MEDIMMUNE INC /DE
Form S-3/A
December 05, 2003

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**As filed with the Securities and Exchange Commission on December 5, 2003**

**Registration No. 333-108710**

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

**Amendment No. 2**
**to**

# FORM S-3

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

# MEDIMMUNE, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **2836** | **52-155759** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I. R. S. Employer Identification No.) |

**35 West Watkins Mill Road**
**Gaithersburg, Maryland 20878**
**(301) 417-0770**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**David M. Mott**
**Chief Executive Officer and Vice Chairman**
**MedImmune, Inc.**
**35 West Watkins Mill Road**
**Gaithersburg, Maryland 20878**
**(301) 417-0770**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

***Copies to:***

| **William C. Bertrand, Jr., Esq.** | **Frederick W. Kanner, Esq.** |
|---|---|
| Vice President and General Counsel | Dewey Ballantine LLP |
| MedImmune, Inc. | 1301 Avenue of the Americas |
| 35 West Watkins Mill Road | New York, New York 10019 |
| Gaithersburg, Maryland 20878 | (212) 259-8000 |
| (301) 417-0770 | |

Approximate date of commencement of proposed sale to the public: **As soon as practicable after this Registration Statement becomes effective.**

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please, check the following box: o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: ý

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

**Subject to Completion, Dated December 5, 2003**

**The information contained in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**PROSPECTUS**

# $500,000,000 principal amount
# 1% Convertible Senior Notes due 2023
# and 7,333,550 shares of common stock issuable
# upon conversion of the notes

This prospectus covers resales by the holders of our 1% Convertible Senior Notes due 2023 and shares of our common stock into which the notes are convertible. The notes and the common stock may be sold from time to time by or on behalf of selling securityholders.

We will not receive any proceeds from the resale of our notes or common stock hereunder. The notes bear interest at a rate of 1% per annum on the principal amount of the notes. Interest is payable semi-annually in arrears on July 15 and January 15 of each year, beginning on January 15, 2004. In addition, beginning with the six-month interest period commencing on July 15, 2006 we will pay contingent interest during a six-month interest period if the average trading price of a note is above a specified level as described in this prospectus. The notes will mature on July 15, 2023. We and each holder of the notes agree in the indenture to treat the notes as contingent payment debt instruments for U.S. federal income tax purposes. See "Material United States Federal Income Tax Considerations."

## CONVERSION

The notes are convertible prior to maturity into shares of our common stock at an initial conversion rate of 14.6671 shares per $1,000 principal amount of notes (which represents a conversion price of approximately $68.18 per share), subject to adjustment, under the following circumstances: (i) holders may convert their notes, in whole or in part, during any calendar quarter (beginning with the quarter ending

December 31, 2003), if, as of the last trading day of the preceding calendar quarter, the last reported sale price of our common stock on at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of such immediately preceding calendar quarter exceeds 120% of the applicable conversion price on the last trading day of such immediately preceding calendar quarter; (ii) holders may convert their notes, in whole or in part, if the trading price of the notes is below a particular level for five consecutive trading days under certain circumstances; (iii) holders may convert any of their notes (and only those notes) that have been called for redemption; or (iv) holders may convert their notes, in whole or in part, upon the occurrence of specified corporate transactions described in this prospectus. Our common stock is listed on the Nasdaq National Market under the symbol "MEDI." On December 4, 2003, the last reported sale price of our common stock was $25.40 per share.

**REDEMPTION AND REPURCHASE**

On or after July 15, 2006, we may at our option redeem the notes, in whole or in part, for cash, at a redemption price equal to 100% of the principal amount of notes to be redeemed, plus any accrued and unpaid interest, contingent interest, if any, and liquidated damages, if any, to, but excluding, the redemption date. On each of July 15, 2006, July 15, 2009, July 15, 2013 and July 15, 2019, holders may require us to purchase all or a portion of their notes for cash at a purchase price equal to 100% of the principal amount of notes to be purchased, plus any accrued and unpaid interest, contingent interest, if any, and liquidated damages, if any, to, but excluding, such date. Holders may require us to repurchase all or a portion of their notes for cash upon a change in control, as defined in this prospectus, at a purchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest, contingent interest, if any, and liquidated damages, if any, to, but excluding, the repurchase date.

**Investing in the notes and the common stock issuable upon conversion of the notes involves risks. See "Risk Factors" beginning on page 9.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The notes have been eligible for trading on the Private Offerings, Resales and Trading through Automated Linkages, or "PORTAL," Market of the National Association of Securities Dealers, Inc. Notes sold pursuant to this prospectus are not expected to remain eligible for trading on the PORTAL Market. The notes will not be listed on any securities exchange or on the Nasdaq National Market.

The date of this prospectus is , 2003

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You should rely only on the information contained or incorporated by reference in this prospectus. No dealer, salesperson or other person is authorized to give information that is not contained in this prospectus. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus is correct only as of the date hereof, regardless of the time of the delivery of this prospectus or any sale of these securities.



## PROSPECTUS SUMMARY

*The following summary is qualified by the more detailed information included elsewhere or incorporated by reference in this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision.*

### Our Company

We are a leading biotechnology company focused on researching, developing and commercializing products to prevent or treat infectious disease, autoimmune disease and cancer. Our core competencies are in the areas of monoclonal antibodies and vaccines.

We were founded in 1988 and are headquartered in Gaithersburg, Maryland. We established an oncology subsidiary (MedImmune Oncology, Inc.) following the acquisition of U.S. Bioscience, Inc. in November 1999. In January 2002, we acquired Aviron, a California-based vaccines company for $1.6 billion, which became our vaccines subsidiary (MedImmune Vaccines, Inc.). In July 2002, we also created a venture capital subsidiary (MedImmune Ventures, Inc.).

We market Synagis (palivizumab), FluMist (influenza virus vaccine live, intranasal), Ethyol (amifostine), and CytoGam (cytomegalovirus immune globulin intravenous (human)). Synagis is an antibody that provides the immune system with an increased ability to prevent infection with respiratory syncytial virus ("RSV"), the leading cause of lower respiratory tract infections and pneumonia in infants and children worldwide. FluMist is an influenza vaccine delivered as a nasal mist, indicated for healthy people 5-49 years of age. Ethyol is a product that reduces the unwanted impact of certain side effects of chemotherapy and radiation therapy when used to treat certain types of cancer. CytoGam is a blood plasma product that provides the immune system with an increased ability to prevent infection with cytomegalovirus ("CMV"), a herpes virus that contributes significantly to morbidity and mortality in organ transplant patients. We market these products through our own U.S.-based specialty sales and marketing organization. To support these efforts, we have also entered into co-promotion agreements with other companies to market our products in certain geographical regions, including the United States.

In addition, we receive de minimis sales revenue from RespiGam (respiratory syncytial virus immune globulin intravenous (human)) and NeuTrexin (trimetrexate glucuronate for injection). RespiGam is a blood plasma product that has also been used to prevent RSV, but has been primarily replaced in the marketplace by Synagis. NeuTrexin is a product that has been approved as an alternative therapy for the treatment of a certain pneumonia in immunocompromised patients, such as AIDS patients. NeuTrexin use has steadily declined in recent years due to improvements in drugs to treat AIDS.

We have clinical, research and development staff in the U.S. through which we are developing a pipeline of product candidates for potential commercialization. In addition to our internal efforts, we have established clinical, research and development collaborations with other companies and organizations for the development of potential products.

We operate five commercial manufacturing facilities in the U.S. and Europe. These include a biologics facility in Frederick, Maryland (Frederick Manufacturing Center or "FMC"); a fill and finish facility for Ethyol and NeuTrexin in Nijmegen, the Netherlands; a pilot manufacturing facility in Gaithersburg, Maryland; a FluMist fill and finish plant in Philadelphia, Pennsylvania; and a FluMist bulk supply facility in Speke, England. Our principal executive offices are located at 35 West Watkins Mill Road, Gaithersburg, Maryland 20878, and our

telephone number is (301) 417-0770. Our website is located at *www.MedImmune.com*. Information in our website is not a part of this prospectus.

As used in this prospectus, the words "we," "us," "our" and "MedImmune" refer to MedImmune, Inc., a Delaware corporation, and in certain cases, its subsidiaries.



## THE NOTES

We issued and sold $500 million aggregate principal amount of the notes on July 15, 2003, in a private offering to Merrill Lynch & Co. and UBS Investment Bank (the "Initial Purchasers"). We were advised by the Initial Purchasers that the notes were resold in transactions which were exempt from registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), to persons believed by the Initial Purchasers to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act).

The following is a brief summary of the terms of the notes. For a more complete description of the notes, see section entitled "Description of Notes" in this prospectus.

| | |
|---|---|
| Notes | $500 million aggregate principal amount of 1% Convertible Senior Notes due 2023. |
| Maturity | July 15, 2023, unless earlier redeemed, repurchased or converted. |
| Interest | We will pay interest on the notes semiannually in arrears at an annual rate of 1%. The interest payment dates for the notes are January 15 and July 15 of each year, commencing January 15, 2004. |
| Contingent Interest | Beginning with the six-month interest period commencing July 15, 2006, we will pay contingent interest during any six-month interest period if the average trading price, as defined herein, of a note for the five trading days ending on and including the third trading day immediately preceding the first day of such six-month interest period equals or exceeds 120% of the principal amount of such note. The contingent interest payable per $1,000 principal amount of a note in respect of any six-month interest period in which contingent interest is payable will be equal to 0.175% per six-month period of the average trading price per $1,000 principal amount of such note for the applicable five trading day reference period ending on and including the third trading day immediately preceding the first day of such six-month interest period.<br><br>For more information about contingent interest, see "Description of Notes Contingent interest." |
| Ranking | The notes are our senior, unsecured obligations. Your right to payment under the notes is:<br><br>effectively subordinated to the rights of our secured creditors, if any, to the extent of their security interests in our assets;<br><br>equal with the rights of our creditors under our other unsecured, unsubordinated debt;<br><br>senior to the rights of our creditors under any indebtedness we may issue in the future that is expressly subordinated to the notes; and |



effectively subordinated to all existing and future indebtedness and other

| | |
|---|---|
| | liabilities of our subsidiaries. |
| | At September 30, 2003, our consolidated subsidiaries had approximately $193.8 million of outstanding indebtedness, excluding indebtedness and other liabilities owed to us or to other subsidiaries. In addition, as of such date, we had approximately $8.2 million of secured indebtedness that would effectively rank senior to the notes. See "Risk Factors Risks related to the notes The notes are effectively subordinated to our secured debt and to all debt and other liabilities of our subsidiaries." |
| Conversion Rights | Holders may convert their notes into shares of our common stock only under the following circumstances and to the following extent: |
| | holders may convert their notes, in whole or in part, during any calendar quarter (beginning with the quarter ending December 31, 2003) if, as of the last trading day of the preceding calendar quarter, the last reported sale price of our common stock on at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of such immediately preceding calendar quarter exceeds 120% of the applicable conversion price on the last trading day of such immediately preceding calendar quarter; |
| | holders may convert their notes, in whole or in part, if the trading price of the notes is below a particular level for five consecutive trading days under certain circumstances; |
| | holders may convert any of their notes (and only those notes) that have been called for redemption; or |
| | holders may convert their notes, in whole or in part, upon the occurrence of specified corporate transactions described under "Description of Notes Conversion rights Conversion upon specified corporate transactions." |
| | Holders may convert their notes into shares of our common stock at an initial conversion rate of 14.6671 shares of our common stock per $1,000 principal amount of notes. This represents an initial conversion price of approximately $68.18 per share of our common stock. As described in this prospectus, the conversion rate may be adjusted for certain reasons. See "Description of Notes Conversion rights." |
| Optional Redemption | On or after July 15, 2006, we may, at our option, redeem for cash all or part of the notes, at any time and from time to time for a price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest, contingent interest, if any, and liquidated damages, if any, to, but excluding, the redemption date. See "Description of Notes Redemption of notes at our option." |



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|---|---|
| Purchase of notes by us at the option of the holder | You have the right to require us to purchase all or a portion of your notes for cash on July 15, 2006, July 15, 2009, July 15, 2013, and July 15, 2019 (each, a "purchase date"). In each case, the purchase price payable will be equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, contingent interest, if any, and liquidated damages, if any, to, but excluding, the purchase date. See "Description of Notes Purchase of notes by us at the option of the holder." |
| Purchase of notes by us at the option of the holder upon change in control | If we undergo a change in control (as defined in this prospectus) prior to July 15, 2006, you will have the right, at your option, to require us to purchase all or any portion of your notes for cash. The change in control purchase price will be equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, contingent interest, if any, and liquidated damages, if any, to, but excluding, the change in control purchase date. See "Description of Notes Change in control permits purchase of notes by us at the option of the holder." |

| | |
|---|---|
| U.S. federal income tax considerations | We and each holder of the notes agree in the indenture to treat the notes as contingent payment debt instruments for U.S. federal income tax purposes. As a holder of notes, you agree to accrue original issue discount on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible borrowing with terms and conditions otherwise comparable to those of the notes, subject to a minimum yield equal to the applicable federal rate (based on the overall maturity of the notes) 4.13%, compounded semiannually even though the notes will have a significantly lower stated yield to maturity. You may recognize taxable income in each year significantly in excess of interest payments (whether fixed or contingent) actually received that year. Additionally, you will generally be required to recognize ordinary income on the gain, if any, realized on a sale, exchange, conversion or redemption of the notes. In the case of a conversion, this gain will be measured by the fair market value of the stock received. A summary of the U.S. federal income tax consequences of ownership of the notes and our common stock is described in this prospectus under the heading "Material United States Federal Income Tax Considerations." Owners of the notes should consult their tax advisors as to the U.S. federal, state, local, foreign and other tax consequences of acquiring, owning and disposing of the notes and our common stock. |



| | |
|---|---|
| Use of Proceeds | We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus. |
| Trading | The notes will not be listed on any securities exchange or the Nasdaq National Market. Our common stock is listed on the Nasdaq National Market under the symbol "MEDI." |

**Risk Factors**

In analyzing an investment in the notes or the common stock into which the notes are convertible offered by this prospectus, prospective investors should carefully consider, along with the other matters referred to and incorporated by reference in this prospectus, the information set forth under "Risk Factors."



## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data set forth below for each of the years ended December 31, 1998 through 2002 have been derived from our audited consolidated financial statements. Our consolidated financial statements as of December 31, 2001 and 2002 and for the three years in the period ended December 31, 2002 and PricewaterhouseCoopers LLP's audit report with respect thereto have been incorporated by reference into this prospectus. The selected consolidated financial data for the nine months ended September 30, 2002 and 2003 and as of September 30, 2003 have been derived from our unaudited condensed consolidated interim financial statements and, in our opinion, reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of such data. You should read this table in conjunction with our audited consolidated financial statements and related notes, our unaudited condensed consolidated interim financial statements and related notes and "Management's discussion and analysis of financial condition and results of operations" incorporated by reference in this prospectus. The summary consolidated financial data for the nine months ended September 30, 2003 are not necessarily indicative of the results that can be expected for the full fiscal year ending December 31, 2003.

| | Fiscal year end December 31, | | | | | Nine months ended September 30, | |
|---|---|---|---|---|---|---|---|
| **Statement of operations data** | | | | | | | |

| | 1998 | 1999 | 2000 | 2001 | 2002 | Nine months ended September 30, 2002 | Nine months ended September 30, 2003 |
|---|---|---|---|---|---|---|---|
| | (in thousands, except per share data) | | | | | | |
| Total revenues | $ 227,658 | $ 384,361 | $ 541,955 | $ 620,665 | $ 849,015 | $ 468,661 | $ 646,510 |
| Gross profit | 108,425 | 267,608 | 369,943 | 442,807 | 586,311 | 322,088 | 437,900 |
| Earnings (loss) before cumulative effect of a change in accounting principle | 47,187(1) | 93,371(2) | 144,977 | 148,960 | (1,098,015)(3) | (1,182,606)(3) | 106,605 |
| Net earnings (loss) | 47,187(1) | 93,371(2) | 111,156 | 148,960 | (1,098,015)(3) | (1,182,606)(3) | 106,605 |
| Basic earnings (loss) per share | | | | | | | |
| Earnings (loss) before cumulative effect of a change in accounting principle | 0.28 | 0.49 | 0.69 | 0.70 | (4.40) | (4.75) | 0.42 |
| Net earnings (loss) | 0.28 | 0.49 | 0.53 | 0.70 | (4.40) | (4.75) | 0.42 |
| Diluted earnings (loss) per share | | | | | | | |
| Earnings (loss) before cumulative effect of a change in accounting principle | 0.24 | 0.44 | 0.66 | 0.68 | (4.40) | (4.75) | 0.42 |
| Net earnings (loss) | 0.24 | 0.44 | 0.50 | 0.68 | (4.40) | (4.75) | 0.42 |

| Balance sheet data | As of September 30, 2003 |
|---|---|
| Cash and marketable securities | $ 1,712,827 |
| Total assets | 2,525,364 |
| Total liabilities | 898,603 |
| Shareholders' equity | 1,626,761 |

(1) Includes deferred income tax benefit of $47,428.

(2) Includes deferred income tax benefit of $40,973.

(3) Includes a charge for acquired in-process research and development, in connection with the Company's acquisition of MedImmune Vaccines, Inc. on January 10, 2002, and the results of operations of MedImmune Vaccines from the acquisition date.



## RATIO OF EARNINGS TO FIXED CHARGES

The following table presents our ratio of earnings to fixed charges for the years ended December 31, 1998 through 2002 and for the nine months ended September 30, 2002 and 2003:

| | 1998 | 1999 | 2000 | 2001 | 2002 | Nine months ended September 30, 2003 | Nine months ended September 30, 2002 |
|---|---|---|---|---|---|---|---|
| Deficiency of earnings to fixed charges (in thousands) | $ (3,140) | | | | $ (1,050,461)(1) | $ | $ (1,184,618)(1) |
| Ratio of earnings to fixed charges | | 16x | 112x | 174x | | 13x | |

(1)

Reflects the charge of approximately $1,179.3 million of required in-process research and development expense and other charges in connection with the acquisition of MedImmune Vaccines, Inc. on January 10, 2002. See Note 3 to the Consolidated Financial Statements in our annual report on Form 10-K for the year ended December 31, 2002, which is incorporated by reference in this prospectus.

Earnings represent our income from continuing operations before taxes that have been adjusted to exclude the effect of any fixed charges that reduced such earnings.

Fixed charges include interest expense, amortization of bond premium, whether or not classified as such in the earnings statement, as well as the portion of rental expense that is estimated to represent the interest portion (approximately 33%). Interest expense includes interest on our then outstanding loans plus the amortization of deferred financing costs on such loans.



## RISK FACTORS

*You should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus, including the risk factors listed below. Any of these risks could materially and adversely affect our business, results of operations and financial condition, which in turn could materially and adversely affect the market price of the notes offered by this prospectus and the trading price of our common stock.*

*Keep these risk factors in mind when you read forward-looking statements contained in this prospectus and the documents incorporated by reference herein. These statements relate to our expectations about future events and time periods. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "intends," "plans," "believes," "anticipates," "expects," "estimates," "predicts," "potential," "continue" or "opportunity," the negative of these words or words of similar import. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements.*

### RISKS RELATED TO OUR BUSINESS

**The seasonal nature of our business can exaggerate the consequences of any factor that adversely affects our sales and may cause significant fluctuations in quarterly operating results.**

Synagis accounted for approximately 85% of our total product sales in 2002. Synagis is used to protect high-risk infants from serious lower respiratory tract disease caused by RSV. Because RSV occurs primarily during the winter months, the major portion of Synagis sales occurs during the first and fourth quarters of the calendar year. This high concentration of product sales in a portion of the year exaggerates the adverse consequences on our profits of any manufacturing or supply delays, any sudden loss of inventory, any inability to satisfy product demand, or of any unsuccessful sales or marketing strategies during the RSV season and may cause quarter-to-quarter operating results to vary widely. Furthermore, our current product base would limit our ability to offset in the second and third quarters any lower-than-expected Synagis sales during the RSV season, which could cause annual financial results to be below expectations. In addition, this seasonality will be relevant to FluMist, which was approved by the U.S. Food and Drug Administration ("FDA") in June 2003. FluMist is expected to be sold primarily in the third and fourth quarters of the year, which is the most common time for yearly influenza vaccination.

**If we are unable to successfully commercialize FluMist, the anticipated benefits of our acquisition of MedImmune Vaccines will not be realized.**

In January 2002, we acquired MedImmune Vaccines for approximately $1.6 billion. The principal asset of MedImmune Vaccines was its lead product candidate, FluMist, which is a vaccine delivered as a nasal mist for the prevention of influenza. On June 17, 2003, FluMist was approved by the FDA for indications in healthy people 5-49 years of age. There can be no assurance that FluMist will achieve commercial success. Indeed, there are a number of issues which could impact our ability to commercialize FluMist, including: inability to perform the complex annual update of the FluMist formulation for new influenza strains (because the selection of strains may be delayed by the applicable world and U.S. federal public health agencies, or because difficulties or delays may be experienced in the technically demanding process required to be followed each year to update the formulation of FluMist); if there are difficulties with the manufacturing process or a sudden loss of inventory, it could cause significant loss in sales due to the seasonal nature, and there may not be sufficient quantities of vaccine; if FluMist manufacturing capacity is not sufficient to meet market demand, revenues may be limited; and FluMist acceptance in the marketplace may be limited by a number of factors, including perceived effectiveness of competing influenza vaccines (including the inactivated influenza vaccine),

unfavorable publicity concerning other vaccines, pricing of FluMist, broad accessibility to FluMist, reimbursement policies of government and third-party payors, the frozen storage requirements for those distributing and shipping the product and the requirement of frozen storage capacity by those administering the vaccine. We will not realize the anticipated benefits of the MedImmune Vaccines acquisition unless FluMist achieves commercial success. In addition, if manufacturing problems are encountered, or we are unable to fully utilize its capacity, we may not recover our investment in manufacturing facilities for FluMist in Pennsylvania and England.

**If we fail to manage our growth properly, our business will suffer.**

Primarily as a result of the MedImmune Vaccines acquisition and the recent expansion of marketing efforts for Synagis and Ethyol, our workforce has expanded from 877 full-time permanent employees at December 31, 2001 to 1,616 full-time permanent employees at September 30, 2003. To accommodate our rapid growth and compete effectively, we will need to continue to improve our management, operational and financial information systems and controls, generate more revenue to cover a higher level of operating expenses, continue to attract and retain new employees, accurately anticipate demand for products manufactured and maintain adequate manufacturing capacity. This rapid growth and increased scope of operations present risks not previously encountered and could result in substantial unanticipated costs and time delays in product manufacture and development, which could materially and adversely affect our business.

**There are certain risks inherent in the manufacture of biotechnology and pharmaceutical products.**

Our manufacturing operations expose us to a variety of significant risks, including: product defects; contamination of product or product loss; environmental liabilities or claims resulting from our production process or contamination at sites owned, leased or operated by us; sudden loss of inventory and the inability to manufacture products at a cost that is competitive with third party manufacturing operations. Furthermore, we have not produced FluMist for a sustained period for commercial use. In addition, some of our facilities are unionized and may be subject to manufacturing interruptions due to labor action.

As is common in the industry, we rely upon license agreements and supply contracts with third parties that, in turn, may rely upon others for the fulfillment of their contractual obligations to us. There can be no guarantee that the companies from which we have licensed technology or from which we secure supplies will be able to comply with their contractual obligations, or that we will be able to protect our license or sublicense rights.

**We are dependent on third party manufacturers and suppliers that may not perform as expected.**

For the foreseeable future, we expect to be dependent on a limited number of contract manufacturers for some or all of our current and future products. These suppliers also rely upon other suppliers in the supply chain, and in some instances those suppliers may supply numerous customers with goods or services from a limited production base, and there may be no back up supplier. In addition, in many instances we do not have redundant operational or manufacturing capacities, such that we often have only a single source provider for the supply of certain material or the manufacturing process at issue, which may create significant business interruption risk. Although we are able to produce the majority of the worldwide supply of Synagis, our Frederick Manufacturing Center is not licensed to produce the supply of Synagis sold in the international market and we elect not to produce all of the supply for the domestic market. As a result, we depend on Boehringer Ingelheim Pharma KG ("BI") to produce a portion of Synagis. BI's facility is subject to inspection and approval by both U.S. and foreign regulatory authorities to maintain its license to manufacture Synagis. Should BI be unable to supply Synagis for any reason, there can be no assurance that an alternate manufacturer could be



secured on a timely basis without increased cost or at all. In addition, since we do not have the capability to fill and package Synagis produced at our Frederick Manufacturing Center, we depend on Chiron Corporation ("Chiron") and BI for that portion of the manufacturing process, although we do not anticipate that Chiron will provide fill and package services for Synagis after the end of this calendar year. The Chiron and BI facilities are subject to inspection and approval by United States regulatory authorities to maintain their licenses to fill and package products. If either Chiron or BI is unable to fill and package Synagis for any reason, there can be no assurance that an alternate source could be secured to fill and package Synagis on a timely basis without increased cost or at all.

We rely on a sole supplier to obtain substantially all of the plasma used as raw material for the production of CytoGam. We rely upon the Massachusetts Public Health Biologics Laboratories (the "State Lab") to manufacture all of the bulk product for CytoGam. We also rely on Precision Pharma Services, Inc. to make the intermediate product component for CytoGam and rely upon the State Lab and Aventis Pasteur to package and fill CytoGam. We also cannot guarantee that the contractors upon which we rely to produce CytoGam will be able to meet their obligations.

We depend on a single third party to manufacture the drug substance for Ethyol. There can be no assurance that this manufacturer will give our orders highest priority, or that substitute manufacturers could be found without significant delays or increased costs.

We depend on Specific Pathogen-Free Avian Supply, a division of Charles River Laboratories, for the supply of pathogen-free hens' eggs for bulk manufacture of FluMist. Should Specific Pathogen-Free Avian Supply be unable to supply the eggs for any reason, there can be no assurance that an alternate egg source could be secured on a timely basis, without increased cost or at all. We also rely upon Becton Dickinson as the sole source for the custom-made AccuSprayers used to deliver FluMist intranasally. If for any reason, Becton Dickinson would be unable to supply the sprayers in a timely manner and our existing inventory of sprayers is depleted, there can be no assurance that a substitute manufacturer could be found without significant delays or increased costs, or that we would be able to meet product demand for the following influenza season.

Because our various manufacturing processes and those of our contractors are highly complex and are subject to a lengthy FDA approval process, alternative qualified production capacity may not be available on a timely basis or at all. Difficulties or delays in our and our contractors' manufacturing of existing or new products could increase our costs, cause us to lose revenue or market share and damage our reputation.

**We rely upon a limited number of pharmaceutical wholesalers and distributors that could impact the ability to sell our products.**

In the U.S., for products other than FluMist we rely largely upon specialty distributors and wholesalers to deliver our currently marketed products to the end users, including physicians, hospitals, and pharmacies. There are a relatively small number of specialty distributors and wholesalers who provide such services. In addition, for the 2003/2004 RSV season, we have restricted the specialty distributors and wholesalers to whom we sell Synagis. There can be no assurances that these distributors and wholesalers will adequately provide their services to either the end users or to us, nor can there be any guarantee that these service providers will remain solvent. Given the high concentration of sales to certain pharmaceutical distributors and wholesalers, we could experience a significant loss if one of our top four or five customers declared bankruptcy or was otherwise unable to pay its obligations to us. FluMist is distributed through Wyeth.

Our products are sold outside the United States through distributors. Abbott International serves as our exclusive distributor for Synagis outside of the United States. Scherico is the exclusive distribution partner for Ethyol in the countries comprising the European Union and the European Free Trade Association. Scherico and other affiliates of Schering-Plough have various other licensing and



distribution arrangements for Ethyol and NeuTrexin outside of the United States. There can be no guarantee that these distributors will adequately provide services to us.

**Research and development activities are costly and may not be successful.**

A considerable portion of our annual operating budget is spent on research, development and clinical activities. In 2002, approximately $144.2 million was spent on research and development projects, including costs of clinical trials, but excluding the write-off of in-process research and development consequent to the acquisition of MedImmune Vaccines. Currently, numerous products are being developed that may never reach clinical trials, achieve success in the clinic, be submitted to the appropriate regulatory authorities for approval, or be approved for marketing or manufacturing by the appropriate regulatory authorities. There is also no guarantee that we will be able to generate additional product candidates for our pipeline, either through internal research and development, or through the successful in-licensing of products or technology.

Further, we rely on numerous third parties to assist in various stages of the development process. Third-party contract costs are typically substantial. In addition, the third party contractors used may be unable to complete their work in a timely fashion or in a manner that is satisfactory. Should they be unable to meet our needs, we may have to incur substantial additional costs, which could have a material adverse effect on our business.

**We are dependent on third party marketing partners that may not perform as expected.**

We depend on strategic alliances with marketing partners to accomplish many of our sales goals such as our agreement with Abbott Laboratories under which Abbott's Ross Products Division co-promotes Synagis with us in the United States. Likewise, we have an agreement with Wyeth relative to the commercialization of FluMist. We also rely on various strategic alliances with marketing partners for international sales of our products, such as Abbott International for Synagis, and various affiliates of Schering-Plough for Ethyol. At this point, we have no infrastructure or ability to commercialize a product internationally without the assistance of these international distributors. If our marketing partners, either domestic or international, fail to devote sufficient effort and attention to achieving those goals, our product sales will be adversely affected.

**We are dependent upon developing non-traditional marketing channels to market our products.**

Certain of our products, including FluMist, are dependent upon the creation of non-traditional marketing channels to realize full commercial potential. This includes selling through chain pharmacies and employer health plans, as a complement to traditional detailing to physicians. We cannot assure you that we will successfully develop these marketing channels.

**Patent protection for our products may be inadequate or costly to enforce.**

We may not be able to obtain effective patent protection for our products in development. The biotechnology industry is one in which there are extensive patent filings. The patent position of biotechnology firms generally is highly uncertain and involves complex legal and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology patents. Accordingly, there can be no assurance that our patent applications will result in patents being issued or that, if issued, such patents will afford protection against competitors with similar technology. Litigation could be necessary from time to time to enforce our intellectual property rights. There has been substantial litigation regarding patent and other intellectual property rights in the biotechnology industry. If required to litigate, there could be substantial cost involved and significant diversion of our business efforts. In addition, the FluMist donor strain is not protected by patents and is, instead, protected by trade secrets associated with the technology of creating cold-adapted, temperature



sensitive live influenza vaccines and our exclusive rights to the master donor strains under our license agreement with the University of Michigan. There can be no assurances that a competitor will not create a competing influenza vaccine based upon similar technologies.

**If we fail to obtain any required patent licenses from third parties, our product development efforts could be limited.**

We believe that there are patents issued to third parties and/or patent applications filed by third parties that could apply to each of our products and product candidates. These patents and/or applications could limit our ability to manufacture, use or sell our products. In such a case, we may be required to obtain a patent license to avoid infringing a third party's intellectual property rights. Such licenses could impose significant royalty burdens on us. If such a license were necessary, there can be no assurance that it would be available on terms acceptable to us or at all, which could have a material adverse effect on our business.

**We are a party to various legal proceedings, the outcomes of which are impossible to predict and which may have a material adverse effect on our business.**

We are currently a party to several lawsuits involving patent and other intellectual property rights. See Note 13 of Part I, Item 1 "Consolidated Financial Statements" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 for more information. In the event of an adverse determination in any of the lawsuits in which we are a defendant, we could be subjected to significant liabilities. In addition, certain of these matters relate to the license agreements that could be terminated by the licensor if we were determined to have been in material breach of those agreements and failed to cure that breach within required timeframes. If these license agreements were terminated and we are not able to enter into new license agreements, or we were forced to renegotiate new license agreements with increased costs to us, our business and financial position could be materially adversely affected.

**Technological developments by competitors may render our products obsolete.**

If competitors were to develop superior products or technologies, our products or technologies could be rendered noncompetitive or obsolete. Developments in the biotechnology and pharmaceutical industries are expected to continue at a rapid pace. Success depends upon achieving and maintaining a competitive position in the development of products and technologies.

Synagis is marketed for the prevention of serious lower respiratory tract disease caused by RSV in pediatric patients at high risk of RSV. Synagis accounted for approximately 85% of our product sales in 2002. We are not aware of any competing product being marketed anywhere

in the world for the prevention of RSV disease other than RespiGam. Nevertheless, competition from other biotechnology and pharmaceutical companies can be intense. Many competitors have substantially greater research and development capabilities, marketing, financial and managerial resources and experience in the industry. Were a competitor to develop a better product or technology, our products or technologies could be rendered obsolete, decreasing product sales and resulting in a material adverse effect on our business.

**Compliance with government regulations is costly and time-consuming.**

Substantially all of our products require costly and time-consuming regulatory approval by governmental agencies. In particular, human therapeutic and vaccine products are subject to rigorous preclinical and clinical testing for safety and efficacy and approval processes by the FDA in the United States, as well as regulatory authorities in foreign countries. There can be no assurance that required approvals will be obtained. If we are unable to obtain these approvals on a timely basis or at all, our



ability to successfully market products directly and through collaborators, and to generate revenues from sales or royalties, would be impaired.

All approved products are subject to continuing regulation. If we were to fail to comply with applicable requirements, we could be subject to: fines, recall or seizure of products; total or partial suspension of production; refusal by the government to approve our product license applications; restrictions on our ability to enter into supply contracts; and criminal prosecution.

The FDA also has the authority to revoke product licenses and establishment licenses previously granted. The FDA also has the authority to limit the approved indications/uses for which a product is sold. For example, the approved indications for FluMist are for healthy people 5-49 years of age. Many products have multiple indications (uses) for which they can be promoted. Certain products are approved under the FDA's Accelerated Approval Regulations, which require additional studies to verify and describe the clinical benefit of an approved indication. If the FDA does not believe that an additional study meets the requirements of accelerated approval, it may withdraw the approval of a certain indication, thus precluding the owner of the product from promoting the product in that indication/use. Should the FDA revoke any product or establishment licenses granted to us, or limit the indications for which a product is sold, it could have a material adverse effect on our business.

**Our products may receive further scrutiny after approval by regulatory agencies for adverse events relating to the product.**

Prior to approval by the FDA, as well as international regulatory agencies, drug products are subject to rigorous preclinical and clinical testing for safety and efficacy. From these trials, a product's "adverse event profile" is identified. This profile is disclosed on each product's Package Insert, which is printed material accompanying the product to inform physicians and patients as to what side effects they might encounter with a given product's use. Following approval, we monitor all of our drug products to maintain a current safety database, tracking identified adverse events from a drug's use in broader populations. Such adverse events are reported to the appropriate regulatory authorities. Periodically, discussions with regulatory agencies may occur regarding adverse event reports. Such discussions may result in changes to the disclosure in the Package Inserts for our products and communications with health care professionals to apprise them of such changes. For example, during 2002, modifications were made to the Package Inserts for Ethyol and Synagis reflecting information gained from product use.

**Product liability claims may result from clinical trials or sales of our products and product recalls may be necessary.**

As a developer, tester, manufacturer, marketer and seller of healthcare products, we are potentially subject to product liability claims. Blood products, such as CytoGam and RespiGam, involve heightened risks of claims, including the risk of claims resulting from the transmission of blood-borne diseases. All vaccine products carry risk and the potential for adverse events after introduction to the market is an issue for all vaccines. Indeed, a vaccine could be licensed by the FDA and still be associated with adverse events that reduce or eliminate revenue. For example, in 1998 the FDA approved the use of a vaccine to prevent infant diarrhea, but the product was subsequently withdrawn from the market due to a possible link between a serious bowel disorder and the vaccine, an adverse event that occurred at a frequency not detectable in the clinical trials. In addition, there are a number of theoretical risks related to a live virus vaccine, including reversion to wild type (i.e., flu circulating in the environment), or recombining to form a new strain that may cause disease. A weakened, live virus may also cause disease resembling a wild-type infection in people with an immune system that is not working properly because of a pre-existing disease or compromised immune system.

Defending a product liability claim could be costly and divert focus from business operations. Although we carry insurance that we regard as reasonably adequate to protect us from potential claims, there can be no assurance that we will be able to maintain our current product liability insurance at a reasonable cost, or at all. If a claim were successful, there is no guarantee that the amount of the claim would not exceed the limit of our insurance coverage. Further, a successful claim could result in the recall of some or all of our products, or could reduce revenues related to the product. Any of these occurrences could have a material adverse effect on our business, or result in a clinical trial interruption or cancellation. Additionally, blood products like CytoGam and RespiGam are occasionally recalled from the market because of risks of contamination from infectious agents or for other reasons that are often beyond our control. Any such recall of our blood products would adversely affect sales of those products.

**Restrictions on marketing could impact our ability to promote our products.**

Restrictions on promotion in patient populations as a result of the FDA warning letters on promotional materials could affect sales of our products and could lead to holds on current and future New Drug Applications or Biological License Applications and supplements filed with the FDA.

**The loss of key personnel could harm our business.**

Our success depends upon the continued contributions of our executive officers and scientific and technical personnel. Many key responsibilities have been assigned to a relatively small number of individuals. Our key personnel include Mr. David M. Mott, Chief Executive Officer and Vice Chairman of the Board and Dr. James F. Young, President, Research and Development. We have an employment agreement with each of them. The competition for qualified personnel is intense, and the loss of services or certain key personnel could adversely affect our business. We do not maintain or intend to purchase "key man" life insurance on any of our personnel.

**We may not be able to hire or retain highly qualified personnel or maintain key relationships.**

The success of our business depends, in large part, on our continued ability to attract and retain highly qualified management, scientific, manufacturing and sales and marketing personnel, and on our ability to develop and maintain important relationships with leading research institutions and key distributors. Competition for these types of personnel and relationships is intense among pharmaceutical, biopharmaceutical and biotechnology companies, and our inability to attract and retain such employees and relationships could have a material effect on our business.

**Changes in foreign currency exchange rates or interest rates could result in losses.**

We have entered into a supplemental manufacturing contract denominated in Euros. Fluctuations in the Euro U.S. Dollar exchange rate would lead to changes in the U.S. Dollar cost of manufacturing. To reduce the risk of unpredictable changes in these costs, we may, from time to time, enter into forward foreign exchange contracts. However, due to the variability of timing and amount of payments under these contracts, the forward foreign exchange contracts may not mitigate the potential adverse impact on our financial results.

Expenditures relating to our manufacturing operations in England and the Netherlands are paid in local currency. We have not hedged our expenditures relating to these manufacturing operations and, therefore, foreign currency exchange rate fluctuations may result in increases or decreases in the amount of expenditures recorded. Additionally, certain of our distribution agreements outside the United States provide for us to be paid based upon sales in local currency. As a result, changes in foreign currency exchange rates could adversely affect the amount we expect to collect under these agreements.



**Government investigations or litigation could impact our business.**

The Federal government, state governments and private payors are investigating and have begun to file actions against numerous pharmaceutical and biotechnology companies alleging that the reporting of prices for pharmaceutical products has resulted in a false and overstated Average Wholesale Price (AWP), which in turn is alleged to have improperly inflated the reimbursement paid by Medicare beneficiaries, insurers, state Medicaid programs, medical plans and others to health care providers who prescribed and administered those products. These same payors are also alleging that companies are not reporting their "best price" to the states under the Medicaid program. In any AWP cases where we have been named as defendants, the outcome of the case could have an adverse effect on our financial results.

**The success of our products may be limited by government and third-party payors.**

The continuing efforts of government and third-party payors to contain or reduce the costs of health care through various means may negatively affect sales of our products. For example, we believe that approximately one-third of Synagis sold in the United States during 2002 was covered by Medicaid reimbursement programs. In many foreign markets, pricing of pharmaceutical products is subject to governmental control and pricing pressure on pharmaceutical products will remain. In the United States there have been, and there are likely to continue to be, various federal and state proposals to implement similar government controls over pricing and profitability. The adoption by the Federal government or state governments of any such proposals, and the continued pricing pressures in foreign markets, could limit the commercial success of our existing or any future products.

**RISKS RELATED TO THE NOTES**

**The notes are effectively subordinated to our secured debt and to all debt and other liabilities of our subsidiaries**

The notes are effectively subordinated to any secured debt we may have and to all debt and other liabilities of our subsidiaries, including trade payables. As of September 30, 2003, we had approximately $8.2 million of secured indebtedness that would effectively rank senior to the notes. In addition, as of September 30, 2003, our subsidiaries had approximately $193.8 million of indebtedness that would effectively rank senior to the notes. The indenture governing the notes does not restrict the incurrence of indebtedness, including additional secured debt, by us or our subsidiaries nor does it restrict the incurrence of liens by us or our subsidiaries. None of our subsidiaries will guarantee or otherwise become obligated with respect to the notes.

**We may not have the ability to raise the funds to repurchase the notes on any repurchase date or to finance any change in control offer required by the indenture.**

On July 15 of each of 2006, 2009, 2013 and 2019, holders may require us to purchase all or a portion of their notes at 100% of their principal amount, plus any accrued and unpaid interest and contingent interest, if any, to such date. In addition, if a change in control occurs (as defined in the indenture), each holder of the notes may require us to purchase all or a portion of the holder's notes. We cannot assure you that we will have sufficient funds available for any required purchases of the notes. The terms of any agreements related to borrowing which we may enter from time to time may prohibit or limit or make our purchase of notes an event of default under certain circumstances. If we fail to purchase the notes when required, we will be in default under the indenture governing the notes. See "Description of Notes  Purchase of notes by us at the option of holder" and "Description of Notes  Holders may require us to purchase their notes upon a change in control."



**We have made only limited covenants in the indenture, which may not protect your investment if we experience significant adverse changes in our financial condition or results of operations.**

The indenture governing the notes does not:

- require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity and, therefore, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;
- limit our ability or the ability of any of our subsidiaries to incur additional indebtedness, including indebtedness that is equal in right of payment to the notes;
- restrict our ability to pledge our assets or those of our subsidiaries; or
- restrict our ability to pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes or make investments.

Therefore, you should not consider covenants contained in the indenture as a significant factor in evaluating whether we will be able to comply with our obligations under the notes.

**Fluctuations in our common stock price over time could cause stockholders to lose investment value.**

The market price of our common stock has fluctuated significantly over time, and it is likely that the price will fluctuate in the future. During 2002, the daily price of our common stock on the Nasdaq National Market ranged from a high of $48.35 to a low of $20.37. Investors and analysts have been, and will continue to be, interested in our reported earnings, as well as how we perform compared to their expectations. Announcements by us or others regarding operating results, existing and future collaborations, results of clinical trials, scientific discoveries, commercial products, patents or proprietary rights or regulatory actions may have a significant effect on the market price of our common stock. In addition, the stock market has experienced extreme price and volume fluctuations that have particularly affected the market price for many biotechnology companies and that have often been unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common stock and may also affect the price of the notes.

**You should consider the U.S. federal income tax consequences of owning the notes.**

We intend to treat the notes as being subject to the regulations governing contingent payment debt instruments (the "CPDI regulations") for U.S. federal income tax purposes and each holder agrees in the indenture to be bound to such treatment. As a result of such treatment, a holder may recognize taxable income in each year significantly in excess of interest payments (whether fixed or contingent) actually received that year. Additionally, a holder will generally be required to recognize ordinary income on the gain, if any, realized on a sale, exchange, conversion or redemption of the notes. The application of the CPDI regulations to instruments such as the notes is uncertain in several significant respects, and, as a result, no assurance can be given that the Internal Revenue Service or a court will agree with the treatment described herein. No ruling will be obtained from the Internal Revenue Service concerning the application of the CPDI regulations to the notes. Any differing treatment could materially affect the amount, timing and character of income, gain or loss in respect of an investment in the notes. In particular, a holder might be required to accrue interest income at a higher or lower rate, might not recognize income, gain or loss upon conversion of the notes into shares of our common stock, might recognize capital gain or loss upon a taxable disposition of the notes and might have an adjusted tax basis in the notes or our common stock acquired upon conversion of a note materially different than discussed herein. Please read "Material United States Federal Income Tax Considerations" in this prospectus.



## FORWARD-LOOKING STATEMENTS

The statements in this prospectus that are not descriptions of historical facts may be forward-looking statements. Those statements involve substantial risks and uncertainties. You can identify those statements by the fact that they contain words such as "anticipate," "believe," "estimate," "expect," "intend," "project" or other terms of similar meaning. Those statements reflect management's current beliefs, but are based on numerous assumptions, which we cannot control and that may not develop as we expect. Consequently, actual results may differ materially from those projected in the forward-looking statements. Among the factors that could cause actual results to differ materially are: seasonal demand for and continued supply of our principal product, Synagis; whether FluMist will be successfully manufactured and launched at a favorable price; availability of competitive products in the market; availability of third-party reimbursement for the cost of our products; effectiveness and safety of our products; exposure to litigation, including claims relating to intellectual property, product liability and government or private pricing or reimbursement; foreign currency exchange rate fluctuations; changes in generally accepted accounting principles; growth in costs and expenses; the impact of acquisitions, divestitures and other unusual items; changes in equity markets affecting the value of our investments; and the risks, uncertainties and other matters discussed above under "Risk Factors" and elsewhere in this prospectus and in our periodic reports filed with the U.S. Securities and Exchange Commission. We caution you that RSV disease and influenza occur primarily during the winter months; we believe our operating results will reflect that seasonality for the foreseeable future. We are also developing several products for potential future marketing. There can be no assurance that such development efforts will succeed, that such products will receive required regulatory clearance or that, even if such regulatory clearance were received, such products would ultimately achieve commercial success. Unless otherwise indicated, the information in this prospectus is as of the respective dates specified. This prospectus will not be updated as a result of new information or future events.



## USE OF PROCEEDS

We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus.

## PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock trades on the Nasdaq National Market under the symbol "MEDI." The following table shows the range of high and low prices for the common stock for the periods indicated.

| | Price range | |
|---|---|---|
| | High | Low |
| **2001** | | |
| First Quarter | $ 54.56 | $ 27.62 |
| Second Quarter | 48.05 | 29.19 |
| Third Quarter | 48.07 | 29.51 |
| Fourth Quarter | 48.95 | 33.47 |
| **2002** | | |
| First Quarter | $ 48.35 | $ 37.30 |
| Second Quarter | 41.05 | 24.80 |
| Third Quarter | 30.43 | 20.37 |
| Fourth Quarter | 29.24 | 20.45 |
| **2003** | | |
| First Quarter | $ 34.60 | $ 26.80 |
| Second Quarter | 42.09 | 31.52 |
| Third Quarter | 40.88 | 31.69 |
| Fourth Quarter (through December 4, 2003) | 34.55 | 23.30 |

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain any earnings to fund future growth, product development and operations.



## DESCRIPTION OF NOTES

The notes were issued under an indenture dated as of July 15, 2003 between us and The Bank of New York, as trustee. The following statements are subject to the detailed provisions of, and are qualified in their entirety by reference to, the indenture, which we have filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. We will provide copies of the indenture to you upon request, and the indenture is also available for inspection at the office of the trustee. For purposes of this summary, the terms "MedImmune", "we", "us," "our" and "our Company" refer only to MedImmune, Inc. and not to any of our subsidiaries. In addition, for the purposes of this summary, the terms "you" and "your" refer to any holder of the notes.

### General

The notes are our senior unsecured obligations and are limited to $500,000,000 aggregate principal amount. The notes will pay cash interest at a rate of 1.00% per year from July 15, 2003 or the most recent interest payment date to which interest has been paid or duly provided, payable semiannually in arrears on January 15 and July 15 of each year, beginning January 15, 2004. In addition, we will pay contingent interest and liquidated damages on the notes under the circumstances described below under " Contingent interest" and " Registration rights; Liquidated damages." The notes will mature on July 15, 2023.

You have the option, subject to certain conditions described below, to convert your notes into shares of our common stock at an initial conversion rate of 14.6671 shares per $1,000 principal amount (which represents a conversion price of approximately $68.18 per share). The conversion rate is subject to adjustment from time to time if certain events described below occur. Holders may present for conversion any notes that have become eligible for conversion at the office of the conversion agent, and may present notes for registration of transfer at the office of the trustee.

The notes are effectively subordinated to all of our secured indebtedness and to all indebtedness and other liabilities and commitments (including trade payables) of our subsidiaries. There are no restrictions in the indenture upon the creation of any indebtedness or the incurrence

of liens by us or any of our subsidiaries. As of September 30, 2003, we had approximately $8.2 million of secured indebtedness outstanding and our subsidiaries had approximately $193.8 million of indebtedness to which the notes are effectively subordinated.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends or on the repurchase of our securities. The indenture does not require us to maintain any sinking fund or other reserves for repayment of the notes.

The notes were issued without coupons in denominations of $1,000 and integral multiples thereof. Interest is paid to the person in whose name a note is registered at the close of business on January 1 or July 1, as the case may be, immediately preceding the relevant interest payment date. Interest on the notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

The notes are payable at the office of the paying agent, which initially will be an office or agency of the trustee, or another office or agency maintained by us for such purpose. Payments in respect of the notes may, at our option, be made by wire transfer or by check mailed to the holders of record as shown on the register for the notes. The notes are convertible at the office of the conversion agent, which initially is the trustee.



**Conversion rights**

*General*

Holders may surrender notes for conversion into shares of our common stock at a conversion rate of 14.6671 common shares per note if any of the following conditions are satisfied:

during any calendar quarter (beginning with the quarter ending December 31, 2003), if, as of the last trading day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 120% of the applicable conversion price per share of common stock on the last trading day of the preceding calendar quarter;

if we have called the notes for redemption;

upon the occurrence of specified corporate transactions; or

during the five-business day period following the ten business days after any nine-consecutive trading day period in which the trading price for a note for each day of the period was less than 95% of the product of the closing sale price of our common stock multiplied by the number of shares of common stock into which that note is convertible for that period; however, you may not convert your notes in reliance on that condition after July 15, 2019 if on any trading day during such note measurement period the closing sale price of shares of our common stock was between the then current conversion price of the notes and 120% of the then current conversion price of the notes.

We describe each of these conditions in greater detail below.

*Conversion upon satisfaction of common stock market price condition*

Holders may surrender notes for conversion into shares of our common stock in any calendar quarter (beginning with the quarter ending December 31, 2003), if, as of the last trading day of the preceding calendar quarter, the closing sale price of our common stock for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 120% of the applicable conversion price per share of common stock on the last trading day of the preceding calendar quarter. The conversion price per share as of any day will equal $1,000 divided by the number of shares of common stock issuable upon a conversion of a note on that day.

The conversion agent will, on our behalf, determine at the end of each quarter if the notes are convertible and notify us and the trustee.

The "closing sale price" of our common stock on any date means the closing per share sale price (or if no closi