

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, 1998

OR

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

Commission file number: 0-27756

ALEXION PHARMACEUTICALS, INC.

-----  
(Exact name of registrant as specified in its charter)

DELAWARE

13-3648318

-----  
(State or other jurisdiction of incorporation or organization)

-----  
(I.R.S. Employer Identification No.)

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

203-776-1790

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

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

Yes  No

CLASS	OUTSTANDING AT MARCH 10, 1998
-----	-----
Common Stock, \$0.0001 par value	11,221,888

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

INDEX

Page  
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Balance Sheets as of January 31, 1998 and July 31, 1997 3

Statements of Operations for the three and six months ended January 31, 1998 and 1997 and for the period from inception January 28, 1992 to January 31, 1998 4

Statements of Cash Flows for the six months ended January 31, 1998 and 1997 and for the period from inception January 28, 1992 to January 31, 1998 5

Notes to Financial Statements 6

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 10

PART II. OTHER INFORMATION 14

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

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



ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

BALANCE SHEETS

	January 31, 1998 ----- (Unaudited)	July 31, 1997 -----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$27,923,745	\$16,742,516
Marketable securities	8,749,575	6,006,380
Prepaid expenses	454,568	232,385
	-----	-----
Total current assets	37,127,888	22,981,281
	-----	-----
Equipment, net of accumulated depreciation and amortization	894,524	786,495
	-----	-----
Other Assets:		
Licence technology rights, net	198,367	242,366
Patent application costs, net	156,724	168,691
Security deposits and other assets	91,043	81,728
	-----	-----
Total other assets	446,134	492,785
	-----	-----
TOTAL ASSETS	\$38,468,546	\$24,260,561
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of notes payable	\$ 200,000	\$ 130,000
Current obligations under capital leases	1,196	7,768
Accounts payable	718,432	727,553
Accrued expenses	409,453	1,201,770
Dividends payable	750,000	0
Deferred revenue	0	347,070
	-----	-----
Total current liabilities	2,079,081	2,414,161
	-----	-----
Stockholders' Equity:		
Preferred Stock \$.0001 par value; 5,000,000 shares authorized; 400,000 shares Series B convertible authorized, issued and outstanding at January 31, 1998	40	0
Common stock \$.0001 par value; 25,000,000 shares authorized; 9,557,001 and 8,858,012 shares issued at January 31, 1998 and July 31, 1997	956	886
Additional paid-in capital	70,100,422	53,671,867
Deficit accumulated during development stage	(33,711,851)	(31,826,251)
Deferred offering costs	0	0
Treasury stock, at cost; 11,875 shares	(102)	(102)
	-----	-----
Total stockholders' equity	36,389,465	21,846,400
	-----	-----
TOTAL LIABILITIES AND NET EQUITY	\$38,468,546	\$24,260,561
	=====	=====

See accompanying notes to financial statements.

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

STATEMENT OF OPERATIONS  
(Unaudited)

	Three months ended January 31,		six months ended January 31,		January 28, 1992
	1998	1997	1998	1997	(inception) through January 31, 1998
CONTRACT RESEARCH REVENUES	\$ 320,875	\$1,437,984	\$4,446,553	\$2,248,739	\$11,033,483
OPERATING EXPENSES:					
Research and Development	2,918,023	1,921,113	5,277,903	3,895,051	35,511,872
General and Administrative	668,527	758,306	1,276,001	1,407,361	10,793,650
Total Operating Expenses	3,606,550	2,679,419	6,553,904	5,302,412	46,305,522
OPERATING LOSS	(3,285,675)	(1,241,435)	(2,107,351)	(3,053,673)	(35,272,039)
OTHER INCOME, Net	527,434	205,231	971,751	439,859	2,310,188
NET (LOSS)	(\$2,758,241)	(\$1,036,204)	(\$1,135,600)	(\$2,613,814)	(\$32,961,851)
ACCRETION OF PREFERRED STOCK DIVIDENDS	450,000	0	750,000	0	
NET (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	(\$3,208,241)	(\$1,036,204)	(\$1,885,600)	(\$2,613,814)	
NET (LOSS) PER COMMON SHARE (Note 3)	(\$0.34)	(\$0.14)	(\$0.21)	(\$0.36)	
SHARES USED IN COMPUTING NET (LOSS) PER COMMON SHARE	9,427,201	7,341,939	9,189,818	7,335,173	

See accompanying notes to financial statements.

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended January 31,		January 28, 1992
	-----		(inception)
	1998	1997	through
	-----		January 31, 1998
	-----		-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	(\$1,135,600)	(\$2,613,814)	(\$32,961,851)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	278,900	367,501	3,374,880
Compensation expense related to grant of stock options	0	0	122,500
Net realized loss (gain) on marketable securities	0	0	44,766
Change in assets and liabilities:			
Prepaid expenses	(222,183)	235,003	(454,568)
Accounts payable	(9,121)	85,954	718,432
Accrued expenses	(792,317)	63,429	409,453
Deferred revenue	(349,070)	(868,933)	0
	-----	-----	-----
Net cash used in operating activities	(2,227,391)	(2,730,860)	(28,746,388)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
(Purchases of) proceeds from marketable securities, net	(2,743,193)	2,363,941	(8,741,771)
Purchases of equipment	(330,738)	(434,394)	(3,252,695)
Licensed technology costs	0	0	(615,989)
Patent application costs	(226)	(21,003)	(359,198)
Organization costs	0	0	(63,530)
	-----	-----	-----
Net cash (used in) provided by investing activities	(3,074,157)	1,908,544	(13,033,183)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from issuance of preferred and common stock	16,428,665	151,903	68,771,329
Advances from stockholder	0	0	1,200,000
Repayments of capital lease obligations	(6,573)	(14,573)	(376,868)
Borrowings under notes payable	200,000	0	1,379,135
Repayments of notes payable	(130,000)	(174,206)	(1,179,135)
Security deposits and other assets	(9,315)	(2,725)	(91,043)
Repurchase of common stock	0	0	(102)
	-----	-----	-----
Net cash provided by (used in) financing activities	16,482,777	(34,151)	69,703,316
	=====	=====	=====
NET INCREASE (DECREASE) IN CASH	11,181,229	(856,467)	27,923,745
CASH and CASH EQUIVALENTS at the beginning of period	16,742,516	9,491,217	0
	=====	=====	=====
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$27,923,745	\$8,634,750	\$27,923,745
	=====	=====	=====
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash paid (refunded) for income taxes	\$ 0	(\$ 7,950)	\$ 30,684
	=====	=====	=====
Cash paid for interest expense	\$ 8,652	\$ 30,395	\$ 414,617
	=====	=====	=====
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES</b>			
Conversion of advances from stockholder into common stock	\$ 0	\$ 0	\$ 1,200,000
	=====	=====	=====
Equipment acquired pursuant to capital lease obligations	\$ 0	\$ 0	\$ 378,064
	=====	=====	=====
Preferred stock dividend accretion	\$ 750,000	\$ 0	\$ 750,000
	=====	=====	=====

See accompanying notes to financial statements.

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

1. Operations and Basis of Presentation -

Alexion Pharmaceuticals, Inc. ("Alexion" or the "Company") was organized in January 1992 and is engaged in the research and development of proprietary immunoregulatory compounds for the treatment of cardiovascular disorders (perioperative bleeding and inflammation associated with cardiopulmonary bypass, myocardial infarction, and stroke) and autoimmune diseases (lupus, rheumatoid arthritis, and multiple sclerosis). As an outgrowth of its core technologies, the Company is developing, in collaboration with a third party (see Note 5), non-human UniGraft organ ("xenograft" organs) products designed for transplantation into humans and, with another third party (see Note 5), immunoprotected retroviral vector particles and producer cells for use in gene therapy.

The Company is in the development stage and is devoting substantially all of its efforts toward product research and development. The Company has incurred losses since inception and has cumulative net losses of approximately \$33.0 million through January 31, 1998. The Company has made no product sales to date and has recognized cumulative revenue from grant, license, and contract revenues of \$11.0 million through January 31, 1998. During the six months ended January 31, 1998, the Company received approximately \$9.5 million in net proceeds from the issuance of shares of Series B Preferred Stock to a single institutional investor and received payments of an additional \$6.5 million from United States Surgical Corporation ("US Surgical") for equity, exclusive licensing rights, and certain manufacturing assets. In addition, the Company has received various grants to fund certain research activities (see Note 5).

The Company will need additional financing to obtain regulatory approvals, fund operating losses, and, if deemed appropriate, establish a manufacturing, sales, and marketing capability. In addition to normal risks associated with development stage companies, there can be no assurance that the Company's research and development will be successfully completed, that adequate patent protection for the Company's technology will be obtained, that the Company's products will not infringe third parties' patents, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. In addition, the Company operates in an environment of rapid change in technology, substantial competition from pharmaceutical and biotechnology companies and is dependent upon the services of its employees and its consultants.

The Company expects to incur substantial additional costs, including costs associated with research, preclinical and clinical testing, manufacturing process development, and additional capital expenditures associated with facility expansion and manufacturing requirements in order to commercialize its products currently under development. The Company will need to raise substantial additional funds in addition to those previously described, which it will seek through public or private equity or debt financings, collaborative or other arrangements with corporate sources, or through other sources of financings.

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and include, in the opinion of management, all adjustments, consisting of normal, recurring

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

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. It is suggested that these condensed financial statements be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 10-K Annual Report for the fiscal year ended July 31, 1997.

2. Cash and Cash Equivalents and Marketable Securities -

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

The Company invests in marketable securities of highly rated financial institutions and investment-grade debt instruments and limits the amount of credit exposure with any one entity. The Company follows Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Pursuant to this Statement, the Company has classified its marketable securities as "available for sale" and, accordingly, carries such securities at aggregate fair value. Unrealized gains or losses are included in stockholders' equity as a component of additional paid-in capital.

3. Net Loss per Common Share -

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share", which superceded Accounting Principles Board Opinion 15. This new standard replaces the computation of primary earnings (loss) per share with a new computation of "basic earnings (loss) per share". The Company adopted this standard for all periods ending on or after January 31, 1998. Previously reported net loss per common share is required to be restated under the provisions of SFAS No. 128. There was no effect on previously reported net loss per common share for the three and six month periods ended January 31. There is no difference in basic and diluted net loss per common share as the effect of exercising outstanding stock options, warrants, and converting Preferred Stock to Common Stock is anti-dilutive for all periods presented. These outstanding stock options and warrants entitled holders to purchase 818,845 and 1,110,497 shares of common stock at January 31, 1998 and 1997, respectively.

4. Revenue Recognition -

Contract research revenues are recognized as the related work is performed under the terms of the contracts and expenses for development activities are incurred. Any revenue contingent upon future funding by the Company is deferred and recognized as the future funding is expended. Any revenues resulting from the achievement of milestones would be recognized when the milestone is achieved. License fee revenues represent non-refundable payments received in accordance with

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

contractual agreements for various access and rights to the Company's technologies, research, potential products and markets.

5. Revenues -

Revenues recorded by the Company consist of license fees and research and development support under collaborations with US Surgical and GTI/Novartis, Small Business Innovation Research ("SBIR") grants awarded in July and September 1995 from the National Institutes of Health ("NIH"), and funding from the Commerce Department's National Institute of Standards and Technology ("NIST").

In July 1995, the Company entered into a collaborative research and development agreement with US Surgical. US Surgical agreed to fund preclinical development of the Company's xenotransplant products in return for exclusive worldwide manufacturing, marketing and distribution rights of such products by paying the Company up to \$7.5 million allocated as follows: (1) up to \$4.0 million of the cost of preclinical development in four semi-annual installments of up to \$1.0 million (the first installment of which was paid on July 31, 1995), and (2) \$3.5 million upon achieving certain milestones. In furtherance of this joint collaboration, US Surgical also purchased \$4.0 million of the Company's common stock. As of October 31, 1997 the Company has recognized the \$4.0 million for the cost of preclinical development. At the end of September 1997, US Surgical and the Company modified the July 1995 Joint Development Agreement. As part of the modification, US Surgical made a \$6.5 million payment to the Company for equity, exclusive licensing rights, and certain manufacturing assets. Further, as part of the modified agreement, US Surgical and the Company agreed that the preclinical milestone payments in the original agreements were considered to have been satisfied.

In December 1996, the Company and GTI/Novartis entered into a License and Collaborative Research Agreement with respect to the Company's gene transfer technology. Under the Agreement, GTI/Novartis has been granted a worldwide exclusive license to use the company's technology in its gene therapy products. GTI/Novartis agreed to pay the Company an initial upfront payment of \$850,000 which consisted of a one-time license fee of \$750,000 and a \$100,000 research and development support payment. GTI/Novartis also agreed to fund a minimum of \$400,000 per year for two years for research and development support by the Company.

In November 1997, the Company and US Surgical were awarded a three-year \$2.0 million Cooperative Agreement from NIST. The award is for funding a joint project called "Xenogeneic Cartilage Transplantation".

6. Equity Offerings -

In September 1997, the Company completed the private placement of 400,000 shares of Series B preferred stock for aggregate consideration of \$10,000,000 to a single institutional investor,

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Biotech Target S.A. The net proceeds to the Company were approximately \$9.5 million. The Series B preferred stock is automatically convertible into 935,782 shares of the Company's common stock on March 4, 1998 or at any time prior thereto at the election of the holder. The investor is entitled to a dividend of \$2.25 per share of Series B preferred stock if this stock is held through March 4, 1998. The dividend, if paid, is payable in cash or the Company's common stock at the discretion of the Company. In addition, in September 1997, the Company sold 166,945 shares of its common stock to US Surgical for aggregate consideration of \$3,000,000. The sale of common stock was made in connection with the modification of the joint development agreement between the Company and US Surgical.

In connection with its private placements in fiscal 1993 and 1994, the Company had issued warrants to purchase common stock. The warrants were exercisable at any time prior to the close of business on December 4, 1997. During the quarter ended January 31, 1998, warrants were exercised for the purchase of 389,340 shares of common stock aggregating approximately \$2,920,000 of proceeds to the Company. Since inception through January 31, 1998, warrants were exercised for the purchase of 551,719 shares of common stock aggregating approximately \$4,144,000 of proceeds to the Company.

7. Subsequent Event -

On March 4, 1998, the Company's Series B Convertible Preferred Stock was automatically converted into 935,782 shares of the Company's Common Stock, par value \$0.0001. The Company satisfied its dividend payment obligation, aggregating \$900,000, by delivery of 70,831 shares of the Company's Common Stock to the institutional investor. In addition on March 4, 1998, the Company entered into an agreement to sell 670,000 shares of Common Stock, par value \$0.0001, to the same institutional investor, Biotech Target S.A., for an aggregate purchase price of \$8,827,250, equal to a purchase price of \$13.175 per share (the average closing bid price of the Company's Common Stock for the five business days prior to March 4, 1998). The financing will close upon the effectiveness of a resale registration statement which was filed by the Company with the Securities and Exchange Commission on March 10, 1998.

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

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 and uncertainties which may cause the Company's plans to differ. Factors and uncertainties that may cause such differences include, but are not limited to, the rate of progress, if any, of the Company's research and development programs, the Company's ability to compete successfully, the Company's ability to attract and retain qualified personnel, the Company's ability to successfully enter into collaborations with third parties, the Company's ability to enter into and progress in clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents and any necessary licenses, the ability of the Company to establish development and commercialization relationships and strategic alliances with third parties, the cost of manufacturing, the Company's ability to obtain additional funds, and those other risks discussed in the Company's Annual Report or Form 10-K for the fiscal year ended July 31, 1997.

OVERVIEW

Since its inception in January 1992, Alexion has devoted substantially all of its resources to its drug discovery, research and product development programs. To date, the Company has not received any revenues from the sale of products. The Company has been unprofitable since inception, and expects to incur substantial and increasing operating losses for the next several years due to expenses associated with product research and development, preclinical and clinical testing, regulatory activities and manufacturing development and scale-up. For the period from inception to January 31, 1998, the Company incurred a cumulative net loss of approximately \$33.0 million.

The Company's plan is to develop and commercialize on its own those product candidates for which the clinical trial and marketing requirements can be funded by the Company. For certain of the Company's C5 Inhibitor and Apogen products for which greater resources will be required, Alexion's strategy is to form corporate partnerships with major pharmaceutical companies for product development and commercialization. Alexion has entered into a strategic alliance with US Surgical with respect to the Company's Unigraft program, GTI/Novartis with respect to the Company's gene therapy products, and intends to seek additional strategic alliances with other major pharmaceuticals companies.

The Company recognizes research and development revenues when the development expenses are incurred and the related work is performed under the terms of the contracts. Any revenue contingent upon future funding by the Company is deferred and recognized as the future funding is expended. Any revenues resulting from the achievement of milestones would be recognized when the milestone is achieved. License fee revenues represent non-refundable payments received in accordance to contractual agreements for various access and rights to the Company's technologies, research, potential products and markets.

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

RESULTS OF OPERATIONS

Three Months Ended January 31, 1998  
Compared with Three Months Ended January 31, 1997

The Company's contract research and license revenues decreased to \$321,000 for the three months ended January 31, 1998 from \$1,438,000 for the same period ended January 31, 1997. The decrease was due primarily to the receipt of an upfront payment from GTI/Novartis in the amount of \$850,000 received in December 1996. Contract research revenues represent principally revenues from the Company's collaborative research and development agreement with GTI/Novartis, pursuant to which the Company recognized revenue of \$100,000 during the three months ended January 31, 1998, and funding received from the Commerce Department's National Institute of Standards and Technology ("NIST"), pursuant to which the Company recognized revenue of approximately \$221,000 during the three months ended January 31, 1998.

Research and development expenses increased to \$2,918,000 for the three months ended January 31, 1998 from \$1,921,000 for the three months ended January 31, 1997. The increase resulted principally from expanded process development and manufacturing costs associated with the Company's recombinant product candidates.

General and administrative related expenses decreased to \$689,000 for the three months ended January 31, 1998 from \$758,000 for the same period ended January 31, 1997. This decrease in general administrative expenses resulted principally from lower outside professional services.

The Company earned other income, net, of \$527,000 for the three months ended January 31, 1998 as compared to other income, net, of \$205,000 for the three months ended January 31, 1997. This other income, net, resulted principally from greater interest income from higher cash balances available for investment and decreased interest expense associated with maturing notes payable and maturing capital equipment leases used to finance the purchase of certain equipment.

As a result of the above factors, the Company incurred a net loss of \$2,758,000 for the three months ended January 31, 1998 as compared to a net loss of \$1,036,000 for the same three month period in 1997.

Six Months Ended January 31, 1998  
Compared with Six Months Ended January 31, 1997

The Company's contract research and license revenues increased to \$4,447,000 for the six months ended January 31, 1998 from \$2,249,000 for the six months ended January 31, 1997. This increase was due primarily to a one-time license fee of \$3.5 million the Company received from US Surgical in connection with the September 1997 modification of the companies' collaborative research and development agreement.

During the six months ended January 31, 1998 and 1997, the Company expended \$5,278,000 and \$3,895,000, respectively, on research and development activities. This increase of \$1,383,000 resulted principally from costs incurred related to the clinical trials of the Company's lead C5

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

Inhibitor, 5G1.1-SC, expanded preclinical development, process development, and manufacturing costs for the Company's recombinant product candidates.

General and administrative related expenses decreased to \$1,276,000 for the six months ended January 31, 1998 from \$1,407,000 for the same period ended January 31, 1997. This decrease was due principally to lower external professional fees.

Other income, net was \$972,000 for the six months ended January 31, 1998 as compared to other income, net of \$440,000 for same period a year ago. This increase in other income, net, resulted principally from greater interest income from higher cash balances available for investment and decreased interest expense associated with maturing notes payable, and maturing capital equipment leases used to finance the purchase of certain equipment.

As a result of the above factors, the Company's net loss decreased to \$1,136,000 from \$2,614,000 for the six months ended January 31, 1998 and 1997, respectively.

#### LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations and capital expenditures primarily through private placements and its initial public offering of equity securities resulting in aggregate net proceeds of approximately \$68.8 million. The Company has financed the purchase of certain equipment through \$1.2 million of secured notes payable to a financing institution, \$378,000 of capital lease obligations, and recently, \$200,000 from a term loan from a commercial bank. Through January 1998, the Company has received an aggregate of approximately \$8.8 million in license fees and research and development support under its collaborations with US Surgical and GTI/Novartis and has received \$1.1 million from its SBIR grants from the NIH and \$1.1 million under the ATP/NIST grant.

The proceeds of the Company's initial public offering, private placements, notes payable and capital leases, and the cash generated from the corporate collaborations and SBIR and ATP grants have been used to fund operating activities of approximately \$28.7 million and investments of approximately \$3.3 million in equipment and approximately \$975,000 in licensed technology rights and patents through January 31, 1998. During the six months ended January 31, 1998 and January 31, 1997, the Company's capital expenditures totaled \$331,000 and \$434,000, respectively, primarily for the acquisition of laboratory and manufacturing scale-up equipment. As of January 31, 1998, the Company had cash, cash equivalents and marketable securities of approximately \$36.7 million.

The Company leases its administrative and research and development facilities under three principal operating leases expiring in December 1997, June 1998, and March 1999, respectively, each with an option for up to an additional three years. The Company has not exercised its option to extend the lease that expired in December 1997 and is currently leasing that facility on a month to month basis. The Company does expect to extend the lease.

The Company anticipates that its existing available capital resources and interest earned on available cash and marketable securities should be sufficient to fund its operating expenses and capital

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

requirements as currently planned for at least the next eighteen months. In November 1997, the Company completed a term loan facility for up to \$1.2 million with a financial institution for the financing of capital expenditures principally related to facilities manufacturing scale-up equipment. As of January 31, 1998 the Company has drawn down \$200,000 of the available \$1.2 million term loan. The Company's future capital requirements will depend on many factors, the progress of the Company's research and development programs, progress in clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in obtaining and enforcing patents and any necessary licenses, the ability of the Company to establish development and commercialization relationships, and the costs of manufacturing scale-up.

In connection with its private placements in fiscal 1993 and 1994, the Company had issued warrants to purchase common stock. These warrants were exercisable at any time prior to the close of business on December 4, 1997. During the quarter ended January 31, 1998, warrants were exercised for the purchase of 389,340 shares of common stock aggregating approximately \$2,920,000 of proceeds to the Company. Since inception through January 31, 1998 warrants were exercised for the purchase of 551,719 shares of common stock aggregating approximately \$4,144,000 of proceeds to the Company.

On March 4, 1998, the Company's Series B Convertible Preferred Stock was automatically converted into 935,782 shares of the Company's Common Stock, par value \$0.0001. The Company satisfied its dividend payment obligation, aggregating \$900,000, by delivery of 70,831 shares of the Company's Common Stock to an institutional investor. In addition on March 4, 1998, the Company entered into an agreement to sell 670,000 of Common Stock, par value \$0.0001, to the same institutional investor, Biotech Target S.A., for an aggregate purchase price of \$8,827,250, equal to a purchase price of \$13.175 per share (the average closing bid price of the Company's Common Stock for the five business days prior to March 4, 1998). The financing will close upon the effectiveness of a resale registration statement which was filed by the Company with the Securities and Exchange Commission on March 10, 1998.

The Company expects to incur substantial additional costs, including costs associated with research, preclinical and clinical testing, manufacturing process development, contract manufacturing, and additional capital expenditures associated with facility expansion and manufacturing requirements in order to commercialize its products currently under development. The Company will need to raise substantial additional funds through additional financings including public or private equity offerings and collaborative research and development arrangements with corporate partners. There can be no assurance that funds will be available on terms acceptable to the Company, if at all, or that discussions with potential collaborative partners will result in any agreements. The unavailability of additional financing could require the Company to delay, scale back or eliminate certain of its research and product development programs or to license third parties to commercialize products or technologies that the Company would otherwise undertake itself, any of which could have a material adverse effect on the Company.

ALEXION PHARMACEUTICALS, INC.  
(A Development Stage Company)

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

On March 4, 1998, the Company entered into an agreement to sell 670,000 shares of Common Stock to an institutional investor, Biotech Target S.A. The financing will close upon the effectiveness of a resale registration statement which was filed by the Company with the Securities and Exchange Commission on March 10, 1998. The aggregate offering price for the Common Stock was \$8,827,250, representing a purchase price of \$13.175 per share. The Company relied on the exemption afforded by Section 4(2) of, and Regulation D promulgated under the Securities Act of 1933.

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

At the Company's Annual Meeting of Stockholders held on December 11, 1997, the stockholders voted to nominate and elect the following directors by the votes indicated:

John H. Fried, Ph.D.:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining
Leonard Bell, M.D.:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining
Timothy F. Howe:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining
Max Link, Ph.D.:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining
Joseph A. Madri, Ph.D., M.D.:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining
Leonard Marks, Jr.:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining
Eileen M. More:	5,330,360	For,	4,800	Against or Withheld,	0	Abstaining

Item 5. Other Information.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 - Stock Purchase Agreement dated March 4, 1998, by and between the Company and Biotech Target S.A. Incorporated by reference from the Company's Registration Statement on Form S-3 (Reg No. 333-47645)

27 - Financial Data Schedule

(b) Reports on Form 8-K

Current report on Form 8-K dated March 6, 1998, relating to the Company's agreement to sell Common Stock to Biotech Target S.A.

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 12, 1998

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

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

Date: March 12, 1998

By: /s/ David W. Keiser

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David W. Keiser  
Executive Vice President and Chief  
Operating Officer (principal  
financial officer)

Date: March 12, 1998

By: /s/ Barry P. Luke

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Barry P. Luke  
Senior Director of Finance and  
Administration (principal  
accounting officer)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET, THE STATEMENT OF OPERATIONS, AND THE STATEMENT OF CASH FLOWS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. ALL PREVIOUSLY REPORTED NET EARNINGS (LOSS) PER COMMON SHARE ARE UNAFFECTED BY THE ADOPTION OF SFAS NO. 128, WITH THE EXCEPTION OF THE QUARTER ENDED OCTOBER 31, 1997. RESTATED BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ARE \$0.15 AND \$0.13, RESPECTIVELY, FOR THE QUARTER ENDED OCTOBER 31, 1997

		1,000
	AUG-01-1997	
6-MOS	JUL-31-1998	
	JAN-31-1998	
		27,924
		8,750
		0
		0
		0
	37,128	3,253
	(2,358)	
	17,103	
	2,079	
	0	0
		0
		1
	36,389	
38,469		0
	4,447	0
		0
	6,554	
	0	
	0	
	(972)	
	(1,136)	
		0
	(1,136)	
		0
	0	
		0
	(1,136)	
	(0.21)	
	(0.21)	