SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended: SEPTEMBER 30, 1996   Commission File Number 0-19319

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.

Common Stock, par value $.01 per share	21,063,825
Class	Outstanding at November 08, 1996

Number of Pages: 12
Exhibit Index on Page 11

VERTEX PHARMACEUTICALS INCORPORATED

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VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	September 30, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,124	$28,390
Short-term investments	92,309	58,588
Prepaid expenses and other current assets	941	959
Total current assets	132,374	87,937
Restricted cash	2,316	2,316
Property and equipment, net	7,014	7,840
Other assets	1,756	888
Total assets	$143,460	$98,981
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Obligations under capital lease	$ 2,457	$ 2,075
Accounts payable and accrued expenses	2,918	6,525
Deferred revenue	--	197
Total current liabilities	5,375	8,797
Obligations under capital leases, excluding current portion	4,419	4,912
Total liabilities	9,794	13,709
Stockholders' equity:		
Common stock	210	173
Additional paid-in capital	226,579	142,038
Equity adjustments	(45)	--
Accumulated deficit	(93,078)	(56,939)
Total stockholders' equity	133,666	85,272
Total liabilities and stockholders' equity	$143,460	$98,981

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 share and per share data)

	Three Months Ended September 30, 1996	1995
Revenues:		
Collaborative and other research and development	$ 2,930	$ 2,314
Interest income	1,190	1,179
Total revenues	4,120	3,493
Costs and expenses:		
Research and development	8,525	8,612
General and administrative	1,832	1,701
Interest	109	120
Total costs and expenses	10,466	10,433
Net loss	$ (6,346)	$ (6,940)
Net loss per common share	$ (0.33)	$ (0.40)
Weighted average number of common shares outstanding	19,363,696	17,229,377

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 amounts)

	Nine Months Ended September 30, 1996	1995
Revenues:		
Collaborative and other research and development	$ 8,519	$ 13,901
Interest income	3,498	3,876
Total revenues	12,017	17,777
Costs and expenses:		
Research and development	27,352	33,089
General and administrative	5,473	4,999
License payment	15,000	--
Interest	331	355
Total costs and expenses	48,156	38,443
Net loss	$ (36,139)	$ (20,666)
Net loss per common share	$ (2.00)	$ (1.20)
Weighted average number of common shares outstanding	18,035,884	17,212,507

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)

	Nine Months Ended September 30,	
	1996	1995
Cash flows from operating activities:		
Net loss	$(36,139)	$(20,666)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	2,534	2,723
Changes in assets and liabilities:		
Prepaid expenses and other current assets	18	(13)
Accounts payable and accrued expenses	(3,607)	2,048
Deferred revenue	(197)	(437)
Net cash provided (used) by operating activities	(37,391)	(16,345)
Cash flows from investing activities:		
Short-term investments	(33,767)	(12,873)
Deposit to collateralize letter of credit	--	(2,316)
Expenditures for property and equipment	(1,708)	(1,716)
Other assets	(869)	(32)
Net cash provided (used) by investing activities	(36,344)	(16,937)
Cash flows from financing activities:		
Proceeds from public offerings of common stock	77,539	--
Proceeds from private placement of common stock	5,000	--
Other issuances of common stock	2,039	590
Proceeds from equipment sale/leaseback	1,488	1,758
Repayment of capital lease obligations	(1,598)	(1,350)
Net cash provided (used) by financing activities	84,468	998
Effect of exchange rate changes on cash	1	4
Increase (decrease) in cash and cash equivalents	10,734	(32,280)
Cash and cash equivalents at beginning of period	28,390	71,643
Cash and cash equivalents at end of period	$ 39,124	$ 39,363

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 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 September 30, 1996 and 1995.

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 ending December 31, 1996. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1995, which are contained in the Company's 1995 Annual Report to its shareholders and in its Form 10-K filed with the Securities and Exchange Commission.

2. CASH AND CASH EQUIVALENTS

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. NET LOSS PER COMMON SHARE

The net loss per common share is computed based upon the weighted average number of common shares outstanding. Common equivalent shares are not included in the per-share calculations where the effect of their inclusion would be anti-dilutive.

4. LICENSE PAYMENT AND EQUITY TRANSACTION

In June 1996, the Company and Glaxo Wellcome plc ("Glaxo") obtained a worldwide, non-exclusive license under certain G.D. Searle & Co. ("Searle") patent applications in the area of HIV protease inhibition. Vertex paid $15.0 million and Glaxo paid $10.0 million to Searle for the license. The Company also agreed to pay Searle a royalty on sales of VX-478, the Company's lead HIV compound. In connection with this transaction, Glaxo purchased 151,792 shares of the Company's Common Stock at a price of $32.94 per share, with net proceeds to the Company of approximately $5.0 million.

5. PUBLIC OFFERING OF COMMON STOCK

On August 14, 1996, the Company completed a public offering of 3,450,000 shares of its common stock, including an over-allotment option exercised by the underwriters for 450,000 shares, at a price of $24 per share. Gross proceeds from this offering were $82,800,000, and net proceeds to the Company totaled approximately $77,539,000 after expenses and underwriting discounts.

VERTEX PHARMACEUTICALS INCORPORATED

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

Vertex Pharmaceuticals Incorporated ("Vertex" or "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 and chemistry. The Company is conducting eight significant pharmaceutical research and development programs to develop pharmaceuticals for the treatment of viral diseases, multidrug resistance in cancer, hemoglobin disorders, inflammation, immunosuppression and neurodegenerative disorders. Three of these programs are in the development phase, and the other five are in the research phase. During the third quarter of 1996, Vertex's partner, Glaxo Wellcome plc ("Glaxo Wellcome"), reported Phase I/II clinical results for VX-478 (141W94), the lead compound from the Company's HIV program. The clinical data suggests that VX-478 was well-tolerated and displayed potent antiviral activity at the doses tested. Kissei Pharmaceutical Co., Ltd. ("Kissei") is also developing VX-478 as Vertex's partner for the HIV program in the Far East. During the third quarter, clinical trials continued for VX-710, the Company's lead compound in its cancer multidrug resistance program. The Company, together with its partner Alpha Therapeutic Corporation ("Alpha") and Ravizza Farmaceutici S.p.A. ("Ravizza"), also continued development of VX-366 in its hemoglobin disorders program.

To date, the Company has not received any revenues from the sale of pharmaceutical products and does not expect to receive such revenues, if any, for several years. The Company has incurred since its inception, and expects to incur over the next several years, significant operating losses as a result of expenditures for its research and development programs. The Company expects that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 1995. For the third quarter of 1996, the Company's total revenues were $4,120,000 as compared to $3,493,000 during the same period in 1995. From quarter to quarter, the Company's revenues fluctuate as a result of changes in the timing and amount of partner research support payments, partner reimbursements of Vertex drug development costs, and payments for the achievement of various research or development milestones. The quarterly revenue increase for the three months ended September 30, 1996 was principally due to the reimbursement by Glaxo Wellcome of certain development costs associated with the Company's HIV program. In the third quarter of 1996, the Company received $2,678,000 in revenue from its collaborative agreements, $1,190,000 in interest earned on invested funds and $252,000 from government grants and other revenue. In the third quarter of 1995, revenues consisted of $2,250,000 earned under collaborative agreements, $1,179,000 in interest earned and $64,000 from government grants.

VERTEX PHARMACEUTICALS INCORPORATED

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

RESULTS OF OPERATIONS - CONTINUED

The Company's total costs and expenses increased slightly to $10,466,000 for the third quarter of 1996, from $10,433,000 in the comparable quarter in 1995. Research and development expenses declined in the third quarter of 1996 to $8,525,000 from $8,612,000 for the same period in 1995. The decrease in research and development expense resulted from lower levels of clinical trial and material manufacturing costs incurred during the third quarter of 1996. These cost decreases were offset in part by increased costs associated with personnel growth of approximately 19% in the research and development organization. General and administrative expenses increased 8% during the third quarter of 1996 to $1,832,000 from $1,701,000 in the third quarter of 1995. This moderate increase reflects the addition of management and related support personnel. Interest expense was $109,000 in the third quarter of 1996 as compared to $120,000 during the same period in 1995 as a result of lower interest rates charged on similar levels of equipment financing.

For the reasons stated above, the Company incurred a net loss of $6,346,000 or $.33 per share in the third quarter of 1996 as compared to a net loss of $6,940,000 or $.40 per share in the third quarter of 1995. In addition, the net loss per share was reduced for the third quarter of 1996 by an increase in average shares outstanding for the quarter as compared to the third quarter of 1995.

NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 1995. The Company's total revenues decreased to $12,017,000 during the nine months ended September 30, 1996 from $17,777,000 for the nine months ended September 30, 1995. The principle reason for the decrease was the discontinuance of research funding under the Chugai Pharmaceutical Co., Ltd. and Kissei collaborative agreements. In addition, the reimbursements by Glaxo Wellcome in the nine months ended September 31, 1996 of certain material manufacturing expenses were lower as compared to the same period in 1995. In 1996, the Company's revenues consisted of $7,825,000 earned under the Company's collaborative agreements, $3,498,000 in interest income and $694,000 in government grants and other income. During the same period in 1995, the Company's revenues consisted of $13,518,000 earned under the Company's collaborative agreements, $3,876,000 in interest income and $383,000 in government grants and other income.

The Company's total costs increased to $48,156,000 for the nine months ended September 30, 1996 from $38,443,000 for the nine months ended September 30, 1995. The principle reason for the increase was the Company's payment of $15,000,000 to obtain a non-exclusive, world-wide license under certain G.D. Searle & Co. patent applications claiming HIV protease inhibitors. Research and development expenses decreased to $27,352,000 in the nine months ended September 31, 1996 from $33,089,000 in the same period in 1995. This decrease is attributable to higher levels of manufacturing expense incurred in 1995 for the HIV program in anticipation of ongoing and near-term clinical trials. The increase in general and administrative costs and expenses for the 1996 period to $5,473,000 from $4,999,000 is due mainly to increasing average staff levels and staff related expenditures including a growing sales and marketing infrastructure for the Company's subsidiary Altus Biologics Inc. Interest expense on lease financing of equipment was $331,000 in the nine months ended September 30, 1996 as compared to $355,000 during the same period in 1995.

VERTEX PHARMACEUTICALS INCORPORATED

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

RESULTS OF OPERATIONS - CONTINUED

For the reasons stated above, the Company incurred a net loss of $36,139,000 or $2.00 per share in the nine months ended September 30, 1996 compared to a net loss of $20,666,000 or $1.20 per share in the nine months ended September 30, 1995.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, 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 interest income. The Company expects to incur increased research and development and related supporting expenses and, consequently, continued losses on a quarterly and annual basis as it continues to develop existing and future compounds as well as undertaking 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 $131.4 million, together with interest 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 increased by $44,455,000 during the nine months ended September 30, 1996, principally due to the third quarter issuances of the Company's common stock. Cash used by operations, principally to fund research and development activities, was $37,391,000 during the same period.

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 and Reports on Form 8-K:

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

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: November 12, 1996

/s/ Thomas G. Auchincloss, Jr.

Thomas G. Auchincloss, Jr.
Senior Director of Finance and Treasurer
(Principal Financial Officer)

/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 SUCH 10-Q DATED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.

1,000
U.S. DOLLARS

3-MOS
DEC-31-1995
JUL-01-1996
SEP-30-1996
1
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