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, 1999

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 of incorporation or organization)	(I.R.S. Employer Identification No.)

130 WAVERLY STREET, CAMBRIDGE, MASSACHUSETTS 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

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 7, 1999
COMMON STOCK, PAR VALUE $.01 PER SHARE	25,473,644

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 accompanying condensed consolidated balance sheet of Vertex Pharmaceuticals Incorporated as of March 31, 1999, and the related condensed consolidated statements of operations and cash flows for the three month periods ended March 31, 1999 and 1998. 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, 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 25, 1999, 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, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
April 21, 1999

VERTEX PHARMACEUTICALS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	March 31, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,810	$ 24,169
Short-term investments	204,490	221,483
Prepaid expenses and other current assets	2,429	3,056
Total current assets	226,729	248,708
Restricted cash	3,776	2,316
Property and equipment, net	15,692	14,476
Investment in equity affiliate	2,878	--
Other assets	627	846
Total assets	$ 249,702	$ 266,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Obligations under capital leases and debt	$ 2,673	$ 2,752
Accounts payable and accrued expenses	11,112	10,350
Total current liabilities	13,785	13,102
Obligations under capital leases and debt, excluding current portion	6,406	7,032
Total liabilities	20,191	20,134
Stockholders' equity:		
Common stock	254	254
Additional paid-in capital	396,461	395,165
Accumulated other comprehensive income	211	654
Accumulated deficit	(167,415)	(149,861)
Total stockholders' equity	229,511	246,212
Total liabilities and stockholders' equity	$ 249,702	$ 266,346

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,	
	1999	1998
Revenues:		
Collaborative and other research and development	$ 3,963	$ 3,173
Interest and investment income	3,166	3,996
Total revenues	7,129	7,169
Costs and expenses:		
Research and development	18,605	12,182
General and administrative	5,772	3,253
Loss in equity affiliate	122	--
Interest	184	148
Total costs and expenses	24,683	15,583
Net loss	$(17,554)	$ (8,414)
Basic and diluted net loss per common share	$ (0.69)	$ (0.33)
Basic and diluted weighted average number of common shares outstanding	25,389	25,250

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,	
	1999	1998
Cash flows from operating activities:		
Net loss	$ (17,554)	$ (8,414)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	1,244	932
Realized gains/losses on available for sale securities	(70)	221
Loss in equity affiliate	122	--
Changes in assets and liabilities:		
Prepaid expenses and other current assets	627	290
Accounts payable and accrued expenses	762	(4,458)
Deferred revenue	--	(556)
Net cash provided (used) by operating activities	(14,869)	(11,985)
Cash flows from investing activities:		
Purchases of investments	(150,309)	(303,378)
Sales and maturities of investments	166,943	303,843
Expenditures for property and equipment	(2,460)	(2,218)
Restricted cash(1,460)	--	
Investment in equity affiliate	(3,000)	--
Other assets	219	(543)
Net cash provided (used) by investing activities	9,933	(2,296)
Cash flows from financing activities:		
Repayment of capital lease obligations and debt	(705)	(673)
Proceeds from debt	--	1,004
Proceeds from issuances of common stock	1,296	941
Net cash provided (used) by financing activities	591	1,272
Effect of exchange rate changes on cash	(14)	1
Increase (decrease) in cash and cash equivalents	(4,359)	(13,008)
Cash and cash equivalents at beginning of period	24,169	71,454
Cash and cash equivalents at end of period	$ 19,810	$ 58,446

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

VERTEX PHARMACEUTICALS INCORPORATED

NOTES TO CONDENSED CONSOLIDATED 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, 1999 and 1998.

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, 1999. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1998, which are contained in the Company's 1998 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 condensed consolidated 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 equivalent shares consist of 5,182,014 stock options outstanding with a weighted average exercise price of $22.76 as of March 31, 1999.

4. COMPREHENSIVE INCOME

For the quarters ended March 31, 1999 and 1998 total comprehensive loss was as follows (in thousands):

	MARCH 31, 1999	MARCH 31, 1998
Net loss	$(17,554)	$ (8,414)
Other comprehensive income (loss):		
Unrealized holding gains (losses) on investments	222	(103)
Foreign currency translation adjustment	(11)	1
Total other comprehensive income (loss)	211	(102)
Total comprehensive loss	$(17,343)	$ (8,516)

5. INVESTMENT IN ALTUS BIOLOGICS INC.

Altus Biologics, Inc. ("Altus") develops, manufactures and markets products based on a novel and proprietary technology for stabilizing proteins. At December 31, 1998, Vertex owned approximately 70% of the capital stock of Altus. On February 5, 1999, Vertex restructured its investment in Altus. As part of the transaction, Vertex provided Altus $3,000,000 of cash in exchange for preferred stock and warrants. The preferred stock provides Vertex with a minority ownership position in Altus, and the warrants become exercisable upon certain events. As a result of the transaction, Altus now operates independently from Vertex. In addition, Vertex has retained a non-exclusive royalty-free right to use Altus' technology for discovering, developing and manufacturing small molecule drugs. Vertex is recording its percentage of Altus' net income and losses using the equity method of accounting.

6. SUBSEQUENT EVENT - APPROVAL OF AGENERASE

Agenerase(TM) was granted accelerated approval by the U.S. Food and Drug Administration on April 15, 1999 for use in combination with other antiretrovirals for the treatment of HIV infection. In connection with approval of Agenerase, the Company earned a $5 million milestone payment under the agreement with Glaxo Wellcome. The company will receive a royalty from sales of the drug.

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.

The Company is 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, chemistry and information technologies. The Company is conducting research and development programs to develop pharmaceuticals for the treatment of viral diseases, multidrug resistance in cancer, autoimmune and inflammatory diseases and neurodegenerative disorders.

To date, the Company has not received any material revenues from the sale of pharmaceutical products. The Company's lead product, Agenerase (amprenavir) received U.S. FDA approval through an expedited review process for the treatment of HIV infection on April 15, 1999. Glaxo Wellcome plc ("Glaxo Wellcome"), Vertex's partner, has also submitted applications for market approval to Canadian and European regulatory agencies. The Company will receive a royalty on sales of Agenerase by Glaxo Wellcome. The Company has incurred operating losses since its inception and expects to incur a loss in 1999. The Company believes that operating losses may continue beyond 1999 even if significant royalties are realized on Agenerase 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, 1999 COMPARED WITH THREE MONTHS ENDED MARCH 31, 1998.

The Company's total revenues were $7,129,000 in the first quarter of 1999 as compared to $7,169,000 in the first quarter of 1998. In the first quarter of 1999, revenues consisted of $3,782,000 under the Company's collaborative agreements, $3,166,000 in interest and investment income and $181,000 in government grants and other income. In the first quarter of 1998, revenues consisted of $2,958,000 under the Company's collaborative agreements, $3,996,000 in interest and investment income, and $215,000 in government grants and other income. Research support payments under the Company's current collaborative agreements increased from the first quarter of 1998 to the first quarter of 1999. This increase was offset by lower investment income due to a lower level of cash and investments in the first quarter of 1999 as compared to the same period in 1998.

The Company's total costs and expenses increased to $24,684,000 in the first quarter of 1999 from $15,583,000 in the first quarter of 1998. Research and development expenses increased to $18,605,000 in the first quarter of 1999 from $12,182,000 in the first quarter of 1998. The Company continued to increase its scientific staff, as well as support personnel, both in the US and in the UK through 1998 and into 1999. In addition, development expenses have increased with the commencement of clinical studies for drug candidates in the P38 MAP Kinase and Neurophilin Ligand programs.

General and administrative expenses increased to $5,772,000 in the first quarter of 1999 from $3,253,000 in the first quarter of 1998. The increase in general and administrative expense principally reflects the impact of additional marketing personnel and an increase in expenses associated with co-promotion preparations related to the launch of Agenerase. In addition, the Company's expenses for patent, legal, and other professional fees increased as the Company continued the expansion of its intellectual property protection. Interest expense increased to $184,000 in the first quarter of 1998 from $148,000 in the first quarter of 1998 due to a higher blended interest rate on similar levels of equipment lease financing during the year.

Using the equity method of accounting, the Company recorded $122,000 as its share of the loss in Altus in the first quarter of 1999.

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 $17,554,000 or $0.69 per share in the first quarter of 1999 compared to a net loss of $8,414,000 or $0.33 per share in the first quarter of 1998.

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 royalties from the sale of Agenerase, its existing cash and investments of approximately $224 million at March 31, 1999, 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's aggregate cash and investments decreased by $21,352,000 during the three months ended March 31, 1999 to $224,300,000. Cash used by operations was $14,799,000 during the same period. Restricted cash increased during the quarter as the Company issued a letter of credit in the amount of $1,460,000 for a security deposit under one of the Company's facilities leases. This was for the takedown of additional, available space at the end of 1998. The Company continues to invest in equipment and leasehold improvements for its facilities to match the growth in its headcount. The Company also restructured its investment in Altus and as part of the transaction Vertex provided Altus $3,000,000 of cash in exchange for new classes of preferred stock and warrants. Vertex has recognized $122,000 as its portion of Altus' losses for the first quarter of 1999 using the equity method of accounting.

YEAR 2000

The Company is conducting a program to address the impact of the Year 2000 on the processing of date sensitive information by the Company's computer systems and software ("IT Systems"), embedded systems in its non-computer equipment ("Non-IT Systems") and relationships with certain third parties.

In the first stage of the program, the Company determined which IT Systems, Non-IT Systems and third party relationships were critical to the Company's business. This review has been completed. The Company does not intend to perform a comprehensive review of systems and third parties that are not deemed critical, and the Company cannot guarantee that such systems and entities will be Year 2000 compliant.

The Company has completed its assessment of its critical IT Systems and determined the actions necessary in order to ensure that they will function without disruption. Based on this assessment, the Company has begun remediation and testing of certain critical IT Systems. The Company expects that remediation of all critical IT Systems will be completed by August 1999 and testing will be completed by September 1999.

The Company is currently assessing its critical Non-IT Systems for Year 2000 compliance. The Company expects that assessment of critical Non-IT Systems and remediation of non-compliant critical Non-IT Systems will be completed by July 1999 and testing will be completed by September 1999. Some critical Non-IT Systems are non-compliant and, because of the age of those systems or other factors, cannot be made compliant. The Company intends to formulate contingency plans for each of those systems by the end of the third quarter of 1999.

The Company has contacted third parties that provide goods, services and information that are deemed critical to the Company's business. The Company is currently reviewing the responses and Year 2000 website statements of these entities to assess their Year 2000 compliance. The Company has not yet identified the most likely worst case scenario in the event that one or more critical third parties are not Year 2000 compliant. The Company expects to formulate contingency plans by the end of the third quarter of 1999 for the services provided by third parties that are found to be non-compliant, or where the Company is unable to determine whether a third party is compliant. There can be no assurance, however, that the Company will be able to locate alternate sources for goods or services furnished by non-compliant providers.

The Company is using both internal and external resources to conduct its Year 2000 program. The Company believes that the total costs, both out-of pocket and internal, of the Company's Year 2000 program will not be material. The Company plans to fund these Year 2000 costs through available cash. However, the Company may experience unexpected costs in achieving full Year 2000 compliance which could result in a material adverse effect on the Company's results of operations. Other IT Systems projects have not been significantly deferred as a result of the Company's Year 2000 program, because the Company was able to integrate much of its Year 2000 assessment and remediation effort into its routine maintenance and upgrade programs.

There can be no assurance that the Company's Year 2000 assessment and any required remedial actions and contingency plans will be successfully completed on a timely basis.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the Company's assessment of market risk as disclosed in its 10-K filing for the year ended December 31, 1998.

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 14, 1999

/s/ THOMAS G. AUCHINCLOSS

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

Date: May 14, 1999

/s/ HANS D. VAN HOUTE

Hans D. van Houte
Controller
(Principal Accounting Officer)

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Exhibit 99

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Vertex Pharmaceuticals Incorporated
Registration on Form S-8

We are aware that our report dated April 21, 1999 on our review of interim financial information of Vertex Pharmaceuticals Incorporated for the period ended March 31, 1999 and included in the Company's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in the Company's registration statements on Form S-8 (File Nos. 33-48030, 33-48348, 33-65742, 33-93224, 33-12325, 333-27011 and 333-56179). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
May 14, 1999