SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934
For the quarterly period ended March 31, 1998
OR
[ ] Transition report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934
For the transition period from to

Commission File Number 000-19319

Vertex Pharmaceuticals Incorporated
(Exact name of registrant as specified in its charter)

Massachusetts	04-3039129
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)

130 Waverly Street, Cambridge, 02139-4242
(Address of principal executive offices, including zip code)

(617) 577-6000
(Registrant's telephone number, including area code)

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

YES X NO
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 6, 1998
Common Stock, par value $.01 per share	25,288,904

VERTEX PHARMACEUTICALS INCORPORATED

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Report of Independent Accountants

To the Board of Directors and Stockholders of Vertex Pharmaceuticals Incorporated:

We have reviewed the condensed consolidated balance sheet of Vertex Pharmaceuticals Incorporated as of March 31, 1998, and the related condensed consolidated statements of income and cash flows for the three month periods ended March 31, 1998 and 1997. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1997, and the related consolidated statements of income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated February 23, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Coopers & Lybrand L.L.P.

Boston, Massachusetts
April 22, 1998

VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 1998	December 31, 1997
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,446	$ 71,454
Short-term investments	207,428	208,217
Prepaid expenses and other current assets	1,662	1,952
Total current assets	267,536	281,623
Restricted cash	2,316	2,316
Property and equipment, net	12,381	11,095
Other assets	1,113	570
Total assets	$ 283,346	$ 295,604
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Obligations under capital lease and debt	$ 2,537	$ 2,510
Accounts payable and accrued expenses	6,174	10,632
Deferred revenue	--	556
Total current liabilities	8,711	13,698
Obligations under capital leases and debt, excluding current portion	6,209	5,905
Total liabilities	14,920	19,603
Stockholders' equity:		
Common stock	253	252
Additional paid-in capital	393,312	392,372
Accumulated other comprehensive income	50	152
Accumulated deficit	(125,189)	(116,775)
Total stockholders' equity	268,426	276,001
Total liabilities and stockholders' equity	$ 283,346	$ 295,604

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

VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	1998	1997
Revenues:		
Collaborative and other research and development	$ 3,173	$ 4,660
Interest income	3,996	2,258
Total revenues	7,169	6,918
Costs and expenses:		
Research and development	12,182	10,314
General and administrative	3,253	2,218
Interest	148	152
Total costs and expenses	15,583	12,684
Net loss	$ (8,414)	$ (5,766)
Basic and diluted net loss per common share	$(0.33)	$(0.26)
Basic and diluted weighted average number of common shares outstanding	25,250	21,975

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

VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	1998	1997
Cash flows from operating activities:		
Net loss	$ (8,414)	$ (5,766)
Adjustment to reconcile netloss to net cash used by operating activities:		
Depreciation and amortization	932	814
Changes in assets and liabilities:		
Prepaid expenses and other current assets	290	104
Accounts payable and accrued expenses	(4,458)	2,116
Deferred revenue	(556)	--
Net cash provided (used) by operating activities	(12,206)	(2,732)
Cash flows from investing activities:		
Short-term investments	686	(94,997)
Expenditures for property and equipment	(2,218)	(2,260)
Other assets	(543)	(75)
Net cash provided (used) by investing activities	(2,075)	(97,332)
Cash flows from financing activities:		
Proceeds from public offering of common stock	--	148,810
Other issuances of common stock	941	1,692
Proceeds from equipment sale/leaseback	1,004	343
Repayment of capital lease obligations	(673)	(698)
Net cash provided (used) by financing activities	1,272	150,147
Effect of exchange rate changes on cash	1	(7)
Increase (decrease) in cash and cash equivalents	(13,008)	50,076
Cash and cash equivalents at beginning of period	71,454	34,851
Cash and cash equivalents at end of period	$ 58,446	$ 84,927

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

VERTEX PHARMACEUTICALS INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company in accordance with generally accepted accounting principles.

Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The interim financial statements, in the opinion of management, reflect all adjustments (including normal recurring accruals) necessary for a fair statement of the results for the interim periods ended March 31, 1998 and 1997.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year, although the Company expects to incur a substantial loss for the year ended December 31, 1998. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1997, which are contained in the Company's 1997 Annual Report to its shareholders and in its Form 10-K filed with the Securities and Exchange Commission.

2. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Changes in cash and cash equivalents may be affected by shifts in investment portfolio maturities as well as by actual net cash receipts or disbursements.

3. Basic and Diluted Loss per Common Share

Basic earnings per share is based upon the weighted average number of common shares outstanding during the period. Diluted earnings per share is based upon the weighted average number of common shares outstanding during the period plus additional weighted average common equivalent shares outstanding during the period when the effect is not anti-dilutive. Common equivalent shares result from the assumed exercise of outstanding stock options, the proceeds of which are then assumed to have been used to repurchase outstanding stock using the treasury stock method. Common equivalent shares have not been included in the per share calculations as the effect would be anti-dilutive. Total potential common equivalents shares consist of 4,697,158 stock options outstanding with a weighted average exercise price of $22.24 as of March 31, 1998.

4. Comprehensive Income

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income", which requires that all components of comprehensive income and total comprehensive income be reported and that changes be shown in a financial statement displayed with the same prominence as other financial statements. The Company has elected to disclose this information in its statement of stockholders' equity. For the quarters ended March 31, 1998 and 1997 total comprehensive loss was as follows (in thousands):

	March 31, 1998	March 31, 1997
Net loss	$(8,414)	$(5,766)
Other comprehensive income (loss):		
Unrealized holding gains (losses) on investments	(103)	(348)
Foreign currency translation adjustment	1	(7)
Total other comprehensive income (loss)	(102)	(355)
Total comprehensive loss	$(8,516)	$(6,121)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion contains forward-looking statements which are subject to certain risks and uncertainties that can cause actual results to differ materially from those described. Factors that may cause such differences include but are not limited to those described in the section of the Company's annual report on Form 10-K entitled "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to publicly update or revise these forward-looking statements to reflect events or circumstances after the date hereof.

Since its inception in 1989, the Company has been engaged in the discovery, development and commercialization of novel, small molecule pharmaceuticals for the treatment of major diseases for which there are currently limited or no effective treatments. The Company is a leader in the use of structure-based drug design, an approach to drug discovery that integrates advanced biology, biophysics and chemistry. The Company is conducting research and development programs to develop pharmaceuticals for the treatment of viral diseases, multidrug resistance in cancer, inflammation, immunosuppression and neurodegenerative disorders.

To date, the Company has not received any revenues from the sale of pharmaceutical products. The Company's lead product candidate, amprenavir for the treatment of HIV infection, is presently undergoing Phase III clinical trials. If such clinical trials are concluded successfully and a New Drug Application is approved by the FDA and product sales, if any, commence, the Company will receive a royalty on sales of amprenavir by its partner Glaxo Wellcome plc ("Glaxo Wellcome"). However, there can be no assurance that Phase III clinical trials will be completed in a timely fashion, if at all, that

such trials will be successful, or that any approval will be granted by the FDA. The Company has incurred operating losses since its inception and expects to incur a loss in 1998. The Company believes that operating losses may continue for the next several years even if significant royalties are realized on amprenavir sales because the Company is planning to make significant investments in research and development for its other potential products. The Company expects that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

Results of Operations

Three Months Ended March 31, 1998 Compared with Three Months Ended March 31, 1997.

The Company's total revenues increased to $7,169,000 in the first quarter of 1998 from $6,918,000 in the first quarter of 1997. In the first quarter of 1998, revenues consisted of $2,958,000 under the Company's collaborative agreements, $3,996,000 in investment income, and $215,000 in government grants and other income. In the first quarter of 1997, the Company received $4,237,000 in revenue from its collaborative agreements, $2,258,000 in interest received on invested funds and $423,000 from government grants and other revenue. Total revenue in the first quarter of 1998 includes greater investment income from higher levels of cash and investment balances which offset lower collaborative revenues. Lower collaborative revenue during first quarter of 1998 as compared to the first quarter of 1997 was principally due to a $2,000,000 payment in the first quarter of 1997 from Kissei Pharmaceutical Co. Ltd. ("Kissei") associated with a clinical trial of amprenavir, Vertex's HIV protease inhibitor. In addition, the product research funding requirements under the HMR agreement ended on December 31, 1997. This was partially offset by ongoing product research funding from agreements signed with Eli Lilly and Company in June 1998 and Kissei in September 1998.

The Company's total costs and expenses increased to $15,583,000 in the first quarter of 1998 from $12,684,000 in the first quarter of 1997. Research and development expenses increased to $12,182,000 in the first quarter of 1998 from $10,314,000 in the first quarter of 1997 principally due to the commencement of preclinical development activities for drug candidates in the ICE and Neurophilins programs as well as the continued expansion of the Company's core scientific staff. In addition, general and administrative expenses increased to $3,253,000 in the first quarter of 1998 from $2,218,000 in the first quarter of 1997. The increase in general and administrative expense principally reflects the impact of personnel additions and an increase in marketing activities. Interest expense decreased to $148,000 in the first quarter of 1998 from $152,000 in the first quarter of 1997 due to lower interest rates on higher levels of equipment lease financing during the year. The Company expects that research and development as well as general and administrative expenses will continue to increase as the Company starts new research projects, advances current clinical and preclinical candidates, and expands its marketing and business development activities.

The Company recorded a net loss of $8,414,000 or $0.33 per share in the first quarter of 1998 compared to a net loss of $5,766,000 or $0.26 per share in the first quarter of 1997.

Liquidity and Capital Resources

The Company's operations have been funded principally through strategic collaborative agreements, public offerings and private placements of the Company's equity securities, equipment lease financing, government grants and investment income. The Company expects to incur increased research and development and related supporting expenses and, consequently, may continue to experience losses on a quarterly and annual basis as it continues to develop existing and future compounds and to conduct clinical trials of potential drugs. The Company also expects to incur substantial administrative and commercialization expenditures in the future and additional expenses related to the filing, prosecution, defense and enforcement of patent and other intellectual property rights.

The Company expects to finance these substantial cash needs with its existing cash and investments of approximately $266 million at March 31, 1998, together with investment income earned thereon, future payments under its existing collaborative agreements, and facilities and equipment financing. To the extent that funds from these sources are not sufficient to fund the Company's activities, it will be necessary to raise additional funds through public offerings or private placements of securities or other methods of financing. There can be no assurance that such financing will be available on acceptable terms, if at all. The Company believes that its existing cash and investments should be sufficient to meet its anticipated requirements for at least the next two years.

The Company's aggregate cash and investments decreased by $13,797,000 during the three months ended March 31, 1998 to $265,874,000. Cash used by operations, principally to fund research and development activities, was $12,206,000 during the same period. In addition to the net loss of approximately $8,414,000, cash was used by operations to significantly decrease accounts payable and accrued expenses in the amount of $4,458,000 which was related to development expenses incurred in 1997 for the Company's cancer MDR, autoimmune and inflammation projects. The Company also expended $2,218,000 during this period to acquire property and equipment, principally for research equipment and facilities. During the first quarter of 1998, the Company entered into equipment lease financing in the aggregate amount of $1,004,000 and repaid $673,000 of its lease obligations.

The Company adopted requirements relating to comprehensive income in accordance with the Statement of Financial Accounting Standards No. 130 ("SFAS 130"), "Reporting Comprehensive Income". This Statement requires that total comprehensive income be reported and that changes be shown in a financial statement displayed with the same prominence as other financial statements.

The Company is currently assessing the potential impact of the year 2000 on the processing of date-sensitive information by the Company's computerized information systems and products purchased by the Company. The Company believes that its internal information systems are either year 2000 compliant or will be so prior to the year 2000 without incurring material costs. There can be no assurance, however, that the Company will not experience unexpected costs and delays in achieving year 2000 compliance for its internal information systems and current products, which could result in a material adverse effect on the Company's future results of operations.

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities:

None

Item 3. Defaults Upon Senior Securities:

None

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

None

Item 5. Other Information:

None

Item 6. Exhibits:

27 Financial Data Schedule. (Exhibit 27 is submitted as an exhibit only in the electronic format of this Quarterly Report on Form 10-Q submitted to the Securities and Exchange Commission.)

99 Letter of Independent Accountants

Reports on Form 8-K:

None

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.

VERTEX PHARMACEUTICALS INCORPORATED

Date: May 13, 1998

/s/Thomas G. Auchincloss. Jr

Thomas G. Auchincloss, Jr.
Vice President of Finance and Treasurer
(Principal Financial Officer)

Date: May 13, 1998

/s/ Hans D. van Houte

Hans D. van Houte
Controller
(Principal Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
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JAN-31-1998
MAR-31-1998
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