**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 25, 2018

# VERTEX PHARMACEUTICALS INCORPORATED

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

| **MASSACHUSETTS** | **000-19319** | **04-3039129** |
|---|---|---|
| *(State or other jurisdiction of incorporation)* | *(Commission File Number)* | *(IRS Employer Identification No.)* |

**50 Northern Avenue**
**Boston, Massachusetts 02210**
*(Address of principal executive offices) (Zip Code)*

**(617) 341-6100**
*(Registrant's telephone number, including area code)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

**Item 2.02. Results of Operations and Financial Condition.**

On July 25, 2018, we issued a press release in which we reported our consolidated financial results for the three and six months ended June 30, 2018. A copy of that press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information set forth in Exhibit 99.1 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits.**

**(d) Exhibits**

| Exhibit | Description of Document |
|---|---|
| 99.1 | Press Release, dated July 25, 2018 |

**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 hereunto duly authorized.

**VERTEX PHARMACEUTICALS INCORPORATED**
(Registrant)

Date: July 25, 2018

/s/ Michael J. LaCascia

Michael J. LaCascia
Senior Vice President and General Counsel

# Vertex Reports Second-Quarter 2018 Financial Results

*-Second-quarter 2018 total CF product revenues of $750 million, a 46% increase compared to $514 million in the second quarter of 2017-*

*-Company increases full-year 2018 total CF product revenue guidance to $2.9 to $3.0 billion; reiterates full-year 2018 combined non-GAAP R&D and SG&A expense guidance of $1.50 to $1.55 billion-*

*-Provides update for triple combination regimens for CF; Phase 3 programs for both VX-659 and VX-445 expected to complete enrollment in the second half of 2018-*

**BOSTON** -- Vertex Pharmaceuticals Incorporated (Nasdaq: VRTX) today reported consolidated financial results for the second quarter ended June 30, 2018 and reviewed recent progress with its approved and investigational medicines. Vertex also updated its guidance for full-year 2018 total CF product revenues and reiterated its guidance for combined GAAP and non-GAAP R&D and SG&A expenses.

## Second-Quarter 2018 Financial Highlights

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | **2018** | **2017** | **% Change** |
| | (in millions, except per share and percentage data) | | |
| **TOTAL CF product revenues, net** | $ 750 | $ 514 | 46% |
| **GAAP net income** | $ 207 | $ 18 | |
| **GAAP net income per share - diluted** | $ 0.80 | $ 0.07 | |
| **Non-GAAP net income** | $ 244 | $ 99 | 147% |
| **Non-GAAP net income per share - diluted** | $ 0.94 | $ 0.39 | 141% |

“We have made tremendous progress across our business in the first half of 2018 marked by the successful launch of SYMDEKO, the fast enrollment of two Phase 3 programs for our triple combination regimens, and continued success in bringing our CF medicines to more people outside of the U.S.,” said Jeffrey Leiden, M.D., Ph.D., Chairman, President and Chief Executive Officer of Vertex. “As we enter the second half of the year, we are well positioned to continue our progress toward developing new medicines for all people with CF as well as advancing other transformative medicines outside of CF from research into development.”

## Second-Quarter 2018 CF Net Product Revenues

| | Three Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| | (in millions) | |
| **TOTAL CF product revenues, net** | $ 750 | $ 514 |
| **KALYDECO product revenues, net** | $ 253 | $ 190 |
| **ORKAMBI product revenues, net** | $ 311 | $ 324 |
| **SYMDEKO product revenues, net** | $ 186 | $ – |

**Total CF net product revenues** increased 46% compared to the second quarter of 2017 driven by the rapid uptake of SYMDEKO in the U.S. across all eligible patients.

## Second-Quarter 2018 R&D and SG&A Expenses

| | Three Months Ended June 30, | |
|---|---|---|
| | 2018 | 2017 |
| | (in millions) | |
| **Combined GAAP R&D and SG&A expenses** | $ 475 | $ 417 |
| **GAAP R&D expense** | $ 338 | $ 289 |
| **GAAP SG&A expense** | $ 137 | $ 127 |
| **Combined Non-GAAP R&D and SG&A expenses** | $ 388 | $ 333 |
| **Non-GAAP R&D expense** | $ 281 | $ 240 |
| **Non-GAAP SG&A expense** | $ 107 | $ 93 |

**Combined GAAP and non-GAAP R&D and SG&A expenses** increased compared to the second quarter of 2017 due to the advancement of the company's portfolio of triple combination regimens for CF and investments to support the treatment of CF globally.

**Non-GAAP net income** increased $145 million to $244 million compared to the second quarter of 2017 largely driven by the strong growth in total CF product revenues. GAAP net income increased $189 million to $207 million compared to the second quarter of 2017 due to an increase in CF product revenues and an increase of $53.9 million in the fair value of the company's strategic investments in CRISPR Therapeutics.

**Cash, cash equivalents and marketable securities** as of June 30, 2018 were approximately $2.8 billion, an increase of approximately $700 million compared to $2.1 billion as of December 31, 2017.

## 2018 Financial Guidance

Vertex today increased its full-year 2018 total CF product revenue guidance and reiterated guidance for combined GAAP and non-GAAP R&D and SG&A expenses as summarized below:

| | Current FY 2018 | Previous FY 2018 |
|---|---|---|
| **TOTAL CF product revenues** | $ 2.9 - 3.0 billion | $ 2.65 - 2.80 billion |
| **Combined GAAP R&D and SG&A expenses** | $ 1.80 - 1.95 billion | Unchanged |
| **Combined Non-GAAP R&D and SG&A expenses** | $ 1.50 - 1.55 billion | Unchanged |

The increase in total CF product revenue guidance reflects the continued rapid uptake and strong demand for SYMDEKO in the U.S. among people ages 12 and older.

## Business Highlights

### TRIPLE COMBINATION REGIMENS

In the second half of 2018, Vertex expects to complete enrollment across all four studies of its Phase 3 programs evaluating VX-659 and VX-445 in people with CF ages 12 and older who have one *F508del* mutation and one minimal function mutation and who have two copies of the *F508del* mutation. Based on the anticipated completion of enrollment for both programs, the company expects to submit a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) no later than mid-2019.

### APPROVED CF MEDICINES

***Strong demand for SYMDEKO:*** In the second quarter of 2018, Vertex saw strong demand for SYMDEKO following the U.S. launch in February 2018. SYMDEKO has received broad access and coverage from commercial and government payers, which is similar to past U.S. launches of KALYDECO and ORKAMBI.

On June 28, 2018, SYMDEKO was approved in Canada to treat people ages 12 and older who have two copies of the *F508del* mutation or who have one copy of the *F508del* mutation and one of the following mutations in the cystic fibrosis transmembrane conductance regulator (CFTR) gene: P67L,

D110H, R117C, L206W, R352Q, A455E, D579G, 711+3A→G, S945L, S977F, R1070W, D1152H, 2789+5G→A, 3272-26A→G, and 3849+10kbC→T. Vertex expects approval for the tezacaftor/ivacaftor combination in the European Union (EU) in the second half of 2018.

***Establishing long-term reimbursement outside of the U.S.:*** On June 28, 2018, Vertex announced that it reached a pricing and reimbursement agreement for ORKAMBI in Sweden. The innovative, long-term access agreement also includes a framework for assessment and access to Vertex's future CF medicines. In addition to Sweden, ORKAMBI is also reimbursed for eligible people with CF in Austria, Denmark, Germany, Ireland, Italy, Luxembourg and the Netherlands. Vertex continues to work toward establishing pricing and reimbursement agreements in other countries in the EU, Canada and Australia to ensure all eligible patients have access to this important medicine as quickly as possible.

***Treating patients at younger ages with CFTR modulators:*** The company continues to make significant progress toward developing CF medicines to be used earlier in the course of disease progression. Recent highlights include:

- Data expected in the second half of 2018 from a Phase 3 study evaluating **ivacaftor** in infants ages 6 to <12 months.
- Data expected in the second half of 2018 from a Phase 3 study evaluating **tezacaftor/ivacaftor** in children ages 6 to 11.
- Phase 3 study evaluating **lumacaftor/ivacaftor** in children ages 12 to <24 months is planned to start in the second half of 2018.
- Pending approval of **ivacaftor** in children ages 12 to <24 months with a Prescription Drug User Fee Act (PDUFA) action date of August 15, 2018.
- Pending approval of **lumacaftor/ivacaftor** in children ages 2 to 5 years old with a PDUFA date of August 7, 2018.

**SICKLE CELL DISEASE & β-THALASSEMIA**

In beta thalassemia, Vertex and its partner CRISPR Therapeutics obtained approval in the U.K. for a Clinical Trial Application (CTA) for CTX001 earlier this year and recently obtained a CTA approval in Canada. The companies remain on track to initiate the first study of CTX001 in beta thalassemia

later this year. In sickle cell disease, the companies also recently obtained CTA approvals in Canada and the U.K. and continue to work with the FDA to address the agency's questions regarding the IND for CTX001 that was submitted earlier this year.

**Non-GAAP Financial Measures**

In this press release, Vertex's financial results and financial guidance are provided in accordance with accounting principles generally accepted in the United States (GAAP) and using certain non-GAAP financial measures. In particular, non-GAAP financial results and guidance exclude (i) stock-based compensation expense, (ii) revenues and expenses related to business development transactions including collaboration agreements, asset acquisitions and consolidated variable interest entities, (iii) non-operating tax adjustments and (iv) other adjustments, including gains or losses related to the fair value of the company's strategic investments in CRISPR and Moderna Therapeutics, Inc. These results are provided as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help indicate underlying trends in the company's business, are important in comparing current results with prior period results and provide additional information regarding the company's financial position. Management also uses these non-GAAP financial measures to establish budgets and operational goals that are communicated internally and externally and to manage the company's business and to evaluate its performance. The company adjusts, where appropriate, for both revenues and expenses in order to reflect the company's operations. The company provides guidance regarding product revenues in accordance with GAAP and provides guidance regarding combined research and development and sales, general, and administrative expenses on both a GAAP and a non-GAAP basis. The guidance regarding GAAP research and development expenses and sales, general and administrative expenses does not include estimates regarding expenses associated with any potential future business development activities. A reconciliation of the GAAP financial results to non-GAAP financial results is included in the attached financial information.

**Vertex Pharmaceuticals Incorporated**
**Second-Quarter Results**
**Consolidated Statements of Operations Data**
(in thousands, except per share amounts)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Revenues: | | | | |
| Product revenues, net | $ 749,912 | $ 513,988 | $ 1,387,641 | $ 994,610 |
| Royalty revenues | 1,085 | 2,861 | 2,441 | 4,412 |
| Collaborative revenues (Note 1) | 1,160 | 27,286 | 2,874 | 259,831 |
| Total revenues | 752,157 | 544,135 | 1,392,956 | 1,258,853 |
| Costs and expenses: | | | | |
| Cost of sales | 104,382 | 71,205 | 175,995 | 118,193 |
| Research and development expenses | 337,532 | 289,451 | 648,085 | 563,014 |
| Sales, general and administrative expenses | 137,303 | 127,249 | 267,111 | 240,575 |
| Restructuring expenses (income) | 62 | 3,523 | (14) | 13,522 |
| Total costs and expenses | 579,279 | 491,428 | 1,091,177 | 935,304 |
| Income from operations | 172,878 | 52,707 | 301,779 | 323,549 |
| Interest expense, net | (10,106) | (14,664) | (21,203) | (31,429) |
| Other income (expense), net (Note 2) | 53,819 | (2,537) | 150,657 | (3,081) |
| Income from operations before provision for (benefit from) income taxes (Note 3) | 216,591 | 35,506 | 431,233 | 289,039 |
| Provision for (benefit from) income taxes (Note 3)(Note 4) | 10,341 | 4,337 | (2,318) | 8,322 |
| Net income | 206,250 | 31,169 | 433,551 | 280,717 |
| Loss (income) attributable to noncontrolling interest (Note 3) | 1,110 | (13,173) | (15,928) | (14,965) |
| Net income attributable to Vertex | $ 207,360 | $ 17,996 | $ 417,623 | $ 265,752 |
| | | | | |
| Amounts per share attributable to Vertex common shareholders: | | | | |
| Net income: | | | | |
| Basic | $ 0.82 | $ 0.07 | $ 1.65 | $ 1.08 |
| Diluted | $ 0.80 | $ 0.07 | $ 1.61 | $ 1.06 |
| Shares used in per share calculations: | | | | |
| Basic | 254,135 | 247,521 | 253,685 | 246,782 |
| Diluted | 258,584 | 251,635 | 258,557 | 250,199 |

**Reconciliation of GAAP to Non-GAAP Net Income**
**Second-Quarter Results**
(in thousands, except per share amounts)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **GAAP net income attributable to Vertex** | $ 207,360 | $ 17,996 | $ 417,623 | $ 265,752 |
| Stock-based compensation expense | 82,436 | 72,582 | 160,572 | 141,564 |
| Collaborative and transaction revenues and expenses (Note 5) | 1,352 | 4,051 | 25,898 | (222,249) |
| Other adjustments (Note 6) | (52,092) | 4,268 | (147,254) | 15,236 |
| Non-operating tax adjustments (Note 7) | 5,030 | — | (16,829) | — |
| **Non-GAAP net income attributable to Vertex** | $ 244,086 | $ 98,897 | $ 440,010 | $ 200,303 |
| | | | | |
| Amounts per diluted share attributable to Vertex common shareholders: | | | | |
| GAAP | $ 0.80 | $ 0.07 | $ 1.61 | $ 1.06 |
| Non-GAAP | $ 0.94 | $ 0.39 | $ 1.70 | $ 0.80 |
| Shares used in diluted per share calculations: | | | | |
| GAAP and Non-GAAP | 258,584 | 251,635 | 258,557 | 250,199 |

**Reconciliation of GAAP to Non-GAAP Revenues and Expenses**
**Second-Quarter Results**
(in thousands)
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **GAAP total revenues** | $ 752,157 | $ 544,135 | $ 1,392,956 | $ 1,258,853 |
| Collaborative and transaction revenues (Note 5) | (941) | (27,222) | (2,860) | (259,684) |
| **Non-GAAP total revenues** | $ 751,216 | $ 516,913 | $ 1,390,096 | $ 999,169 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **GAAP cost of sales** | $ 104,382 | $ 71,205 | $ 175,995 | $ 118,193 |
| Stock-based compensation expense (Note 8) | (1,191) | — | (2,004) | — |
| **Non-GAAP cost of sales** | $ 103,191 | $ 71,205 | $ 173,991 | $ 118,193 |
| | | | | |
| **GAAP research and development expenses** | $ 337,532 | $ 289,451 | $ 648,085 | $ 563,014 |
| Stock-based compensation expense | (51,612) | (43,832) | (100,100) | (88,669) |
| Collaborative and transaction expenses (Note 5) | (3,605) | (5,024) | (5,460) | (7,033) |
| Other adjustments (Note 6) | (1,522) | (136) | (1,740) | (272) |
| **Non-GAAP research and development expenses** | $ 280,793 | $ 240,459 | $ 540,785 | $ 467,040 |
| | | | | |
| **GAAP sales, general and administrative expenses** | $ 137,303 | $ 127,249 | $ 267,111 | $ 240,575 |
| Stock-based compensation expense | (29,633) | (28,750) | (58,468) | (52,895) |
| Collaborative and transaction expenses (Note 5) | (240) | (4,984) | (1,415) | (6,988) |
| Other adjustments (Note 6) | (242) | (609) | (396) | (1,442) |
| **Non-GAAP sales, general and administrative expenses** | $ 107,188 | $ 92,906 | $ 206,832 | $ 179,250 |
| | | | | |
| **Combined non-GAAP R&D and SG&A expenses** | $ 387,981 | $ 333,365 | $ 747,617 | $ 646,290 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **GAAP interest expense, net and other income (expense), net** | $ 43,713 | $ (17,201) | $ 129,454 | $ (34,510) |
| Collaborative and transaction expenses (Note 5) | (26) | (40) | (34) | (74) |
| Other adjustments (Note 6) | (53,918) | — | $ (149,376) | — |
| **Non-GAAP interest expense, net and other (income) expense, net** | $ (10,231) | $ (17,241) | $ (19,956) | $ (34,584) |
| | | | | |
| **GAAP provision for (benefit from) income taxes** | $ 10,341 | $ 4,337 | $ (2,318) | $ 8,322 |
| Collaborative and transaction expenses (Note 5) | 416 | (8,132) | (5,989) | (8,523) |
| Non-operating tax adjustments (Note 7) | (5,030) | — | 16,829 | — |
| **Non-GAAP provision for (benefit from) income taxes (Note 4)** | $ 5,727 | $ (3,795) | $ 8,522 | $ (201) |

## Condensed Consolidated Balance Sheets Data

(in thousands)
(unaudited)

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| Cash, cash equivalents and marketable securities | $ 2,767,755 | $ 2,088,666 |
| Accounts receivable, net | 393,439 | 281,343 |
| Inventories | 115,025 | 111,830 |
| Property and equipment, net | 815,928 | 789,437 |
| Intangible assets and goodwill | 79,384 | 79,384 |
| Other assets | 163,855 | 195,354 |
| **Total assets** | $ 4,335,386 | $ 3,546,014 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| Accounts payable and accruals | $ 562,154 | $ 517,955 |
| Other liabilities | 478,889 | 415,501 |
| Deferred tax liability | 9,335 | 6,341 |
| Construction financing lease obligation | 570,125 | 563,911 |
| Shareholders' equity | 2,714,883 | 2,042,306 |
| **Total liabilities and shareholders' equity** | $ 4,335,386 | $ 3,546,014 |
| | | |
| Common shares outstanding | 254,883 | 253,253 |

**Note 1:** In the six months ended June 30, 2017, collaborative revenues were primarily attributable to a $230.0 million upfront payment earned from the company's collaboration with Merck KGaA, Darmstadt, Germany. During the three and six months ended June 30, 2017, collaborative revenues includes $20.0 million that Parion Science Inc., a company that Vertex consolidated as a variable interest entities ("VIE") during the first three quarters of 2017, earned from a collaboration agreement with a third party.

**Note 2:** The company recorded gains of $53.9 million and $146.5 million to "Other income (expense), net" in the three and six months ended June 30, 2018, respectively, related to increases in the fair value of the company's investment in CRISPR Therapeutics AG. The company adopted ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* effective January 1, 2018. Prior to the adoption of ASU 2016-01 on January 1, 2018, changes in the fair value of the company's investment in CRISPR were recorded to equity on the company's condensed consolidated balance sheets until the related gains and losses were realized; therefore, there was no comparable income in the three and six months ended June 30, 2017.

**Note 3:** The company consolidates the financial statements of one of its collaborators, BioAxone Biosciences, Inc. during the three and six months of 2018 and 2017. BioAxone is consolidated because Vertex has licensed the rights to develop its most significant intellectual property asset. Each reporting period Vertex estimates the fair value of the contingent payments by Vertex to BioAxone. Any increase in the fair value of these contingent payments results in a decrease in net income attributable to Vertex on a dollar-for-dollar basis. The fair value of contingent payments is evaluated each quarter and any change in the fair value is reflected in the company's statement of operations. Vertex also consolidated Parion during the first three quarters of 2017.

**Note 4:** The company continues to maintain a valuation allowance on the majority of its net operating losses and other deferred tax assets. Due to this valuation allowance, the company did not record a significant provision for income taxes in the three and six months of 2018 and 2017. The company is profitable from a U.S. federal income tax perspective and has used a portion of its net operating losses to offset this income since becoming profitable. The company may release all or a portion of the valuation allowance in the near-term; however, the release of the valuation allowance, as well as the exact timing and amount of such release, continue to be subject to, among other things, the company's level of profitability, revenue growth, clinical program progression and expectations regarding future profitability. In the period of the release of the valuation allowance, the company will recognize a significant non-cash credit to net income and will reflect a deferred tax asset, which is currently subject to the valuation allowance, on its condensed consolidated balance sheet. Following the release, the company expects to continue to utilize its net operating losses to offset income, but would begin recording a provision for income taxes reflecting the utilization of the deferred tax assets. As of December 31, 2017, the company's U.S. Federal net operating loss carry forwards totaled approximately $3.6 billion and its total deferred tax asset balance subject to the valuation allowance was approximately $1.6 billion.

**Note 5**: In the three and six months ended June 30, 2018 and 2017, "Collaborative and transaction revenues and expenses" primarily consisted of (i) revenues and operating costs and expenses attributable to BioAxone, (ii) changes in the fair value of contingent milestone payments and royalties payable by Vertex to BioAxone, and (iii) collaboration revenues and payments. "Collaborative and transaction revenues and expenses" included a $22.9 million increase in the fair value of contingent milestone payments and royalties payable by Vertex to BioAxone that were attributable to Vertex in the six months ended June 30, 2018. "Collaborative and transaction revenues and expenses" included (i) the $230.0 million upfront payment earned from Merck KGaA in the six months ended June 30, 2017 and (ii) the $20.0 million of collaborative revenues related to Parion in the three and six months ended June 30, 2017, both of which are discussed in Note 1.

**Note 6:** In the three and six months ended June 30, 2018, "Other adjustments" primarily consisted of the increase in fair value of the company's investment in CRISPR Therapeutics AG discussed in Note 2 above as well as a $2.9 million increase in the fair value of the company's investment in Moderna Therapeutics, Inc. that was recorded in the three months ended March 31, 2018. In the three and six months ended June 30, 2017, "Other adjustments" primarily consisted of restructuring charges related to the company's decision to consolidate its research activities into its Boston, Milton Park and San Diego locations and to close its research site in Canada.

**Note 7:** In the three and six months ended June 30, 2018, "Non-operating tax adjustments" included discrete items related to stock-based compensation. On a GAAP basis, the company recorded a provision for income taxes related to stock-based compensation of $5.0 million in the three months ended June 30, 2018 and a benefit from stock-based compensation of $16.8 million in the six months ended June 30, 2018. The company expects the net benefit from income taxes for the six months ended June 30, 2018, as well as any amounts recorded in the third quarter of 2018, to reverse in the fourth quarter of 2018 resulting in no effect on its GAAP annual provision for income taxes. Accordingly, the company is excluding these adjustments from its Non-GAAP measures.

**Note 8:** In the three and six months ended June 30, 2018, “Cost of sales” included $1.2 million and $2.0 million, respectively, in stock-based compensation expense. In the three and six months ended June 30, 2017, “Cost of sales” included $0.5 million and $1.0 million, respectively, in stock-based compensation expense. Beginning with the first quarter of 2018, the company is adjusting for the stock-based compensation expense recorded in “Cost of sales” in its reconciliation of "Non-GAAP net income attributable to Vertex" and "Non-GAAP cost of sales". In its Non-GAAP reconciliation, the company is not adjusting for the stock-based compensation expense recorded in “Cost of sales” for the three and six months ended June 30, 2017.

**About Vertex**

Vertex is a global biotechnology company that invests in scientific innovation to create transformative medicines for people with serious and life-threatening diseases. In addition to clinical development programs in CF, Vertex has more than a dozen ongoing research programs focused on the underlying mechanisms of other serious diseases.

Founded in 1989 in Cambridge, Mass., Vertex's headquarters is now located in Boston's Innovation District. Today, the company has research and development sites and commercial offices in the United States, Europe, Canada and Australia. Vertex is consistently recognized as one of the industry's top places to work, including being named to *Science* magazine's Top Employers in the life sciences ranking for eight years in a row.

For additional information and the latest updates from the company, please visit www.vrtx.com.

**Special Note Regarding Forward-Looking Statements**

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including, without limitation, Dr. Leiden's statements in this press release, the information

provided in the sections captioned "2018 Financial Guidance" and statements regarding (i) the timing and expected outcome of regulatory applications, including NDAs and MAAs and (ii) the development plan and timelines for our product development candidates, including tezacaftor in combination with ivacaftor and our next-generation triple combination regimens. While Vertex believes the forward-looking statements contained in this press release are accurate, these forward-looking statements represent the company's beliefs only as of the date of this press release and there are a number of factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements. Those risks and uncertainties include, among other things, that the company's expectations regarding its 2018 CF net product revenues and expenses may be incorrect (including because one or more of the company's assumptions underlying its expectations may not be realized), that data from the company's development programs may not support registration or further development of its compounds due to safety, efficacy or other reasons, and other risks listed under Risk Factors in Vertex's annual report and quarterly reports filed with the Securities and Exchange Commission and available through the company's website at www.vrtx.com. Vertex disclaims any obligation to update the information contained in this press release as new information becomes available.

**Conference Call and Webcast**

The company will host a conference call and webcast today at 4:30 p.m. ET. To access the call, please dial (866) 501-1537 (U.S.) or +1 (720) 545-0001 (International). The conference call will be webcast live and a link to the webcast can be accessed through Vertex's website at www.vrtx.com in the "Investors" section under "Events and Presentations." To ensure a timely connection, it is recommended that users register at least 15 minutes prior to the scheduled webcast. An archived webcast will be available on the company's website.

(VRTX-E)

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