acquisition of Prolifaron, representing the excess cost over fair value of the net assets acquired. On a prospective basis, this goodwill or any long-lived investment asset is subject to annual impairment reviews. Impairment charges, if any, will be recorded as a component of operating expenses in the period in which the impairment is determined, if any.

Prepaid manufacturing costs – At January 31, 2004, we carry $10.0 million of prepaid manufacturing costs for cash remitted to Lonza pursuant to a large-scale product supply agreement for the long-term commercial manufacture of our C5 inhibitor antibody, eculizumab. We expect to amortize this advance over the large-scale manufacture of the product. We evaluate the prepaid manufacturing costs, which will be amortized over the large-scale manufacture of eculizumab, against estimated net realizable value (“NRV”). If estimated NRV is not positive, then all or a portion of the prepaid manufacturing cost may have to be recognized as an expense. If we terminate the agreement, we could be required to complete the purchase of product scheduled for manufacture up to 18 months following termination, or at our election to make a termination payment of up to $25 million, less partial return of the unused portion of prepaid manufacturing costs. Any portion of the prepaid manufacturing cost that becomes unusable, due to amendment or termination of the agreement, may have to be recognized as an expense at such time.

Results of Operations

Certain reclassifications have been made to prior year operating expenses and interest expense for the three and six months ended January 31, 2003 to classify our subsidiary CFC as a discontinued operation and also to conform prior year expense classifications to current year expense classifications.

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

	Three months ended January 31,		Six months ended January 31,	
	2004	2003	2004	2003
Collaboration/Grant Awards				
P&G	$ 147	$ 170	$ 294	$ 339
U.S. government grants	—	50	—	204
Contract Research Revenues	$ 147	$ 220	$ 294	$ 543

ALEXION PHARMACEUTICALS, INC.

Three Months Ended January 31, 2004
Compared with Three Months ended January 31, 2003

We earned contract research revenues of $147,000 for the three months ended January 31, 2004 and $220,000 for the same period ended January 31, 2003. The revenue for the current three month period is a non-cash item representing the amortization of the $10 million upfront fee paid by P&G in February 1999. The $50,000 decrease in revenues associated with U.S. government grants as compared to the same period a year ago resulted primarily from the reduction in grant reimbursable billings from our various government grants as a result of our completion of the related research.

We incurred research and development expenses of $14.6 million for the three months ended January 31, 2004 and $18.2 million for the three months ended January 31, 2003. The $3.6 million decrease resulted primarily from lower clinical trial costs of approximately $6.7 million due principally to the completion of the pexelizumab Phase III PRIMO-CABG clinical trial and to the shift to P&G of CABG Phase III clinical trial costs, as well as lower clinical trial costs for eculizumab. As part of our collaboration with P&G, we and P&G agreed that we would bear the first 50% of the projected PRIMO-CABG Phase III clinical trial costs and P&G would bear the second 50%. We completed our portion of the 50% of the projected cost of this arrangement for the PRIMO-CABG trials in the second quarter of fiscal year 2003, while P&G completed their portion of the 50% of the projected cost of this arrangement in the first quarter of fiscal year 2004. Per the collaboration, in the second quarter of fiscal year 2004, additional costs incurred over the original projected costs were shared equally by us and P&G. Partially offsetting the decrease in clinical costs were increased manufacturing development and activity costs of $2.5 million and headcount and compensation cost increases of approximately $0.4 million.

Our general and administrative expenses were $3.3 million for the three months ended January 31, 2004 and $2.8 million for the three months ended January 31, 2003. The increase of $500,000 resulted principally from growth of our operations and increased headcount and compensation cost increases of approximately $300,000, and increased costs associated with our pre-marketing and business development activities of approximately $200,000.

Total operating expenses were $17.9 million and $21.0 million for the three months ended January 31, 2004 and 2003, respectively.

Investment income was $1.0 million for the three months ended January 31, 2004 and $1.7 million for the three months ended January 31, 2003. The decrease in investment income of $0.7 million resulted primarily from lower principal and lower market interest rates. Interest expense, primarily on our $120 million convertible subordinated notes, was $1.9 million for the quarters ended January 31, 2004 and 2003.

For the three months ended January 31, 2004, we recorded a state tax benefit of approximately $62,000. The benefit is the result of legislation reinstated in August 2003 by the State of Connecticut that allows for the research and development tax credit exchange program for 2004. The legislation allows companies to exchange research and development tax credits earned in the tax year for a cash refund from the state at the rate of 65% of the research tax credit, as defined.

We have classified our subsidiary CFC as a discontinued operation as of January 31, 2004. We have suspended operations of CFC and Tyco is currently paying for on-going CFC expenses and maintenance. The loss from the discontinued operations of CFC was $18,000 and $483,000 for the three months ended January 31, 2004 and 2003, respectively. We continue to recognize CFC’s interest expense of $59,000 per quarter associated with the $3.9 million note payable. In the second quarter of the prior fiscal year, CFC incurred research and development expenses of $424,000 in addition to the interest expense of $59,000.

As a result of the above factors, we incurred a net loss of $18.6 million, or $0.85 basic and diluted net loss per common share, for the three months ended January 31, 2004, compared to a net loss of $21.5 million, or $1.18 basic and diluted net loss per common share, for the three months ended January 31, 2003.

ALEXION PHARMACEUTICALS, INC.

Six Months Ended January 31, 2004
Compared with Six Months ended January 31, 2003

We earned contract research revenues of $294,000 for the six months ended January 31, 2004 and $543,000 for the same period ended January 31, 2003. The revenue for this six month period is a non-cash item representing the amortization of the $10 million upfront fee paid by P&G in February 1999. The $204,000 decrease in revenues associated with U.S. government grants as compared to the same period a year ago resulted primarily from the reduction in grant reimbursable billings from our various government grants as a result of our completion of the related research.

We incurred research and development expenses of $31.2 million for the six months ended January 31, 2004 and $37.4 million for the six months ended January 31, 2003. The $6.2 million decrease resulted primarily from lower clinical trial costs of $12.9 million due principally to the completion of the pexelizumab Phase III PRIMO-CABG clinical trial and to the shift to P&G of CABG Phase III clinical trial costs as stated above. Partially offsetting the decrease in clinical costs were increased manufacturing development and activity costs of $5.8 million and increased headcount and compensation costs of approximately $0.9 million. We believe research and development expenses will increase due to the preparation and expected initiation of a confirmatory pivotal Phase III clinical trial with pexelizumab in CABG patients, a pivotal Phase III clinical trial with pexelizumab in AMI patients receiving angioplasty, and a pivotal Phase III program with eculizumab in PNH patients.

Our general and administrative expenses were $6.1 million for the six months ended January 31, 2004 and $4.9 million for the six months ended January 31, 2003. The increase of $1.2 million resulted principally from growth of our operations and increased and headcount and compensation cost increases of approximately $660,000, increased costs associated with our pre-marketing and business development activities of approximately $320,000, as well as an increase in directors and officers liability insurance of approximately $230,000.

Total operating expenses were $37.3 million and $42.3 million for the six months ended January 31, 2004 and 2003, respectively.

Investment income was $2.0 million for the six months ended January 31, 2004 and $3.5 million for the six months ended January 31, 2003. The decrease in investment income of $1.5 million resulted primarily from lower principal and lower market interest rates. Interest expense, primarily on our $120 million convertible subordinated notes, was $3.7 million for the six months ended January 31, 2004 and 2003.

For the six months ended January 31, 2004, we recorded a state tax benefit of approximately $133,000. The benefit is the result of legislation reinstated in August 2003 by the state of Connecticut that allows for the research and development tax credit exchange program for 2004. The legislation allows companies to exchange research and development tax credits earned in the tax year for a cash refund from the state at the rate of 65% of the research tax credit, as defined.

We have classified our subsidiary CFC as a discontinued operation (see above). The loss from the discontinued operations of CFC was $118,000 and $1,121,000 for the six months ended January 31, 2004 and 2003, respectively. We continue to record CFC's interest expense associated with its $3.9 million note payable which aggregated $118,000 in the first six months of this year. In the prior year, CFC incurred research and development expenses of $1.0 million in addition to the interest expense of $118,000 in the six months ended January 31, 2003.

As a result of the above factors, we incurred a net loss of $38.8 million, or $1.85 basic and diluted net loss per common share, for the six months ended January 31, 2004 compared to a net loss of $43.1 million, or $2.37 basic and diluted net loss per common share, for the six months ended January 31, 2003.

Liquidity and Capital Resources

As of January 31, 2004, cash, cash equivalents, and marketable securities were $223.2 million compared with $215.4 million at July 31, 2003. The increase was primarily due to selling additional shares of our common stock in September 2003, partially offset by funding operating activities.

Net cash used in operating activities from continuing operations for the six months ended January 31, 2004 was $35.7 million. This consisted primarily of our net loss of $38.8 million partially offset by increase deferred research and development payments and the add back of non-cash expenses such as depreciation. The increase in deferred research and development payments is due to the $1.5 million non-refundable payment received from XOMA.

Net cash used in investing activities for the six months ended January 31, 2004 was $23.5 million. This included $22.6 million of net purchases of marketable securities and $0.9 million of property, plant, and equipment additions.

Net cash provided by financing activities for the six months ended January 31, 2004 was $44.9 million, which includes proceeds from stock option exercises and the sale of common stock. In September 2003, we sold 3.6 million shares of our common stock at a price of $13.00 per share resulting in net proceeds of approximately $43.9 million, net of underwriting discounts, fees and other expenses of approximately $2.9 million related to the transaction. We expect to use the net proceeds of the sale of common stock to fund working capital and other general corporate purposes, including additional clinical trials of pexelizumab and eculizumab, as well as other research and product development activities.

We anticipate that our existing capital resources together with the anticipated funding from our revised collaboration with P&G, as well as the addition of our interest and investment income earned on available cash and marketable securities should provide us adequate resources to fund our operating activities and capital equipment requirements as currently planned for at least the next twenty-four months. This should also provide us adequate funding for the clinical testing and manufacturing of our C5 Inhibitor product candidates and support for our broad research and development of our additional product candidates.

Our contractual obligations include our $120 million of convertible subordinated notes due March 2007, along with interest payments, our annual payments of approximately $2.2 million for operating leases, principally for facilities and equipment, and an open letter of credit of $200,000 which serves as a security deposit on our facility in Cheshire, Connecticut. In addition, CFC is the payer under a $3.9 million note, which is classified as a current liability of discontinued operations as of January 31, 2004.

Our commercial commitments consist of cancelable research and development, clinical development and manufacturing cost commitments along with anticipated supporting arrangements, subject to certain limitations and cancellation clauses. The timing and level of our commercial scale manufacturing costs (assuming we utilize our long-term commercial scale product manufacturing capacity), which may or may not be realized, are contingent upon our clinical development programs' progress as well as our commercialization plans.

Under terms of the agreement for Lonza to manufacture commercial supplies of eculizumab, we could owe penalties for failure to purchase a minimum volume of product or if we terminate the agreement prior to its expiration. On a quarterly basis, we evaluate our plans to proceed with production under the agreement which depends upon our clinical development programs' progress as well as commercialization plans. In addition, we evaluate the prepaid manufacturing costs, which will be amortized over the large-scale product manufacturing production, against estimated net realizable value ("NRV"). If estimated NRV is not positive, then all or a portion of the prepaid manufacturing cost may have to be recognized as an expense. If we terminate the agreement, we could be required to complete the purchase of product scheduled for manufacture up to 18 months following termination, or at our election to make a termination payment of up to $25 million, less partial return of the unused portion of prepaid manufacturing costs. We currently are negotiating with Lonza to amend the large-scale product supply agreement. These negotiations may result in our having to pay a non-refundable, non-creditable fee to secure certain modified manufacturing capacity. The future realization of such fee would be assessed based on our NRV analysis as described above. Any portion of the prepaid manufacturing cost that becomes unusable, due to amendment or termination of the agreement, may have to be recognized as an expense at such time.

These obligations, commitments and supporting arrangements represent payments based on current operating forecasts, which are subject to change. Further, under terms of our collaboration with P&G, we may be obligated to reimburse P&G for 50% of cancellation costs under P&G's third-party pexelizumab manufacturing contract. Our portion of those cancellation costs could amount to as much as $9.8 million.

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

The following table summarizes our current contractual obligations as of January 31, 2004 and the effect such obligations and projected commercial commitments are expected to have on our liquidity and cash flow in future fiscal years. This assumes non-termination of agreements and does not include the aforementioned milestone payments ($ amounts in millions):

	Total for remainder of fiscal 2004	2005	2006	2007	2008	2009 and thereafter
Contractual obligations:						
Subordinated convertible notes	$ —	$ —	$ —	$ 120.0	$ —	$ —
Note payable of discontinued operation	3.9	—	—	—	—	—
Interest payments	3.5	6.9	6.9	6.9	—	—
Operating leases	1.1	2.3	2.4	2.5	2.1	6.1
Total contractual obligations	$ 8.5	$ 9.2	$ 9.3	$ 129.4	$ 2.1	$ 6.1
Commercial commitments:						
Clinical and manufacturing development	$ 6.5	$ 19.7	$ 21.9	$ 20.7	$ 20.7	$ —
Licenses	0.4	0.4	0.5	0.6	0.8	—
Research and development	0.3	0.1	—	—	—	—
Total commercial commitments	$ 7.2	$ 20.2	$ 22.4	$ 21.3	$ 21.5	$ —

Long-term Debt

Interest on our $120 million 5.75% convertible subordinated notes due March 15, 2007 is payable semi-annually in September and March of each year. The holders may convert all or a portion of the notes into common stock any time on or before March 15, 2007 at a conversion price of $106.425 per common share. Beginning March 20, 2003, we may redeem some or all of the notes per the declining redemption prices listed for the notes. We may also elect to pay the repurchase price for some or all the notes in cash or common stock. Our 5.75% convertible subordinated notes due March 2007 are trading at a discount to their face amounts. Accordingly, in order to reduce future cash interest payments, as well as future payments due at maturity; we may, from time to time, depending on market conditions, repurchase some of our outstanding convertible debt for cash, exchange debt for shares of our common stock, preferred stock, debt or other consideration, or a combination of any of the foregoing. If we exchange shares of our capital stock, or securities convertible into or exercisable for our capital stock, for outstanding convertible debt, the number of shares that we might issue as a result of such exchanges would significantly exceed that number of shares originally issuable upon conversion of such debt and, accordingly, such exchanges could result in material dilution to holders of our common stock. There can be no assurance that we will repurchase or exchange any outstanding convertible debt.

P&G Pharmaceuticals Collaboration

In January 1999, we and Procter & Gamble Pharmaceuticals (“P&G”) entered into an exclusive collaboration to develop and commercialize pexelizumab. We granted P&G an exclusive license to our intellectual property related

to pexelizumab, with the right to sublicense. We are recognizing a non-refundable up-front license fee of $10 million, related to the P&G collaboration, as revenue over 17 years representing the average of the remaining patent lives of the underlying technologies at the time the payment was received in fiscal 1999.

In December 2001, we and P&G entered into a binding memorandum of understanding ("MOU") pursuant to which the January 1999 collaboration was revised. Under the revised structure per the MOU, we and P&G share decision-making and responsibility for all future U.S. development and commercialization costs for pexelizumab, including clinical, manufacturing, marketing, and sales efforts. Prior to December 2001, under the original collaboration, P&G was generally funding all clinical development and manufacturing costs relating to pexelizumab for the treatment of inflammation associated with cardiopulmonary bypass surgery and heart attack. The revised collaboration per the MOU provides that we and P&G each incur 50% of all Phase III clinical trials, pre-production and development manufacturing costs, and commercialization costs necessary for the potential approval and marketing of pexelizumab in the U.S. and that we will receive approximately 50% of the gross margin on U.S. sales, if any. P&G agreed to retain responsibility for future development and commercialization costs outside the U.S., with us receiving a royalty on sales outside the U.S., if any. We are responsible for royalties on certain third party intellectual property worldwide, if such intellectual property is necessary. Additionally, as part of the MOU, we will receive milestone payments for achieving specified development steps, regulatory filings and approvals.

We agreed to bear the first 50% of projected costs associated with the Phase III clinical trial in coronary artery bypass graft surgery ("CABG") (called "PRIMO-CABG") and P&G agreed to bear the second 50% as part of our revised collaboration. As of January 31, 2004, we and P&G both completed each of our obligations with respect to the originally projected costs. Additional costs incurred over the original projected costs are shared equally by us and P&G. Reimbursements received by us from P&G in connection with P&G's 50% share of our services and related personnel are recorded as a reduction of research and development expense. As part of the revised collaboration per the MOU, P&G funded 100% of the costs for the two acute myocardial infarction ("AMI") Phase II clinical trials in myocardial infarction, or heart attack, patients.

We and P&G have agreed, as per the MOU, that each will share concurrently 50% of the ongoing U.S. pre-production and development manufacturing costs for pexelizumab as well as any future AMI or CABG Phase III clinical trial costs.

P&G has the right to terminate the collaboration or sublicense its rights at any time. If P&G terminates the collaboration, as per the MOU, P&G is required to contribute its share of agreed to obligations and costs incurred prior to the termination, but may not be required to contribute towards obligations incurred after termination. In such circumstance, as per the MOU, all rights and the exclusive license to our intellectual property related to pexelizumab would revert back to us and we would be entitled to all future pexelizumab revenues, if any, without any sharing of revenues, if any, with P&G. If P&G were to sublicense its rights, the sublicensee would be required to assume all of P&G's obligations under the collaboration.

Liquidity

We expect to continue to operate at a net loss for at least the next several years as we continue our research and development efforts and continue to conduct clinical trials and develop manufacturing, sales, marketing and distribution capabilities. Our operating expenses will depend on many factors, including:

- the progress, timing and scope of our research and development programs;
- the progress, timing and scope of our preclinical studies and clinical trials;
- the time and cost necessary to obtain regulatory approvals;
- the time and cost necessary to further develop manufacturing processes, arrange for contract manufacturing or build manufacturing facilities and obtain the necessary regulatory approvals for those facilities;
- the time and cost necessary to develop sales, marketing and distribution capabilities;

- changes in applicable governmental regulatory policies; and
- any new collaborative, licensing and other commercial relationships that we may establish.

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

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

Item 3. Quantitative and Qualitative Disclosure about Market Risks.

We account for our 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 our 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 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, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. Our marketable securities are held for purposes other than trading and we believe that we currently have no material adverse risk exposure. A 10% increase or decrease in market interest rates on our 5.75% Subordinated Convertible Notes would result in no material impact on our notes. The marketable securities as of January 31, 2004, had maturities of less than two years. The weighted-average interest rate on marketable securities at January 31, 2004 was approximately 1.3%. The fair value of marketable securities held at January 31, 2004 was $212.7 million.

Item 4. Controls and Procedures.

Our management, including the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective in alerting them to material information, on a timely basis, required to be included in our periodic SEC filings. There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ALEXION PHARMACEUTICALS, INC.

PART II. OTHER INFORMATION

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

At the Company's Annual Meeting of Stockholders held on December 16, 2003, the stockholders voted to elect the following directors by the votes indicated:

Leonard Bell, M.D.:	19,574,571 For, 1,015,088 Against or Withheld, 0 Abstaining
Jerry T. Jackson	19,303,453 For, 1,286,206 Against or Withheld, 0 Abstaining
David W. Keiser	19,577,996 For, 1,011,663 Against or Withheld, 0 Abstaining
Max Link, Ph.D.:	19,282,253 For, 1,307,406 Against or Withheld, 0 Abstaining
Joseph A. Madri, Ph.D., M.D.:	19,480,096 For, 1,109,563 Against or Withheld, 0 Abstaining
R. Douglas Norby:	19,578,271 For, 1,011,388 Against or Withheld, 0 Abstaining
Alvin S. Parven:	19,323,153 For, 1,266,506 Against or Withheld, 0 Abstaining

Additionally, the stockholders voted to amend the Company's 2000 Stock Option Plan; and ratified the appointment of PricewaterhouseCoopers, LLP as the Company's independent public accountants. The votes were:

Amendment of 2000 Stock Option Plan: 12,747,389 For, 4,067,874 Against, 42,229 Abstain, 3,732,167 Not Voted

Appointment of independent public accountants: 20,364,064 For, 219,545 Against, 6,050 Abstain

Item 5. Other Information

The 2004 Annual meeting of stockholders of the Company will be held on or about December 10, 2004. All stockholder proposals which are intended to be presented at the 2004 annual meeting of stockholders of the Company must be received by the Company no later than July 7, 2004 for inclusion in the Board of Directors' proxy statement and form of proxy relating to that meeting.

Item 6. Exhibits and Reports

(a) Exhibits

3.2 By-laws of Alexion Pharmaceuticals, Inc. as amended

10.1 Alexion Pharmaceuticals, Inc. 2000 Stock Option Plan, as amended.

31.1 Certification by Leonard Bell, Chief Executive Officer of Alexion Pharmaceuticals, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2004.

31.2 Certification by Carsten Boess, Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2004.

32.1 Certification by Leonard Bell, Chief Executive Officer of Alexion Pharmaceuticals, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2004.

ALEXION PHARMACEUTICALS, INC.

32.2 Certification by Carsten Boess, Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended January 31, 2004.

(b) Form 8-K

Report on Form 8-K, filed on December 18, 2003, announcing Alexion Pharmaceuticals, Inc.'s entry into a collaborative agreement with XOMA (U.S.) LLC for the development and commercialization of a rationally designed human c-MPL agonist antibody to treat chemotherapy-induced thrombocytopenia.

(c) Form 8-K/A

Report on Form 8-K/A, filed on January 9, 2004, filing the co-development and co-commercialization agreement between Alexion Pharmaceuticals, Inc. and XOMA (U.S.) LLC

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALEXION PHARMACEUTICALS, INC.

Date: March 15, 2004 By: /s/ Leonard Bell, M.D.

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

Date: March 15, 2004 By: /s/ David W. Keiser

David W. Keiser
President and Chief Operating Officer

Date: March 15, 2004 By: /s/ Carsten Boess

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

Date: March 15, 2004 By: /s/ Barry P. Luke

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

BY-LAWS
of
ALEXION PHARMACEUTICALS, INC.
As Amended through September 11, 2003

ALEXION PHARMACEUTICALS, INC.

A Delaware Corporation

BY-LAWS

ARTICLE I

STOCKHOLDERS

Section 1.1 Annual Meeting.

An annual meeting of stockholders for the purpose of electing directors and of transacting such other business as may come before it shall be held each year at such date, time, and place, either within or without the State of Delaware, as may be specified by the Board of Directors.

Section 1.2 Special Meetings.

Special meetings of stockholders for any purpose or purposes may be held at any time upon call of the Chairman of the Board, the President, the Secretary, or a majority of the Board of Directors, at such time and place either within or without the State of Delaware as may be stated in the notice. A special meeting of stockholders shall be called by the Chairman of the Board, the President, or the Secretary upon the written request, stating time, place, and the purpose or purposes of the meeting, of stockholders who together own of record 50% of the outstanding stock of all classes entitled to vote at such meeting;

Section 1.3 Notice of Meetings.

Written notice of stockholders meetings, stating the place, date, and hour thereof, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by the Chairman of the Board, the President, any Vice President, the Secretary, or an Assistant Secretary, to each stockholder entitled to vote thereat at least 10 days but not more than 60 days before the date of the meeting, unless a different period is prescribed by law.

Section 1.4 Quorum.

Except as otherwise provided by law or in the Certificate of Incorporation or these By-Laws, at any meeting of stockholders, the holders of a majority of the outstanding shares of each class of stock entitled to vote at the meeting shall be present or represented by proxy in order to constitute a quorum for the transaction of any business. In the absence of a quorum, a majority in interest of the stockholders present or the chairman of the meeting may adjourn the meeting from time to time in the manner provided in Section 1.5 of these By-Laws until a quorum shall attend.

Section 1.5 Adjournment.

Any meeting of stockholders annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.6 Organization.

The Chairman of the Board, or in his absence the President, or in their absence any Vice President, shall call to order meetings of stockholders and shall act as chairman of such meetings. The Board of Directors or, if the Board fails to act, the stockholders may appoint any stockholder, director, or officer of the Corporation to act as chairman of any meeting in the absence of the Chairman of the Board, the President, and all Vice Presidents.

The Secretary of the Corporation shall act as secretary of all meetings of stockholders, but, in the absence of the Secretary, the chairman of the meeting may appoint any other person to act as secretary of the meeting.

Section 1.7 Voting.

Except as otherwise provided by law or in the Certificate of Incorporation or these By-Laws and except for the election of directors, at any meeting duly called and held at which a quorum is present, a majority of the votes cast at such meeting upon a given question by the holders of outstanding shares of stock of all classes of stock of the Corporation entitled to vote thereon who are present in person or by proxy shall decide such question. At any meeting duly called and held for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes cast by the holders (acting as such) of shares of stock of the Corporation entitled to elect such directors.

Section 1.8 Stockholder Action without Meeting.

Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1 Number and Term of Office.

The business, property, and affairs of the Corporation shall be managed by or under the direction of a Board of two directors; provided, however, that the Board, by resolution adopted by vote of a majority of the then authorized number of directors, may increase or decrease the number of directors. The directors shall be elected by the holders of shares entitled to vote thereon at the annual meeting of stockholders, and each shall serve (subject to the provisions of Article IV) until the next succeeding annual meeting of stockholders and until his respective successor has been elected and qualified.

Section 2.2 Meetings.

Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

Special meetings of the Board of Directors shall be held at such time and place as shall be designated in the notice of the meeting whenever called by the Chairman of the Board, the President, or by a majority of the directors then in office.

Section 2.3 Notice of Special Meetings.

The Secretary, or in his absence any other officer of the Corporation, shall give each director notice of the time and place of holding of special meetings of the Board of Directors by mail at least three days before the meeting, or by telegram, telecopy, cable, radiogram, or personal service at least one day before the meeting. Unless otherwise stated in the notice thereof, any and all business may be transacted at any meeting without specification of such business in the notice.

Section 2.4 Quorum and Organization of Meetings.

A majority of the total number of members of the Board of Directors as constituted from time to time shall constitute a quorum for the transaction of business, but, if at any meeting of the Board of Directors (whether or not adjourned from a previous meeting) there shall be less than a quorum present, a majority of those present may adjourn the meeting to another time and place, and the meeting may be held as adjourned without further notice or waiver. Except as otherwise provided by law or in the Certificate of Incorporation or these By-Laws, a majority of the directors present at any meeting at which a quorum is present may decide any question brought before such meeting. Meetings shall be presided over by the Chairman of the Board, or in his absence by the President, or in the absence of both by such other person as the directors may select. The Secretary of the Corporation shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.5 Committees.

The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business, property,

and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have power or authority in reference to amending the Certificate of Incorporation of the Corporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors pursuant to authority expressly granted to the Board of Directors by the Corporation's Certificate of Incorporation, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation, or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation), adopting an agreement of merger or consolidation under Section 251 or 252 of the General Corporation Law of the State of Delaware, recommending to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of dissolution, or amending these By-Laws; and, unless the resolution expressly so provided, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware. Each committee which may be established by the Board of Directors pursuant to these By-Laws may fix its own rules and procedures. Notice of meetings of committees, other than of regular meetings provided for by the rules, shall be given to committee members. All action taken by committees shall be recorded in minutes of the meetings.

Section 2.6 Action Without Meeting.

Nothing contained in these By-Laws shall be deemed to restrict the power of members of the Board of Directors or any committee designated by the Board to take any action required or permitted to be taken by them without a meeting.

Section 2.7 Telephone Meetings.

Nothing contained in these By-Laws shall be deemed to restrict the power of members of the Board of Directors, or any committee designated by the Board, to participate in a meeting of the Board, or committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

Section 2.8 Good Faith Reliance.

Each director and each member of any committee designated by the Board of Directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the Corporation by any officers of the Corporation, or any officers of its wholly-owned subsidiaries, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or by any such committee, or in relying in good faith upon other records of the Corporation.

ARTICLE III

OFFICERS

Section 3.1 Executive Officers.

The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors may also choose a Chairman of the Board, a Controller, one or more Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless the

Certificate of Incorporation or these By-Laws otherwise provide. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a Chairman of the Board, a President, a Secretary and a Treasurer. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such power and perform such duties as shall be determined from time to time by the Board of Directors. The salaries of all officers and agents of the Corporation shall be fixed by the Board of Directors. The officers of the Corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time with or without cause by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 3.2 The President.

The President shall be the chief executive officer of the Corporation and shall have the general direction and supervision over day-to-day matters relating to the business and affairs of the Corporation, shall implement or supervise the implementation of corporate policies as established by the Board of Directors, and perform such duties and have such powers as the Board of Directors may from time to time prescribe. The President shall, in the absence or disability of the Chairman of the Board, preside at meetings of the stockholders and the Board of Directors. The President shall execute bonds, mortgages and other contracts requiring a seal under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent of the Corporation.

Section 3.3 The Secretary and Assistant Secretary.

The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He or she shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or person serving as chief executive officer, under whose supervision he or she shall be. He or she shall have custody of the corporate seal of the Corporation and he or she, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The Assistant Secretary or, if there by more than one, the Assistant Secretaries in the order determined by the Board of Directors (or, in the absence of any designation, then in the order of their election), shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 3.4 The Treasurer and Assistant Treasurers.

The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He or she shall

disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the person serving as chief executive officer, the President and Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his or her transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, he or she shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his or her control belonging to the Corporation. The Assistant Treasurer, or, if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or, in the absence of any designation, then in he order of their election), shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 3.5 The Vice Presidents.

The Vice President, if any, or, if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors (or, in the absence of any designation, then in the order of their election) shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE IV

RESIGNATIONS, REMOVALS, AND VACANCIES

Section 4.1 Resignations.

Any director or officer of the Corporation, or any member of any committee, may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if the time be not specified therein, then upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective.

Section 4.2 Removals.

The Board of Directors, by a vote of not less than a majority of the entire Board, at any meeting thereof, or by written consent, at any time, may, to the extent permitted by law, remove with or without cause from office or terminate the employment of any officer or member of any committee and may, with or without cause, disband any committee.

Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares entitled at the time to vote at an election of directors.

Section 4.3 Vacancies.

Any vacancy in the office of any director or officer through death, resignation, removal, disqualification, or other cause, and any additional directorship resulting from increase in the number of directors, may be filled at any time by a majority of the directors then in office (even though less than a quorum remains) or, in the case of any vacancy in the office of any director, by the stockholders, and, subject to the provisions of this Article IV, the person so chosen shall hold office until his successor shall have been elected and qualified; or, if the person so chosen is a director elected to fill a vacancy, he shall (subject to the provisions of this Article IV) hold office for the unexpired term of his predecessor.

ARTICLE V

CAPITAL STOCK

Section 5.1 Stock Certificates.

The certificates for shares of the capital stock of the Corporation shall be in such form as shall be prescribed by law and approved, from time to time, by the Board of Directors.

Section 5.2 Transfer of Shares.

Shares of the capital stock of the Corporation may be transferred on the books of the Corporation only by the holder of such shares or by his duly authorized attorney, upon the surrender to the Corporation or its transfer agent of the certificate representing such stock properly endorsed.

Section 5.3 Fixing Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which, unless otherwise provided by law, shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

Section 5.4 Lost Certificates.

The Board of Directors or any transfer agent of the Corporation may direct a new certificate or certificates representing stock of the Corporation to be issued in place of any certificate or certificates theretofore issued by the Corporation, alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors (or any transfer agent of the Corporation authorized to do so by a resolution of the Board of Directors) may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as the Board of Directors (or any transfer agent so authorized) shall direct to indemnify the Corporation against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen, or destroyed or the issuance of such new certificates, and such requirement may be general or confined to specific instances.

Section 5.5 Regulations.

The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer, registration, cancellation, and replacement of certificates representing stock of the Corporation.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Corporate Seal.

The corporate seal shall have inscribed thereon the name of the Corporation and shall be in such form as may be approved from time to time by the Board of Directors.

Section 6.2 Fiscal Year.

The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

Section 6.3 Notices and Waivers Thereof.

Whenever any notice whatever is required by law, the Certificate of Incorporation, or these By-Laws to be given to any stockholder, director, or officer, such notice, except as otherwise provided by law, may be given personally, or by mail, or, in the case of directors or officers, by telegram, telecopy, cable, or radiogram, addressed to such address as appears on the books of the Corporation. Any notice given by telegram, telecopy, cable, or radiogram shall be deemed to have been given when it shall have been delivered for transmission and any notice given by mail shall be deemed to have been given when it shall have been deposited in the United States mail with postage thereon prepaid.

Whenever any notice is required to be given by law, the Certificate of Incorporation, or these By-Laws, a written waiver thereof, signed by the person entitled to such notice, whether before or after the meeting or the time stated therein, shall be deemed equivalent in all respects to such notice to the full extent permitted by law.

Section 6.4 Stock of Other Corporations or Other Interests.

Unless otherwise ordered by the Board of Directors, the Chairman of the Board, the President, the Secretary, and such attorneys or agents of the Corporation as may be from time to time authorized by the Board of Directors, the Chairman of the Board or the President, shall have full power and authority on behalf of this Corporation to attend and to act and vote in person or by proxy at any meeting of the holders of securities of any corporation or other entity in which this Corporation may own or hold shares or other securities, and at such meetings shall possess

and may exercise all the rights and powers incident to the ownership of such shares or other securities which this Corporation, as the owner or holder thereof, might have possessed and exercised if present. The Chairman of the Board, the President, the Secretary, or such attorneys or agents, may also execute and deliver on behalf of this Corporation powers of attorney, proxies, consents, waivers, and other instruments relating to the shares or securities owned or held by this Corporation.

ARTICLE VII

AMENDMENTS

The holders of shares entitled at the time to vote for the election of directors shall have power to adopt, amend, or repeal the By-Laws of the Corporation by vote of not less than a majority of such shares, and except as otherwise provided by law, the Board of Directors shall have power equal in all respects to that of the stockholders to adopt, amend, or repeal the By-Laws by vote of not less than a majority of the entire Board. However, any By-Law adopted by the Board may be amended or repealed by vote of the holders of a majority of the shares entitled at the time to vote for the election of directors.

ALEXION PHARMACEUTICALS, INC.
2000 STOCK OPTION PLAN

(Approved by stockholders, December 8, 2000; Amended and approved by stockholders, December 12, 2002; As amended, December 16, 2003)

1. Purpose. The purpose of the Alexion Pharmaceuticals, Inc. 2000 Stock Option Plan (the "Plan") is to establish a vehicle through which Alexion Pharmaceuticals, Inc. (the "Company") can make discretionary grants of Options to purchase shares of the Company's common stock, par value $0.0001 (the "Common Stock") to members of the Board of Directors of the Company (the "Board"), to officers and other employees of the Company and its Affiliates and to consultants and other independent contractors of the Company and its Affiliates, with a view toward promoting the long-term financial success of the Company and enhancing stockholder value.

2. Definitions. For purposes of the Plan, the following terms shall have the following meanings:

(a) "Affiliate" shall mean an affiliate within the meaning of Rule 12b-2 under the Exchange Act.

(b) "Cause" shall mean, unless otherwise determined by the Committee: (1) in the case where there is no employment or consulting agreement between the optionee and the Company or its Affiliates at the time of grant or where such an agreement exists but does not define "cause" (or words of like import), the optionee's dishonesty, fraud, insubordination, willful misconduct, refusal to perform services, unsatisfactory performance of services or material breach of any written agreement between the optionee and the Company or its Affiliates, or (2) in the case where there is an employment or consulting agreement between the optionee and the Company or its Affiliates at the time of grant which defines "cause" (or words of like import), the meaning ascribed to such term under such agreement.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Committee" shall mean the committee, consisting of at least two (2) directors, appointed by the Board from time to time to administer the Plan or, if no such committee is appointed, the Board.

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

(f) "Disability" shall mean, unless as otherwise determined by the Committee or as provided in an employment agreement, the inability of an optionee to perform the customary duties of his or her employment or other service for the Company or its Affiliates by reason of a physical or mental incapacity which is expected to result in death or to be of indefinite duration.

(g) "Effective Date" shall mean the date on which the Plan was adopted by the Board, subject to the approval of the Company's stockholders within twelve (12) months of such date.

(h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) “Exchange Transaction” shall mean a merger (other than a merger of the Company in which the holders of Common Stock immediately prior to the merger have the same proportionate ownership of Common Stock in the surviving corporation immediately after the merger), consolidation, acquisition of property or stock, separation, reorganization (other than a mere reincorporation or the creation of a holding company) or liquidation of the Company, as a result of which the stockholders of the Company receive cash, stock or other property in exchange for or in connection with their shares of Common Stock.

(j) “Fair Market Value” as of any date shall mean, unless otherwise required by the Code or other applicable law, the closing sale price per share of Common Stock as published by the principal national securities exchange on which the Common Stock is traded on such date or, if there is no sale of Common Stock on such date, the average of the bid and asked prices on such exchange at the close of trading on such date, or if shares of the Common Stock are not listed on a national securities exchange on such date, the closing price or, if none, the average of the bid and asked prices in the over-the-counter market at the close of trading on such date, or if the Common Stock is not traded on a national securities exchange or the over-the-counter market, the value of a share of the Common Stock on such date as determined in good-faith by the Committee.

(k) “Incentive Stock Option” shall mean an Option that is intended to be an “incentive stock option” within the meaning of Section 422 of the Code.

(l) “Non-Qualified Stock Option” shall mean an Option that is not an Incentive Stock Option.

(m) “Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Option granted pursuant to the Plan.

(n) “Securities Act” shall mean the Securities Act of 1933, as amended.

(o) “Subsidiary” shall mean any “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code.

(p) “Ten Percent Stockholder” shall mean a person owning, at the time of grant, stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation within the meaning of Section 424 of the Code.

3. Administration.

(a) Committee. The Plan shall be administered and interpreted by the Committee.

(b) Authority of Committee. Subject to the limitations of the Plan, the Committee, acting in its sole and absolute discretion, shall have full power and authority to: (1) select the persons to whom Options shall be granted, (2) grant Options to such persons and prescribe the terms and conditions of such Options (including, but not limited to, the exercise and vesting conditions applicable thereto), (3) interpret and apply the provisions of the Plan and of any agreement or other instrument evidencing an Option, (4) carry out any responsibility or duty specifically reserved to the Committee under the Plan, and (5) make any and all determinations and interpretations and take such other actions as may be necessary or desirable in order to carry out the provisions, intent and purposes of the Plan. A majority of the members of the Committee shall constitute a quorum. The Committee may act by the vote of a majority of its members present at a meeting at which there is a quorum or by unanimous written consent. The determinations of the Committee, including with regard to questions of construction, interpretation and administration, shall be final, binding and conclusive on all persons.

(c) Indemnification. The Company shall indemnify and hold harmless each member of the Committee and the Board and any employee of the Company who provides assistance with the administration of the Plan from and against any loss, cost, liability (including any sum paid in settlement of a claim with the approval of the Board), damage and expense (including the advancement of reasonable legal and other expenses incident thereto) arising out of or incurred in connection with the Plan, unless and except to the extent attributable to such person’s fraud or willful misconduct.

4. Eligibility. Options may be granted under the Plan to any member of the Board (whether or not an employee of the Company or its Affiliates), to any officer or other employee of the Company or its Affiliates and to any consultant or other independent contractor who performs or will perform services for the Company or its Affiliates. Notwithstanding the foregoing, Incentive Stock Options may only be granted to persons who are employed by the Company or a Subsidiary at the time of grant.

5. Available Shares. Subject to adjustment as provided in Section 10, (a) the maximum number of shares of Common Stock that may be issued under the Plan shall not exceed 3,400,000 shares, and the (b) maximum number of shares of Common Stock with respect to which Options may be granted to any employee of the Company or its Affiliates in any calendar year shall not cover more than 200,000 shares. Shares of Common Stock available for issuance under the Plan may be either authorized and unissued or held by the Company in its treasury. New Options may be granted under the Plan with respect to Shares of Common Stock which are covered by the unexercised portion of an Option which has terminated or expired by its terms, by cancellation or otherwise. No fractional shares of Common Stock may be issued under the Plan.

6. Stock Options.

(a) Type of Options. Subject to the provisions hereof, the Committee may grant Incentive Stock Options and Non-Qualified Stock Options to eligible personnel upon such terms and conditions as the Committee deems appropriate.

(b) Option Term. Unless sooner terminated, all Options shall expire not more than ten (10) years after the date the Option is granted (or, in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, not more than five (5) years).

(c) Exercise Price. The exercise price per share of Common Stock covered by an Option may not be less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date the Option is granted (or, in case of an Incentive Stock Option granted to a Ten Percent Stockholder, one hundred ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the Option is granted).

(d) Exercise of Options. The Committee may establish such vesting and other conditions and restrictions on the exercise of an Option and/or upon the issuance of Common Stock in connection with the exercise of an Option as it deems appropriate. All or part of the exercisable portion of an Option may be exercised at any time during the Option term, except that, without the consent of the Committee, no partial exercise of an option may be for less than one hundred (100) shares.

(e) Payment of Exercise Price. An Option may be exercised by transmitting to the Company: (i) a written notice specifying the number of shares to be purchased, and (ii) payment of the exercise price, together with the amount, if any, deemed necessary by the Committee to enable the Company to satisfy its federal, state, foreign or other tax withholding obligations with respect to such exercise. The Committee may establish such rules and procedures as it deems appropriate for the exercise of Options. The exercise price of shares of Common Stock acquired pursuant to the exercise of an Option may be paid in cash, certified or bank check and/or such other form of payment as may be approved by the Committee and permitted by applicable law from time to time, including, without limitation, shares of Common Stock which have been owned by the holder for at least six (6) months (free and clear of any liens and encumbrances).

(a) Limitation on Repricing of Options. Notwithstanding anything herein to the contrary, unless and to the extent otherwise approved by the Company's stockholders, under no circumstances may the Board or the Committee, directly or indirectly, reprice or otherwise modify any outstanding Options granted pursuant to the Plan to effect a reduction in the exercise price thereof.

7. Non-Transferability. No Option shall be transferable by an optionee other than upon the optionee's death to a beneficiary designated by the optionee, or, if no designated beneficiary shall survive the optionee, pursuant to the optionee's will or by the laws of descent and distribution. All Options shall be exercisable during an optionee's lifetime only by the optionee. Any attempt to transfer any Option shall be void, and no such Option shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Option, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding the foregoing, the Committee may, in its sole discretion, permit an optionee to transfer a Non-Qualified Stock Option, in whole or in part, to such persons and/or entities as are approved by the Committee from time to time and subject to such terms and conditions as the Committee may determine from time to time, including, without limitation, such terms and conditions as are necessary or desirable to comply with applicable law.

8. Effect of Termination of Employment or Other Service. Except as otherwise provided herein or determined by the Committee, the following rules shall apply with regard to Options held by an optionee at the time of his or her termination of employment or other service with the Company and its Affiliates:

(a) Termination due to Death or Disability. If an optionee's employment or other service terminates due to his or her death or Disability (or if the optionee's employment or other service is terminated by reason of his or her Disability and the optionee dies within one year of such termination of employment or other service), then: (i) that portion of an Option that is not exercisable on the date of termination shall immediately terminate, and (ii) that portion of an Option that is exercisable on the date of termination shall remain exercisable, to the extent exercisable on the date of termination, by the optionee (or the optionee's designated beneficiary or representative) during the one year period following the date of termination (or, during the one year after the later death of a disabled optionee) or, if sooner, until the expiration of the stated term thereof, and, to the extent not exercised during such period, shall thereupon terminate.

(b) Termination for Cause or at a Time when Cause Exists. If an optionee's employment or other service is terminated by the Company or an Affiliate for Cause or if, at the time of his or her termination, grounds for a termination for Cause exist, then any Option held by the optionee (whether or not then exercisable) shall immediately terminate and cease to be exercisable.

(c) Other Termination. If an optionee's employment or other service terminates for any reason or no reason, then, except as provided for in an employment agreement: (i) that portion of an Option held by the optionee that is not exercisable on the date of termination shall immediately terminate, and (ii) that portion of an Option that is exercisable on the date of termination shall remain exercisable, to the extent exercisable on the date of termination, by the optionee during the ninety (90) day period following the date of termination or, if sooner, until the expiration of the stated term thereof, and, to the extent not exercised during such period, shall thereupon terminate.

9. Cancellation of Options. Unless an Option agreement specifies otherwise, the Committee will cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired Option at any time if the optionee is not in compliance with all material applicable provisions of the award agreement and the Plan, or if the optionee engages in a Detrimental Activity. Upon exercise of an Option, the optionee shall certify in a manner acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan and has not engaged in any Detrimental Activities. In the event an optionee engages in any Detrimental Activity prior to, or during the six (6) months after, any exercise, such exercise will be rescinded within two (2) years thereafter. In the event of any such rescission, the optionee shall pay to the Company, in the form of Company Common Stock, the amount of any gain realized as a result of the rescinded exercise, in such manner and on such terms and conditions as my be required, and the Company and its Affiliates shall be entitled to set-off against the amount of any such gain, any amount owed to the optionee by the Company or its Affiliates.

10. Capital Changes; Reorganization; Sale.

(a) Adjustments upon Changes in Capitalization. The aggregate number and class of shares which may be issued under the Plan, the maximum number and class of shares with respect to which an Option may be granted to any employee during any calendar year and the number and class of shares and the exercise price per share in effect under each outstanding Option shall all be adjusted proportionately for any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend.

(b) Cash, Stock or other Property for Stock. Except as otherwise provided in this subparagraph, in the event of an Exchange Transaction, all optionees shall be permitted to exercise their outstanding Options (whether or not otherwise exercisable) at least fifteen (15) days prior to the Exchange Transaction (and the Board shall notify each optionee of such acceleration at least fifteen (15) days prior to the Exchange Transaction) and any outstanding Options not exercised before the consummation of the Exchange Transaction shall thereupon terminate. Notwithstanding the preceding sentence, if, as a part of the Exchange Transaction, the stockholders of the Company receive capital stock of another corporation ("Exchange Stock"), and if the Board, in its sole discretion, so directs, then all outstanding Options shall be converted into

Options to purchase shares of Exchange Stock. The amount and price of the converted options shall be determined by adjusting the amount and price of the Options granted hereunder on the same basis as the determination of the number of shares of Exchange Stock the holders of Common Stock shall receive in the Exchange Transaction.

(c) Fractional Shares. In the event of any adjustment in the number of shares covered by an Option, any fractional shares resulting from such adjustment shall be disregarded, and each such Option shall cover only the number of full shares resulting from the adjustment.

(d) Determination of Board to be Final. All adjustments under this Section 10 shall be made by the Board, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

11. Rights as a Stockholder. No shares of Common Stock shall be issued in respect of the exercise of an Option until full payment therefor has been made, and the applicable income tax withholding obligation has been satisfied. The holder of an Option shall have no rights as a stockholder with respect to any shares covered by the Option until the date a stock certificate (or an equivalent) for such shares is issued to the holder. Except as otherwise provided herein, no adjustments shall be made for dividend distributions or other rights for which the record date is prior to the date such stock certificate (or an equivalent) is issued.

12. Tax Withholding. As a condition to the exercise of any Option or the lapse of restrictions on any shares of Common Stock, or in connection with any other event under the Plan that gives rise to a federal or other governmental tax withholding obligation on the part of the Company or its Affiliates: (a) the Company may deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to an optionee whether or not pursuant to the Plan, and (b) the Company shall be entitled to require that the optionee remit cash to the Company (through payroll deduction or otherwise), in each case in an amount sufficient in the opinion of the Company to satisfy such withholding obligation. If the event giving rise to the withholding obligation involves a transfer of shares of Common Stock, then, unless the applicable agreement provides otherwise, at the discretion of the Committee, the optionee may satisfy the withholding obligation described under this Section 12 by electing to have the Company withhold shares of Common Stock (which withholding shall be at a rate not in excess of the statutory minimum rate) or by tendering previously-owned shares of Common Stock, in each case having a Fair Market Value equal to the amount of tax to be withheld (or by any other mechanism as may be required or appropriate to conform with local tax and other rules).

13. Amendment and Termination. The Board may amend or terminate the Plan at any time, provided that no such action may adversely affect the rights of the holder of any outstanding Option without his or her consent. Except as otherwise provided in Section 10, any amendment which increases the aggregate number of shares of Common Stock that may be issued under the Plan, modifies the class of employees eligible to receive Options under the Plan or otherwise requires stockholder approval shall, to the extent required by applicable law, be subject to the approval of the Company's stockholders. The Committee may amend the terms of any agreement or certificate made or issued hereunder at any time and from time to time provided that any amendment which would adversely affect the rights of the holder may not be made without his or her consent.

14 Term of the Plan. The Plan shall be effective on the Effective Date. The Plan will terminate on the tenth anniversary of the Effective Date, unless sooner terminated by the Board. The rights of any person with respect to an Option granted under the Plan that is outstanding at the time of the termination of the Plan shall not be affected solely by reason of the termination of the Plan and shall continue in accordance with the terms of the Option (as then in effect or thereafter amended) and the Plan.

15. Miscellaneous.

(a) Documentation. Each Option granted made under the Plan shall be evidenced by a written agreement or other written instrument the terms of which shall be established by the Committee. To the extent not inconsistent with the provisions of the Plan, the written agreement or other instrument evidencing an Option shall govern the rights and obligations of the optionee (and any person claiming through the optionee) with respect to the Option.

(b) No Rights Conferred. Nothing contained herein shall be construed to confer upon any individual any right to be retained in the employ or other service of the Company or its Affiliates or to interfere with the right of the Company or its Affiliates to terminate an optionee's employment or other service at any time.

(c) Governing Law. The Plan shall be governed by the laws of the State of Delaware, without regard to its principles of conflicts of law.

(d) Decisions and Determinations. All decisions or determinations made by the Board and, except to the extent rights or powers under the Plan are reserved specifically to the discretion of the Board, all decisions and determinations of the Committee, shall be final, binding and conclusive.

(e) Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(f) Requirements of Law. The grant of Options and issuance of shares under the Plan shall be subject to compliance with all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as the Committee deems necessary or desirable.

(g) Listing and Other Conditions. As long as the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issue of any shares of Common Stock pursuant to an Option shall be conditioned upon such shares being listed on such exchange or system. If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Option is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise with respect to shares of Common Stock or Options, and the right to exercise any Option shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or shall not result in the imposition of excise taxes on the Company.

Exhibit 31.1

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

1. I have reviewed this quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
   (d) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 15, 2004

/s/ Leonard Bell, M.D.

Leonard Bell, M.D.
Chief Executive Officer

Exhibit 31.2

I, Carsten Boess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
   (d) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 15, 2004

/s/ Carsten Boess

Carsten Boess
Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc. (the "Company") for the period ended January 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Leonard Bell M.D., Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2004

/s/ Leonard Bell, M.D.

Leonard Bell, M.D.
Chief Executive Officer

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

Exhibit 32.2

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

In connection with the quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc. (the "Company") for the period ended January 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Carsten Boess, Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2004

/s/ Carsten Boess

Carsten Boess
Vice President and Chief Financial Officer

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