UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-15006

AVANT IMMUNOTHERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	NO. 13-3191702
(State of Incorporation)	(I.R.S. Employer Identification No.)

119 FOURTH AVENUE, NEEDHAM, MASSACHUSETTS 02494-2725
(Address of principal executive offices) (Zip Code)

(781) 433-0771
(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 X No .
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State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date:

CLASS	SHARES OUTSTANDING AS OF MAY 1, 2001
Common Stock, $.001 par value	57,359,979

AVANT IMMUNOTHERAPEUTICS, INC.

FORM 10-Q

QUARTER ENDED MARCH 31, 2001

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED BALANCE SHEET
MARCH 31, 2001 AND DECEMBER 31, 2000

	MARCH 31, 2001	DECEMBER 31, 2000
ASSETS	(unaudited)	
Current Assets:		
Cash and Cash Equivalents	$ 45,105,700	$ 50,177,000
Accounts Receivable	175,000	153,500
Inventories	51,100	59,200
Current Portion Lease Receivable	323,700	395,700
Prepaid Expenses and Other Current Assets	1,113,600	1,021,200
Total Current Assets	46,769,100	51,806,600
Property and Equipment, Net	969,000	1,037,900
Intangible and Other Assets	10,310,200	10,718,500
Total Assets	$ 58,048,300	$ 63,563,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 381,600	$ 902,300
Accrued Expenses	1,779,800	2,681,600
Current Portion Deferred Revenue	1,623,000	1,539,600
Current Portion Lease Payable	199,600	274,500
Total Current Liabilities	3,984,000	5,398,000
Long-Term Deferred Revenue	3,848,100	4,233,000
Stockholders' Equity:		
Common Stock, $.001 Par Value; 75,000,000 Shares Authorized; 57,317,300 Issued and Outstanding at March 31, 2001 and 57,144,200 Issued and Outstanding at December 31, 2000	57,300	57,100
Additional Paid-In Capital	209,482,900	209,195,300
Accumulated Deficit	(159,324,000)	(155,320,400)
Total Stockholders' Equity	50,216,200	53,932,000
Total Liabilities and Stockholders' Equity	$ 58,048,300	$ 63,563,000

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AVANT IMMUNOTHERAPEUTICS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000

(UNAUDITED)

	MARCH 31, 2001	MARCH 31, 2000
OPERATING REVENUE:		
Product Development and Licensing Agreements	$ 737,700	$ 153,800
Product Sales	121,300	--
Total Operating Revenue	859,000	153,800
OPERATING EXPENSE:		
Research and Development	3,976,700	1,817,300
Selling, General and Administrative	1,214,300	1,102,400
Cost of Product Sales	10,100	--
Legal Settlements	--	(500,000)
Amortization of Acquired Intangible Assets	343,900	137,300
Total Operating Expense	5,545,000	2,557,000
Operating Loss	(4,686,000)	(2,403,200)
Investment Income, Net	682,400	279,800
Net Loss	$(4,003,600)	$(2,123,400)
Basic and Diluted Net Loss Per Common Share	$ (0.07)	$ (0.04)
Weighted Average Common Shares Outstanding	57,252,200	49,799,100

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000
(UNAUDITED)

	MARCH 31, 2001	MARCH 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$(4,003,600)	$(2,123,400)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	544,400	322,600
Write-off of Capitalized Patent Costs	22,400	--
Changes in Assets and Liabilities:		
Accounts Receivable	(21,500)	--
Inventories	8,100	--
Prepaid Expenses and Other Current Assets	(92,400)	(67,100)
Accounts Payable and Accrued Expenses	(1,422,500)	(508,200)
Deferred Revenue	(301,500)	3,538,500
Lease Receivable	72,000	107,900
Lease Payable	(74,900)	(73,400)
Net Cash Provided by (Used in) Operating Activities	(5,269,500)	1,196,900
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(66,900)	(45,700)
Decrease in Restricted Cash	--	217,000
Increase in Patents and Licenses	(22,700)	(73,000)
Net Cash Provided by (Used in) Investing Activities	(89,600)	98,300
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Exercise of Stock Options and Warrants	287,800	1,539,700
Net Proceeds from Stock Issuance	--	2,307,700
Net Cash Provided by Financing Activities	287,800	3,847,400
Increase (Decrease) in Cash and Cash Equivalents	(5,071,300)	5,142,600
Cash and Cash Equivalents at Beginning of Period	50,177,000	13,619,000
Cash and Cash Equivalents at End of Period	$45,105,700	$18,761,600

SEE ACCOMPANYING NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AVANT IMMUNOTHERAPEUTICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2001

(1) NATURE OF BUSINESS

AVANT Immunotherapeutics, Inc. ("AVANT") is a biopharmaceutical company engaged in the discovery, development and commercialization of products that harness the human immune response to prevent and treat disease. AVANT's most advanced therapeutic program focuses on compounds with the potential to inhibit inappropriate activation of the complement cascade, a vital part of the body's immune defense system. We are also developing on our own a portfolio of oral vaccines aimed at protecting travelers from diseases endemic in developing areas, such as cholera and typhoid fever, as well as a proprietary therapeutic vaccine for the management of cholesterol. Through corporate collaborations, the company is additionally developing a variety of infectious disease vaccines, including an oral human rotavirus vaccine.

The unaudited consolidated financial statements include the accounts of AVANT Immunotherapeutics, Inc. and its wholly owned subsidiary, Megan Health, Inc. All intercompany transactions have been eliminated.

(2) INTERIM FINANCIAL STATEMENTS

The accompanying unaudited consolidated financial statements for the three months ended March 31, 2001 and 2000 include the consolidated accounts of AVANT, and have been prepared in accordance with generally accepted accounting principles and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the information contained herein reflects all adjustments, consisting solely of normal recurring adjustments, that are necessary to present fairly the financial positions at March 31, 2001 and December 31, 2000, the results of operations for the quarters ended March 31, 2001 and 2000, and the cash flows for the three months ended March 31, 2001 and 2000. The results of operations for the quarter ended March 31, 2001 are not necessarily indicative of results for any future interim period or for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although we believe that the disclosures included are adequate to make the information presented not misleading. The unaudited consolidated financial statements and the notes included herein should be read in conjunction with footnotes contained in AVANT's Annual Report on Form 10-K for the year ended December 31, 2000.

(3) INVENTORIES

Inventories are stated at the lower of cost or market. Inventories consist of finished products at March 31, 2001 and December 31, 2000. Cost is determined using the first-in, first-out (FIFO) method.

(4) PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	March 31, 2001	December 31, 2000
Laboratory Equipment	$ 2,850,100	$ 2,800,500
Office Furniture and Equipment	1,366,100	1,355,600
Leasehold Improvements	969,000	962,200
Property and Equipment, Total	5,185,200	5,118,300
Less Accumulated Depreciation and Amortization	(4,216,200)	(4,080,400)
	$ 969,000	$ 1,037,900

(5) INTANGIBLE AND OTHER ASSETS

Intangible and other assets include the following:

	March 31, 2001	December 31, 2000
Capitalized Patent Costs	$ 2,323,200	$ 2,322,900
Accumulated Amortization	(948,600)	(883,900)
Capitalized Patent Costs, Net	1,374,600	1,439,000
Acquired Intangible Assets:		
Goodwill	2,275,700	2,275,700
Collaborative Relationships	1,090,000	1,090,000
Assembled Workforce	625,400	625,400
Core Technology	1,786,900	1,786,900
Developed Technology	3,263,100	3,263,100
Strategic Partner Agreement	2,563,900	2,563,900
Accumulated Amortization	(2,784,200)	(2,440,300)
Acquired Intangible Assets, Net	8,820,800	9,164,700
Other Non Current Assets	114,800	114,800
	$10,310,200	$10,718,500

(6) REVENUE RECOGNITION

AVANT has entered into various license and development agreements with pharmaceutical and biotechnology companies. Nonrefundable revenue derived from such agreements is recognized over the specified development period as research and development or discovery activities are performed. Milestone payments are recognized as revenue upon receipt, provided we have no continuing involvement in accordance with the related agreement. Option fees are recognized over the related option period. Payments received in advance of activities being performed are recorded as deferred revenue. Revenues from product sales are recorded when the product is shipped provided no significant post-delivery obligations remain and collection of the related receivable is reasonably assured.

(7) NET INCOME (LOSS) PER SHARE

Consistent with SFAS 128, basic earnings (loss) per share amounts are based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share amounts are based on the weighted average number of shares of common stock and the potential common stock outstanding during the period. We have excluded all of the potential common stock shares from the calculation of diluted weighted average share amounts for the three-month periods ended March 31, 2001 and 2000 as its inclusion would have been anti-dilutive.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: STATEMENTS CONTAINED IN THE FOLLOWING, ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, THAT ARE NOT HISTORICAL FACTS MAY BE FORWARD-LOOKING STATEMENTS THAT ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES. THERE ARE A NUMBER OF IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN ANY FORWARD-LOOKING STATEMENTS MADE BY AVANT. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO: (I) OUR ABILITY TO SUCCESSFULLY COMPLETE PRODUCT RESEARCH AND DEVELOPMENT, INCLUDING PRE-CLINICAL AND CLINICAL STUDIES, AND COMMERCIALIZATION; (II) OUR ABILITY TO OBTAIN SUBSTANTIAL ADDITIONAL FUNDING; (III) OUR ABILITY TO OBTAIN REQUIRED GOVERNMENTAL APPROVALS; (IV) OUR ABILITY TO ATTRACT MANUFACTURING, SALES, DISTRIBUTION AND MARKETING PARTNERS AND OTHER STRATEGIC ALLIANCES; AND (V) OUR ABILITY TO DEVELOP AND COMMERCIALIZE OUR PRODUCTS BEFORE OUR COMPETITORS.

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

OVERVIEW

We are engaged in the discovery, development and commercialization of products that harness the human immune response to prevent and treat disease. Our products derive from a broad set of complementary technologies with the ability to inhibit the complement system, regulate T and B cell activity, and enable the creation and delivery of preventative and therapeutic vaccines. We are using these technologies to develop vaccines and immunotherapeutics that prevent or treat disease caused by infectious organisms, and drugs and treatment vaccines that modify undesirable activity by the body's own proteins or cells. We develop and commercialize products on a proprietary basis and in collaboration with established pharmaceutical partners, including Novartis Pharma AG, Aventis Pasteur, GlaxoSmithKline plc and Pfizer Inc.

ACQUISITIONS

MEGAN HEALTH, INC.: On December 1, 2000, AVANT acquired all of the outstanding capital stock of Megan Health, Inc. ("Megan"), a company engaged in the discovery and development of human and animal vaccines using patented gene modification technologies. We issued approximately 1,841,200 shares of AVANT's common stock in exchange for all of the outstanding capital stock of Megan, on the basis of 0.763542977 shares of AVANT common stock for each share of Megan preferred stock and 0.08115304 shares of AVANT common stock for each share of Megan common stock. We also assumed all of the outstanding options to purchase common stock of Megan under Megan's stock option plan. The purchase price of $17,332,000 consisted of (i) the issuance of 1,841,200 shares of AVANT common stock valued at $15,803,400, (ii) cash distributed to certain Megan shareholders in lieu of AVANT common stock totaling $236,700, (iii) the issuance of fully vested options to purchase AVANT common stock valued at $239,400 and (iv) severance and transaction costs totaling $1,052,500.

The acquisition of Megan has been accounted for as a purchase. Consequently, the purchase price was allocated to the acquired assets and assumed liabilities based upon their fair value at the date of acquisition. The excess of the purchase price over the tangible assets acquired was assigned to acquired intangible assets, the components of which include core technology, developed technology, strategic partner agreement and assembled work force. These acquired intangible assets are being amortized on a straight-line basis over their estimated lives which range from 5 to 17 years. An allocation of $9,012,300 was made to in-process research and development ("IPR&D"), which represented purchased in-process technology which had not yet reached technological feasibility and had no alternative future use. The amount was charged as an expense in our financial statements during the fourth quarter of 2000.

As of the date of the acquisition, Megan was engaged in three significant research and development projects. The value of IPR&D was determined by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the net cash flows from such projects and discounting the net cash flows back to their present values. The probability of success and discount rates used for each project take into account the uncertainty surrounding the successful development and commercialization of the purchased in-process technology. The resulting net cash flows

for these projects were based on our best estimates of revenue, cost of sales, research and development costs, selling, general and administrative costs, and income taxes for each project, and the net cash flows reflect assumptions that would be used by market participants.

Substantial additional research and development will be required prior to reaching technological feasibility on any of these products. In addition, each product needs to successfully complete a series of clinical trials and to receive USDA or other regulatory approval prior to commercialization. We are also dependent upon the activities of our collaborators in developing and marketing our products. There can be no assurance that these projects will ever reach feasibility or develop into products that can be marketed profitably, nor can there be assurance AVANT and our collaborators will be able to develop and commercialize these products before our competitors. If these products are not successfully developed and do not become commercially viable, our financial condition and results of operations could be materially adversely affected.

VIRUS RESEARCH INSTITUTE, INC.: On August 21, 1998, we acquired Virus Research Institute, Inc. ("VRI"), a company engaged in the discovery and development of systems for the delivery of vaccines and immunotherapeutics, and novel vaccines for adults and children. AVANT issued 14,036,400 shares and warrants to purchase 1,811,200 shares of it's common stock in exchange for all of the outstanding common stock of VRI, on the basis of 1.55 shares and .20 of a warrant to purchase one share of AVANT's common stock for each share of VRI common stock. The acquisition has been accounted for as a purchase. Consequently, the purchase price was allocated to the acquired assets and assumed liabilities based upon their fair value at the date of acquisition. The excess of the purchase price over the tangible assets acquired was assigned to collaborative relationships, work force and goodwill and is being amortized on a straight line basis over 12 to 60 months. An allocation of $44,630,000 was made to IPR&D which represented purchased in-process technology which had not yet reached technological feasibility and had no alternative future use. The amount was charged as an expense in our financial statements during the third quarter of 1998.

NEW DEVELOPMENTS

COMPLEMENT INHIBITORS: In 1997, we entered into an agreement with Novartis Pharma AG ("Novartis") relating to the development of TP10 for use in xenotransplantation (animal organs into humans) and allotransplantation (human organs into humans). We granted Novartis a two-year option to license TP10 with exclusive worldwide marketing rights (except Japan) in the fields of xenotransplantation and allotransplantation. In July 2000, Novartis exercised its option to license TP10 for use in the field of transplantation. In December 2000, the Novartis agreement was amended to include marketing rights for Japan. The decision to license TP10 resulted in a $6 million equity investment and license payment by Novartis which was received by AVANT in January 2000. Under the agreement, we may receive additional milestone payments of up to $14 million upon attainment of certain development and regulatory goals. We will also be entitled to royalties on product sales under the agreement.

We have elected to independently develop and commercialize TP10 for pediatric cardiac surgery. In September 2000, we initiated an open-label, Phase I/II trial of TP10 in infants undergoing cardiac surgery for congenital heart defects. The trial evaluated the ability of TP10 to mitigate the injury to the heart and other organs that occurs when patients are placed on cardiopulmonary bypass circuits. TP10 was well tolerated in the study population and results of this Phase I/II trial were presented at the Society of Cardiovascular Anesthesiologists Annual Meeting in May 2000 and at the American Heart Annual Association's Meeting in November 2000. In March 2000, we received orphan drug designation for TP10 in infants undergoing cardiac surgery.

AVANT expects to complete two Phase IIb studies of its lead complement inhibitor, TP10, in pediatric cardiac surgery utilizing cardiopulmonary bypass in a total of 40-70 patients before moving to a pivotal Phase III trial. The first study, which was initiated at the end of 2000, is enrolling babies born with hypoplastic left heart syndrome who often have high morbidity and mortality after heart surgery. The second study, which is being conducted in a lower risk infant population, is planned to begin shortly and

will allow us to further define our clinical endpoints. We are looking to the results of these trials to support a mortality endpoint for the high risk infant population in the larger pivotal Phase III study and to allow for a possible broadening of the product label for TP10 to cover all babies under one year requiring cardiac surgery to repair congenital heart defects.

In addition, in November 2000, AVANT initiated a placebo-controlled Phase II trial in approximately 600 adult patients undergoing cardiac surgery utilizing cardiopulmonary bypass. This 30-center study is a dose-ranging study that will allow us to further define our clinical endpoints in the adult patient population before moving ahead to a number of pivotal clinical trials. This adult study is intended to investigate the efficacy and safety in a population known to be at high risk of medically important adverse outcomes that have a real effect on the long-term health of a substantial population. AVANT may partner the adult program when additional clinical data becomes available.

CHOLESTEROL TREATMENT VACCINE: We are developing a therapeutic vaccine against endogenous cholesteryl ester transfer protein (CETP), which may be useful in reducing risks associated with atherosclerosis. CETP is a key intermediary in the balance of HDL and LDL. We are developing a vaccine (CETi-1) to stimulate an immune response against CETP, which we believe may improve the ratio of HDL to LDL cholesterol and reduce the progression of atherosclerosis. We have conducted preliminary studies of rabbits, which have demonstrated the ability of CETi-1 vaccine to elevate HDL and reduce the development of blood vessel lesions. In September 1999, we initiated a double-blind placebo controlled, Phase I clinical trial of our CETi-1 vaccine in adult volunteers. The object of the study was to demonstrate the safety of single administrations of the vaccine at four different dosage strengths. Patient enrollment in this Phase I trial was completed in February 2000 and we announced trial results in January 2001.

The vaccine was very well tolerated in the 48 adult volunteers who participated in the study. The only serious adverse reaction reported during the study (allergic reaction to shower gel) was not related to study medication. There were no differences in the safety profiles of placebo groups and active vaccine groups. In addition there was limited evidence of an immune response in one subject treated with the highest dose. In addition, AVANT recently announced preliminary results from a double-blinded placebo controlled extension of the earlier completed Phase I trial of our CETTi-1 vaccine in healthy adult volunteers. Results from the extension study showed measurable antibody titers in all dose groups treated with study medication, suggesting a dose-response relationship. These data will be extremely helpful in designing a Phase II study of patients with low levels of HDL, which we plan to begin in the summer of 2001. As clinical data becomes available, we plan to seek a corporate partner to complete development and to commercialize the vaccine.

CHOLERA VACCINE: We are developing a single dose, oral cholera vaccine using a live, genetically attenuated cholera strain. Based on this technology, developed in academia, we have developed the vaccine through early Phase II trials. We then negotiated a collaboration agreement under which a Phase IIb trial will be performed and funded by the Walter Reed Army Institute of Research (WRAIR) and the National Institute of Health (NIH). This trial, initiated in October 2000, will test the safety, immunogenecity and protective capacity of the vaccine against a challenge with live virulent cholera. If results from this study are positive, we will move rapidly to complete the manufacture of cGMP grade clinical material in 2001 and to initiate a pivotal challenge trial in the first half of 2002. Development of a safe, effective cholera vaccine is the first step in establishing AVANT's travelers' vaccine franchise. AVANT has also conducted initial clinical studies of our single dose, oral typhoid vaccine and has a shigella vaccine in pre-clinical development. With the acquisition of Megan Health Inc., AVANT has gained access to technologies for developing vaccines against CAMPYLOBACTER and E. COLI, two additional causes of serious diarrheal diseases worldwide.

ROTAVIRUS VACCINE: Rotavirus is a major cause of diarrhea and vomiting in infants and children. No vaccine against rotavirus is currently on the market. In 1997, we licensed our oral rotavirus vaccine to GlaxoSmithKline plc ("Glaxo"). In 2000, after our Phase II study demonstrated 89% protection in a study involving 215 infants, Glaxo paid us an additional license fee and assumed full responsibility for funding and performing all remaining clinical development. Glaxo has initiated Phase I/II bridging studies in Europe using its newly manufactured rotavirus vaccine, called Rotarix(TM), and is now planning to start Phase III safety and efficacy studies in the second half of 2001, after review with health authorities. Assuming

product development and commercialization continues satisfactorily, we expect that Glaxo will pay us additional milestones and a royalty based on sales.

RESULTS OF OPERATIONS

THREE MONTH PERIOD ENDED MARCH 31, 2001 AS COMPARED WITH THE THREE MONTH PERIOD ENDED MARCH 31, 2000

AVANT reported consolidated net loss of $4,003,600, or $.07 per share, for the first quarter ended March 31, 2001, compared with a net loss of $2,123,400, or $.04 per share, for the first quarter ended March 31, 2000. The weighted average common shares outstanding used to calculate net loss per common share was 57,252,200 in 2001 and 49,799,100 in 2000.

OPERATING REVENUE: Total operating revenue increased $705,200 to $859,000 for the first quarter of 2001 compared to $153,800 for the first quarter of 2000.

Product development and licensing revenue increased $583,900 to $737,700 in 2001 from $153,800 in 2000. In 2001, we recognized $384,900 in the amortization of nonrefundable license fees from Novartis and Pfizer, $164,000 from Innogenetics, Inc. in connection with its acquisition of the TRAx business in 1999, $167,000 in funded research and development from Pfizer and $21,800 received in connection with a government grant. In 2000, product development and licensing revenue consisted primarily of the amortization of a nonrefundable license fee associated with our agreement with Novartis.

Product sales for 2001 totaled $121,300 and were derived from sales of our Megan(R)Vac 1 product, a vaccine for use in chickens for protection against multiple strains of SALMONELLA bacteria, which we acquired in connection with our acquisition of Megan. There were no product sales recorded in 2000.

OPERATING EXPENSE: Total operating expense increased $2,988,000, or 116.9%, to $5,545,000 for the first quarter of 2001 compared to $2,557,000 for the first quarter of 2000. The increase in total operating expense for 2001 compared to 2000 is primarily due to increased clinical trials costs and clinical materials costs incurred in connection with AVANT's TP10 and CETi-1 clinical programs and the addition of Megan operations in 2001. During the first quarter of 2000, we received legal settlement payments totaling $500,000 from the resolution of disputes arising from contractual arrangements.

Research and development expense increased $2,159,400, or 118.8%, to $3,976,700 in 2001 from $1,817,300 in 2000. The increase in 2001 compared to 2000 is primarily due to costs associated with conducting clinical trials of CETi-1 and TP10, an increase in expense associated with the manufacture of clinical materials for these programs and the addition of Megan's research and development expense in 2001.

Selling, general and administrative expense increased $111,900, or 10.2%, to $1,214,300 in 2001 compared to $1,102,400 in 2000. The increase in expense in 2001 compared to 2000 is primarily attributed to the addition of Megan's selling, general and administrative expense in 2001, offset in part by a reduction in personnel and related costs. Amortization expense of acquired intangible assets increased $206,600 to $343,900 in 2001 from $137,300 in 2000 as a result of the acquisition of Megan.

NON-OPERATING INCOME, NET: Interest income increased $402,600, or 143.9%, to $682,400 for the first quarter of 2001 compared to $279,800 for the first quarter of 2000. The increase is primarily due to higher average cash balances during the first quarter of 2001 compared to the first quarter of 2000.

LIQUIDITY AND CAPITAL RESOURCES

AVANT ended the first quarter of 2001 with cash and cash equivalents of $45,105,700 compared to cash and cash equivalents of $50,177,000 at December 31, 2000. Cash used in operations was $5,269,500 in the first quarter of 2001 compared to $1,196,900 provided by operations in the first quarter of 2000.

AVANT believes that cash inflows from existing collaborations, interest income on invested funds and our current cash and cash equivalents will be sufficient to meet estimated working capital requirements and fund operations beyond December 31, 2001. The working capital requirements of AVANT are dependent on several factors including, but not limited to, the costs associated with research and development programs, preclinical and clinical studies and the scope of collaborative arrangements. During 2001, we expect to take steps to raise additional capital including, but not limited to, licensing of technology programs with existing or new collaborative partners, possible business combinations, or issuance of common stock via private placement and public offering.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We own financial instruments that are sensitive to market risk as part of our investment portfolio. Our investment portfolio is used to preserve our capital until it is used to fund operations, including our research and development activities. None of these market-risk sensitive instruments are held for trading purposes. We invest our cash primarily in money market mutual funds and U.S. Government and other investment grade debt securities. These investments are evaluated quarterly to determine the fair value of the portfolio. Our investment portfolio includes only marketable securities with active secondary or resale markets to help insure liquidity. We have implemented policies regarding the amount and credit ratings of investments. Due to the conservative nature of these policies, we do not believe we have material exposure due to market risk. The impact to our financial position and results of operations from likely changes in interest rates is not material.

We do not utilize derivative financial instruments. The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, accounts receivables and accounts payable approximates fair value at March 31, 2001 and December 31, 2000 due to the short-term maturities of these instruments.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

(B) REPORTS ON FORM 8-K

We filed a Current Report on Form 8-K on December 12, 2000 reporting our acquisition of Megan Health, Inc., pursuant to an Agreement and Plan of Merger dated as of November 20, 2000 by and among AVANT, AVANT Acquisition Corp. and Megan Health, Inc. Under the terms of the Agreement, Megan Health, Inc. became a wholly owned subsidiary of AVANT. We amended the Current Report on Form 8-K on January 30, 2001 and the amendment includes proforma financial statements.

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.

AVANT IMMUNOTHERAPEUTICS, INC.

BY:

Dated: May 9, 2000

/s/ Una S. Ryan

Una S. Ryan, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 9, 2000

/s/ Avery W. Catlin

Avery W. Catlin
Senior Vice President, Treasurer
and Chief Financial Officer
(Principal Financial and
Accounting Officer)