Table of Contents

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from _____ to _____

Commission file number: 0-27756

Alexion Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated file ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Act) Yes ☐ No ☒

Common Stock, $0.0001 par value	**31,597,246**
Class	**Outstanding at August 8, 2006**

Table of Contents

ALEXION PHARMACEUTICALS, INC.

INDEX

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

	June 30, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 52,642	$ 43,629
Restricted cash	1,000	—
Marketable securities	111,391	168,827
Prepaid expenses and other current assets	3,539	5,095
Total current assets	168,572	217,551
Property, plant and equipment, net	11,819	10,631
Goodwill, net	19,954	19,954
Prepaid manufacturing costs	10,000	10,000
Other assets	4,236	4,575
Total Assets	$ 214,581	$ 262,711
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 508	$ 3,865
Accrued expenses	23,947	20,629
Deferred revenue	588	767
Current portion of obligations under capital lease	128	129
Total current liabilities	25,171	25,390
Obligations under capital lease	25	88
Deferred revenue, less current portion	5,049	5,343
Convertible notes	150,000	150,000
Total Liabilities	180,245	180,821
STOCKHOLDERS' EQUITY		
Preferred stock, $.0001 par value; 5,000 shares authorized, no shares issued or outstanding	—	—
Common Stock, $.0001 par value; 145,000 shares authorized; 31,631 and 30,980 shares issued at June 30, 2006 and December 31, 2005, respectively	3	3
Additional paid-in capital	602,018	589,250
Stock subscription receivable	125	—
Treasury Stock, at cost, 50 shares at June 30, 2006 and December 31, 2005, respectively	(981)	(981)
Accumulated other comprehensive loss	(370)	(315)
Accumulated deficit	(566,459)	(506,067)
Total Stockholders' Equity	34,336	81,890
Total Liabilities and Stockholders' Equity	$ 214,581	$ 262,711

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

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
REVENUES	$ 339	$ 167	$ 1,107	$ 732
OPERATING EXPENSES				
Research and development	23,462	29,239	44,676	49,516
General and administrative	11,421	5,632	19,567	10,401
Total operating expenses	34,883	34,871	64,243	59,917
Operating loss	(34,544)	(34,704)	(63,136)	(59,185)
OTHER INCOME AND EXPENSE				
Investment income	1,976	1,392	3,939	3,078
Interest expense	(687)	(1,910)	(1,375)	(2,741)
Loss from early extinguishment of convertible notes	—	—	—	(3,184)
Loss before state tax benefit	(33,255)	(35,222)	(60,572)	(62,032)
STATE TAX BENEFIT	90	112	180	341
Net Loss	$(33,165)	$(35,110)	$(60,392)	$(61,691)
OTHER COMPREHENSIVE INCOME/LOSS				
Foreign currency translation	(14)	—	(41)	—
Unrealized gains (losses) on marketable securities	(22)	131	(14)	44
Comprehensive Loss	$(33,201)	$(34,979)	$(60,447)	$(61,647)
BASIC AND DILUTED LOSS PER SHARE DATA				
Net loss per share	$ (1.06)	$ (1.25)	$ (1.94)	$ (2.21)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	31,203	27,988	31,098	27,957

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

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

	Six months ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (60,392)	$ (61,691)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	1,752	2,152
Write-off of deferred financing costs	—	1,212
Share-based compensation expense	6,841	287
Changes in operating assets and liabilities		
Prepaid expenses and other assets	1,556	(789)
Accounts payable	(3,358)	(4,025)
Accrued expenses	3,318	10,438
Deferred revenue	(473)	(473)
Deferred research and development costs	—	(1,313)
Net cash used by operating activities	(50,756)	(54,202)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(378,600)	(376,769)
Proceeds from maturity or sale of marketable securities	436,022	420,637
Purchase of property, plant and equipment	(2,664)	(2,236)
Increase in restricted cash	(1,000)	—
Net cash provided by investing activities	53,758	41,632
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible debt offering	—	150,000
Convertible debt issuance costs	—	(4,758)
Redemption of convertible notes	—	(120,000)
Net proceeds from issuance of common stock	6,052	1,511
Net cash provided by financing activities	6,052	26,753
Effect of exchange rate changes	(41)	—
Net change in cash and cash equivalents	9,013	14,183
Cash and cash equivalents at beginning of period	43,629	35,904
Cash and cash equivalents at end of period	$ 52,642	$ 50,087

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

ALEXION PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements included in this Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our audited Transition Report on Form 10-K/T for the five month transition period ended December 31, 2005.

In our opinion, the unaudited condensed consolidated financial statements reflect all adjustments (including those that are normal and recurring) that are necessary in the judgment of management for a fair presentation of such statements in conformity with accounting principles generally accepted in the United States ("GAAP") for interim reporting. In preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

During the three month period ended June 30, 2006, we established three new entities as part of our continued growth and preparation for commercialization. Alexion Manufacturing, LLC and Alexion Delaware Holding, LLC are wholly owned by Alexion Pharmaceuticals, Inc. and both are Delaware limited liability companies. The partnership of Alexion Bermuda, LP is ninety-nine percent owned by Alexion Pharmaceuticals, Inc. and one percent owned by Alexion Delaware Holding, LLC and was formed under the laws of Bermuda as a limited partnership. There were no material transactions that occurred in the newly formed entities during the six month period ending June 30, 2006.

2. Restricted Cash

Restricted cash of $1,000,000 at June 30, 2006 was deposited in an escrow account in connection with the purchase agreement with Dow Chemical Company or "Dow" for the purchase of a manufacturing facility in Smithfield, Rhode Island, as further disclosed in Note 8.

3. Accounting for Share-Based Compensation

A summary of the status of our stock option plans at June 30, 2006 and changes during the six months then ended is presented in the table and narrative below:

	Options	Weighted-Average Exercise Price
Options outstanding at December 31, 2005	5,092,085	$ 24.16
Options granted	1,171,200	27.64
Options cancelled	(84,335)	21.15
Options exercised	(430,762)	14.05
Options outstanding at June 30, 2006	5,748,188	25.67
Options exercisable at June 30, 2006	3,243,338	$ 26.60

During the three and six month period ended June 30, 2006, we recognized compensation expense of $3,134,829 and $5,969,015, respectively, for stock options and $540,673 and $872,435, respectively, for restricted stock, which were charged to our condensed consolidated statement of income. Due to our net loss position, a windfall tax benefit was not realized during the period.

ALEXION PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements

A summary of the status of our non-vested restricted stock as of June 30, 2006, and changes during the six months then ended are as follows:

	Restricted Stock
Nonvested at December 31, 2005	133,500
Issued	221,559
Vested	—
Cancelled	(1,500)
Nonvested at June 30, 2006	353,559

SFAS 123R requires us to present pro forma information for periods prior to the adoption as if we had accounted for all share-based compensation under the fair value method of SFAS 123. For purposes of pro forma disclosure, the estimated fair value of the options at the date of grant is amortized to expense over the requisite service period, which generally equals the vesting period. The following table illustrates the effect on net loss and earnings per share as if we had applied the fair value recognition provisions of SFAS 123 to our share-based employee compensation.

	Three months ended June 30, 2005	Six months ended June 30, 2005
Net loss, as reported	$ (35,110)	$ (61,691)
Add: Stock-based employee compensation expense included in reported net loss	287	287
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(2,762)	(5,193)
Pro forma net loss	$ (37,585)	$ (66,597)
Basic and diluted-as reported	$ (1.25)	$ (2.21)
Basic and diluted-pro forma	$ (1.34)	$ (2.38)

4. Net Loss Per Common Share

Basic net loss per common share is computed by dividing the net loss by the weighted average shares of common stock outstanding during the respective period. Diluted net loss per common share assumes, in addition to the above, the dilutive effect of other potential common shares outstanding during the period. Other potential common shares represent dilutive stock options, unvested restricted stock, and convertible debt. These outstanding stock options, convertible debt, and unvested restricted stock entitled holders to acquire 10,822,957 and 9,683,534 shares of common stock at June 30, 2006 and 2005, respectively. There is no difference in basic and diluted net loss per common share for the three and six months ended June 30, 2006 and 2005, respectively, as the effect of other potential common shares is anti-dilutive.

5. Capital Structure

During the three and six month periods ended June 30, 2006, we issued 42,337 and 430,762 shares of common stock, respectively, with proceeds of $553,999 and $5,927,056, respectively, upon the exercise of outstanding stock options.

During the three and six month periods ended June 30, 2005, we issued 93,156 and 138,312 shares of common stock, respectively, with proceeds of $1,042,057 and $1,510,696, respectively, upon the exercise of outstanding stock options.

ALEXION PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements

6. Income Taxes

The Company has net operating loss and federal and state research and development credit carryforwards of approximately $493 million and $17.8 million respectively as of December 31, 2005. The Tax Reform Act of 1986 contains certain provisions that can limit a taxpayer's ability to utilize net operating loss and tax credit carry forwards in any given year resulting from cumulative changes in ownership interests in excess of 50 percent over a three-year period. We have determined that these limiting provisions were triggered, however, such limitation will not result in the loss of the federal net operating loss and research and development credit carry forward.

7. Commitments and Contingencies

During the quarter ended June 30, 2006, we recognized an estimated liability related to our third party manufacturing agreement with Procter & Gamble Pharmaceuticals ("P&G") related to pexelizumab.

We enter into agreements that contain indemnification provisions under our agreements with other companies in our ordinary course of business, typically with business partners, clinical sites, and suppliers. Pursuant to these agreements, we generally indemnify, hold harmless, and agree to reimburse the indemnified parties for losses suffered or incurred by the indemnified parties in connection with any U.S. patent or any copyright or other intellectual property infringement claim by any third party with respect to our products, or otherwise in connection with the use or testing of our product candidates. The term of these indemnification agreements is generally perpetual. The potential amount of future payments we could be required to make under these indemnification agreements is unlimited. We have not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the estimated fair value of these agreements is minimal. Accordingly, we have no liabilities recorded for these agreements as of June 30, 2006.

8. Subsequent Events

Purchase of Manufacturing Facility

In July 2006, our wholly owned affiliate, Alexion Manufacturing, LLC purchased the former Dow manufacturing facility in Smithfield, Rhode Island for $13,000,000. The biopharmaceutical manufacturing facility will be used primarily to produce Soliris™ (eculizumab). In accordance with the Purchase and Sale Agreement dated April 13, 2006, "the Agreement", we paid Dow $500,000 upon acceptance of the Agreement on April 13, 2006 and an additional $500,000 upon the completion of the due diligence period, which was sixty days after the agreement date. The deposits were held in escrow until the closing date at which time the escrowed amounts and the remaining balance, net of property taxes owed for the first part of the year, of $11,926,289 was paid to Dow.

Mortgage Loan Agreement

In July 2006, our wholly owned affiliate Alexion Manufacturing, LLC, entered into a mortgage loan agreement to borrow $26,000,000 to finance the purchase and construction of our Smithfield, Rhode Island manufacturing facility. The mortgage loan bears interest at a fixed annual rate of 9.17% and is guaranteed by Alexion Pharmaceuticals, Inc. The loan principal is required to be repaid in equal installments, starting March 2009 and until August 2016, at which time all outstanding balances are due. The loan may not be prepaid in whole or in part prior to the third anniversary of the closing. Under the terms of the agreement, among other things, Alexion Manufacturing, LLC is restricted with respect to additional borrowings, leasing arrangements and mergers. In the event that approval to market Soliris™ (eculizumab) has not been obtained before December 31, 2007, Alexion Manufacturing LLC shall deliver an acceptable letter of credit for the amount of the outstanding loan. Also, included in the loan agreement are certain provisions which, if triggered, allow for additional borrowings of up to $9,000,000.

As a condition of the loan, Alexion Manufacturing, LLC is required to maintain restricted cash accounts. These accounts are restricted as to use specifically for the purchase and construction of the manufacturing facility. The lender has a first priority security interest and the right to approve all disbursements from the accounts holding restricted cash. Under the agreement, we are required to, at all times, maintain a balance in the restricted cash accounts sufficient to complete the project. On the date of closing of the transaction, the balance of restricted cash was $35,807,244.

ALEXION PHARMACEUTICALS, INC.

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

Note Regarding Forward-Looking Statements

This report contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. Such forward looking statements are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by our management and may include, but are not limited to, statements regarding the status of our ongoing clinical trials and prospects for regulatory approval, the uncertainties involved in the drug development process, the safety and efficacy of our product candidates, our future research and development activities, estimates of the potential markets for our products, (for example, estimates regarding the number of PNH patients), assessment of competitors and potential competitors, estimates of the capacity of manufacturing and other facilities to support our products, the sufficiency of our existing capital resources and projected cash needs, sales and marketing plans, as well as assumptions relating to the foregoing. Words such as "anticipates," "expects," "intends," "may, " "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any such forward-looking statements. Such risks and uncertainties include, but are not limited to, those discussed later in this report under the section entitled "Risk Factors". Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the risk factors set forth in other reports or documents we file from time to time with the Securities and Exchange Commission. The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Financial Statements and Notes thereto for the five month transition period ended December 31, 2005 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Transition Report on Form 10-K/T for the five month transition period ended December 31, 2005.

Business

We are a biotechnology company working to develop and deliver life-changing drug therapies for patients with serious and life-threatening medical conditions. We are engaged in the discovery and development of therapeutic products aimed at treating patients with a wide array of severe disease states, including hematologic diseases, cancer, and autoimmune disorders. Since our incorporation in January 1992, we have devoted substantially all of our resources to drug discovery, research, and product and clinical development. Additionally, we are engaged in the discovery and development of a portfolio of additional antibody therapeutics targeting severe unmet medical needs. In September 2005, we formed a wholly-owned subsidiary, Alexion Europe SAS, as an important step in our global commercialization strategy, which includes the development of our own capabilities to manage late stage development, regulatory affairs and commercial operations throughout Europe.

Our lead clinical stage product candidate, Soliris™ (eculizumab), is currently undergoing evaluation in a Phase III clinical development program comprised of two Phase III clinical trials for the treatment of a rare blood disorder known as Paroxysmal Nocturnal Hemoglobinuria, or PNH. Under the Special Protocol Assessment, or SPA process, the U.S. Food and Drug Administration, or FDA, has agreed to the design of protocols for these two trials, known as TRIUMPH and SHEPHERD, which could, if successful, serve as the primary basis of review for approval of a licensing application for eculizumab in the PNH indication. TRIUMPH is a placebo-controlled efficacy trial and SHEPHERD is an open-label, non-placebo controlled safety trial with efficacy secondary endpoints. In January 2006, we reported positive results from TRIUMPH. All pre-specified, primary and secondary endpoints in the TRIUMPH trial were achieved with statistical significance. SHEPHERD is a twelve month study with a six month preplanned interim analysis. In June 2006, we reported positive six month results from SHEPHERD. Soliris™ (eculizumab) appeared to be safe and well tolerated during that six month period. In addition, all pre-specified primary and secondary efficacy endpoints in the trial were achieved with statistical significance for the six month period. It is expected that data from TRIUMPH and SHEPHERD will serve as the primary basis of review for the approval of a Biologics License Application, or BLA, in the PNH indication, as well as the basis of review for a European Marketing Authorization Application, or MAA.

ALEXION PHARMACEUTICALS, INC.

Our second clinical stage product candidate, pexelizumab, has been evaluated for two separate indications: (1) coronary artery bypass graft (CABG) surgery patients undergoing cardiopulmonary bypass (CPB) and (2) acute myocardial infarction (AMI) patients undergoing primary percutaneous angioplasty. In November 2005, we announced that our Phase III trial of pexelizumab in CABG surgery patients, known as PRIMO-CABG2, did not achieve its primary endpoint. In June 2006, based on preliminary results, we announced that our Phase III trial of pexelizumab in AMI patients, known as APEX-AMI, did not achieve its primary endpoint. Results from the PRIMO-CABG2 trial and the APEX-AMI trial of pexelizumab indicate that those trials are unlikely to be sufficient for filing for licensing approval of pexelizumab in the CABG and AMI indications, respectively. The pexelizumab development is conducted in collaboration with Procter & Gamble Pharmaceuticals. We expect to discuss our pexelizumab program with P&G following complete analysis of the APEX-AMI data.

In July 2006, we acquired a manufacturing plant in Smithfield, Rhode Island. We intend to equip and develop the plant in accordance with FDA and other regulatory requirements to manufacture eculizumab and other product candidates.

To date, we have studied our two clinical stage antibody product candidates in a variety of clinical development programs enrolling over 10,000 patients in clinical trials. In addition to our Phase III programs, we are developing a global patient registry for PNH patients, have other product candidates in earlier stages of development, and may also pursue additional potential indications for Soliris™ (eculizumab).

To date, we have not received any revenues from the sale of our products. We have incurred operating losses since our inception. As of June 30, 2006, we had an accumulated deficit of $566,458,670. We expect to incur substantial operating losses for the next several years due to expenses associated with product research and development, pre-clinical studies and clinical testing, regulatory activities, manufacturing development, scale-up and commercial-scale manufacturing, pre-commercialization activities, developing a sales and marketing force, establishing European and other regional headquarters, and other infrastructure support costs. We may need to obtain additional financing to cover these costs.

We plan to develop and commercialize on our own those product candidates for which the clinical trials and commercialization requirements can be funded and accomplished by our own resources. For those products which require greater resources, our strategy is to form corporate alliances for product development and commercialization.

Results of Operations

Comparison of the Three and Six Months ended June 30, 2006 to the Three and Six Months ended June 30, 2005

Revenues

A summary of revenues recognized is as follows for the periods presented:

	Three months ended June 30,		Increase/ (Decrease)	Six months ended June 30,		Increase/ (Decrease)
	2006	2005	% Change	2006	2005	% Change
	(amounts in thousands, except percentage data)					
P&G	$ 147	$ 147	0%	$ 294	$ 294	0%
U.S. government grants	192	20	860%	713	438	63%
Other revenue	—	—	0%	100	—	100%
Total revenues	$ 339	$ 167	103%	$ 1,107	$ 732	51%

ALEXION PHARMACEUTICALS, INC.

We earned revenues of approximately $339,000 and $167,000 for the three months ended and $1,107,000 and $732,000 for the six months ended June 30, 2006 and 2005, respectively. Revenue reflects the amortization of deferred revenue resulting from cash received from P&G under our collaboration for the development and commercialization of pexelizumab, U.S. government funded research grant revenue related to our research programs, and a nonrefundable fee for exclusive access to our xenotransplantation technologies, a program that was terminated in October 2003.

Research and Development

The following table provides information regarding the change in research and development expenses during the periods presented:

	Three months ended June 30,		Increase/ (Decrease)	Six months ended June 30,		Increase/ (Decrease)
	2006	2005	% Change	2006	2005	% Change
	(amounts in thousands, except percentage data)					
Clinical development	$ 9,561	$13,295	-28%	$19,771	$25,366	-22%
Manufacturing and development	4,195	9,592	-56%	5,038	10,393	-52%
Product development	13,756	22,887		24,809	35,759	
Payroll and benefits	6,586	4,674	41%	13,902	9,488	47%
Operating and occupancy	1,481	1,305	13%	2,759	2,619	5%
Discovery research	1,037	(350)	-396%	1,993	391	410%
Depreciation and amortization	602	723	-17%	1,213	1,259	-4%
Total research and development expense	$23,462	$29,239	-20%	$44,676	$49,516	-10%

Research and development expenses decreased approximately $5,777,000 for the three months and $4,840,000 for the six months ended June 30, 2006, as compared to the same periods in 2005 respectively, primarily due to:

- decrease of $6,759,000 and $10,106,000 for the three and six month periods ended June 30, 2006, respectively due to the completion of the PRIMO-CABG2 and APEX AMI clinical trials . These decreased costs were partially offset by clinical cost increases of $3,025,000 and $4,511,000 for the three and six month periods ended June 30, 2006, respectively, for the SHEPHERD and Extension studies supporting our development of Soliris™ (eculizumab);
- decrease in manufacturing and manufacturing development costs of $8,497,000 and $8,455,000 for the three and six month periods ended June 30, 2006, respectively, related primarily to the decreased eculizumab manufacturing costs in 2006, partially offset by the recognition of a liability during the three months ended June 30, 2006 related to our third party pexelizumab manufacturing agreement;
- increase of $1,387,000 and $1,602,000 for the three and six month periods ended June 30, 2006, respectively, in discovery research costs primarily due to the recognition in the first quarter of 2005 of deferred expense as a reduction of research and development cost related to the XOMA collaboration which was terminated by us and XOMA; and,
- increase of $1,912,000 and $4,414,000 for the three and six month periods ended June 30, 2006, respectively, in research and development payroll and benefit costs. The increases resulted from the expensing of share-based compensation as required by SFAS 123R amounting to $2,200,000 and $4,080,000 for the three and six month periods ended June 30, 2006, respectively, as well as increased headcount to support our research and development activities.

ALEXION PHARMACEUTICALS, INC.

General and Administrative Expenses

The following table provides information regarding the change in G&A during the periods presented:

	Three months ended June 30,		Increase/ (Decrease)	Six months ended June 30,		Increase/ (Decrease)
	2006	2005	% Change	2006	2005	% Change
	(amounts in thousands, except percentage data)					
Total general and administrative expense	$11,421	$5,632	103%	$19,567	$10,401	88%

G&A increased approximately $5,789,000 for the three months ended June 30, 2006 and $9,166,000 for the six months ended June 30, 2006, as compared to the same periods of 2005, primarily due to:

- $2,735,000 increase for the three month period and a $4,612,000 increase for the six month period ended June 30, 2006 for payroll and benefits expense. The increase is primarily due to growth of our headcount dedicated to commercial development activities and the expensing of share-based compensation of $1,476,000 and $2,761,000 during the three and six month periods ended June 30, 2006, respectively,
- higher professional fees of approximately $880,000 and $1,405,000 for the three and six month periods ended June 30, 2006, respectively, principally for patent, commercial, and technology activities; and,
- an increase of $2,174,000 and $3,149,000 for the three and six month periods ended June 30, 2006, respectively, for recruitment expenses, public relations and other items related to commercial development.

Total Operating Expenses

Total operating expenses for the three and six month periods ended June 30, 2006 were approximately $34,883,000 and $64,243,000 compared to approximately $34,871,000 and $59,917,000 for the same periods ended June 30, 2005, respectively.

Other Income and Expense

Investment income was approximately $1,976,000 and $3,939,000 for the three months ended June 30, 2006 as compared to $1,392,000 and $3,078,000 for the same periods in 2005, respectively. The increase was due primarily to higher interest rates.

Interest expense was approximately $687,000 and $1,375,000 for the three and six months ended June 30, 2006, respectively, as compared to approximately $1,910,000 and $2,741,000 for the same period in 2005, respectively. The decrease in interest expense is attributable to the lower interest rate for the 1.375% convertible senior notes as compared to the 5.75% convertible subordinated notes which were repaid in March 2005. During the six month period ended June 30, 2005 we recorded a loss from early extinguishment of the 5.75% convertible subordinated notes, which consisted of the write-off of the remaining balance of the deferred financing costs of approximately $1,212,000 and the redemption premium of approximately $1,972,000.

Income Taxes

We recorded a state tax benefit of approximately $90,000 and $180,000 for the three and six months ended June 30, 2006, respectively, compared to approximately $112,000 and $341,000 for the same period in 2005, respectively. The benefit is the result of the exchange for cash of our estimated 2005 and 2006 incremental research and development tax credits with the State of Connecticut.

ALEXION PHARMACEUTICALS, INC.

The Company has net operating loss and federal and state research and development credit carryforwards of approximately $493 million and $17.8 million respectively as of December 31, 2005. The Tax Reform Act of 1986 contains certain provisions that can limit a taxpayer's ability to utilize net operating loss and tax credit carry forwards in any given year resulting from cumulative changes in ownership interests in excess of 50 percent over a three-year period. We have determined that these limiting provisions were triggered, however, such limitation will not result in the loss of the federal net operating loss and research and development credit carry forward.

Net Loss

The Company incurred a net loss for the three and six month periods ended June 30, 2006 of approximately $33,165,000 and $60,392,000 or $1.06 and $1.94 per common share, respectively, versus a net loss of approximately $35,110,000 and $61,691,000 or $1.25 and $2.21 per common share, respectively, for the same periods in 2005.

Liquidity and Capital Resources

Our primary source of cash is through public offerings of our common stock and the sale of convertible notes. Other sources include debt financing, payments received under corporate collaborations and grants, and equipment and leasehold improvements financing. Our primary use of cash includes business development activities and research and development.

As of June 30, 2006, cash, cash equivalents, and marketable securities were approximately $165,033,000 compared with $212,456,000 at December 31, 2005. The decrease was primarily due to cash used to fund operating activities. As of June 30, 2006, $1,000,000 of cash was restricted in an escrow account prior to closing on our Smithfield Rhode Island manufacturing facility in July, 2006.

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2006 was approximately $50,756,000. The decrease compared to the same period in the previous year is primarily due to the recognition of share-based compensation expense under FAS 123(R) in the current period.

Investing Activities

Net cash provided by investing activities for the six months ended June 30, 2006 was approximately $53,758,000. This included proceeds of approximately $57,422,000 from marketable securities, net of purchases of marketable securities, approximately $2,664,000 of property, plant and equipment additions, and a $1,000,000 increase in restricted cash.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2006 was approximately $6,052,000, consisting entirely of proceeds from the issuance of common stock related to the exercise of stock options.

Sufficiency of Cash Resources

We anticipate that our existing capital resources as well as interest and investment income earned on available cash and marketable securities should provide us adequate resources to fund our operating expenses and capital requirements as currently planned for at least the next twelve months.

Financial Instruments

As of June 30, 2006, the market value of our $150,000,000 1.375% convertible senior notes due February 1, 2012, based on quoted market prices, was estimated at $195,187,500. The $45,187,500 increase from December 31, 2005 is attributable to the increase in the price of our common stock.

ALEXION PHARMACEUTICALS, INC.

Purchase of Manufacturing Facility

In July 2006, our wholly owned affiliate, Alexion Manufacturing, LLC purchased the former Dow manufacturing facility in Smithfield, Rhode Island for $13,000,000. The biopharmaceutical manufacturing facility will be used primarily to produce Soliris™ (eculizumab). In accordance with the Purchase and Sale Agreement dated April 13, 2006, "the Agreement", we paid Dow $500,000 upon acceptance of the Agreement on April 13, 2006 and an additional $500,000 upon the completion of the due diligence period, which was sixty days after the agreement date. The deposits were held in escrow until the closing date at which time the escrowed amounts and the remaining balance, net of property taxes owed for the first part of the year, of $11,926,289 was paid to Dow.

Mortgage Loan Agreement

In July 2006, our wholly owned affiliate Alexion Manufacturing, LLC, entered into a mortgage loan agreement to borrow $26,000,000 to finance the purchase and construction of our Smithfield, Rhode Island manufacturing facility. The mortgage loan bears interest at a fixed annual rate of 9.17% and is guaranteed by Alexion Pharmaceuticals, Inc. The loan principal is required to be repaid in equal installments, starting March 2009 and until August 2016, at which time all outstanding balances are due. The loan may not be prepaid in whole or in part prior to the third anniversary of the closing. Under the terms of the agreement, among other things, Alexion Manufacturing, LLC is restricted with respect to additional borrowings, leasing arrangements and mergers. In the event that approval to market Soliris™ (eculizumab) has not been obtained before December 31, 2007, Alexion Manufacturing LLC shall deliver an acceptable letter of credit for the amount of the outstanding loan. Also, included in the loan agreement are certain provisions which, if triggered, allow for additional borrowings of up to $9,000,000.

As a condition of the loan, Alexion Manufacturing, LLC is required to maintain restricted cash accounts. These accounts are restricted as to use specifically for the purchase and construction of the manufacturing facility. The lender has a first priority security interest and the right to approve all disbursements from the accounts holding restricted cash. Under the agreement, we are required to, at all times, maintain a balance in the restricted cash accounts sufficient to complete the project. On the date of closing of the transaction, the balance of restricted cash was $35,807,244.

Critical Accounting Policies

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies are summarized in our Transition Report on Form 10-K/T for the five-month transition period ended December 31, 2005, in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Critical Accounting Policies and the Use of Estimates." We have reviewed those policies and determined that they remain our critical accounting policies for the three and six month periods ended June 30, 2006, respectively.

Adoption of New Accounting Pronouncements

In May 2005, the FASB issued FASB 154, "Accounting Changes and Error Corrections." The Statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. The Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. For us, the effective date was the first quarter of 2006. The adoption of this accounting principle did not have a significant impact on our financial position or results of operations.

In March 2004, the EITF reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." EITF 03-1 provides guidance on other-than-temporary

impairment models for marketable debt and equity securities accounted for under SFAS 115 and non-marketable equity securities accounted for under the cost method. The EITF developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. In November 2005, the FASB approved the issuance of FASB Staff Position "FSP" FAS No. 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The FSP addresses when an investment is considered impaired, whether the impairment is other-than-temporary and the measurement of an impairment loss. The FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary. The FSP is effective for reporting periods beginning after December 15, 2005 with earlier application permitted. For us, the effective date was the first quarter of 2006. The adoption of this accounting principle did not have a significant impact on our financial position or results of operations.

ALEXION PHARMACEUTICALS, INC.

Item 3. Quantitative and Qualitative Disclosure about Market Risks

As of June 30, 2006, we maintain approximately 33% of our cash and investments in financial instruments with original maturity dates of three months or less, 40% in financial instruments with original maturity dates of greater than three months and less than one year, and the remaining 27% in financial instruments with original maturity dates of equal to or greater than one year and less than two years. These financial instruments are subject to interest rate risk and will decline in value if interest rates increase. We estimate that a change of 100 basis points in interest rates would result in an increase or decrease of approximately $400,000 in the fair value of our cash and investments, which had a weighted average duration of approximately 3 months at June 30, 2006.

Our outstanding long-term liabilities as of June 30, 2006 consisted of our $150,000,000, 1.375% Convertible Senior Notes due February 1, 2012. As the notes bear interest at a fixed rate, our results of operations would not be affected by interest rate changes.

As of June 30, 2006, the market value of our $150,000,000 1.375% convertible senior notes due February 1, 2012, based on quoted market prices, was estimated at $195,187,500.

Item 4. Controls and Procedures.

We have carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving control objectives and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon their evaluation and subject to the foregoing, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level in ensuring that material information relating to us and required to be included in the reports we file under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer or other persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal controls over financial reporting in connection with the evaluation required under paragraph (d) of Rule 13a-15 under the Exchange Act that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

ALEXION PHARMACEUTICALS, INC.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

You should carefully consider the following risk factors before you decide to invest in our Company and our business because these risk factors may have a significant impact on our business, operating results, financial condition, and cash flows. The risk and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected.

If we continue to incur operating losses, we may be unable to continue our operations.

We have incurred losses since we started our company in January 1992. As of June 30, 2006, we had an accumulated deficit of approximately $566,458,670. If we continue to incur operating losses and fail to become a profitable company, we may be unable to continue our operations. Since we began our business, we have focused on research and development of product candidates. We have no products that are available for sale and do not know when we will have products available for sale, if ever. We expect to continue to operate at a net loss for at least the next several years as we continue our research and development efforts, continue to conduct clinical trials and develop manufacturing, sales, marketing and distribution capabilities. Our future profitability depends on our receiving regulatory approval of our product candidates and our ability to successfully manufacture and market approved drugs. The extent and the timing of our future losses and our profitability, if we are ever profitable, are highly uncertain.

We are subject to extensive government regulation; if we do not obtain regulatory approval for our drug products, we will not be able to sell our drug products.

We and our partners cannot sell or market our products without regulatory approval. If we or our partners do not obtain and maintain regulatory approval for our products, the value of our company and our results of operations will be harmed. In the United States, we or our partners must obtain and maintain approval from the FDA for each indication for each drug that we intend to sell and for each facility where such drug is manufactured. Obtaining FDA approval is typically a lengthy and expensive process, and approval is highly uncertain. Foreign governments also regulate drugs distributed outside the United States and facilities outside the United States where such drugs are manufactured, and obtaining their approvals can also be lengthy, expensive and highly uncertain. The approval process varies from country to country and the requirements governing the conduct of clinical trials, product manufacturing, product licensing, pricing and reimbursement vary greatly from country to country. In certain foreign jurisdictions we would be required to obtain pricing approvals prior to marketing our products. None of our product candidates has received regulatory approval to be marketed and sold in the United States or any other country. We may not receive regulatory approval for any of our product candidates for at least the next several years, if ever.

We and our partners, contract manufacturers and suppliers are subject to rigorous and extensive regulation by the FDA, other federal and state agencies, and governmental authorities in other countries. These regulations apply both before and after approval of our product candidates, if our product candidates are ever approved, and cover, among other things, testing, manufacturing, quality control, labeling, advertising, promotion, and export of biologics. As a condition of approval for marketing our product, FDA, or governmental authorities in other countries may require us to conduct additional clinical trials. Our manufacturing and other facilities and those of any third parties manufacturing our products will be subject to inspection prior to grant of marketing approval and subject to continued review and periodic inspections by the regulatory authorities. Any third party we would use to manufacture our products for sale must also be licensed by applicable regulatory authorities. Failure to comply with the laws, including statutes and regulations, administered by the FDA or other agencies could result in administrative and judicial sanctions, including, warning letters; fines and other civil penalties; delay in approving or refusal to approve a product candidate; withdrawal of a previously granted approval; product recall or seizure; interruption of production; operating restrictions; injunctions; and criminal prosecution.

We may be unable to obtain necessary regulatory approvals in the United States and foreign countries on a timely basis, if at all, for any of our product candidates or maintain such approvals if obtained. Any delays in obtaining necessary regulatory approvals or failure to maintain them could prevent us from marketing our products.

The FDA has granted orphan drug designation for eculizumab in the treatment of PNH and membranous nephritis. Orphan drug designation does not convey any advantage in, or shorten the duration of, the FDA review and approval process. If a product which has an orphan drug designation is the first drug of its type to receive FDA approval for the indication for which it has such designation, the product is entitled to orphan exclusivity, i.e., the FDA may not approve any other applications to market the same drug for the same indication for a period of seven years, except in limited circumstances.

We depend heavily on the success of our lead product candidate, Soliris™ (eculizumab), *which is still under development. If we do not obtain FDA approval of our lead product candidate or if FDA delays approval or narrows the indications for which we may market* Soliris™ (eculizumab), *our business will be materially harmed.*

We anticipate that in the near term our ability to generate revenues will depend on the successful development and commercialization of Soliris™ (eculizumab). The commercial success of our lead product candidate will depend on several factors, including the following: successful completion of our ongoing Phase III clinical trials for Soliris™ (eculizumab); receipt of marketing approvals from the FDA and similar foreign regulatory authorities; establishing commercial manufacturing capabilities ourselves or through third party manufacturers; successfully launching commercial sales of the product; and acceptance of the product in the medical community and by third party payers.

If the data from our ongoing Phase III pivotal clinical trials for Soliris™ (eculizumab) our product candidates are not satisfactory, we may not proceed with the filing of a biological license application, or BLA, for Soliris™ (eculizumab) or we may be forced to delay the filing. The FDA and other regulatory agencies may have varying interpretations of our clinical trial data, which could delay, limit, or prevent regulatory approval or clearance. Further, before a product candidate is approved for marketing, we, or any third party manufacturing our product, are subject to inspection of the manufacturing facilities and the FDA will not approve the product for marketing if we or our third party manufacturers are not in compliance with current good manufacturing practices. Even if the FDA and similar foreign regulatory authorities do grant marketing approval for Soliris™ (eculizumab), they may narrow the indications for which we are permitted to market the product, may pose other restrictions on the use or marketing of the product, or may require us to conduct additional post-marketing trials. A narrowed indication or other restrictions may limit the market potential for the product and obligation to conduct additional clinical trials would likely result in increased expenditures and lower revenues. If we are not successful in commercializing Soliris™ (eculizumab), or are significantly delayed or limited in doing so, our business will be materially harmed and we may need to curtail or cease operations.

If our drug trials are delayed or achieve unfavorable results, we will have to delay or may be unable to obtain regulatory approval for our products.

We must conduct extensive testing of our product candidates before we can obtain regulatory approval for our products. We need to conduct both preclinical animal testing and clinical human trials. These tests and trials may not achieve favorable results. The FDA typically requires two well controlled clinical trials that demonstrate efficacy in order to obtain FDA approval to market a product candidate. The SPA for each of our ongoing Phase III clinical programs for Soliris™ (eculizumab) provides for only a single efficacy trial and the FDA has indicated that the trials should provide compelling evidence of clinically meaningful benefit in order to warrant consideration for marketing approval. The FDA has noted that a study that is merely statistically positive may not provide the evidence necessary to support filing or approval of a product candidate. Our clinical programs may not demonstrate statistically significant results or show that such results are adequate to support approval for commercialization of Soliris™ (eculizumab). Inconclusive or negative final data from our Soliris™ (eculizumab) Phase III clinical program would have a significant negative impact on our prospects. If the results in our Soliris™ (eculizumab) clinical program are not positive, the potential commercialization of our top product candidate would be at risk, which would likely have a materially negative impact on our ability to generate revenue and our ability to secure additional funding. In addition, the FDA may require additional safety information before granting marketing

approval. We would need to reevaluate any drug that did not test favorably and either alters the study, the drug or the dose and performs additional or repeat tests, or abandon the drug development project. In those circumstances, we would not be able to obtain regulatory approval on a timely basis, if ever. Even if approval is granted, the approval may require limitations on the indicated uses for which the drug may be marketed. In addition to the FDA and other regulatory agency regulations in the United States, we are subject to a variety of foreign regulatory requirements governing human clinical trials, marketing and approval for drugs, and commercial sales and distribution of drugs in foreign countries. The foreign regulatory approval process includes all of the risks associated with FDA approval as well as country-specific regulations. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries.

Completion of clinical trials does not guarantee advancement to the next phase of development.

Completion of clinical trials does not guarantee that we will initiate additional trials for our product candidates, that if the trials are initiated what the scope and phase of the trial will be or that they will be completed, or that if the trials are completed, that the results will provide a sufficient basis to proceed with further trials or to apply for or receive regulatory approvals or to commercialize products. Results of trials could be inconclusive, requiring additional or repeat trials. If the results achieved in our clinical trials are insufficient to proceed to further trials or to regulatory approval of our product candidates our company could be materially adversely affected. Failure of a trial to achieve its pre-specified primary endpoint generally increases the likelihood that additional studies will be required if we determine to continue development of the product candidate, reduces the likelihood of timely development of and regulatory approval to market the product candidate, and may decrease the chances for successfully achieving the primary endpoint in scientifically similar indications.

There are many reasons why drug testing could be delayed or terminated.

For human trials, patients must be recruited and each product candidate must be tested at various doses and formulations for each clinical indication. Also, to ensure safety and effectiveness, the effect of drugs often must be studied over a long period of time, especially for the chronic diseases that we are studying. Unfavorable results or insufficient patient enrollment in our clinical trials could delay or cause us to abandon a product development program. We may decide to abandon development of a product candidate at any time, or we may have to spend considerable resources repeating clinical trials or conducting additional trials, either of which would increase costs and delay any revenue from those product candidates, if any.

Additional factors that can cause delay, impairment or termination of our clinical trials or our product development efforts include:

- slow patient enrollment, including for example due to the rarity of the disease being studied;
- long treatment time required to demonstrate effectiveness;
- lack of sufficient supplies of the product candidate;
- disruption of operations at the clinical trial sites;
- adverse medical events or side effects in treated patients;
- the failure of patients taking the placebo to continue to participate in our clinical trials;
- insufficient clinical trial data to support effectiveness of the product candidates;
- lack of effectiveness of the product candidate being tested;
- lack of sufficient funds;

- inability to manufacture sufficient quantities of the product candidate for development or commercialization activities in a timely and cost-efficient manner; or
- failure to obtain the necessary regulatory approvals for the product candidate or the approvals for the facilities in which such product candidate is manufactured.

We may expand our business through new acquisitions that could disrupt our business and harm our financial condition.

Our business strategy includes expanding our products and capabilities, and we may seek acquisitions to do so. Acquisitions involve numerous risks, including:

- substantial cash expenditures;
- potentially dilutive issuance of equity securities;
- incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of acquisition;
- difficulties in assimilating the operations of the acquired companies;
- diverting our management's attention away from other business concerns;
- risks of entering markets in which we have limited or no direct experience; and
- the potential loss of our key employees or key employees of the acquired companies.

We cannot assure you that any acquisition will result in short-term or long-term benefits to us. We may incorrectly judge the value or worth of an acquired company or business. In addition, our future success would depend in part on our ability to manage the rapid growth associated with some of these acquisitions. We cannot assure you that we will be able to make the combination of our business with that of acquired businesses or companies work or be successful. Furthermore, the development or expansion of our business or any acquired business or companies may require a substantial capital investment by us. We may not have these necessary funds or they might not be available to us on acceptable terms or at all. We may also seek to raise funds by selling shares of our capital stock, which could dilute current stockholders' ownership interest in our company, or securities convertible into our capital stock, which could dilute current stockholders' ownership interest in our company upon conversion.

If we fail to obtain the capital necessary to fund our operations, we will be unable to continue or complete our product development.

We believe we have sufficient capital to fund our operations and product development for at least twelve months. We may need to raise additional capital before or after that time to complete the development and commercialization of our product candidates. We are currently conducting or evaluating several clinical trials. Funding needs may shift between programs and potentially accelerate and increase if we initiate new pivotal trials for our product candidates. We rely heavily on P&G to fund development of pexelizumab. If P&G were to terminate the pexelizumab collaboration, and if we were to continue the development of pexelizumab, we could have to raise additional capital or find new collaboration partners.

Additional financing could take the form of public or private debt or equity offerings, equity line facilities, bank loans, collaborative research and development arrangements with corporate partners and/or the sale or licensing of some of our property. The amount of capital we may need depends on many factors, including:

- the existence, terms and status of collaborative arrangements and strategic partnerships, such as our collaboration with P&G;

- the progress, timing and scope of our research and development programs;
- the progress, timing and scope of our preclinical studies and clinical trials;
- the time and cost necessary to obtain regulatory approvals;
- the time and cost necessary to purchase or to further develop manufacturing processes, arrange for contract manufacturing or build manufacturing facilities and obtain the necessary regulatory approvals for those facilities;
- the time and cost necessary to develop sales, marketing and distribution capabilities;
- the cost necessary to sell, market and distribute our products, if any are approved;
- changes in applicable governmental regulatory policies; and
- any new collaborative, licensing and other commercial relationships that we may establish.

We may not get funding when we need it or funding may only be available on unfavorable terms. If we cannot raise adequate funds to satisfy our capital requirements, we may have to delay, scale-back or eliminate our research and development activities or future operations. We might have to license our technology to others. This could result in sharing revenues that we might otherwise retain for ourselves. Any of these actions would harm our business.

We are significantly leveraged.

On June 30, 2006, we had outstanding $150,000,000 principal amount of 1.375% convertible senior notes. These notes remain outstanding, and the degree to which we are leveraged could, among other things:

- make it difficult for us to make payments on our notes;
- make it difficult for us to obtain financing for working capital acquisitions or other purposes on favorable terms, if at all;
- make us more vulnerable to industry downturns and competitive pressures; and
- limit our flexibility in planning for, or reacting to changes in, our business.

Our ability to meet our debt service obligations will depend upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

Although we have not determined the continued development path of pexelizumab following negative results in its two pivotal Phase III trials, if we do determine to continue development and if P&G terminates or reduces its commitment to our collaboration, our ability to develop and commercialize pexelizumab, and our business would be harmed.

If we determine to continue development of pexelizumab, we will rely heavily on P&G to perform development and commercialization functions. While we cannot assure you that pexelizumab will ever be successfully developed and commercialized, if P&G does not perform its obligations in a timely manner, or at all, our ability to commercialize pexelizumab will be significantly adversely affected. We rely on P&G to provide funding and additional resources for the development and commercialization of pexelizumab. These include funds and resources for:

- clinical development and clinical and commercial manufacturing;

- obtaining regulatory approvals; and
- sales, marketing and distribution efforts worldwide.

P&G has the right to terminate the collaboration or sublicense its collaboration rights at any time. If we determine to continue development of pexelizumab, termination of our agreement with P&G would cause significant delays and could result in significant additional development costs to us. If we were to continue development of pexelizumab following termination by P&G, we would need to fund the development and commercialization of pexelizumab on our own or identify a new development partner. We would need to develop or acquire replacement expertise in many areas necessary for the development and potential commercialization of pexelizumab, or enter into agreements with other companies with respect to those matters. We do not have the resources to replace some of the functions provided or funded by P&G. Accordingly, we might have to stop the development of pexelizumab or shift resources from other product development programs until alternative resources were obtained. Sublicense by P&G also could cause significant delays in the development of pexelizumab and result in substantial additional development costs to us. We might also have to repeat testing already completed with P&G. In addition, sublicense would introduce a new collaboration partner which could create new and additional risks to the development of pexelizumab that cannot be identified at this time.

We cannot guarantee that P&G will devote the resources necessary to successfully develop and commercialize pexelizumab in a timely manner, if at all. Furthermore, P&G may devote the necessary resources, but we may still not successfully develop and commercialize pexelizumab.

If we are unable to engage and retain third-party collaborators, our research and development efforts may be delayed.

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

We cannot assure you that:

- our current collaboration arrangement will continue in its current form;
- we will be able to negotiate acceptable collaborative agreements to develop or commercialize our product candidates;
- any arrangements with third parties will be successful; or
- current or potential collaborators will not pursue treatments for other diseases or seek other ways of developing treatments for our disease targets.

If the trading price of our common stock continues to fluctuate in a wide range, our stockholders will suffer considerable uncertainty with respect to an investment in our common stock.

The trading price of our common stock has been volatile and may continue to be volatile in the future. Factors such as announcements of fluctuations in our or our competitors' operating results or clinical or scientific results, fluctuations in the trading prices or business prospects of our competitors and collaborators, including, but not limited to P&G, changes in our prospects, and market conditions for biotechnology stocks in general could have a

significant impact on the future trading prices of our common stock and our convertible senior notes. In particular, the trading price of the common stock of many biotechnology companies, including ours, has experienced extreme price and volume fluctuations, which have at times been unrelated to the operating performance of the companies whose stocks were affected. This is due to several factors, including general market conditions, the announcement of the results of our clinical trials or product development and the results of our attempts to obtain FDA approval for our products. In particular, since August 1, 1999, the sales price of our common stock has ranged from a low of $9.05 per share to a high of $119.88 per share. While we cannot predict our future performance, if our stock price continues to fluctuate in a wide range, an investment in our common stock may result in considerable uncertainty for an investor.

If we cannot protect the confidentiality and proprietary nature of our trade secrets, our business and competitive position will be harmed.

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

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

If we are found to be infringing on patents owned by others, we may be forced to pay damages to the patent owner and obtain a license to continue the manufacture, sale or development of our drugs and/or pay damages. If we cannot obtain a license, we may be prevented from the manufacture, sale or development of our drugs.

Parts of our technology, techniques and proprietary compounds and potential drug candidates, including those which are in-licensed, may be found to infringe patents owned by or granted to others. If we cannot resolve these conflicts, we may be liable for damages, be required to obtain costly licenses or be stopped from manufacturing, using or selling our products or conducting other activities. For example, we are aware of broad patents owned by others relating to the manufacture, use and sale of recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, and recombinant human single chain antibodies. Many of our product candidates, including our lead product candidate, eculizumab, are either genetically engineered antibodies, including recombinant humanized antibodies, recombinant humanized single chain antibodies, recombinant human antibodies, or recombinant human single chain antibodies.

We have received notices from the owners of some of these patents claiming that their patents may be infringed by the development, manufacture or sale of some of our drug candidates, including eculizumab and pexelizumab. We are also aware of other patents owned by third parties that might be claimed to be infringed by the development and commercialization of some of our drug candidates, including eculizumab and pexelizumab. In respect to some of these patents, we have obtained licenses, or expect to obtain licenses. However, with regard to other patents, we have either determined in our judgment that:

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

Any holder of these patents or other patents covering similar technology could sue us for damages and seek to prevent us from manufacturing, selling or developing our drugs. Legal disputes can be costly and time consuming to

defend. If any patent holder successfully challenges our judgment that our products do not infringe their patents or that their patents are invalid, we could be required to pay costly damages or to obtain a license to sell or develop our drugs. A required license may be costly or may not be available on acceptable terms, if at all. A costly license, or inability to obtain a necessary license, could have a material adverse effect on our business.

There can be no assurance that we would prevail in a patent infringement action; will be able to obtain a license to any third party patent on commercially reasonable terms; successfully develop non-infringing alternatives on a timely basis; or license alternative non-infringing technology, if any exists, on commercially reasonable terms. Any impediment to our ability to manufacture or sell approved forms of our product candidates could have a material adverse effect on our business and prospects.

If the testing or use of our products harms people, or is perceived to harm patients even when such harm is unrelated to our products, our clinical trials may be adversely affected, our regulatory approval process could be delayed, negatively impacted or abandoned, and we could be subject to costly and damaging product liability claims.

The testing, manufacturing, marketing and sale of drugs for use in humans exposes us to product liability risks. Side effects and other problems from using our products could give rise to product liability claims against us. We might have to recall our products, if any, from the marketplace. Some of these risks are unknown at this time.

We may be sued by people who participate in our trials. A number of patients who participate in such trials are already very ill when they enter the trial. Any informed consents or waivers obtained from people who sign up for our trials may not protect us from liability or litigation. Our product liability insurance may not cover all potential liabilities or may not completely cover any covered liabilities. Moreover, we may not be able to maintain our insurance on acceptable terms. In addition, negative publicity relating to a product liability claim may make it more difficult, or impossible, for us to recruit patients for our clinical trials or to market and sell our products. As a result of these factors, a product liability claim, even if successfully defended, could have a material adverse effect on our business, financial condition or results of operations.

Our clinical trials are often conducted with patients who have severe and advanced stages of disease when they enter our trials. Patients involved in clinical trials such as ours often have known as well as unknown significant pre-existing health risks. During the course of a trial patients may suffer adverse events, including death, for reasons that may or may not be related to our products. Such events can subject us to costly litigation and require us to pay substantial amounts of money to injured patients; and may delay, negatively impact, or end our opportunity to receive regulatory approval to market our products. Even where we do not believe that an adverse event was related to our product, the investigation into the circumstance may be time consuming or may be inconclusive. These investigations may delay our regulatory approval process, impact and limit the type of regulatory approvals our products receive, or end our opportunity to receive regulatory approval. PNH patients in our trials sometimes have additional, pre-existing, potentially life-threatening disease, including for example bone marrow failure. Some patients who have participated in our PNH trials have died either during or after ending study-specified treatments. Each such incident has been reported to the FDA in accordance with relevant regulations. Use of C5 Inhibitors, such as eculizumab, is associated with an increased risk for infection with Neisseria bacteria. Some patients in our trials of eculizumab for the treatment of PNH or other diseases have become infected with Neisseria bacteria. Serious cases of Neisseria infection can result in brain damage, loss of limbs or parts of limbs, kidney failure, or death.

We are subject to environmental laws and potential exposure to environmental liabilities.

We are subject to various federal, state and local environmental laws and regulations that govern our operations, including the handling and disposal of non-hazardous and hazardous wastes, including medical and biological wastes, and emissions and discharges into the environment, including air, soils and water sources. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities. We also are subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs of remediating its property or locations to which wastes

were sent from its facilities, without regard to whether the owner or operator knew of, or necessarily caused, the contamination. Such obligations and liabilities, which to date have not been material, could have a material impact on our business and financial condition.

Inability to contract with third-party manufacturers on commercially reasonable terms, or failure or delay by us or our third-party manufacturers, if any, in manufacturing our drug products for testing, and later for potential sale in the market in the volumes and quality required, would have a material adverse effect on our business.

For our drug trials, we need to produce sufficient amounts of product for testing. Our small manufacturing plant cannot manufacture enough of our product candidates for later stage clinical development or commercial supply. In addition, we do not have the capacity to produce more than one product candidate at a time in that plant. We acquired a commercial-scale manufacturing plant in Smithfield, Rhode Island in July, 2006; however, that plant is not currently equipped or approved by the FDA or other regulatory agencies to manufacture eculizumab or our other drug candidates. We depend on a few outside suppliers for manufacturing. If we experience interruptions in the manufacture of our products, our drug development and commercialization efforts will be delayed. If any of our outside manufacturers stops manufacturing our products or reduces the amount manufactured, or is otherwise unable to manufacture our required amounts at our required quality, we will need to find other alternatives, which is likely to be expensive and time consuming, and even if we are able to find alternatives they may ultimately be insufficient for our needs. As a result, our ability to conduct testing and drug trials and our plans for commercialization would be materially adversely affected. Submission of products and new development programs for regulatory approval, as well as our plans for commercialization, would be delayed. Our competitive position and our prospects for achieving profitability would be materially and adversely affected.

We have no experience or capacity for manufacturing drug products in volumes that would be necessary to support commercial sales and we can provide no assurance that we will be able to do so successfully. We have no experience in developing commercial-scale manufacturing of the sort anticipated in Smithfield, Rhode Island. We can provide no assurance that we will be able to develop the Smithfield, Rhode Island site into a plant capable of manufacturing our drug products under required FDA conditions on a timely basis, if at all. If eculizumab is approved for sale, we expect we or our outside manufacturers would be required to manufacture substantially more material than we have required for clinical and preclinical trials. We and our outside manufacturers may experience higher manufacturing failure rates than in the past if and when we attempt to substantially increase production volume.

Manufacture of drug products, including the need to develop and utilize manufacturing processes that consistently produce our drug products to their required quality specifications, is highly regulated by the FDA and other domestic and foreign authorities. Regulatory authorities must approve the facilities in which our products are manufactured prior to granting market approval for any product candidate. Manufacturing facilities are also subject to ongoing inspections and minor changes in manufacturing processes may require additional regulatory approvals. We cannot assure you that we or our third-party collaborators will successfully comply with all of those requirements and regulations, which failure would have a materially adverse effect on our business.

Manufacture of our drug products is highly technical and only a few third-parties have the ability and capacity to manufacture our drug products for our development and commercialization needs. We can not assure you that these potential third-party collaborators will agree to manufacture our products on our behalf on commercially reasonable terms, if at all. If we do achieve agreement from one or more third parties to manufacture our drug products, we can not assure you that they will be able or willing to honor the terms of the agreements, including any obligations to manufacture the drug products in accordance with regulatory requirements and to our quality specifications and volume requirements. Due to the highly technical requirements of manufacturing our drug products, our third-party collaborators and we may be unable to manufacture our drug products despite their and our efforts.

Currently, we are relying on P&G to retain appropriate commercial-scale manufacturing for pexelizumab through one or more third-party manufacturers. P&G has contracted with Chiron Corporation, or Chiron, for the commercial-scale manufacture of pexelizumab. The failure of P&G to obtain and maintain appropriate commercial-scale manufacturing for pexelizumab in accordance with all regulatory requirements on a timely basis, or at all, may

prevent or impede the commercialization of pexelizumab. We have executed a commercial-scale product supply agreement with Lonza Biologics, plc, or Lonza, for the long-term manufacture of eculizumab. The failure of Lonza to manufacture appropriate supplies of eculizumab on a timely basis, or at all, may prevent or impede the commercialization of Soliris™ (eculizumab). Prior to granting an approval for marketing of pexelizumab or eculizumab, Chiron's facilities with respect to manufacturing of pexelizumab and Lonza's facilities with respect to manufacturing of eculizumab will be subject to inspection by the FDA in the United States and by regulatory agencies from foreign countries. Our Smithfield, Rhode Island plant would be subject to similar inspections before we are able to use products manufactured in that plant for commercial or clinical purposes. Due to the nature of the current market for third-party commercial manufacturing arrangements, many arrangements require substantial penalty payments by the customer for failure to use the manufacturing capacity contracted for. We could owe substantial penalty payments to Lonza if we were not to use the manufacturing capacity we contracted for, and we could be required to share with P&G, on up to a 50-50 basis, substantial penalty payments owed by P&G for its failure to utilize the manufacturing capacity it contracted for with third-party manufacturers for the supply of pexelizumab. Penalty payments under these agreements typically decrease over the life of the agreement, and may be substantial initially and de minims or non-existent in the final period. The payment of a substantial penalty would harm our financial condition.

If we are unable to establish sales, marketing and distribution capabilities, or to enter into agreements with third parties to do so, we will be unable to successfully market and sell future drug products.

We have only recently established core pre-commercial marketing, sales and distribution capabilities. If we are unable to continue developing those capabilities, either by developing our own capabilities or entering into agreements with others, we will not be able to successfully sell our future drug products. In that event, we will not be able to generate significant revenues. We cannot guarantee that we will be able to hire the qualified sales and marketing personnel we need. We may not be able to enter into any marketing or distribution agreements with third-party providers on acceptable terms, if at all.

If we are unable to obtain reimbursement for our future products from government health administration authorities, private health insurers and other organizations, our products may be too costly for regular use and our ability to generate revenues would be harmed.

Our products, if commercialized, may be significantly more expensive than traditional drug treatments. Our future revenues and profitability will be adversely affected if we cannot depend on governmental, private third-party payers and other third-party payers, including Medicare and Medicaid, to defray the cost of our products to the consumer. If these entities refuse to provide coverage and reimbursement with respect to our products or determine to provide an insufficient level of coverage and reimbursement, our products may be too costly for general use, and physicians may not prescribe them. Many third-party payers cover only selected drugs, making drugs that are not preferred by such payer more expensive for patients, and require prior authorization or failure on another type of treatment before covering a particular drug. Payers may especially impose these obstacles to coverage for higher-priced drugs, as our product candidates are likely to be.

In addition to potential restrictions on coverage, the amount of reimbursement for our products may also reduce our profitability and worsen our financial condition. In the United States, there have been and we expect will continue to be actions and proposals to control and reduce healthcare costs. Government and other third-party payers are challenging the prices charged for healthcare products and increasingly limiting and attempting to limit both coverage and level of reimbursement for prescription drugs.

Since our products will likely be too expensive for most patients to afford without health insurance coverage, if our products are unable to obtain adequate coverage and reimbursement by third-party payers our ability to successfully commercialize our product candidates may be adversely impacted. Any limitation on the use of our products or any decrease in the price of our products will have a material adverse effect on our ability to achieve profitability.

In certain foreign countries, pricing, coverage and level of reimbursement of prescription drugs are subject to governmental control and we may be unable to negotiate coverage, pricing, and reimbursement on terms that are

favorable to us. In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. Our results of operation may suffer if we are unable to market our products in foreign countries or if coverage and reimbursement for our products in foreign countries is limited.

If our competitors get to the marketplace before we do with better or cheaper drugs, our drugs may not be profitable to sell or to continue to develop.

Each of Abbott Laboratories Inc., Adprotech Ltd., Avant Immunotherapeutics, Inc., Baxter International, Inc., Millennium Pharmaceuticals, Inc., Neurogen Corporation, Tanox, Inc., XOMA, Ltd., and Archemix Corporation have publicly announced their intentions to develop drugs which target the inflammatory effects of complement in the immune system. We are also aware that GlaxoSmithKline, plc, Merck & Co., Inc., and Pfizer, Inc. have had programs develop complement inhibitor therapies. Each of AstraZeneca, MorphoSys AG and Dyax Corporation has publicly announced intentions to develop therapeutic human antibodies from libraries of human antibody genes. Additionally, each of Amgen, Inc. and Medarex, Inc. has publicly announced intentions to develop therapeutic human antibodies from mice that have been bred to include some human antibody genes. These and other pharmaceutical companies, many of which have significantly greater resources than we, may develop, manufacture, and market better or cheaper drugs than our product candidates. They may establish themselves in the marketplace before we are able even to finish our clinical trials. Other pharmaceutical companies also compete with us to attract academic research institutions as drug development partners, including for licensing these institutions' proprietary technology. If our competitors successfully enter into such arrangements with academic institutions, we will be precluded from pursuing those unique opportunities and may not be able to find equivalent opportunities elsewhere.

If we fail to recruit and retain personnel, our research and product development programs may be delayed.

We are highly dependent upon the efforts of our senior management and scientific personnel, particularly Dr. Leonard Bell, M.D., our Chief Executive Officer and a member of our Board of Directors, David W. Keiser, our President, Chief Operating Officer and a member of our Board of Directors, and Stephen P. Squinto, Ph.D., our Executive Vice President and Head of Research. There is intense competition in the biotechnology industry for qualified scientific and technical personnel. Since our business is very science-oriented and specialized, we need to continue to attract and retain such people. We may not be able to continue to attract and retain the qualified personnel necessary for developing our business. We have employment agreements with Dr. Bell, Mr. Keiser, and Dr. Squinto. None of our key personnel is nearing retirement age or to our knowledge, planning to retire. To our knowledge, there is no tension between any of our key personnel and the Board of Directors. If we lose the services of our management and scientific personnel and fail to recruit other scientific and technical personnel, our research and product development programs will be materially and adversely affected.

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

Our ability to use net operating loss carry forwards to reduce future tax payments may be limited if there is a change in ownership of Alexion.

As of December 31, 2005, we had approximately $493 million of net operating loss carry forwards, or NOLs, available to reduce taxable income in future years. We believe that some of these NOLs are currently subject to an annual limitation under section 382 of the Internal Revenue Code of 1986, as amended.

Our ability to utilize our NOLs may be further limited if we undergo an ownership change, as defined in section 382, as a result of subsequent changes in the ownership of our outstanding stock. We would undergo an ownership change if, among other things, the stockholders, or group of stockholders, who own or have owned, directly or

indirectly, 5% or more of the value of our stock, or are otherwise treated as 5% stockholders under section 382 and the regulations promulgated there under, increase their aggregate percentage ownership of our stock by more than 50 percentage points over the lowest percentage of our stock owned by these stockholders at any time during the testing period, which is generally the three-year period preceding the potential ownership change. In the event of an ownership change, section 382 imposes an annual limitation on the amount of post-ownership change taxable income a corporation may offset with pre-ownership change NOLs. The limitation imposed by section 382 for any post-change year would be determined by multiplying the value of our stock immediately before the ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Any unused limitation may be carried over to later years, and the limitation may under certain circumstances be increased by built-in gains which may be present with respect to assets held by us at the time of the ownership change that are recognized in the five-year period after the ownership change. Our use of NOLs arising after the date of an ownership change would not be affected.

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

At our 2006 Annual Meeting of Stockholders held on June 7, 2006 for the transition period ended December 31, 2005, the stockholders voted to elect the following directors by the votes indicated:

	For	Against or Withheld	Abstaining
Leonard Bell, M.D.	28,432,486	251,137	—
David W. Keiser	28,432,486	251,137	—
Max Link, Ph.D.	24,101,899	4,581,724	—
Joseph A. Madri, Ph. D., M.D.	27,590,258	1,093,365	—
Larry L. Mathis	28,432,576	251,047	—
R. Douglas Norby	28,421,276	262,347	—
Alvin S. Parven	27,590,288	1,093,335	—
Ruedi E. Waeger, Ph.D.	27,591,674	1,091,949	—

Also, the stockholders voted to approve the amendment to the Company's 2004 Incentive Plan to increase the number of shares of common stock available for issuance by 775,000 shares (subject to adjustment in the event of stock splits and other similar events).

Approval of amendment to the Company's 2004 Incentive Plan: 20,107,603 for, 3,371,370 against, 38,375 abstain, 5,166,275 not voted.

Additionally, the stockholders voted to ratify the appointment of PricewaterhouseCoopers, LLP as our independent registered public accounting firm. The votes were:

Ratification of appointment of independent registered public accounting firm: 28,652,138 for, 20,134 against, 11,351 abstain.

Item 6. EXHIBITS

10.1 [Filing of the Dow facility agreements to be considered]

(a) Exhibits

31.1 Certification by Leonard Bell, Chief Executive Officer of Alexion Pharmaceuticals, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

31.2 Certification by Vikas Sinha, Senior Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

ALEXION PHARMACEUTICALS, INC.

32.1 Certification by Leonard Bell, Chief Executive Officer of Alexion Pharmaceuticals, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

32.2 Certification by Vikas Sinha, Senior Vice President and Chief Financial Officer of Alexion Pharmaceuticals, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with Alexion Pharmaceuticals, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

SIGNATURES

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

ALEXION PHARMACEUTICALS, INC.

Date: August 8, 2006

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

Date: August 8, 2006

By: /s/ Vikas Sinha
Vikas Sinha
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

Exhibit 31.1

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

1. I have reviewed this quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 8, 2006

/s/ Leonard Bell, M.D.

Leonard Bell, M.D.
Chief Executive Officer

Exhibit 31.2

I, Vikas Sinha, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 8, 2006

/s/ Vikas Sinha

Vikas Sinha
Senior Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc. (the "Company") for the fiscal quarter ended June 30, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Leonard Bell M.D., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 8, 2006

/s/ Leonard Bell, M.D.
Leonard Bell, M.D.
Chief Executive Officer

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

Exhibit 32.2

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

In connection with the quarterly report on Form 10-Q of Alexion Pharmaceuticals, Inc. (the "Company") for the fiscal quarter ended June 30, 2006 as filed with the Securities and Exchange Commission (the "Report"), I, Vikas Sinha, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 8, 2006

/s/ Vikas Sinha
Vikas Sinha
Senior Vice President and Chief Financial Officer

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