Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED March 31, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 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)	(Zip Code)

(617) 444-6100
(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 ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

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

Large accelerated filer ☒	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o 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 $0.01 per share	**202,202,912**
Class	Outstanding at April 22, 2010

VERTEX PHARMACEUTICALS INCORPORATED
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2010

TABLE OF CONTENTS

"We," "us," "Vertex" and the "Company" as used in this Quarterly Report on Form 10-Q refer to Vertex Pharmaceuticals Incorporated, a Massachusetts corporation, and its subsidiaries.

"Vertex" is a registered trademark of Vertex. "Lexiva," "Telzir" and "Agenerase" are registered trademarks of GlaxoSmithKline plc. Other brands, names and trademarks contained in this Quarterly Report on Form 10-Q are the property of their respective owners.

Part I. Financial Information

Item 1. Financial Statements

Vertex Pharmaceuticals Incorporated

Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except share and per share amounts)

	March 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 396,547	$ 446,658
Marketable securities, available for sale	696,136	838,255
Accounts receivable	7,876	9,601
Prepaid expenses and other current assets	26,209	12,512
Total current assets	1,126,768	1,307,026
Restricted cash	30,313	30,313
Property and equipment, net	58,109	62,279
Intangible assets	518,700	518,700
Goodwill	26,102	26,102
Other assets	10,310	11,068
Total assets	$ 1,770,302	$ 1,955,488
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 29,121	$ 36,989
Accrued expenses and other current liabilities	92,234	118,753
Accrued interest	—	571
Deferred revenues, current portion	69,575	74,956
Accrued restructuring expense, current portion	6,334	6,316
Convertible senior subordinated notes (due February 2013)	—	32,071
Other obligations	14,276	15,227
Total current liabilities	211,540	284,883
Accrued restructuring expense, excluding current portion	26,999	27,701
Secured notes (due October 2012)	125,316	121,765
Liability related to sale of potential future milestone payments	39,376	38,207
Deferred revenues, excluding current portion	215,488	225,575
Deferred tax liability	160,278	160,278
Other liabilities	693	733
Total liabilities	779,690	859,142
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued and outstanding at March 31, 2010 and December 31, 2009	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized at March 31, 2010 and December 31, 2009; 202,122,797 and 199,955,023 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	2,002	1,982
Additional paid-in capital	3,844,744	3,784,787
Accumulated other comprehensive loss	(1,080)	(640)
Accumulated deficit	(2,855,054)	(2,689,783)
Total stockholders' equity	990,612	1,096,346
Total liabilities and stockholders' equity	$ 1,770,302	$ 1,955,488

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)

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Royalty revenues	$ 6,407	$ 6,140
Collaborative revenues	16,022	17,839
Total revenues	22,429	23,979
Costs and expenses:		
Royalty expenses	3,367	3,576
Research and development expenses	143,012	143,581
Sales, general and administrative expenses	35,552	28,520
Restructuring expense	780	2,402
Acquisition-related expenses	—	7,793
Total costs and expenses	182,711	185,872
Loss from operations	(160,282)	(161,893)
Interest income	455	2,599
Interest expense	(3,955)	(3,378)
Change in fair value of derivative instruments	(1,489)	—
Net loss	$ (165,271)	$ (162,672)
Basic and diluted net loss per common share	$ (0.83)	$ (1.04)
Basic and diluted weighted-average number of common shares outstanding	198,935	155,860

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,	
	2010	2009
Cash flows from operating activities:		
Net loss	$ (165,271)	$ (162,672)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	7,584	7,164
Stock-based compensation expense	19,333	22,277
Other non-cash based compensation expense	1,412	1,170
Secured notes (due 2012) discount amortization expense	3,231	—
Change in fair value of derivative instruments	1,489	—
Loss on disposal of property and equipment	22	2,056
Changes in operating assets and liabilities, excluding the effect of an acquisition:		
Accounts receivable	1,714	6,785
Prepaid expenses and other current assets	(13,667)	(3,254)
Accounts payable	(7,964)	(29,575)
Accrued expenses and other liabilities	(27,762)	(18,303)
Accrued restructuring expense	(684)	747
Accrued interest	(431)	(3,642)
Deferred revenues	(15,468)	(8,312)
Net cash used in operating activities	(196,462)	(185,559)
Cash flows from investing activities:		
Purchases of marketable securities	(42,022)	—
Sales and maturities of marketable securities	184,274	174,006
Payment for the acquisition of ViroChem, net of cash acquired	—	(87,422)
Expenditures for property and equipment	(3,110)	(6,579)
(Increase) decrease in other assets	(380)	172
Net cash provided by investing activities	138,762	80,177
Cash flows from financing activities:		
Issuances of common stock from employee benefit plans	7,664	5,418
Issuances of common stock from stock offerings, net	—	313,250
Debt conversion costs	(22)	—
Net cash provided by financing activities	7,642	318,668
Effect of changes in exchange rates on cash	(53)	(202)
Net (decrease) increase in cash and cash equivalents	(50,111)	213,084
Cash and cash equivalents—beginning of period	446,658	389,115
Cash and cash equivalents—end of period	$ 396,547	$ 602,199
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 761	$ 6,828
Conversion of convertible subordinated notes for common stock	$ 32,071	$ —
Accrued interest offset to additional paid-in capital on conversion of convertible subordinated notes	$ 140	$ —
Unamortized debt issuance costs of converted convertible subordinated notes offset to additional paid-in capital	$ 624	$ —
Fair value of common stock issued to acquire ViroChem	$ —	$ 290,557

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

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements

(unaudited)

A. Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Vertex Pharmaceuticals Incorporated ("Vertex" or the "Company") in accordance with accounting principles generally accepted in the United States of America.

The condensed consolidated financial statements reflect the operations of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

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 normal recurring adjustments (including accruals) necessary for a fair presentation of the financial position and results of operations for the interim periods ended March 31, 2010 and 2009.

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, 2010. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2009, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 that was filed with the Securities and Exchange Commission on February 19, 2010.

B. Accounting Policies

Basic and Diluted Net Loss per Common Share

Basic net loss per common share is based upon the weighted-average number of common shares outstanding during the period, excluding restricted stock and restricted stock units that have been issued but are not yet vested. Diluted net loss per common 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 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), the assumed conversion of convertible notes and vesting of unvested restricted stock and restricted stock units. Common equivalent shares have not been included in the net loss per common share calculations because the effect would have been anti-dilutive. Total potential gross common equivalent shares consisted of the following:

	At March 31,	
	2010	2009
	(in thousands, except per share amounts)	
Stock options	21,088	18,612
Weighted-average exercise price (per share)	$ 32.11	$ 29.83
Convertible notes	—	12,425
Conversion price (per share)	n/a	$ 23.14
Unvested restricted stock and restricted stock units	1,904	2,268

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

Stock-based Compensation Expense

The Company expenses the fair value of employee stock options and other forms of stock-based employee compensation over the associated employee service period or, for awards with market conditions, the derived service period. For awards with performance conditions, the Company makes estimates regarding the likelihood of satisfaction of the performance conditions that affect the period over which the expense is recognized. Compensation expense is determined based on the fair value of the award at the grant date, including estimated forfeitures, and is adjusted to reflect actual forfeitures and the outcomes of certain market and performance conditions. Please refer to Note C, "Stock-based Compensation Expense," for further information.

Research and Development Expenses

All research and development expenses, including amounts funded by research and development collaborations, are expensed as incurred. The Company defers and capitalizes nonrefundable advance payments made by the Company for research and development activities until the related goods are delivered or the related services are performed.

Research and development expenses are comprised of costs incurred by the Company in performing research and development activities, including salary and benefits; stock-based compensation expense; laboratory supplies and other direct expenses; contractual services, including clinical trial and pharmaceutical development costs; commercial supply investment in its drug candidates; and infrastructure costs, including facilities costs and depreciation expense. The Company evaluates periodically whether a portion of its commercial supply investment may be capitalized as inventory. Generally, inventory may be capitalized if it is probable that future revenues will be generated from the sale of the inventory and that these revenues will exceed the cost of the inventory. The Company is continuing to expense all of its commercial supply investment due to the high risk inherent in drug development.

The Company's collaborators funded portions of the Company's research and development programs related to specific drug candidates and research targets, including telaprevir, in the three months ended March 31, 2010 and 2009. The Company's collaborative revenues, including amortization of up-front license fees received in prior periods, were $16.0 million and $17.8 million, respectively, for the three months ended March 31, 2010 and 2009. The Company's research and development expenses allocated to programs in which a collaborator funded at least a portion of the research and development expenses were $36.6 million and $49.1 million, respectively, for the three months ended March 31, 2010 and 2009.

Restructuring Expense

The Company records costs and liabilities associated with exit and disposal activities based on estimates of fair value in the period the liabilities are incurred. In periods subsequent to initial measurement, changes to the liability are measured using the credit-adjusted risk-free discount rate applied in the initial period. Liabilities are evaluated and adjusted as appropriate for changes in circumstances at least on a quarterly basis. Please refer to Note H, "Restructuring Expense," for further information.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

Revenue Recognition

Collaborative Arrangements

The Company's revenues are generated primarily through collaborative research, development and/or commercialization agreements. The terms of these agreements typically include payment to the Company of one or more of the following: nonrefundable, up-front license fees; funding of research and/or development efforts, including manufacturing services; milestone payments; and royalties on product sales.

Agreements containing multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the collaborator and whether there is objective and reliable evidence of the fair value of the undelivered obligation(s). The consideration received is allocated among the separate units either on the basis of each unit's fair value or using the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

The Company recognizes revenues from nonrefundable, up-front license fees on a straight-line basis over the contracted or estimated period of performance, which is typically the research or development term. Research and development funding is recognized as earned, ratably over the period of effort.

Substantive milestones achieved in collaboration arrangements are recognized as earned when the corresponding payment is reasonably assured, subject to the following policies in those circumstances where the Company has obligations remaining after achievement of the milestone:

- In those circumstances where collection of a substantive milestone payment is reasonably assured, the Company has remaining obligations to perform under the collaboration arrangement and the Company has sufficient evidence of the fair value of its remaining obligations, management considers the milestone payment and the remaining obligations to be separate units of accounting. In these circumstances, the Company uses the residual method to allocate revenues among the milestone and the remaining obligations.

- In those circumstances where collection of a substantive milestone payment is reasonably assured and the Company has remaining obligations to perform under the collaboration arrangement, but the Company does not have sufficient evidence of the fair value of its remaining obligations, management considers the milestone payment and the remaining obligations under the contract as a single unit of accounting. If the collaboration does not require specific deliverables at specific times or at the end of the contract term, but rather, the Company's obligations are satisfied over a period of time, substantive milestone payments are recognized over the period of performance. This typically results in a portion of the milestone payment being recognized as revenue on the date the milestone is achieved equal to the applicable percentage of the performance period that has elapsed as of the date the milestone is achieved, with the balance being deferred and recognized over the remaining period of performance.

At the inception of each agreement that includes milestone payments, the Company evaluates whether each milestone is substantive on the basis of the contingent nature of the milestone, specifically reviewing factors such as the scientific and other risks that must be overcome to achieve the

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

milestone, as well as the level of effort and investment required. Milestones that are not considered substantive and that do not meet the separation criteria are accounted for as license payments and recognized on a straight-line basis over the remaining period of performance.

Payments received or reasonably assured after performance obligations are met completely are recognized as earned.

Royalty revenues typically are recognized based upon actual and estimated net sales of licensed products in licensed territories, as provided by the licensee, and generally are recognized in the period the sales occur. The Company reconciles and adjusts for differences between actual royalty revenues and estimated royalty revenues in the quarter they become known. These differences have not historically been significant.

Sale of Future Royalties

In the circumstance where the Company has sold its rights to future royalties under a license agreement and also maintains continuing involvement in the royalty arrangement (but not significant continuing involvement in the generation of the cash flows due to the purchaser of the future royalty rights), the Company defers recognition of the proceeds it receives for the royalty stream and recognizes these deferred revenues over the life of the license agreement. The Company recognizes these deferred revenues pursuant to the units-of-revenue method. Under this method, the amount of deferred revenues to be recognized as royalty revenues in each period is calculated by multiplying the following: (1) the royalty payments due to the purchaser for the period by (2) the ratio of the remaining deferred revenue amount to the total estimated remaining royalty payments due to the purchaser over the term of the agreement.

Financial Transaction Expenses

Issuance costs incurred to complete the Company's convertible senior subordinated note offering and the financial transactions that the Company entered into in September 2009 are deferred and included in other assets on the Company's condensed consolidated balance sheets. The issuance costs are amortized using the effective interest rate method over the term of the related debt or financial instrument. The amortization expense related to the issuance costs is included in interest expense on the condensed consolidated statements of operations.

The Company defers direct and incremental costs associated with the sale of its rights to future royalties. These costs are included in other assets on the Company's condensed consolidated balance sheets and are amortized in the same manner and over the same period during which the related deferred revenues are recognized as royalty revenues. The amortization expense related to these transaction expenses is included in royalty expenses on the condensed consolidated statements of operations.

Expenses incurred in connection with common stock issuances are recorded as an offset to additional paid-in capital on the condensed consolidated balance sheets.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

Business Combinations

The Company assigns the value of the consideration transferred to acquire a business to the tangible assets and identifiable intangible assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition. The Company assesses the fair value of assets, including intangible assets such as in-process research and development, using a variety of methods including present-value models. Each asset is measured at fair value from the perspective of a market participant. The method used to estimate the fair values of in-process research and development assets incorporates significant assumptions regarding the estimates market participants would make in order to evaluate an asset: including market participants' assumptions regarding the probability of completing in-process research and development projects, which would require obtaining regulatory approval for marketing of the associated drug candidate; market participants' estimates regarding the timing of and the expected costs to complete in-process research and development projects; market participants' estimates of future cash flows from potential product sales; and the appropriate discount rates for market participants. Transaction costs and restructuring costs associated with the transaction are expensed as incurred.

In-process Research and Development Assets

In-process research and development assets acquired in a business combination are recorded as of the acquisition date at fair value and accounted for as indefinite-lived intangible assets. These assets are maintained on the Company's condensed consolidated balance sheets until either the project underlying them is completed or the assets become impaired. If a project is completed, the carrying value of the related intangible asset is amortized over the remaining estimated life of the asset beginning in the period in which the project is completed. If a project becomes impaired or is abandoned, the carrying value of the related intangible asset is written down to its fair value and an impairment charge is taken in the period in which the impairment occurs. In-process research and development assets are tested for impairment on an annual basis as of October 1, or earlier if impairment indicators are present.

Goodwill

The difference between the purchase price and the fair value of assets acquired and liabilities assumed in a business combination is allocated to goodwill. Goodwill is evaluated for impairment on an annual basis as of October 1, or earlier if impairment indicators are present.

Derivative Instruments and Embedded Derivatives

The Company has entered into financial transactions involving a free-standing derivative instrument and embedded derivatives. These financial transactions include arrangements involving convertible notes, secured notes and the sale of potential future milestone payments. The embedded derivatives are required to be bifurcated from the host instruments because the derivatives are not clearly and closely related to the host instruments. The Company determines the fair value of each derivative instrument or embedded derivative on the date of issuance. The estimates of the fair value of these derivatives, particularly with respect to derivatives related to the achievement of milestones in the development of specific drug candidates, include significant assumptions regarding the estimates market

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

participants would make in order to evaluate the derivative. Changes in the fair value of these derivatives are evaluated on a quarterly basis. Please refer to Note L, "September 2009 Financial Transactions," for further information.

C. Stock-based Compensation Expense

The Company issues stock options, restricted stock and restricted stock units with service conditions, which are generally the vesting periods of the awards. The Company also issues, to certain members of senior management, restricted stock and restricted stock units that vest upon the earlier of the satisfaction of (i) a market or performance condition or (ii) a service condition, and stock options that vest upon the earlier of the satisfaction of (1) performance conditions or (2) a service condition. The Company also issues shares pursuant to an employee stock purchase plan ("ESPP").

The effect of stock-based compensation expense during the three months ended March 31, 2010 and 2009 was as follows:

	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Stock-based compensation expense by type of award:		
Stock options	$ 13,468	$ 16,157
Restricted stock and restricted stock units	4,747	4,757
ESPP share issuances	1,118	1,363
Total stock-based compensation expense included in net loss	$ 19,333	$ 22,277
Stock-based compensation expense by line item:		
Research and development expenses	$ 14,320	$ 17,352
Sales, general and administrative expenses	5,013	4,925
Total stock-based compensation expense included in net loss	$ 19,333	$ 22,277

The stock-based compensation expense for the three months ended March 31, 2009 included $4.7 million related to accelerated vesting and the modification of stock options and $0.7 million related to accelerated vesting of restricted stock awards in connection with Dr. Joshua Boger's transition arrangement.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

C. Stock-based Compensation Expense (Continued)

The following table sets forth the unrecognized stock-based compensation expense, net of estimated forfeitures, as of March 31, 2010 by type of award and the weighted-average period over which that expense is expected to be recognized for the Company's stock options, restricted stock and ESPP share issuances:

	As of March 31, 2010	
	Unrecognized Expense, Net of Estimated Forfeitures	Weighted-average Recognition Period
	(in thousands)	*(in years)*
Type of award:		
Stock options	$ 135,098	3.16
Restricted stock and restricted stock units	42,182	2.84
ESPP share issuances	1,178	0.45

D. Marketable Securities

A summary of cash, cash equivalents and marketable securities is shown below:

March 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Cash and cash equivalents				
Cash and money market funds	$ 295,547	$ —	$ —	$ 295,547
Government-sponsored enterprise securities	100,997	3	—	101,000
Total cash and cash equivalents	$ 396,544	$ 3	$ —	$ 396,547
Marketable securities				
U.S. Treasury securities (due within 1 year)	$ 221,026	$ 38	$ —	$ 221,064
Government-sponsored enterprise securities (due within 1 year)	475,021	56	(5)	475,072
Total marketable securities	$ 696,047	$ 94	$ (5)	$ 696,136
Total cash, cash equivalents and marketable securities	$ 1,092,591	$ 97	$ (5)	$ 1,092,683
December 31, 2009				
Cash and cash equivalents				
Cash and money market funds	$ 251,005	$ —	$ —	$ 251,005
U.S. Treasury securities	20,198	—	(5)	20,193
Government-sponsored enterprise securities	175,455	8	(3)	175,460
Total cash and cash equivalents	$ 446,658	$ 8	$ (8)	$ 446,658
Marketable securities				
U.S. Treasury securities (due within 1 year)	$ 223,422	$ —	$ (99)	$ 223,323
Government-sponsored enterprise securities (due within 1 year)	614,869	81	(18)	614,932
Total marketable securities	$ 838,291	$ 81	$ (117)	$ 838,255
Total cash, cash equivalents and marketable securities	$ 1,284,949	$ 89	$ (125)	$ 1,284,913

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

D. Marketable Securities (Continued)

The Company reviews investments in marketable securities for other-than-temporary impairment whenever the fair value of an investment is less than amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. To determine whether an impairment is other-than-temporary, the Company considers the intent to sell, or whether it is more likely than not that the Company will be required to sell, the investment before recovery of the investment's amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, compliance with the Company's investment policy, the severity and the duration of the impairment and changes in value subsequent to period end.

As of March 31, 2010, the Company had two government-sponsored enterprise securities that were in gross unrealized loss positions and no marketable securities in any other category that were in a gross unrealized loss position. The following table summarizes the fair value and gross unrealized losses related to marketable securities, aggregated by investment category and length of time that individual securities have been in a continuous gross unrealized loss position as of March 31, 2010:

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in thousands)					
Government-sponsored enterprise securities	$ 56,016	$ (5)	$ —	$ —	$ 56,016	$ (5)
Total	$ 56,016	$ (5)	$ —	$ —	$ 56,016	$ (5)

The following table summarizes the fair value and gross unrealized losses related to marketable securities, aggregated by investment category and length of time that individual securities have been in a continuous gross unrealized loss position as of December 31, 2009:

	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in thousands)					
U.S. Treasury securities	$ 221,412	$ (99)	$ —	$ —	$ 221,412	$ (99)
Government-sponsored enterprise securities	118,950	(18)	—	—	118,950	(18)
Total	$ 340,362	$ (117)	$ —	$ —	$ 340,362	$ (117)

In the three months ended March 31, 2010 and 2009, the Company had proceeds of $184.3 million and $174.0 million, respectively, from sales and maturities of available-for-sale securities.

Realized gains and losses are determined using the specific identification method and are included in interest income on the condensed consolidated statements of operations. There were no gross realized gains and losses for the three months ended March 31, 2010 and 2009.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

E. Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities reflects the Company's estimate of amounts that it would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the Company's assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on the Company's assessment of the assumptions that market participants would use in pricing the asset or liability.

The Company's investment strategy is focused on capital preservation. The Company invests in instruments that meet credit quality standards as outlined in the Company's investment policy guidelines. These guidelines also limit the amount of credit exposure to any one issue or type of instrument. Beginning in the fourth quarter of 2007, the Company began to shift its investments to instruments that carry less exposure to market volatility and liquidity pressures. As of March 31, 2010, the Company's investments are in money market funds and short-term government guaranteed or supported securities.

As of March 31, 2010, all of the Company's financial assets that were subject to fair value measurements were valued using observable inputs. The Company's financial assets that were valued based on Level 1 inputs consist of a money market fund, U.S. Treasuries and government-sponsored enterprise securities, which are government-supported. The Company's money market fund also invests in government-sponsored enterprise securities. During the three months ended March 31, 2010 and 2009, the Company did not record an other-than-temporary impairment charge related to its financial assets. The Company's financial liabilities that were subject to fair value measurement related to the financial transactions that the Company entered into in September 2009 are valued based on Level 3 inputs. Please refer to Note L, "September 2009 Financial Transactions."

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

E. Fair Value of Financial Instruments (Continued)

The following table sets forth the Company's financial assets and liabilities subject to fair value measurements as of March 31, 2010:

	Fair Value Measurements as of March 31, 2010			
		Fair Value Hierarchy		
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Financial assets carried at fair value:				
Cash equivalents:				
Money market funds	$ 270,983	$ 270,983	$ —	$ —
Government-sponsored enterprise securities	101,000	101,000	—	—
Marketable securities:			—	—
U.S. Treasury securities	221,064	221,064	—	—
Government-sponsored enterprise securities	475,072	475,072	—	—
Restricted cash	30,313	30,313	—	—
Total	$ 1,098,432	$ 1,098,432	$ —	$ —
Financial liabilities carried at fair value:				
Embedded derivative related to 2012 Notes	$ 10,772	$ —	$ —	$ 10,772
Liability related to sale of potential future milestone payments	39,376	—	—	39,376
Total	$ 50,148	$ —	$ —	$ 50,148

The following table is a reconciliation of financial liabilities measured at fair value using significant unobservable inputs (Level 3):

	Three Months Ended March 31, 2010
	(in thousands)
Balance, December 31, 2009	$ 48,659
Change in fair value of derivative instruments	1,489
Balance, March 31, 2010	$ 50,148

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

F. Comprehensive Loss

For the three months ended March 31, 2010 and 2009, comprehensive loss was as follows:

	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Net loss	$ (165,271)	$ (162,672)
Changes in other comprehensive income (loss):		
Unrealized holding gains (losses) on marketable securities	128	(1,993)
Foreign currency translation adjustment	(568)	(32)
Total change in other comprehensive income (loss)	(440)	(2,025)
Total comprehensive loss	$ (165,711)	$ (164,697)

G. Income Taxes

At March 31, 2010 and December 31, 2009, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. The Company did not recognize any material interest or penalties related to uncertain tax positions at March 31, 2010 and December 31, 2009.

The Company files United States federal income tax returns and income tax returns in various state, local and foreign jurisdictions. The Company is no longer subject to any tax assessment from an income tax examination in the United States before 2007 and any other major taxing jurisdiction for years before 2005, except where the Company has net operating losses or tax credit carryforwards that originate before 2005. The Company completed an examination by the Internal Revenue Service with respect to 2006 in June 2009 with no material change. The Company currently is not under examination by any jurisdiction for any tax year.

H. Restructuring Expense

In June 2003, Vertex adopted a plan to restructure its operations to coincide with its increasing internal emphasis on advancing drug candidates through clinical development to commercialization. The restructuring was designed to re-balance the Company's relative investments in research and development to better support the Company's long-term strategy. At that time, the restructuring plan included a workforce reduction, write-offs of certain assets and a decision not to occupy approximately 290,000 square feet of specialized laboratory and office space in Cambridge, Massachusetts under lease to Vertex (the "Kendall Square Lease"). The Kendall Square Lease commenced in January 2003 and has a 15-year term. In the second quarter of 2005, the Company revised its assessment of its real estate requirements and decided to use approximately 120,000 square feet of the facility subject to the Kendall Square Lease (the "Kendall Square Facility") for its operations, beginning in 2006. The remaining rentable square footage of the Kendall Square Facility currently is subleased to third parties.

The restructuring expense incurred in the three months ended March 31, 2010 and 2009 relates only to the portion of the Kendall Square Facility that the Company is not occupying and does not

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

H. Restructuring Expense (Continued)

intend to occupy for its operations. The remaining lease obligations, which are associated with the portion of the Kendall Square Facility that the Company occupies and uses for its operations, are recorded as rental expense in the period incurred.

In estimating the expense and liability under its Kendall Square Lease obligation, the Company estimated (i) the costs to be incurred to satisfy rental and build-out commitments under the lease (including operating costs), (ii) the lead-time necessary to sublease the space, (iii) the projected sublease rental rates and (iv) the anticipated durations of subleases. The Company uses a credit-adjusted risk-free rate of approximately 10% to discount the estimated cash flows. The Company reviews its estimates and assumptions on at least a quarterly basis, and intends to continue such reviews until the termination of the Kendall Square Lease, and will make whatever modifications the Company believes necessary, based on the Company's best judgment, to reflect any changed circumstances. The Company's estimates have changed in the past, and may change in the future, resulting in additional adjustments to the estimate of the liability, and the effect of any such adjustments could be material. Changes to the Company's estimate of the liability are recorded as additional restructuring expense/(credit). In addition, because the Company's estimate of the liability includes the application of a discount rate to reflect the time-value of money, the Company will record imputed interest costs related to the liability each quarter. These costs are included in restructuring expense on the Company's condensed consolidated statements of operations.

For the three months ended March 31, 2010, the restructuring expense recorded by the Company was the result of the imputed interest cost relating to the restructuring liability. The activity related to the restructuring liability for the three months ended March 31, 2010 was as follows (in thousands):

	Liability as of December 31, 2009	Cash payments in the first quarter of 2010	Cash received from subleases in the first quarter of 2010	Restructuring expense in the first quarter of 2010	Liability as of March 31, 2010
Lease restructuring liability	$ 34,017	$ (3,661)	$ 2,197	$ 780	$ 33,333

For the three months ended March 31, 2009, the restructuring expense recorded by the Company was the result of incremental lease obligations related to the revision of certain key estimates and assumptions about facility operating costs as well as the imputed interest cost relating to the restructuring liability. The activity related to the restructuring liability for the three months ended March 31, 2009 was as follows (in thousands):

	Liability as of December 31, 2008	Cash payments in the first quarter of 2009	Cash received from subleases in the first quarter of 2009	Restructuring expense in the first quarter of 2009	Liability as of March 31, 2009
Lease restructuring liability	$ 34,064	$ (3,772)	$ 2,117	$ 2,402	$ 34,811

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

I. Equity and Debt Offerings and Debt Exchanges and Conversions

February 2009 Equity Offering

In February 2009, the Company completed an offering of 10,000,000 shares of common stock (the "February 2009 Equity Offering"), which were sold at a price of $32.00 per share. This offering resulted in $313.3 million of net proceeds to the Company. The underwriting discount of $6.4 million and other expenses of $0.3 million related to the February 2009 Equity Offering were recorded as an offset to additional paid-in capital.

December 2009 Equity Offering

In December 2009, the Company completed an offering of 13,000,000 shares of common stock (the "December 2009 Equity Offering"), which were sold at a price of $38.50 per share. This offering resulted in $488.1 million of net proceeds to the Company. The underwriting discount of $12.1 million and other expenses of $0.3 million related to the December 2009 Equity Offering were recorded as an offset to additional paid-in capital.

2009 Debt Exchanges and 2010 Debt Conversions

As of January 1, 2009, the Company had outstanding $287.5 million in aggregate principal amount of 4.75% convertible senior subordinated notes due 2013 (the "2013 Notes"). The 2013 Notes were convertible, at the option of the holder, into common stock at a price equal to approximately $23.14 per share, subject to adjustment. The 2013 Notes bore interest at the rate of 4.75% per annum, and the Company was required to make semi-annual interest payments on the outstanding principal balance of the 2013 Notes on February 15 and August 15 of each year. The Company had the right to redeem the 2013 Notes, in whole or in part, on or after February 15, 2010, at the redemption prices stated in the indenture, plus accrued and unpaid interest to, but excluding, the redemption date. The 2013 Notes would have matured on February 15, 2013.

In the second quarter of 2009, the Company exchanged $143.5 million in aggregate principal amount of the 2013 Notes, plus accrued interest, for 6,601,000 shares of newly-issued common stock. In the exchanges, the Company issued 46 shares of common stock for each $1,000 in principal amount of 2013 Notes. As a result of the exchanges, the Company incurred a non-cash charge of $12.3 million in the second quarter of 2009. This charge is related to the incremental shares issued in the transaction over the number that would have been issued upon conversion of the 2013 Notes under their original terms, at the original conversion rate of approximately 43.22 shares of common stock per $1,000 in principal amount of the 2013 Notes. In addition, accrued interest of $2.1 million and unamortized debt issuance costs of exchanged convertible notes of $3.5 million were recorded as an offset to additional paid-in capital.

In the fourth quarter of 2009, the Company exchanged $111.9 million in aggregate principal amount of the 2013 Notes, plus accrued interest, for 4,980,838 shares of newly-issued common stock. In the exchanges, the Company issued 44.5 shares of common stock for each $1,000 in principal amount of 2013 Notes. As a result of the exchanges, the Company incurred a non-cash charge of $5.8 million in the fourth quarter of 2009. This charge is related to the incremental shares issued in the transaction over the number that would have been issued upon conversion of the 2013 Notes under their original terms, at the original conversion rate of approximately 43.22 shares of common stock per $1,000 in

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

I. Equity and Debt Offerings and Debt Exchanges and Conversions (Continued)

principal amount of the 2013 Notes. In addition, accrued interest of $1.3 million and unamortized debt issuance costs of exchanged convertible notes of $2.4 million were recorded as an offset to additional paid-in capital.

In the first quarter of 2010, the Company announced that it would redeem the remaining $32.1 million in aggregate principal amount of the 2013 Notes on March 19, 2010. Instead, the holders of the 2013 Notes elected to convert their 2013 Notes, pursuant to the original terms of the 2013 Notes, into 1,386,006 shares of newly-issued common stock in full satisfaction of the 2013 Notes. In addition, accrued interest of $0.1 million and unamortized debt issuance costs of the 2013 Notes of $0.6 million were recorded as an offset to additional paid-in capital.

J. Collaborative Arrangements

Janssen Pharmaceutica, N.V.

In June 2006, the Company entered into a collaboration agreement with Janssen Pharmaceutica, N.V. ("Janssen") for the development, manufacture and commercialization of telaprevir, the Company's lead investigative HCV protease inhibitor. Under the agreement, Janssen has agreed to be responsible for 50% of the drug development costs incurred under the development program for the parties' territories (North America for the Company, and the rest of the world, other than the Far East, for Janssen) and has exclusive rights to commercialize telaprevir in its territories including Europe, South America, the Middle East, Africa and Australia. Under the development program for telaprevir, each party is incurring reimbursable drug development costs. Reimbursable costs incurred by Janssen are offset against reimbursable costs incurred by the Company. Amounts that Janssen pays to the Company for reimbursement, after the offset, are recorded as revenues. Accordingly, if Janssen incurs increased costs under the development program, the Company's revenues attributable to the reimbursement are reduced.

Janssen made a $165.0 million up-front license payment to the Company in July 2006. The up-front license payment is being amortized over the Company's estimated period of performance under the collaboration agreement. The Company's estimates regarding the period of performance under the Janssen collaboration agreement were adjusted in 2007, in the third quarter of 2009 and in the first quarter of 2010, as a result of changes in the global development plan for telaprevir, which contemplates the conduct of certain development activities in the post-approval period, if telaprevir is approved for marketing. These adjustments were made on a prospective basis beginning in the periods in which the changes were identified. These adjustments resulted in a decrease in the amount of revenues the Company recognized from the Janssen collaboration by $2.6 million per quarter for the first adjustment, by $1.1 million per quarter for the second adjustment and by $1.4 million per quarter for the third adjustment. As of March 31, 2010, there is $77.7 million of deferred revenues related to this up-front license payment that will be recognized over the remaining period of performance.

Under the agreement, Janssen agreed to make contingent milestone payments, which could have totaled up to $380.0 million for successful development, approval and launch of telaprevir as a product. As of March 31, 2010, the Company had earned $100.0 million of these contingent milestone payments. The remaining $280.0 million in milestones under the Company's agreement with Janssen include $100.0 million related to the regulatory filing with and approval of telaprevir by the European

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

J. Collaborative Arrangements (Continued)

Medicines Evaluation Agency, and $150.0 million related to the launch of telaprevir in the European Union. On September 30, 2009, the Company entered into two financial transactions related to the $250.0 million in milestones related to the filing, approval and launch of telaprevir in the European Union. Please refer to Note L, "September 2009 Financial Transactions."

The collaboration agreement with Janssen also provides the Company with royalties on any sales of telaprevir in the Janssen territories, with a tiered royalty averaging in the mid-20% range, as a percentage of net sales in the Janssen territories, depending upon successful commercialization of telaprevir. Each of the parties will be responsible for drug supply in their respective territories. However, the agreement provides for the purchase by Janssen from the Company of materials required for Janssen's manufacture of the active pharmaceutical ingredient. In addition, Janssen will be responsible for certain third-party royalties on net sales in its territories. Janssen may terminate the agreement without cause at any time upon six months notice to the Company.

During the three months ended March 31, 2010, the Company recognized $6.5 million in revenues under the Janssen agreement, which included an amortized portion of the up-front payment, payment for manufacturing services provided to Janssen and net reimbursements from Janssen for telaprevir development costs. During the three months ended March 31, 2009, the Company recognized $17.1 million in revenues under the Janssen agreement, which included an amortized portion of the up-front payment and net reimbursements from Janssen for telaprevir development costs.

Mitsubishi Tanabe Pharma Corporation

In June 2004, the Company entered into a collaboration agreement (the "MTPC Agreement") with Mitsubishi Tanabe Pharma Corporation ("Mitsubishi Tanabe"), pursuant to which Mitsubishi Tanabe agreed to provide financial and other support for the development and commercialization of telaprevir. Under the terms of the agreement, Mitsubishi Tanabe has the right to develop and commercialize telaprevir in Japan and certain other Far East countries. The MTPC Agreement provided for payments by Mitsubishi Tanabe to the Company through Phase 2 clinical development, including an up-front license fee, development stage milestone payments and reimbursement of certain drug development costs for telaprevir.

On July 30, 2009, the Company and Mitsubishi Tanabe amended the MTPC Agreement. Under the amended agreement, Mitsubishi Tanabe paid the Company $105.0 million in the third quarter of 2009, and the Company may receive a further contingent milestone payment ranging from between $15.0 million to $65.0 million. The amended agreement provides to Mitsubishi Tanabe a fully-paid license to commercialize telaprevir to treat HCV infection in Japan and specified other countries in the Far East, as well as rights to manufacture telaprevir for sale in its territory. Mitsubishi Tanabe is responsible for its own development and manufacturing costs in its territory. Mitsubishi Tanabe may terminate the agreement at any time without cause upon 60 days' prior written notice to the Company.

Prior to the amendment, the Company recognized revenues based on an amortized portion of the 2004 up-front payment, milestones, if any, and reimbursement of certain of the Company's expenses incurred in telaprevir development. The $105.0 million payment that the Company received in the third quarter of 2009 pursuant to the amended agreement is a nonrefundable, up-front license fee and revenues related to this payment are being recognized on a straight-line basis over the Company's

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

J. Collaborative Arrangements (Continued)

estimated period of performance under the amended agreement. In the three months ended March 31, 2010 and 2009, the Company recognized revenues from Mitsubishi Tanabe of $9.6 million and $0.2 million, respectively.

K. Acquisition of ViroChem Pharma Inc.

On March 12, 2009, the Company acquired 100% of the outstanding equity of ViroChem Pharma Inc. ("ViroChem"), a privately-held biotechnology company based in Canada, for $100.0 million in cash and 10,733,527 shares of the Company's common stock. Vertex acquired ViroChem in order to add two clinical-development stage HCV polymerase inhibitors to Vertex's HCV drug development portfolio. At the time of the acquisition, ViroChem was also engaged in research activities related to viral diseases and was developing an early-stage drug candidate for the treatment of patients with HIV infection. The transaction was accounted for under the acquisition method of accounting. All of the assets acquired and liabilities assumed in the transaction were recognized at their acquisition-date fair values, while transaction costs and restructuring costs associated with the transaction were expensed as incurred. The intangible assets and goodwill related to the ViroChem acquisition are tested for impairment on an annual basis as of October 1, or earlier if impairment indicators are present.

All of the intangible assets acquired in the ViroChem acquisition related to in-process research and development assets. These in-process research and development assets primarily related to ViroChem's two clinical-development stage HCV polymerase inhibitors, VX-222 and VX-759, which accounted for $412.9 million and $105.8 million, respectively, of the intangible assets reflected on the Company's condensed consolidated balance sheets as of March 31, 2010 and December 31, 2009. The Company's condensed consolidated balance sheets also reflect goodwill that relates to the potential synergies from the possible development of combination therapies involving telaprevir and the acquired drug candidates. No impairment has been found for VX-222 or VX-759 or goodwill since the acquisition date.

In addition, the Company considered ViroChem's other clinical drug candidates and determined that VCH-286, ViroChem's lead HIV drug candidate, had an estimated fair value of $7.2 million at the acquisition date, based on development costs through the acquisition date. Pursuant to the Company's annual impairment analysis, the Company determined that VCH-286's fair value was zero, resulting in a $7.2 million impairment charge in the fourth quarter of 2009.

The deferred tax liability of $160.3 million as of March 31, 2010 and December 31, 2009 primarily relates to the tax impact of future amortization or impairments associated with the identified intangible assets acquired, which are not deductible for tax purposes. In connection with the impairment charge for VCH-286, the Company also recorded an adjustment of $2.2 million to the deferred tax liability in the fourth quarter of 2009.

In connection with the acquisition of ViroChem, the Company incurred $7.8 million in expenses, which are reflected as acquisition-related expenses on the condensed consolidated statement of operations in the three months ended March 31, 2009. These costs include transaction expenses as well as a restructuring charge the Company incurred in March 2009 when it determined it would restructure ViroChem's operations in order to focus on ViroChem's HCV development programs. As a result of

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

K. Acquisition of ViroChem Pharma Inc. (Continued)

this restructuring plan, which was completed in the second quarter of 2009, Vertex recorded a $2.1 million expense related to employee severance, benefits and related costs in the first quarter of 2009.

L. September 2009 Financial Transactions

2012 Notes

On September 30, 2009, the Company sold $155.0 million in aggregate principal amount of secured notes due 2012 (the "2012 Notes") for an aggregate of $122.2 million pursuant to a note purchase agreement with Olmsted Park S.A. (the "Purchaser"). The 2012 Notes were issued pursuant to, and the 2012 Notes are governed by the terms of, an indenture entered into on September 30, 2009 between the Company and U.S. Bank National Association, as trustee and collateral agent. In connection with the issuance of the 2012 Notes, the Company granted a security interest to the Purchaser with respect to $155.0 million of future telaprevir milestone payments that the Company is eligible to earn from Janssen for the future filing, approval and launch of telaprevir in the European Union.

The 2012 Notes were issued at a discount and do not pay current interest prior to maturity. The 2012 Notes will mature on October 31, 2012, subject to earlier mandatory redemption to the extent specified milestone events set forth in the Company's collaboration with Janssen occur prior to October 31, 2012. $100.0 million of these potential milestone payments relate to the regulatory filing with and approval of telaprevir by the European Medicines Evaluation Agency, and $55.0 million relate to the launch of telaprevir in the European Union. The Company will be required to redeem the portion of the 2012 Notes equal to each milestone payment as each such milestone payment is earned under the Janssen collaboration.

The holders of the 2012 Notes have the right to cause the Company to repay all or any part of the 2012 Notes at 100% of the principal amount of the 2012 Notes to be repurchased if a change of control of the Company occurs. The Company may also redeem all or any part of the 2012 Notes at any time at 100% of the principal amount of the 2012 Notes to be redeemed. Upon certain events of default occurring and continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the 2012 Notes then outstanding may declare the principal of the 2012 Notes immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization relating to the Company, the principal amount of the 2012 Notes shall automatically become immediately due and payable.

The Company has determined that the 2012 Notes contain an embedded derivative related to the potential mandatory redemption or early repayment of the 2012 Notes at the principal amount prior to their maturity date. The Company bifurcated the embedded derivative from the 2012 Notes because the features of the embedded derivative were not clearly and closely related to the 2012 Notes.

The Company determines the fair value of the embedded derivative based on a probability-weighted model of the discounted value that market participants would ascribe to the potential mandatory redemption and early repayment features of the 2012 Notes. The Company records quarterly interest expense related to the 2012 Notes determined using the effective interest rate method. The fair value of this embedded derivative is evaluated quarterly, with any changes in the fair value of the embedded derivative resulting in a corresponding loss or gain. The liabilities related to the

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

L. September 2009 Financial Transactions (Continued)

2012 Notes, including the embedded derivative, are reflected together on the Company's condensed consolidated balance sheets as a long-term liability. With respect to the liability for the 2012 Notes, changes in the fair value of the embedded derivative that result in a loss increase the liability each quarter by an amount corresponding to the loss and changes in the fair value of the embedded derivative that result in a gain decrease the liability each quarter by an amount corresponding to the gain.

Sale of Future Milestone Payments

On September 30, 2009, the Company entered into two purchase agreements with the Purchaser pursuant to which the Company sold its rights to an aggregate of $95.0 million in potential future milestone payments pursuant to the Janssen collaboration related to the launch of telaprevir in the European Union, for nonrefundable payments totaling $32.8 million. The purchase agreements contain representations, warranties, covenants and indemnification obligations of each party, including the obligation of the Company to make the milestone payments to the Purchaser when the underlying milestone events are achieved if the Janssen collaboration has been terminated.

The Company determined that this sale of a potential future revenue stream should be accounted for as a liability because the Company has significant continuing involvement in the generation of the potential milestone payments pursuant to its collaboration agreement with Janssen. As a result, the Company records a liability on its condensed consolidated balance sheets equal to the fair value of the purchase agreements. No revenues or deferred revenues have been recorded on account of the amounts that the Company received from the Purchaser pursuant to these purchase agreements. In addition, the Company determined that the purchase agreements are free-standing derivative instruments. The aggregate fair value of the free-standing derivatives created by the sale of the rights to future milestone payments to the Purchaser pursuant to the purchase agreements is based on a probability-weighted model of the discounted value that market participants would ascribe to these rights. The models used to estimate the fair value of the rights sold to the Purchaser pursuant to the purchase agreements require the Company to make estimates regarding, among other things, the assumptions market participants would make regarding the timing and probability of achieving the milestones and the appropriate discount rates. The fair value of the rights sold to the Purchaser pursuant to the purchase agreements will be evaluated each reporting period, with any changes in the fair value of the derivative instruments based on the probability of achieving the milestones, the timing of achieving the milestones or discount rates resulting in a corresponding gain or loss. Because the Company's estimate of the fair value of the rights to the future milestone payments includes the application of a discount rate to reflect the time-value of money, the Company expects to record costs related to this liability each quarter.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

L. September 2009 Financial Transactions (Continued)

Costs and Liabilities Related to September 2009 Financial Transactions

	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Expenses and Losses:		
Interest expense related to 2012 Notes	3,583	—
Change in fair value of embedded derivative related to 2012 Notes	320	—
Change in fair value of free-standing derivatives related to sale of potential future milestone payments	1,169	—

	March 31, 2010	December 31, 2009
	(in thousands)	
Liabilities:		
2012 Notes, excluding fair value of embedded derivative	$ 114,544	$ 111,313
Embedded derivative related to 2012 Notes	10,772	10,452
Liability related to sale of potential future milestone payments	39,376	38,207

M. Sale of HIV Protease Inhibitor Royalty Stream

In December 1993, the Company and GlaxoSmithKline plc entered into a collaboration agreement to research, develop and commercialize HIV protease inhibitors, including Agenerase (amprenavir) and Lexiva/Telzir (fosamprenavir calcium). Under the collaboration agreement, GlaxoSmithKline agreed to pay the Company royalties on net sales of drugs developed under the collaboration.

The Company began earning a royalty from GlaxoSmithKline in 1999 on net sales of Agenerase, in 2003 on net sales of Lexiva, and in 2004 on net sales of Telzir. GlaxoSmithKline has the right to terminate its arrangement with the Company without cause upon twelve months' notice. Termination of the collaboration agreement by GlaxoSmithKline will relieve it of its obligation to make further payments under the agreement and will end any license granted to GlaxoSmithKline by the Company under the agreement. In June 1996, the Company and GlaxoSmithKline obtained a worldwide, non-exclusive license under certain G.D. Searle & Co. ("Searle," now owned by Pharmacia/Pfizer) patents in the area of HIV protease inhibition. Searle is paid royalties based on net sales of Agenerase and Lexiva/Telzir.

On May 30, 2008, the Company entered into a purchase agreement (the "Purchase Agreement") with Fosamprenavir Royalty, L.P. ("Fosamprenavir Royalty") pursuant to which the Company sold, and Fosamprenavir Royalty purchased, the Company's right to receive royalty payments, net of royalty amounts to be earned and due to Searle, arising from sales of Lexiva/Telzir and Agenerase under the Company's 1993 agreement with GlaxoSmithKline, from April 1, 2008 to the end of the term of the collaboration agreement, for a one-time cash payment of $160.0 million to the Company. In accordance with the Purchase Agreement, GlaxoSmithKline will make all royalty payments, net of the subroyalty

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

M. Sale of HIV Protease Inhibitor Royalty Stream (Continued)

amounts payable to Searle, directly to Fosamprenavir Royalty. The Purchase Agreement also contains other representations, warranties, covenants and indemnification obligations. The Company continues to be obligated for royalty amounts earned and that are due to Searle. The Company has instructed GlaxoSmithKline to pay such amounts directly to Searle as they become due.

The Company classified the proceeds received from Fosamprenavir Royalty as deferred revenues, to be recognized as royalty revenues over the life of the collaboration agreement, because of the Company's continuing involvement in the royalty arrangement over the term of the Purchase Agreement. Such continuing involvement, which is required pursuant to covenants contained in the Purchase Agreement, includes overseeing GlaxoSmithKline's compliance with the collaboration agreement, monitoring and defending patent infringement, adverse claims or litigation involving the royalty stream, undertaking to cooperate with Fosamprenavir Royalty's efforts to find a new license partner if GlaxoSmithKline terminates the collaboration agreement, and complying with the license agreement with Searle, including the obligation to make future royalty payments to Searle. Because the transaction was structured as a non-cancellable sale, the Company has no significant continuing involvement in the generation of the cash flows due to Fosamprenavir Royalty and there are no guaranteed rates of return to Fosamprenavir Royalty, the Company has recorded the proceeds as deferred revenues.

The Company recorded $155.1 million, representing the proceeds of the transaction less the net royalty payable to Fosamprenavir Royalty for the period from April 1, 2008 through May 30, 2008, as deferred revenues to be recognized as royalty revenues over the life of the collaboration agreement based on the units-of-revenue method. The amount of deferred revenues to be recognized as royalty revenues in each period is calculated by multiplying the following: (1) the net royalty payments due to Fosamprenavir Royalty for the period by (2) the ratio of the remaining deferred revenue amount to the total estimated remaining net royalties that GlaxoSmithKline is expected to pay Fosamprenavir Royalty over the term of the collaboration agreement. On May 31, 2008, the Company began recognizing these deferred revenues. In addition, the Company continues to recognize royalty revenues for the portion of the royalty earned that is due to Searle.

The Company recognizes royalty expenses in each period based on (i) deferred transaction expenses in the same manner and over the same period during which the related deferred revenues are recognized as royalty revenues plus (ii) the subroyalty paid by GlaxoSmithKline to Searle on net sales of Agenerase and Lexiva/Telzir for the period.

N. Guarantees

As permitted under Massachusetts law, the Company's Articles of Organization and Bylaws provide that the Company will indemnify certain of its officers and directors for certain claims asserted against them in connection with their service as an officer or director. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is unlimited. However, the Company has purchased directors' and officers' liability insurance policies that could reduce its monetary exposure and enable it to recover a portion of any future amounts paid. No indemnification claims are currently outstanding and the Company believes the estimated fair value of these indemnification arrangements is minimal.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

N. Guarantees (Continued)

The Company customarily agrees in the ordinary course of its business to indemnification provisions in agreements with clinical trials investigators and sites in its drug development programs, in sponsored research agreements with academic and not-for-profit institutions, in various comparable agreements involving parties performing services for the Company in the ordinary course of business, and in its real estate leases. The Company also customarily agrees to certain indemnification provisions in its drug discovery, development and commercialization collaboration agreements. With respect to the Company's clinical trials and sponsored research agreements, these indemnification provisions typically apply to any claim asserted against the investigator or the investigator's institution relating to personal injury or property damage, violations of law or certain breaches of the Company's contractual obligations arising out of the research or clinical testing of the Company's compounds or drug candidates. With respect to lease agreements, the indemnification provisions typically apply to claims asserted against the landlord relating to personal injury or property damage caused by the Company, to violations of law by the Company or to certain breaches of the Company's contractual obligations. The indemnification provisions appearing in the Company's collaboration agreements are similar, but in addition provide some limited indemnification for its collaborator in the event of third-party claims alleging infringement of intellectual property rights. In each of the cases above, the indemnification obligation generally survives the termination of the agreement for some extended period, although the obligation typically has the most relevance during the contract term and for a short period of time thereafter. The maximum potential amount of future payments that the Company could be required to make under these provisions is generally unlimited. The Company has purchased insurance policies covering personal injury, property damage and general liability that reduce its exposure for indemnification and would enable it in many cases to recover a portion of any future amounts paid. The Company has never paid any material amounts to defend lawsuits or settle claims related to these indemnification provisions. Accordingly, the Company believes the estimated fair value of these indemnification arrangements is minimal.

On February 12, 2008, the Company entered into underwriting agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated; on September 18, 2008, the Company entered into an underwriting agreement with Goldman, Sachs & Co.; on February 18, 2009, the Company entered into an underwriting agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated; and on December 2, 2009, the Company entered into an underwriting agreement with Goldman, Sachs & Co. (collectively, the "Underwriting Agreements"), in each case as the representative of the several underwriters, if any, named in such agreements, relating to the public offering and sale of shares of the Company's common stock or convertible subordinated notes. The Underwriting Agreement relating to each offering requires the Company to indemnify the underwriters of that public offering against any loss they may suffer by reason of the Company's breach of any representation or warranty relating to that public offering, the Company's failure to perform certain covenants in those agreements, the inclusion of any untrue statement of material fact in the prospectus used in connection with that offering, the omission of any material fact needed to make those materials not misleading, and any actions taken by the Company or its representatives in connection with the offering. The representations, warranties and covenants in the Underwriting Agreements are of a type customary in agreements of this sort. The Company believes the estimated fair value of these indemnification arrangements is minimal.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

O. Contingencies

The Company has certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a reserve for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. There were no contingent liabilities accrued as of March 31, 2010 or December 31, 2009.

P. Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board provided updated guidance (1) on whether multiple deliverables exist, how the deliverables in a revenue arrangement should be separated and how the consideration should be allocated; (2) requiring an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (3) eliminating the use of the residual method and requiring an entity to allocate revenue using the relative selling price method. The update is effective for fiscal years beginning on or after June 15, 2010, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. The Company is currently evaluating the effect of this update to its accounting and reporting systems and processes; however, at this time the Company is unable to quantify the impact on its condensed consolidated financial statements of its adoption or determine the timing and method of its adoption.

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

Overview

We are in the business of discovering, developing and commercializing small molecule drugs for the treatment of serious diseases. Telaprevir, our lead drug candidate, is being evaluated in a registration program focused on treatment-naïve and treatment-failure patients with genotype 1 hepatitis C virus, or HCV, infection. We expect to receive final data from the telaprevir registration program in the second and third quarters of 2010. Assuming a successful outcome of the registration program, we intend to submit a new drug application, or NDA, for telaprevir in the United States in the second half of 2010. If we are able to obtain marketing approval for telaprevir in accordance with our current development and regulatory timelines, we expect to initiate sales of telaprevir in the United States in 2011. We are pursuing a number of other clinical development programs, including a registration program for VX-770, the lead drug candidate in our cystic fibrosis, or CF, program. We plan to continue investing in our research and development programs and to develop selected drug candidates that emerge from those programs, alone or with third-party collaborators.

Business Focus

Over the last several years, we have invested significant financial and management resources in the late-stage development of telaprevir and in strengthening our pipeline of drug candidates, through research and development activities and the acquisition of ViroChem Pharma Inc., or ViroChem. To fund these investments, we have raised significant capital through sales of common stock and convertible debt and other financial transactions. In order to execute our business plan and achieve profitability, we will need to complete the development of telaprevir on a timely basis and effectively commercialize telaprevir in the United States, where we have retained marketing rights to telaprevir.

Over the next several years, we believe that in addition to telaprevir we will need to further investigate other potential therapies for the treatment of HCV infection and to research, develop and commercialize additional drug candidates in other therapeutic areas with significant unmet needs. As a result, we are committed to advancing the other clinical drug candidates in our pipeline and investing in our preclinical research programs. In HCV, we are planning to evaluate telaprevir in combination with VX-222, an investigational polymerase inhibitor that we obtained in 2009 through our acquisition of ViroChem, in a Phase 2a clinical trial. The objective of our ongoing clinical trials of HCV drug candidates and our earlier-stage activities with respect to potential additional and combination treatments for HCV infection is to significantly improve the treatment options for genotype 1 HCV infection. The most advanced of our other drug candidates is VX-770, which we are evaluating in a registration program that focuses on patients with CF who have the G551D mutation in the gene responsible for CF. We also are planning on evaluating VX-770 in combination with VX-809 in a Phase 2a clinical trial in patients with the most common mutation in the gene responsible for CF and plan to conduct additional dosing-ranging activities for VX-809. In addition, we have initiated a Phase 2a clinical trial of VX-509 in patients with moderate-to-severe rheumatoid arthritis and a Phase 2a clinical trial of VX-765 in patients with treatment-resistant epilepsy.

Drug Discovery and Clinical Development

Discovery and development of a new pharmaceutical product is a difficult and lengthy process that requires significant financial resources along with extensive technical and regulatory expertise and can take 10 to 15 years or more. Throughout this entire process, potential drug candidates are subjected to rigorous evaluation, driven in part by stringent regulatory considerations, designed to generate information concerning efficacy, side-effects, proper dosage levels and a variety of other physical and chemical characteristics that are important in determining whether a drug candidate should be approved for marketing as a pharmaceutical product. The toxicity characteristics and profile of drug

candidates at varying dose levels administered for varying periods of time also are monitored and evaluated during the nonclinical and clinical development process. Most chemical compounds that are investigated as potential drug candidates never progress into formal development and most drug candidates that do advance into formal development never become commercial products. A drug candidate's failure to progress or advance may be the result of any one or more of a wide range of adverse experimental outcomes including, for example, the lack of sufficient efficacy against the disease target, the lack of acceptable absorption characteristics or other physical properties, difficulties in developing a cost-effective manufacturing or formulation method, or the discovery of toxicities or side-effects that are unacceptable for the disease indication being targeted or that adversely affect the competitive commercial profile of the drug candidate.

Throughout the development process for a drug candidate, we must work collaboratively with regulatory authorities, including the United States Food and Drug Administration, or FDA, in order to identify the specific scientific issues that need to be addressed in the clinical trials to support continued development and approval of the drug candidate. If the data from our ongoing clinical trials or nonclinical studies regarding the safety or efficacy of a drug candidate are not favorable or regulatory authorities request additional clinical trials or changes to existing clinical trial protocols, we may be forced to delay or terminate the clinical development program for that drug candidate, which, particularly in the case of telaprevir, could materially harm our business.

Because our investments are subject to considerable risks, we closely monitor the results of our clinical trials, discovery research and our nonclinical studies and frequently evaluate our portfolio investments in light of new data and scientific, business and commercial insights, with the objective of balancing risk and potential. This process can result in relatively abrupt changes in focus and priority as new information becomes available and we gain additional insights into ongoing programs and potential new programs. Although we believe that our development activities and the clinical trial data we have obtained regarding telaprevir have reduced the risks associated with obtaining regulatory approval, we cannot be sure that our development of telaprevir will lead to regulatory approval of telaprevir or that such approval, if obtained, will occur in 2011. With respect to our other drug candidates, including VX-770, we have more limited data from clinical trials and nonclinical studies and as a result it is difficult to predict which, if any, of these drug candidates ultimately will result in pharmaceutical products.

Recent Developments in Clinical Programs

Telaprevir NDA

We have three ongoing clinical trials of telaprevir, which are referred to as the ADVANCE, REALIZE and ILLUMINATE clinical trials. We expect to receive sustained viral response, or SVR, data from the ADVANCE clinical trial in the second quarter of 2010 and from the REALIZE and ILLUMINATE clinical trials in the third quarter of 2010. We plan to submit our NDA for telaprevir on a rolling basis and expect to begin submitting portions of the NDA, including the chemistry, manufacturing and controls (CMC) package and the nonclinical package, during the summer of 2010. Assuming a successful outcome of the registration program, we intend to complete the NDA submission for telaprevir in the second half of 2010 with clinical data from Phase 3 trials in both treatment-naïve and treatment-failure patients with genotype 1 HCV infection.

107 Clinical Trial of Telaprevir

In April 2010, in connection with the annual meeting of the European Association for the Study of the Liver (EASL), we announced final results from a Phase 2 clinical trial of telaprevir, referred to as the 107 Trial, which enrolled 117 patients who did not achieve an SVR in the control arms of our Phase 2b clinical trials of telaprevir. 59% of patients overall who received a telaprevir-based

combination regimen in the 107 Trial achieved an SVR. In the 107 Trial, ten patients, or 9%, discontinued all therapy due to adverse events, with rash being the most common reason for discontinuation.

Phase 1b Clinical Trial of VX-222

In connection with the presentations at EASL, we also announced data from a Phase 1b clinical trial of VX-222. The Phase 1b clinical trial of VX-222 was a double-blind, randomized placebo-controlled, dose-ranging clinical trial designed to evaluate the safety, tolerability, pharmacokinetics and effect on viral kinetics of four dose levels of VX-222 in a total of 32 patients with genotype 1 HCV infection. In the Phase 1b clinical trial, treatment with VX-222 for three days resulted in a greater than 3 $\log_{10}$ reduction in HCV RNA levels across all four of the VX-222 dose groups. No serious adverse events or treatment discontinuations were reported over the three-day dosing period. Mild-to-moderate diarrhea was the most common adverse event reported.

Initiation of HCV Combination Clinical Trial

In March 2010, we announced plans to initiate the first clinical trial evaluating telaprevir dosed in combination with VX-222. This randomized, parallel-group, dose-ranging trial is designed to evaluate the safety and antiviral activity, including SVR rates, of multiple 12-week response-guided combination regimens with telaprevir and VX-222. This clinical trial initially will include two clinical trial arms in which telaprevir and VX-222 are dosed in combination with pegylated-interferon, or peg-IFN, and ribavirin, or RBV, and two clinical trial arms in which telaprevir and VX-222 will be dosed in combination with each other. Patients who achieve undetectable HCV RNA levels at weeks 2 and 8 will stop all treatment after 12 weeks, while patients who do not meet those criteria will receive 12 or 24 weeks of treatment with peg-IFN and RBV after the initial 12 week dosing period. The trial is expected to enroll approximately 100 treatment-naïve patients with genotype 1 HCV infection at multiple clinical trial sites, the majority of which will be located in the United States. The primary endpoint of this clinical trial is to assess the safety and tolerability of telaprevir/VX-222-based combination therapy. A secondary endpoint of this clinical trial is to assess the proportion of patients in each clinical trial arm who achieve an SVR. We expect to obtain interim clinical data, including safety and viral kinetic data, from this trial in the second half of 2010.

Commercialization

We plan to market telaprevir in North America, if and when it is approved for sale. Over the past several years, we have expanded our commercial organization with a focus on building our understanding of the HCV market, developing our commercial strategy for the potential launch of telaprevir, and planning the infrastructure necessary to support future commercial activities. In the period prior to the anticipated launch of telaprevir, we expect to expand our commercial organization to an even more significant extent. This expansion will include implementation of internal systems and infrastructure in order to support commercial sales, incorporation of appropriate compliance policies and procedures, establishment of patient-focused programs and hiring a sales force to promote telaprevir, if approved, to health care providers. We are assembling a group of executives with broad experience in marketing, sales, distribution and cost reimbursement of drugs. We will continue to build our commercial infrastructure by hiring a sales management team followed by a commercial sales force in the United States. Successful development and commercialization of any of our other drug candidates may require further expansion of our commercial capabilities in North America and potentially in other locations if we retain and pursue our current worldwide rights to these drug candidates.

Manufacturing

We will require a supply of telaprevir for sale in North America and a supply of VX-770 for sale worldwide if we are successful in obtaining marketing approval for either or both of these drug candidates. We rely on an international network of third parties to manufacture and distribute our drug candidates for clinical trials, and we expect that we will continue to rely on third parties for the foreseeable future to meet our commercial supply needs for any of our drug candidates that are approved for sale. Third-party contract manufacturers, including some in Asia, supply us with raw materials, and contract manufacturers in the European Union and the United States convert these raw materials into drug substance, and convert the drug substance into final dosage form. Establishing and managing this global supply chain requires a significant financial commitment and the creation and maintenance of numerous third-party relationships. Although we attempt to effectively manage the business relationships with companies in our supply chain, we do not have complete control over their activities.

Corporate Collaborations and Business Development Activities

Corporate collaborations have been and will continue to be an important component of our business strategy. Historically, we have not had the resources to develop and commercialize all of the drug candidates that we have identified or for which we have rights. Therefore, we have relied on collaborations with third parties for the development and commercialization of some or all of our drug candidates. We have been successful in initiating productive collaborations with Janssen Pharmaceutica, N.V., or Janssen, and Mitsubishi Tanabe Pharma Corporation, or Mitsubishi Tanabe, relating to telaprevir, and our collaboration with Cystic Fibrosis Foundation Therapeutics Incorporated contributed to the discovery of VX-770 and VX-809. Our early collaboration with GlaxoSmithKline plc resulted in two marketed drugs for the treatment of HIV infection. Collaborations continue to be an important part of our strategy going forward, although the structure and scope of available collaborative opportunities has changed in the past and may change in the future based on prevailing economic and competitive conditions. Business development opportunities have provided us with drug candidates and important research resources that have contributed to a number of the drug candidates in our current development pipeline. In 2009, we acquired ViroChem in order to obtain rights to its drug candidates for the treatment of HCV infection. In the future, we may seek to license or acquire drugs, drug candidates and other technologies that have the potential to strengthen our pipeline, drug discovery platform or commercial opportunities.

Financing Strategy

We have incurred losses from our inception and expect to continue to incur losses at least until we obtain approval for and successfully commercialize a product, if we ever do. Therefore, we have been dependent in large part on our ability to raise significant funding to finance our research and development operations, to create a commercial infrastructure and to meet our overhead costs and long-term contractual commitments and obligations. To date, we have secured funds principally through capital market transactions, strategic collaborative agreements, investment income and the issuance of common stock under our employee benefit plans. We have from time to time transferred to third parties future financial rights under certain of our collaborations in exchange for one-time cash payments.

We expect that we will incur substantial expenses in order to complete the development and commercialization of telaprevir while at the same time continuing to pursue diversified research and development efforts for our other drug candidates and to build our other capabilities. For these purposes, we may raise additional capital in order to maintain adequate working capital and cash reserves. We expect in any case that we would need to raise additional capital if the development of telaprevir is materially delayed. We may raise additional capital from public offerings or private

placements of our securities or through other methods of financing. We cannot be sure that financing opportunities will be available on acceptable terms, if at all. If adequate funds are not available on acceptable terms, we may be required to significantly curtail or discontinue one or more of our research or development programs, including clinical trials, incur significant cash exit costs, or attempt to obtain funds through arrangements with collaborators or others that may require that we relinquish rights to certain of our drug candidates.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are reflected in reported results for the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate. During the three months ended March 31, 2010, there were no material changes to our critical accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2009.

Results of Operations—Three Months Ended March 31, 2010 Compared with Three Months Ended March 31, 2009

	Three Months Ended March 31,		Increase/ (Decrease)	Increase/ (Decrease)
	2010	2009	$	%
		(in thousands)		
Revenues	$ 22,429	$ 23,979	$ (1,550)	(6)%
Operating costs and expenses	182,711	185,872	(3,161)	(2)%
Net interest expense	3,500	779	2,721	349%
Other loss	1,489	—	1,489	n/a
Net loss	$ 165,271	$ 162,672	$ 2,599	2%

Net Loss

Our net loss in the first quarter of 2010 increased by $2.6 million, or 2%, as compared to our net loss in the first quarter of 2009. A decrease in our revenues and increases in our net interest expense and certain other non-operating expenses were partially offset by a small decrease in our operating costs and expenses. The small decrease in our operating costs and expenses was primarily the result of lower restructuring expense in the 2010 period compared to the 2009 period and the acquisition-related expense of $7.8 million that we incurred in the first quarter of 2009, for which there was no corresponding expense in the first quarter of 2010.

Net Loss per Share

Our net loss for the three months ended March 31, 2010 was $0.83 per basic and diluted common share compared to $1.04 per basic and diluted common share for the three months ended March 31, 2009. This decrease in net loss per common share for the first quarter of 2010 compared to the first

quarter of 2009 was the result of an increase in the basic and diluted weighted-average number of common shares outstanding from 155.9 million to 198.9 million. The increase in the number of common shares outstanding resulted primarily from the equity offerings we completed in February 2009 and December 2009, the ViroChem acquisition in March 2009 and the exchanges of our 4.75% convertible senior subordinated notes due 2013, or 2013 Notes, into common stock during 2009.

Stock-based Compensation and Certain Other Expenses

The comparison of our costs and expenses during the first quarter of 2010 and 2009 reflects a decrease in our stock-based compensation expense and our restructuring expense and in expenses related to our acquisition of ViroChem, along with incremental expenses incurred in the first quarter of 2010 related to the financial transactions we completed in September 2009. The decrease in our stock-based compensation expense resulted principally from expenses related to our CEO transition that were incurred in the first quarter of 2009 for which there were no corresponding expenses in the first quarter of 2010. The September 2009 financial transaction-related expenses principally relate to interest expenses on the secured notes due 2012, or 2012 Notes, we issued in one of the September 2009 financial transactions and to adjustments to the fair value of the derivatives associated with the September 2009 financial transactions. Our costs and expenses in the first quarter of 2010 and first quarter of 2009 included the following:

	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Stock-based compensation expense	$ 19,333	$ 22,277
Restructuring expense	780	2,402
Acquisition-related expenses	—	7,793
September 2009 financial transaction-related expenses	5,072	—

Revenues

	Three Months Ended March 31,		Increase/ (Decrease)	Increase/ (Decrease)
	2010	2009	$	%
	(in thousands)			
Royalty revenues	$ 6,407	$ 6,140	$ 267	4%
Collaborative revenues	16,022	17,839	(1,817)	(10)%
Total revenues	$ 22,429	$ 23,979	$ (1,550)	(6)%

Our total revenues in recent periods have consisted primarily of collaborative revenues, which have fluctuated significantly on a quarterly basis due to the timing of recognition of significant milestone payments, the amendment of our collaborative agreement with Mitsubishi Tanabe, which resulted in an additional up-front payment that is being recognized over time, and the level of reimbursement we have received for our development programs. During the remainder of 2010, we expect to continue to recognize deferred revenues currently reflected on our condensed consolidated balance sheet and additional revenues from our collaborative relationships and other sources. We do not expect to have any product revenues from the sale of telaprevir in 2010. If we are able to successfully commercialize telaprevir in accordance with current development timelines, product revenues from the sales of telaprevir would commence in 2011.

Collaborative Revenues

The table presented below is a summary of revenues from our collaborative arrangements for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	2009
	(in thousands)	
Janssen	$ 6,464	$ 17,135
Mitsubishi Tanabe	9,558	181
Other	—	523
Total collaborative revenues	$ 16,022	$ 17,839

Our revenues from the Janssen collaboration in each period consist of:

- net reimbursements from Janssen for development costs of telaprevir;
- specified manufacturing services, if any, we provided to Janssen in the period;
- an amortized portion of the $165.0 million up-front payment received from Janssen in 2006; and
- development milestone payments, if any, recognized in the period.

Amounts that Janssen pays us for reimbursement of our telaprevir clinical development expenses, after we offset reimbursement amounts owed by us to Janssen for reimbursements of Janssen's telaprevir clinical development expenses, are recorded as revenues.

The $10.7 million, or 62%, decrease in our revenues from Janssen in the first quarter of 2010 compared to the first quarter of 2009 was primarily the result of decreased net reimbursable expenses as we near the completion of our registration program for telaprevir. In addition, we adjusted our estimates regarding the period of performance under the Janssen agreement in the first quarter of 2010, as a result of changes in the global development plan for telaprevir, which contemplates the conduct of certain development activities in the post-approval period if telaprevir is approved for marketing. This adjustment, together with a similar adjustment that we made in the third quarter of 2009, resulted in our recognizing $3.1 million in collaborative revenues related to the up-front payment in the first quarter of 2010 as compared to $5.6 million in the first quarter of 2009. We did not achieve any development milestones under the Janssen collaboration in 2009 or the first quarter of 2010. In the third quarter of 2009, we entered into two financial transactions related to $250.0 million in potential future milestone payments related to the regulatory filing with and approval of telaprevir by the European Medicines Evaluation Agency, and the launch of telaprevir in the European Union. If Janssen is able to successfully commercialize telaprevir in accordance with current development timelines, we anticipate these milestones will be earned prior to April 2012. We expect that, when and if earned, these milestones will result in collaborative revenues of $250.0 million. The proceeds from the first $155.0 million would be used to redeem our 2012 Notes and the remaining $95.0 million would be paid by Janssen to the purchaser of $95.0 million of these milestones.

In the first quarter of 2010, the majority of our collaborative revenues related to our collaboration with Mitsubishi Tanabe. In the third quarter of 2009, we entered into an amendment to our license, development and commercialization agreement with Mitsubishi Tanabe that provided for a $105.0 million payment in connection with the execution of the amendment. We initially classified this payment as deferred revenues and are recognizing it over our expected period of performance. In the first quarter of 2010, we recognized a total of $9.6 million of revenues from Mitsubishi Tanabe related to the up-front payment. During the remainder of 2010, we expect to continue to recognize revenues related to the up-front payment and to begin to receive additional revenue related to specific manufacturing services that we agreed to provide Mitsubishi Tanabe.

Royalty Revenues

Our royalty revenues relate to sales of the HIV protease inhibitors Lexiva/Telzir and Agenerase by GlaxoSmithKline. In 2008, we sold our right to receive future royalties from GlaxoSmithKline with respect to these HIV protease inhibitors, excluding the portion allocated to pay a subroyalty to a third party, in return for a one-time cash payment of $160.0 million. We are recognizing revenues from this transaction on a deferred basis over the term of our agreement with GlaxoSmithKline under the units-of-revenue method. We will continue to recognize royalty revenues equal to the amount of the third-party subroyalty and an offsetting royalty expense for the third-party subroyalty payment.

Our royalty revenues increased by $0.3 million, or 4%, in the first quarter of 2010 compared to the first quarter of 2009. In 2010, we expect that we will recognize as royalty revenues a portion of the remaining deferred revenues from the sale of our HIV royalty stream plus the full amount of the third-party subroyalty.

Costs and Expenses

	Three Months Ended March 31,		Increase/ (Decrease) $	Increase/ (Decrease) %
	2010	2009		
		(in thousands)		
Research and development expenses	$ 143,012	$ 143,581	$ (569)	(0)%
Sales, general and administrative expenses	35,552	28,520	7,032	25%
Royalty expenses	3,367	3,576	(209)	(6)%
Restructuring expense	780	2,402	(1,622)	(68)%
Acquisition-related expenses	—	7,793	(7,793)	(100)%
Total costs and expenses	$ 182,711	$ 185,872	$ (3,161)	(2)%

Our operating costs and expenses primarily relate to our research and development expenses and our sales, general and administrative expenses. Our research and development expenses fluctuate on a quarterly basis due to the timing of activities related to the development of clinical drug candidates. Our sales, general and administrative expenses generally have been increasing as we expand our commercial capabilities in preparation for the potential commercial launch of telaprevir.

Research and Development Expenses

	Three Months Ended March 31,		Increase/ (Decrease) $	Increase/ (Decrease) %
	2010	2009		
		(in thousands)		
Research expenses	$ 45,954	$ 41,903	$ 4,051	10%
Development expenses	97,058	101,678	(4,620)	(5)%
Total research and development expenses	$ 143,012	$ 143,581	(569)	(0)%

Our total research and development expenses in the first quarter of 2010 were consistent with our total research and development expenses in the first quarter of 2009, as increases in research expenses were offset by decreases in our development expenses. Our research and development expenses include internal and external costs incurred for our drug candidates, including telaprevir and VX-770. We do not assign our internal costs, such as salary and benefits, stock-based compensation expense, laboratory supplies and infrastructure costs, to individual drug candidates, because the employees within our research and development groups typically are deployed across multiple research and development programs. These internal costs are significantly greater than our external costs, such as the costs of

services provided to us by clinical research organizations and other outsourced research, which we do allocate by individual drug development program. All research and development costs for our drug candidates are expensed as incurred.

To date, we have incurred in excess of $3.5 billion in research and development expenses associated with drug discovery and development. The successful development of our drug candidates is highly uncertain and subject to a number of risks. In addition, the duration of clinical trials may vary substantially according to the type, complexity and novelty of the drug candidate and the disease indication being targeted. The FDA and comparable agencies in foreign countries impose substantial requirements on the introduction of therapeutic pharmaceutical products, typically requiring lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Data obtained from nonclinical and clinical activities at any step in the testing process may be adverse and lead to discontinuation or redirection of development activity. Data obtained from these activities also are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The duration and cost of discovery, nonclinical studies and clinical trials may vary significantly over the life of a project and are difficult to predict. Therefore, accurate and meaningful estimates of the ultimate costs to bring our drug candidates to market are not available.

Over the past several years, telaprevir has represented the largest portion of the development costs for our clinical drug candidates. We anticipate that our ongoing Phase 3 clinical trials of telaprevir will be completed in the second and third quarters of 2010, but that development costs associated with other clinical trials of telaprevir may continue after the completion of the telaprevir registration trials. If we are able to successfully commercialize telaprevir in accordance with current development timelines, we anticipate revenues and cash flows from the sales of telaprevir to commence in 2011. If our registration program for VX-770 is successful and completed on the timeline that we currently anticipate, we could submit an NDA for VX-770 in the second half of 2011. Our other drug candidates are less advanced and as a result any estimates regarding development timelines for these drug candidates are highly subjective and subject to change, and we cannot at this time make a meaningful estimate when, if ever, these drug candidates, including the drug candidates we acquired from ViroChem, will generate revenues and cash flows.

Research Expenses

	Three Months Ended March 31,		Increase/ (Decrease) $	Increase/ (Decrease) %
	2010	2009		
	(in thousands)			
Research Expenses:				
Salary and benefits	$ 16,485	$ 14,571	$ 1,914	13%
Stock-based compensation expense	5,648	6,353	(705)	(11)%
Laboratory supplies and other direct expenses	7,700	6,615	1,085	16%
Contractual services	2,938	974	1,964	202%
Infrastructure costs	13,183	13,390	(207)	(2)%
Total research expenses	$ 45,954	$ 41,903	$ 4,051	10%

Our research expenses primarily are related to expenses for our workforce and generally are not dependent on the timing of clinical development activities. Over the past few years we have maintained a relatively level investment in research activities, with fluctuations from time to time in various categories of expenses resulting in increases to our total research expenses. The $4.1 million increase in total research expenses in the three months ended March 31, 2010 compared to the same period in 2009 was primarily a result of an increased number of employees in our research organization. We

expect to continue to invest in our research programs in an effort to continue identifying additional drug candidates.

Development Expenses

	Three Months Ended March 31,		Increase/ (Decrease) $	Increase/ (Decrease) %
	2010	2009		
		(in thousands)		
Development Expenses:				
Salary and benefits	$ 24,987	$ 23,030	$ 1,957	8%
Stock-based compensation expense	8,672	10,999	(2,327)	(21)%
Laboratory supplies and other direct expenses	6,233	6,581	(348)	(5)%
Contractual services	22,221	34,674	(12,453)	(36)%
Commercial supply investment	16,475	6,674	9,801	147%
Infrastructure costs	18,470	19,720	(1,250)	(6)%
Total development expenses	$ 97,058	$ 101,678	$ (4,620)	(5)%

Our development expenses decreased by $4.6 million, or 5%, in the first quarter of 2010 as compared to the first quarter of 2009. This decrease in our development expenses was primarily the result of significantly lower contractual services expenses as a result of the reduction in expenses related to the registration program for telaprevir. The decreased contractual services expenses were largely offset by our increased investment in commercial supply.

Sales, General and Administrative Expenses

	Three Months Ended March 31,		Increase/ (Decrease) $	Increase/ (Decrease) %
	2010	2009		
		(in thousands)		
Sales, general and administrative expenses	$ 35,552	$ 28,520	$ 7,032	25%

The increase in sales, general and administrative expenses in the first quarter of 2010 compared to the first quarter of 2009 is the result of increased headcount and external costs as we advance our drug candidates, particularly telaprevir, into late-stage development. In the first quarter of 2010 and 2009, our sales, general and administrative expenses included $5.0 million and $4.9 million, respectively, of stock-based compensation expense.

Royalty Expenses

Royalty expenses decreased by $0.2 million, or 6%, in the first quarter of 2010 as compared to the first quarter of 2009. Royalty expenses primarily relate to a subroyalty payable to a third party on net sales of Lexiva/Telzir. The subroyalty results in both a royalty expense and corresponding royalty revenues. We expect to continue to recognize this subroyalty as an expense in future periods.

Restructuring Expense

We recorded restructuring expense of $0.8 million for the three months ended March 31, 2010 compared to $2.4 million for the three months ended March 31, 2009. The restructuring expense in all periods included imputed interest cost related to the restructuring liability associated with our Kendall Square lease. The decrease in restructuring expense for the three months ended March 31, 2010 compared to the three months ended March 31, 2009 was primarily the result of a revision, in the first quarter of 2009, of certain key estimates and assumptions about facility operating costs for the

remaining period of the lease commitment, for which there was no corresponding revision in the three months ended March 31, 2010. The lease restructuring liability was $33.3 million as of March 31, 2010.

We review our estimates and assumptions with respect to the Kendall Square lease at least on a quarterly basis, and will make whatever modifications we believe are necessary to reflect any changed circumstances, based on our best judgment, until the termination of the lease. Our estimates have changed in the past, and may change in the future, resulting in additional adjustments to the estimate of the liability, and the effect of any such adjustments could be material.

Acquisition-related Expenses

We incurred $7.8 million of expenses in the first quarter of 2009 in connection with our acquisition of ViroChem, including $5.7 million in transaction expenses and $2.1 million related to a restructuring of ViroChem's operations that we undertook in March 2009 in order to focus ViroChem's activities on its HCV assets. We did not have corresponding acquisition-related expenses in the first quarter of 2010.

Non-operating Items

Interest Income

Interest income decreased by $2.1 million, or 82%, to $0.5 million for the three months ended March 31, 2010 from $2.6 million for the three months ended March 31, 2009. The decrease was a result of lower portfolio yields during the 2010 period as compared to the 2009 period. Our cash, cash equivalents and marketable securities yielded approximately 0% on an annual basis in the first quarter of 2010 compared to approximately 1% on an annual basis in the first quarter of 2009.

Interest Expense

Interest expense increased by $0.6 million, or 17%, to $4.0 million in the first quarter of 2010 from $3.4 million in the first quarter of 2009. This increase was the result of interest expenses related to the 2012 Notes that we issued in September 2009, partially offset by a decrease in interest expenses related to our 2013 Notes from $3.2 million in the first quarter of 2009 to $0.3 million in the first quarter of 2010. During the remainder of 2010, we will not have any interest expense related to our 2013 Notes, the remainder of which were converted into common stock in the first quarter of 2010, but we expect that we will continue to incur interest expenses related to our 2012 Notes.

Change in Fair Value of Derivative Instruments

In the first quarter of 2010, we recorded losses of $1.5 million in connection with the embedded and free-standing derivatives associated with our September 2009 financial transactions. These losses primarily are based on a time-value-of-money adjustment to the estimated fair value of the free-standing derivative. We expect to continue to record losses and/or gains related to these derivatives during the remainder of 2010.

Liquidity and Capital Resources

We have incurred operating losses since our inception and have financed our operations principally through public and private offerings of our equity and debt securities, strategic collaborative agreements that include research and/or development funding, development milestones and royalties on the sales of products, strategic sales of assets or businesses, financial transactions, investment income and proceeds from the issuance of common stock under our employee benefit plans. We expect that we will incur substantial expenses in order to complete the development and commercialization of telaprevir while at the same time continuing to pursue diversified research and development efforts for our other drug candidates and to build our other capabilities. For these purposes, we may raise

additional capital in order to maintain adequate working capital and cash reserves. We expect we would need to raise additional capital if the development of telaprevir were materially delayed.

At March 31, 2010, we had cash, cash equivalents and marketable securities of $1.1 billion, which was a decrease of $192.2 million from $1.3 billion at December 31, 2009. The decrease was primarily the result of cash expenditures we made in the first quarter of 2010 related to, among other things, research and development expenses and sales, general and administrative expenses. Capital expenditures for property and equipment during the first quarter of 2010 were $3.1 million.

As a result of a financial transaction entered into in September 2009, we had $155.0 million in aggregate principal amount of 2012 Notes outstanding on March 31, 2010. The 2012 Notes mature on October 31, 2012, subject to earlier mandatory redemption as specified milestone events under our collaboration with Janssen are achieved prior to October 31, 2012. In addition, in September 2009, we sold our rights to receive an additional $95.0 million of potential future milestone payments that we expect to receive from Janssen for the launch of telaprevir in the European Union. As a result of these transactions, the $250.0 million of potential milestone payments from Janssen related to the filing, approval and launch of telaprevir in the European Union, if and when earned, will not provide us with liquidity in the future except to the extent that they fund redemption of $155.0 million in principal amount of our 2012 Notes.

Our accrued restructuring expense of $33.3 million at March 31, 2010 relates to the portion of the facility that we lease in Kendall Square that we do not intend to occupy and includes other related lease obligations, recorded at net present value. In the first quarter of 2010, we made cash payments of $3.7 million against the accrued expense and received $2.2 million in sublease rental payments. During the last nine months of 2010, we expect to make additional cash payments of $11.2 million against the accrued expense and to receive $6.4 million in sublease rental payments.

We expect to continue to make significant investments in our development pipeline, particularly for clinical trials of telaprevir and VX-770, in our effort to prepare for potential registration, regulatory approval and commercial launch of telaprevir and VX-770, and in clinical trials for our other drug candidates, including VX-222, VX-809, VX-509 and VX-765. We also expect to maintain our substantial investment in research. As a result, we expect to incur future losses on a quarterly and annual basis at least until we obtain marketing approval and successfully commercialize a product. The adequacy of our available funds to meet our future operating and capital requirements will depend on many factors, including the number, breadth and prospects of our discovery and development programs, the costs and timing of obtaining regulatory approvals for any of our drug candidates and our decisions regarding manufacturing and commercial investments.

We believe that our current cash, cash equivalents and marketable securities will be sufficient to fund our operations for at least the next twelve months. We may raise additional capital in order to maintain adequate working capital and cash reserves to continue our diversified research, discovery and development efforts through public offerings or private placements of our securities, securing new collaborative agreements or other methods of financing. Any such capital transactions may or may not be similar to transactions in which we have engaged in the past. We will continue to manage our capital structure and to consider all financing opportunities, whenever they may occur, that could strengthen our long-term liquidity profile. There can be no assurance that any such financing opportunities will be available on acceptable terms, if at all. If adequate funds are not available, we may be required to curtail significantly or discontinue one or more of our research, drug discovery or development programs or attempt to obtain funds through arrangements that may require us to relinquish rights to certain of our technologies or drug candidates.

Contractual Commitments and Obligations

Our commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the Securities and Exchange Commission, or SEC, on February 19, 2010. There have been no material changes from the contractual commitments and obligations previously disclosed in that Annual Report on Form 10-K, except that, as anticipated, the holders of our remaining 2013 Notes converted those 2013 Notes into 1.4 million shares of our common stock in the first quarter of 2010.

Recent Accounting Pronouncements

Refer to Note P, "Recent Accounting Pronouncements," in the accompanying notes to the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As part of our investment portfolio, we own financial instruments that are sensitive to market risks. The investment portfolio is used to preserve our capital until it is required to fund operations, including our research and development activities. None of these market risk-sensitive instruments are held for trading purposes. We do not have derivative financial instruments in our investment portfolio.

Interest Rate Risk

We invest our cash in a variety of financial instruments, principally securities issued by the United States government and its agencies, investment grade corporate bonds and notes and money market instruments. These investments are denominated in United States dollars. All of our interest-bearing securities are subject to interest rate risk and could decline in value if interest rates fluctuate. Substantially all of our investment portfolio consists of marketable securities with active secondary or resale markets to help ensure portfolio liquidity and we have implemented guidelines limiting the term-to-maturity of our investment instruments. Due to the conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, as of March 31, 2010 our disclosure controls and procedures were effective and designed to provide reasonable assurance that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Controls Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the first quarter of 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

Information regarding risk factors appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on February 19, 2010. There have been no material changes from the risk factors previously disclosed in that Annual Report on Form 10-K.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and, in particular, our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Part I—Item 2, contain or incorporate a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding:

- our expectations regarding clinical trials, development timelines and regulatory authority filings and submissions for telaprevir, VX-770, VX-222, VX-809, VX-509, VX-765 and other drug candidates under development by us and our collaborators, including our intention to complete the NDA submission for telaprevir in the United States in the second half of 2010 and to begin submitting portions of our NDA for telaprevir in the summer of 2010, and the possibility that we could submit an NDA for VX-770 in the second half of 2011;
- our expectations regarding the expected date by which SVR data will be available and/or publicly announced for our ADVANCE, REALIZE and ILLUMINATE trials, and our expectations regarding the timing and structure of clinical trials of our other drug candidates, including VX-770, VX-222, VX-509 and VX-765 and combinations of telaprevir and VX-222 and VX-770 and VX-809;
- expectations regarding the amount of, timing of and trends with respect to our revenues, costs and expenses and other gains and losses, including those related to the intangible assets associated with the ViroChem acquisition and to the liabilities we recorded in connection with the financial transactions that we entered into in September 2009;
- our belief that if we are able to successfully commercialize telaprevir in accordance with current development timelines, we will begin receiving revenues from the sale of telaprevir in 2011;
- the data that will be generated by ongoing and planned clinical trials and the ability to use that data for the design and initiation of further clinical trials and to support regulatory filings, including potential applications for marketing approval for telaprevir and VX-770;
- the possibility that we will evaluate combination regimens of VX-770 and VX-809 in patients with CF;
- our expectations regarding the future market demand and medical need for telaprevir and our other drug candidates;
- our beliefs regarding the support provided by clinical trials and preclinical and nonclinical studies of our drug candidates for further investigation, clinical trials or potential use as a treatment of those drug candidates;
- our ability to successfully market telaprevir and VX-770 or any of our other drug candidates if we are able to obtain regulatory approval;
- the focus of our drug development efforts and our financial and management resources and our plan to invest significant resources in telaprevir and our other drug candidates;
- the establishment, development and maintenance of collaborative relationships;

- potential business development activities;
- our ability to use our research programs to identify and develop new drug candidates to address serious diseases and significant unmet medical needs;
- our estimates regarding obligations associated with a lease of a facility in Kendall Square, Cambridge, Massachusetts; and
- our liquidity and our expectations regarding our needs for and ability to raise additional capital.

Without limiting the foregoing, the words "believes," "anticipates," "plans," "intends," "expects" and similar expressions are intended to identify forward-looking statements. Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in this Quarterly Report on Form 10-Q will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from expected results. We also provide a cautionary discussion of risks and uncertainties under "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on February 19, 2010, and updated and supplemented by "Part II—Item 1A—Risk Factors" of this Quarterly Report on Form 10-Q. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed could also adversely affect us. In addition, the forward-looking statements contained herein represent our estimate only as of the date of this filing and should not be relied upon as representing our estimate as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Repurchases of Equity Securities

The table set forth below shows all repurchases of securities by us during the three months ended March 31, 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased under Publicly Announced Plans or Programs
January 1, 2010 to January 31, 2010	11,494	$ 0.01	—	—
February 1, 2010 to February 28, 2010	3,377	$ 0.01	—	—
March 1, 2010 to March 31, 2010	10,669	$ 0.01	—	—

The repurchases were made under the terms of our 1996 Stock and Option Plan and 2006 Stock and Option Plan. Under these plans, we award shares of restricted stock to our employees and consultants that typically are subject to a lapsing right of repurchase by us. We may exercise this right of repurchase in the event that a restricted stock recipient's service to us is terminated. If we exercise this right, we are required to repay the purchase price paid by or on behalf of the recipient for the repurchased restricted shares, which typically is the par value per share of $0.01. Repurchased shares are returned to the applicable Stock and Option Plan under which they were issued. Shares returned to the 2006 Stock and Option Plan are available for future awards under the terms of that plan.

Item 6. Exhibits

Exhibit No.	Description
10.1	Amended and Restated Employment Agreement between Peter Mueller and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
10.2	Amended and Restated Change of Control Agreement between Peter Mueller and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
10.3	Amended and Restated Employment Agreement between Amit Sachdev and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
10.4	Amended and Restated Change of Control Agreement between Amit Sachdev and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
10.5	Amended and Restated Employment Agreement between Lisa Kelly-Croswell and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
10.6	Amended and Restated Change of Control Agreement between Lisa Kelly-Croswell and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
10.7	Amended and Restated Employment Agreement between Kenneth S. Boger and Vertex Pharmaceuticals Incorporated, dated February 5, 2010.*
31.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance**
101.SCH	XBRL Taxonomy Extension Schema**
101.CAL	XBRL Taxonomy Extension Calculation**
101.LAB	XBRL Taxonomy Extension Labels**
101.PRE	XBRL Taxonomy Extension Presentation**
101.DEF	XBRL Taxonomy Extension Definition**

* Management contract, compensatory plan or agreement.

** Pursuant to applicable securities laws and regulations, we will be deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and will not be subject to liability under any anti-fraud provisions of the federal securities laws with respect to such interactive data files as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed and otherwise are not subject to liability, except as provided by applicable securities laws and regulations.

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.

May 3, 2010

VERTEX PHARMACEUTICALS INCORPORATED

By: /s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer
(principal financial officer and duly authorized officer)

Exhibit 10.1

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") amends and restates, effective as of the 5th day of February, 2010, that certain Employment Agreement made and entered into as of the 11th day of February, 2008, as amended by that certain Amendment to Employment Agreement entered into as of the 27th day of December, 2008 (collectively, the "Original Agreement") by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (together with its successors and assigns, the "Company"), and Peter Mueller (the "Executive").

W I T N E S S E T H

WHEREAS, the Company is employing the Executive as the Company's Executive Vice President, Drug Innovation and Realization, and Chief Scientific Officer;

WHEREAS, the Company and the Executive desire amend the Original Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which mutually is acknowledged, the Company and the Executive (each individually a "Party", and together the "Parties") agree as follows:

1. DEFINITIONS.

"Base Salary" shall mean the Executive's base salary in accordance with Section 4 below.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean (i) the Executive is convicted of a crime involving moral turpitude, (ii) the Executive commits a material breach of any provision of this Agreement not involving the performance or nonperformance of duties, or (iii) the Executive, in carrying out the Executive's duties, acts or fails to act in a manner that is determined, in the sole discretion of the Board, after written notice of any such act or failure to act and a reasonable opportunity to cure the deficiency has been provided to the Executive, to be (A) willful gross neglect or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Executive, in good faith, to be in the best interests of the Company.

"Change of Control" shall have the meaning set forth in the Change of Control Agreement.

"Change of Control Agreement" shall mean the Change of Control letter agreement between the Company and the Executive dated March 7, 2003, as amended.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the common stock of the Company.

"Disability" or "Disabled" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such

---

plan or program exists at the time of disability, then a "disability" as defined under Section 22(e)(3) of the Code.

"Effective Date" shall mean February 11, 2008.

"Good Reason" shall mean that, without the Executive's consent, one or more of the following events occurs:

(i) the Executive's Base Salary is decreased unless such reduction is part of an across-the-board proportionate reduction in the salaries of the Company's senior management team; or

(ii) the office to which the Executive is assigned is relocated to a place 35 or more miles away and such relocation is not at the Executive's request or with the Executive's prior agreement (and other than, for Executives assigned to the Company's principal executive offices, in connection with a change in location of the Company's principal executive offices).

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (i) through (ii) above has occurred, the Executive delivers a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that the Executive asserts constitutes Good Reason under any of (i) through (ii) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving such notice. To avoid doubt, the termination of the Executive's employment would become effective at the close of business on the thirtieth day after the Company receives the Executive's termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

"Severance Payment" shall mean an amount equal to the sum of the Base Salary in effect on the date of termination of Executive's employment, plus the amount of the Target Bonus for the Executive for the year in which the Executive's employment is terminated; provided, however, that if the Executive terminates the Executive's employment for Good Reason based on a reduction in Base Salary, then the Base Salary to be used in calculating the Severance Payment shall be the Base Salary in effect immediately prior to such reduction in Base Salary.

"Target Bonus" shall mean the target cash bonus for which the Executive is eligible on an annual basis, at a level consistent with the Executive's title and responsibilities, under the Company's bonus program then in effect and applicable to the Company's senior executives generally.

2. TERM OF EMPLOYMENT.

The Company hereby employs the Executive, and the Executive hereby accepts such employment, continuing until termination in accordance with the terms of this Agreement. The period during which the Executive is employed hereunder is referred to in this Agreement as the "term of employment."

3. POSITION.

On the Effective Date, the Executive shall be employed as the Company's Executive Vice President, Drug Innovation and Realization, and Chief Scientific Officer.

4. BASE SALARY.

The Executive's annualized Base Salary as of the date of this Agreement is $458,719.77, payable in accordance with the regular payroll practices of the Company. The Base Salary shall be reviewed no less frequently than annually, and any changes thereto (which shall thereafter be deemed the Executive's Base Salary) shall be solely within the discretion of the Board.

5. TARGET BONUS PROGRAM.

During the term of employment, the Executive shall be eligible to participate in the Company's Target Bonus program (and other cash incentive compensation programs) applicable to the Company's senior executives, as any such programs are established and modified from time to time by the Board in its sole discretion, and in accordance with the terms of such program.

6. INCENTIVE COMPENSATION PROGRAMS.

During the term of employment, the Executive shall be eligible to participate in the Company's incentive compensation programs applicable to the Company's senior executives, as such programs may be established and modified from time to time by the Board in its sole discretion.

7. EMPLOYEE BENEFIT PROGRAMS.

During the term of employment, the Executive shall be entitled to participate in all employee welfare and pension benefit plans, programs and/or arrangements offered by the Company to its senior executives, as such plans, programs and arrangements may be amended from time to time, to the same extent and on the same terms applicable to other senior executives. Nothing in this section shall preclude the Company from amending or terminating any of its employee benefit plans, programs or arrangements.

8. VACATION.

During the term of employment, the Executive shall be entitled to paid vacation days each calendar year in accordance with the Company's vacation policy then in effect.

9. TERMINATION OF EMPLOYMENT.

(a) **Termination in Connection with a Change of Control**. To the extent the Executive is entitled, in connection with the Executive's termination of employment, to severance or other benefits under the Change of Control Agreement, the Executive shall not be entitled to corresponding benefits under this Section 9.

(b) **Termination by the Company for Cause; or Termination by the Executive without Good Reason.** If the Company terminates the Executive's employment for Cause, or if the Executive voluntarily terminates the Executive's employment, other than for Good Reason,

death or Disability, the term of employment shall end as of the date specified below, and the Executive shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 9(b); and

(ii) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 5, 6, or 7 above.

Termination by Company for Cause shall be effective as of the date noticed by the Company. Voluntary termination by Executive other than for Good Reason, death or Disability shall be effective upon 90 days' prior written notice to the Company and shall not be deemed a breach of this Agreement.

(c) **Termination by the Company Without Cause; or Termination by the Executive for Good Reason.** If the Executive's employment is terminated by the Company without Cause (other than due to death or Disability), or is terminated by the Executive for Good Reason (in accordance with the notice and cure provisions set forth in the definition of "Good Reason" above), the Executive shall be entitled to the following (provided that, with respect to (iii) and (v) such amounts shall be subject to and in exchange for a general release executed by Executive within 30 days of the date of termination of all claims against the Company, its subsidiaries, and their officers, directors, agents and representatives):

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 9(c);

(ii) all incentive compensation awards earned by Executive but not paid prior to the date of termination of Executive's employment under this Section 9(c);

(iii) a cash payment to the Executive in an amount equal to the Severance Payment, payable within ten days after the execution of a general release and expiration without revocation of any applicable revocation periods under the general release;

(iv) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 5, 6 or 7 above;

(v) if COBRA coverage is elected by the Executive, the Company shall pay the cost of insurance continuation premiums on the Executive's behalf (whether or not covered by COBRA) to continue standard medical, dental and life insurance coverage for the Executive (or the cash equivalent of same in the event the Executive is ineligible for continued coverage) until the earlier of:

(A) the date 12 months after the date the Executive's employment is terminated; or

(B) the date, or dates, on which the Executive receives equivalent coverage and benefits under the plans, programs and/or arrangements of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis).

If Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code, any payment of "nonqualified deferred compensation" (as defined under Section 409A of the Code and related guidance) attributable to a "separation from service" (as defined under Section 409A of the Code and related guidance) shall not commence until the first full business day that is more than 6 months after the applicable separation from service ("Deferred Payment Date"). Any payments that would otherwise have been made between the separation from service and the Deferred Payment Date, but for this paragraph, shall be made in a lump sum on the Deferred Payment Date. Payments that, in any case, are scheduled to be made after the Deferred Payment Date shall continue according to the applicable payment schedule. To the extent that the termination of the Executive's employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that reasonably are anticipated to be provided by the Executive to the Company at the time the Executive's employment is terminated), the payment of any nonqualified deferred compensation will be further delayed until the date that is the first full business day that is more than 6 months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

10. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company; provided, however, that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

11. REPRESENTATIONS.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement, and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization. The Executive represents and warrants that no agreement exists between him and any other person, firm or organization that would be violated by the performance of the Executive's obligations under this Agreement.

12. INDEMNIFICATION; INSURANCE.

The Executive shall at all times be indemnified and eligible for advancement of expenses on the same basis as is provided for the Company's other executive officers and in accordance with the provisions of the Company's charter and by-laws then in effect. The Executive shall also be covered under all of the Company's policies of liability insurance maintained for the benefit of its directors and officers on the same basis as is provided for its other executive officers.

13. ENTIRE AGREEMENT; TERMINATION.

This Agreement, the agreements referenced herein, and the Employee Non-Disclosure, Non-Competition & Inventions Agreement between the Executive and the Company, contain the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the Parties with respect thereto. Subject to the terms of this Agreement, the Company shall be entitled to terminate the Executive's employment at any time, and the Executive may terminate the Executive's employment by the Company, at any time, in each case by written notice provided in accordance with Section 20 of this Agreement.

14. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

15. SEVERABILITY.

If any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

16. SURVIVORSHIP.

The respective rights and obligations of the Parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

17. BENEFICIARIES/REFERENCES.

The Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of the Executive's incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to the Executive's beneficiary, estate or other legal representative.

18. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts without reference to principles of conflict of laws.

19. RESOLUTION OF DISPUTES.

Any disputes arising under or in connection with this Agreement may, at the election of the Executive or the Company, be resolved by binding arbitration, to be held in Massachusetts in accordance with the Rules and Procedures of the American Arbitration Association. If arbitration is elected, the Executive and the Company shall mutually select the arbitrator. If the Executive and the Company cannot agree on the selection of an arbitrator, each Party shall select an arbitrator and the two arbitrators shall select a third arbitrator, and the three arbitrators shall form an arbitration panel that shall resolve the dispute by majority vote. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. Costs of the arbitrator or arbitrators and other similar costs in connection with an arbitration shall be shared equally by the Parties; all other costs, such as attorneys' fees incurred by each Party, shall be borne by the Party incurring such costs.

20. NOTICES.

All notices that are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, addressed as follows:

If to the Company:	Vertex Pharmaceuticals Incorporated 130 Waverly Street Cambridge, MA 02139-4242 Attn: Chief Executive Officer with copies to: the General Counsel
If to the Executive:	at the Executive's home address listed in the Company records.

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a business day; (b) on the business day after dispatch if sent by nationally-recognized overnight courier; and/or (c) on the fifth business day following the date of mailing if sent by mail.

21. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

22. COUNTERPARTS.

This Agreement may be executed in two or more counterparts.

23. SECTION 409A COMPLIANCE.

It is the intention of the Company and the Executive that this Agreement and the payments provided for herein meet the requirements of Section 409A of the Code, to the extent

applicable to this Agreement and such payments. The Company and the Executive agree to cooperate in good faith in preparing and executing, at such time as sufficient guidance is available under Section 409A and from time to time thereafter, such amendments to this Agreement, if any, as the Executive may reasonably request solely for the purpose of assuring that this Agreement and the payments provided hereunder meet the requirements of Section 409A. Nothing in this Section 23 shall require the Company to increase the Executive's compensation or make the Executive whole for any requested changes.

24. TAX WITHHOLDING; NO GUARANTEE OF ANY TAX CONSEQUENCES.

All payments hereunder shall be subject to all applicable withholding for any federal, state or local income taxes including any excise taxes under the Code. Notwithstanding any other provision of this Agreement to the contrary or other representation, the Company does not in any way guarantee the tax consequences of any payment or compensation under this Agreement including, without limitation, under Section 409A of the Code.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Vertex Pharmaceuticals Incorporated

/s/Matthew W. Emmens
Matthew W. Emmens, President, Chairman and
Chief Executive Officer

Executive

/s/Peter Mueller
Peter Mueller

VERTEX PHARMACEUTICALS INCORPORATED
130 WAVERLY STREET · CAMBRIDGE, MA 02139-4242
TEL. 617.444.6100 · FAX 617.444-6483
http://www.vrtx.com

February 5, 2010

Dr. Peter Mueller
45 Algonquian Drive
Natick, MA 01760

RE: Amended and Restated Change of Control Agreement

Dear Peter:

Your expertise, reputation and position make you a key member of the senior management team of Vertex Pharmaceuticals Incorporated (the "Company"). As a result, the Company would like to provide you with the following "change of control" benefit to help ensure that in the event the Company becomes involved in a "change of control" transaction, there will be no distraction from your attention to the needs of the Company. This Amended and Restated Change of Control Agreement (this "Agreement") amends and restates, effective as of the date written above, that certain Change of Control Agreement made and entered into as of the 7th day of March, 2003, as amended by that certain Amendment to Change of Control Agreement entered into as of the 8th day of November, 2004, that certain Second Amendment to Change of Control Agreement entered into as of the 11th day of February, 2008, and that certain Amendment to Change of Control Agreement entered into as of the 27th day of December, 2008, by and between you and the Company.

I. *Definitions*. For the purposes of this Agreement, capitalized terms shall have the following meaning:

1. "*Base Salary*" shall mean your annual base salary in effect immediately prior to a Change of Control (as such term is defined in Section I.4 below).

2. "*Cause*" shall mean:

   (a) your conviction of a felony crime of moral turpitude;

   (b) your willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom you report, provided that you receive prior written notice of the directive(s) or instruction(s) that you failed to follow, and provided further that the Company, in good faith, gives you thirty (30) days to correct any problems and further provided if you correct the problem(s) you may not be terminated for Cause in that instance;

   (c) in carrying out your duties you commit (i) willful gross negligence, or (ii) willful gross misconduct, resulting in either case in material harm to the Company, unless

---

such act, or failure to act, was believed by you, in good faith, to be in the best interests of the Company; or

   (d) your violation of the Company's policies made known to you regarding confidentiality, securities trading or inside information.

3. "*Change of Control*" shall mean that:

   (a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the outstanding securities of the Company, as the case may be, having the right to vote in the election of directors; or

   (b) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (i) a transaction solely for the purpose of reincorporating the Company or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying the Company's stock; or (ii) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

4. "*Disability*" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Internal Revenue Code Section 22(e)(3).

5. "*Good Reason*" shall mean that within ninety (90) days prior to a Change of Control, or within twelve (12) months after a Change of Control, one of the following events occurs without your consent:

(a) You are assigned to material duties or responsibilities that are inconsistent, in any significant respect, with the scope of duties and responsibilities associated with your position and office immediately prior to the Change of Control (provided that such reassignment of duties or responsibilities is not for Cause, due to your Disability or at your request);

(b) You suffer a material reduction in the authorities, duties, or job title and responsibilities associated with your position and office immediately prior to the Change of Control, on the basis of which you make a good faith determination that you can no longer carry out your position or office in the manner contemplated before the Change of Control (provided that such reduction in the authorities, duties,

or job title and responsibilities is not for Cause, due to your Disability or at your request);

(c) your annual base salary is decreased below the Base Salary;

(d) the principal offices of the Company, or the location of the office to which you are assigned at the time this Agreement is entered into, is relocated to a place thirty-five (35) or more miles away, without your agreement; or

(e) following a Change of Control, the Company's successor fails to assume the Company's rights and obligations under this Agreement;

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (a) through (e) above has occurred, you deliver a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that you assert constitutes Good Reason under any of (a) through (e) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving your notice. To avoid doubt, the termination of your employment would become effective at the close of business on the thirtieth day after the Company receives your termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

6. "*Termination Date*" shall mean the last day of your employment with the Company.

II. *Severance Benefits upon Change of Control*. If:

(A) your employment is terminated by the Company (except for termination for Cause or due to a Disability) and the Termination Date is within 90 days prior to a Change of Control or within 12 months after a Change of Control; or

(B) you, of your own initiative, (i) terminate your employment for Good Reason (in accordance with the notice and cure provisions set forth in Section I.5 above) and (ii) the event giving rise to Good Reason occurs within 90 days prior to a Change of Control or within 12 months after a Change of Control;

then, in exchange for a general release executed by you within 30 days of your Termination Date of all claims against the Company, its subsidiaries, and its and their officers, directors and representatives, in a form satisfactory to the Company, you shall receive the following benefits:

1. *Severance Payment*. The Company shall make a cash payment (the "Severance Payment") to you in an amount equal to:

(a) your annual base salary (provided, however, that if you terminate your employment for Good Reason based on a reduction in your annual base salary, then the annual base salary to be used in calculating the Severance Payment shall be your annual base salary in effect immediately prior to such reduction in annual base salary) plus your target bonus under any bonus program applicable to you for the year in which the Termination Date occurs; plus

(b) a pro rata portion of your target bonus for the portion of the year in which the Termination Date occurs under any bonus program applicable to you; plus

(c) all cash incentive compensation awards earned by you but not paid prior to the Termination Date; provided that, if a fiscal year has been completed and the incentive award for such fiscal year has not been determined, the incentive compensation for such completed fiscal year shall equal the target bonus for such fiscal year.

Except with respect to any portion of the Severance Payment that is delayed as set forth in this paragraph, the Severance Payment shall be made in cash within ten days after the execution by you of the general release referred to above and expiration without revocation of any applicable revocation periods under such general release (or, if the Change of Control resulting in your becoming entitled to such benefits occurs after such execution and expiration, within ten days after the Change of Control). The Severance Payment shall be divided into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion, if any, that does constitute nonqualified deferred compensation. If you are a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation payable upon a "separation from service" under Section 409A(a)(2)(A)(i) of the Code will be delayed until the first business day that is more than six months after your Termination Date. The determination of whether, and the extent to which, any of the payments to be made to you hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions, including those set forth under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Reg. §1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which the Termination Date occurs. To the extent that the termination of your employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that are reasonably anticipated to be

provided by you to the Company at the time your employment is terminated), the payment of any non-qualified deferred compensation will be further delayed until the first business day that is more than six months after the date of a

subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

2. *Accelerated Vesting.*

(a) Stock options for the purchase of the Company's securities held by you as of the Termination Date and not then exercisable shall immediately become exercisable in full. The options to which this accelerated vesting applies shall remain exercisable until the earlier of (a) the end of the 90-day period immediately following the later of (i) the Termination Date or (ii) the date of the Change of Control and (b) the date the stock option(s) would otherwise expire; and

(b) the Company's lapsing repurchase right with respect to shares of restricted stock held by you shall lapse in full (subject to your making satisfactory arrangements with the Company providing for the payment to the Company of all required withholding taxes).

Notwithstanding anything to the contrary in this Agreement, the terms of any option agreement or restricted stock agreement shall govern the acceleration, if any, of vesting or lapsing of the Company's repurchase rights and period of exercisability of such awards, as applicable, except to the extent that the terms of this agreement are more favorable to you.

3. *Continued Insurance Coverage*. If COBRA coverage is elected by you, the Company shall pay the cost of insurance continuation premiums on your behalf (whether or not covered by COBRA) to continue standard medical, dental and life insurance coverage for you (or the cash equivalent of same if you are ineligible for continued coverage) for a period of 18 months from the Termination Date.

4. *No Mitigation.* You shall not be required to mitigate the amount of the Severance Payment or any other benefit provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of other employment, by retirement benefits, or be offset against any amount claimed to be owed by you to the Company or otherwise; provided, that if the Company makes any other severance payments to you under any other program or agreement, such amounts shall be offset against the payments the Company is obligated to make pursuant to this Agreement.

III. *Miscellaneous*.

1. *Employee's Obligations*. Upon the termination of employment, you shall promptly deliver to the Company all property of the Company and all material documents, statistics, account records, programs and other similar tangible items which may by in your possession or under your control and which relate in a material way to the business or

affairs of the Company or its subsidiaries, and no copies of any such documents or any part thereof shall be retained by you.

2. *Entire Agreement*. This Agreement and the "*Employee Non-Disclosure, Non-Competition & Inventions Agreement*" previously executed by you covers the entire understanding of the parties as to the subject matter hereof, superseding all prior understandings and agreements related hereto. No modification or amendment of the terms and conditions of this Agreement shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

3. *Governing Law*. This Agreement shall be governed by the laws of The Commonwealth of Massachusetts, as applied to contracts entered into and performed entirely in Massachusetts by Massachusetts residents.

4. *Successors and Assigns*. This Agreement may be assigned by the Company upon a sale, transfer or reorganization of the Company. Upon a Change of Control, the Company shall require the successor to assume the Company's rights and obligations under this Agreement. The Company's failure to do so shall constitute a material breach of this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, permitted assigns, legal representatives and heirs.

Kindly indicate your acceptance of the forgoing by signing and dating this Agreement as noted below, and returning one fully executed original to my attention.

Very truly yours,

Vertex Pharmaceuticals Incorporated

/s/Matthew Emmens

By: Matthew Emmens
President, Chairman and
Chief Executive officer

ACCEPTED AND AGREED:

/s/Peter Mueller

Peter Mueller

2/5/10

Date

Exhibit 10.3

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") amends and restates, effective as of this 5th day of February, 2010, that certain Employment Agreement made and entered into as of the 11th day of February, 2008, as amended by that certain Amendment to Employment Agreement entered into as of the 29th day of December, 2008 (collectively, the "Original Agreement") by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (together with its successors and assigns, the "Company"), and Amit Sachdev (the "Executive").

W I T N E S S E T H

WHEREAS, the Company is employing the Executive as the Company's Senior Vice President, Public Policy and Government Affairs; and

WHEREAS, the Company and the Executive desire to amend the Original Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which mutually is acknowledged, the Company and the Executive (each individually a "Party", and together the "Parties") agree as follows:

1. DEFINITIONS.

"Base Salary" shall mean the Executive's base salary in accordance with Section 4 below.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean (i) the Executive is convicted of a crime of moral turpitude, (ii) the Executive willfully refuses or fails to follow a lawful directive or instruction of the Board or the individual to whom the Executive reports, provided that the Executive receives prior written notice of the directive(s) or instruction(s) that the Executive failed to follow and provided further that the Company, in good faith, gives the Executive thirty (30) days to correct any problems and further provided that the Executive shall not have corrected the problem(s) within such 30 day period, or (iii) the Executive, in carrying out the Executive's duties, commits (A) willful gross negligence or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Executive, in good faith, to be in the best interests of the Company, or (iv) the Executive violates the Company's policies made known to him regarding confidentiality, securities trading or inside information.

"Change of Control" shall have the meaning set forth in the Change of Control Agreement.

"Change of Control Agreement" shall mean the Change of Control letter agreement between the Company and the Executive of even date herewith.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the common stock of the Company.

"Disability" or "Disabled" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Section 22(e)(3) of the Code.

"Effective Date" shall mean February 11, 2008.

"Good Reason" shall mean that, without the Executive's consent, one or more of the following events occurs:

(i) the Executive is assigned to any duties or responsibilities that are inconsistent, in any significant respect, with the scope of duties and responsibilities customarily associated with the position and office of Senior Vice President, Public Policy and Government Affairs, provided that such reassignment of duties or responsibilities is not due to the Executive's Disability or performance, nor is at the Executive's request; or

(ii) the Executive suffers a reduction in the authorities, duties, and responsibilities associated with the Executive's position as Senior Vice President, Public Policy and Government Affairs, provided that such reassignment of duties or responsibilities is not due to the Executive's Disability or the Executive's performance, and is not at the Executive's request or with the Executive's prior agreement; or

(iii) the Executive's Base Salary is decreased below $350,000 per year, other than a reduction that is part of an across-the-board proportionate reduction in the salaries of the senior management team; or

(iv) the Executive's office is relocated thirty-five (35) or more miles from Washington, D.C. (other than in connection with relocation of the Company's offices);

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (i) through (iv) above has occurred, the Executive delivers a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that the Executive asserts constitutes Good Reason under any of (i) through (iv) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving such notice. To avoid doubt, the termination of the Executive's employment would become effective at the close of business on the thirtieth day after the Company receives the Executive's termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

"Pro-Rata Share of Restricted Stock" shall mean, for any grant of restricted stock as to which the Company's repurchase right lapses ratably over a specified period (e.g. in equal annual increments over four years), that number of shares as to which the Company's repurchase right with respect to those shares would have lapsed if the Executive's employment by the Company had continued for an additional 18 months. For any other shares of restricted stock,

"Pro-Rata Share of Restricted Stock" shall mean, as to any shares of restricted stock which were granted on the same date and as to which the Company's repurchase right lapses on the same date, that portion of such shares calculated by multiplying the number of shares by a fraction, the numerator of which is the number of days that have passed since the date of grant (until the employment termination date), plus the number of days in the 18 months after the employment termination date, and the denominator of which is the total number of days from the date of the grant until the date (without regard to any provisions for earlier vesting upon achievement of a specified goal) on which the Company's repurchase right would lapse under the terms of the grant.

"Severance Payment" shall mean an amount equal to the sum of the Base Salary in effect on the date of termination of Executive's employment, plus the amount of the Target Bonus for the Executive for the year in which the Executive's employment is terminated; provided, however, that if the Executive terminates the Executive's employment for Good Reason based on a reduction in Base Salary, then the Base Salary to be used in calculating the Severance Payment shall be the Base Salary in effect immediately prior to such reduction in Base Salary.

"Target Bonus" shall mean the target cash bonus for which the Executive is eligible on an annual basis, at a level consistent with the Executive's title and responsibilities, under the Company's bonus program then in effect and applicable to the Company's senior executives generally.

2. TERM OF EMPLOYMENT.

The Company hereby employs the Executive, and the Executive hereby accepts such employment, continuing until termination in accordance with the terms of this Agreement. The period during which the Executive is employed hereunder is referred to in this Agreement as the "term of employment."

3. POSITION.

On the Effective Date, the Executive shall be employed as the Company's Senior Vice President, Public Policy and Government Affairs.

4. BASE SALARY.

The Executive's annualized Base Salary as of the date of this Agreement is $376,884.00, payable in accordance with the regular payroll practices of the Company. The Base Salary shall be reviewed no less frequently than annually, and any changes thereto (which shall thereafter be deemed the Executive's Base Salary) shall be solely within the discretion of the Board.

5. TARGET BONUS PROGRAM.

During the term of employment, the Executive shall be eligible to participate in the Company's Target Bonus program (and other cash incentive compensation programs) applicable to the Company's senior executives, as any such programs are established and modified from time to time by the Board in its sole discretion, and in accordance with the terms of such program.

6. INCENTIVE COMPENSATION PROGRAMS.

During the term of employment, the Executive shall be eligible to participate in the Company's incentive compensation programs applicable to the Company's senior executives, as such programs may be established and modified from time to time by the Board in its sole discretion.

7. EMPLOYEE BENEFIT PROGRAMS.

During the term of employment, the Executive shall be entitled to participate in all employee welfare and pension benefit plans, programs and/or arrangements offered by the Company to its senior executives, as such plans, programs and arrangements may be amended from time to time, to the same extent and on the same terms applicable to other senior executives. Nothing in this section shall preclude the Company from amending or terminating any of its employee benefit plans, programs or arrangements.

8. VACATION.

During the term of employment, the Executive shall be entitled to at least 4 weeks of paid vacation days each calendar year in accordance with the Company's vacation policy then in effect.

9. TERMINATION OF EMPLOYMENT.

(a) **Termination in Connection with a Change of Control**. To the extent the Executive is entitled, in connection with the Executive's termination of employment, to severance or other benefits under the Change of Control Agreement, the Executive shall not be entitled to corresponding benefits under this Section 9.

(b) **Termination by the Company for Cause; or Termination by the Executive without Good Reason.** If the Company terminates the Executive's employment for Cause, or if the Executive voluntarily terminates the Executive's employment, other than for Good Reason, death or Disability, the term of employment shall end as of the date specified below, and the Executive shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 9(b); and

(ii) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 5, 6, or 7 above.

Termination by Company for Cause shall be effective as of the date noticed by the Company. Voluntary termination by Executive other than for Good Reason, death or Disability shall be effective upon 90 days' prior written notice to the Company and shall not be deemed a breach of this Agreement.

(c) **Termination by the Company Without Cause; or Termination by the Executive for Good Reason.** If the Executive's employment is terminated by the Company without Cause (other than due to death or Disability), or is terminated by the Executive for Good Reason (in accordance with the notice and cure provisions set forth in the definition of "Good Reason" above), the Executive shall be entitled to the following (provided that, with respect to (iii) and (v) such amounts shall be subject to and in exchange for a general release executed by Executive within 30 days of the date of termination of all claims against the Company, its subsidiaries, and their officers, directors, agents and representatives):

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 9(c);

(ii) all incentive compensation awards earned by Executive but not paid prior to the date of termination of Executive's employment under this Section 9(c);

(iii) a cash payment to the Executive in an amount equal to the Severance Payment, payable within ten days after the execution of a general release and expiration without revocation of any applicable revocation periods under the general release;

(iv) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 5, 6 or 7 above;

(v) if COBRA coverage is elected by the Executive, the Company shall pay the cost of insurance continuation premiums on the Executive's behalf (whether or not covered by COBRA) to continue standard medical, dental and life insurance coverage for the Executive (or the cash equivalent of same in the event the Executive is ineligible for continued coverage) until the earlier of:

(A) the date 12 months after the date the Executive's employment is terminated; or

(B) the date, or dates, on which the Executive receives equivalent coverage and benefits under the plans, programs and/or arrangements of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis).

(vi) all stock options held by the Executive as of the date of the termination under this Section 9(c) that are not exercisable as of that date shall be deemed to have been held by the Executive for an additional 18 months, for purposes of vesting and exercise rights, and any options that become exercisable shall remain exercisable until the earlier of (1) the end of

the 90-day period following the date of termination of employment or (2) the date the stock option would otherwise expire; and

(vii) the Company's lapsing repurchase right shall lapse with respect to the Pro-Rata Share of Restricted Stock.

If Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code, any payment of "nonqualified deferred compensation" (as defined under Section 409A of the Code and related guidance) attributable to a "separation from service" (as defined under Section 409A of the Code and related guidance) shall not commence until the first full business day that is more than 6 months after the applicable separation from service ("Deferred Payment Date"). Any payments that would otherwise have been made between the separation from service and the Deferred Payment Date, but for this paragraph, shall be made in a lump sum on the Deferred Payment Date. Payments that, in any case, are scheduled to be made after the Deferred Payment Date shall continue according to the applicable payment schedule. To the extent that the termination of the Executive's employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that reasonably are anticipated to be provided by the Executive to the Company at the time the Executive's employment is terminated), the payment of any nonqualified deferred compensation will be further delayed until the date that is the first full business day that is more than 6 months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

10. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company; provided, however, that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

11. REPRESENTATIONS.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement, and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization. The Executive represents and warrants that no agreement exists between him and any other person, firm or organization that would be violated by the performance of the Executive's obligations under this Agreement.

12. INDEMNIFICATION; INSURANCE.

The Executive shall at all times be indemnified and eligible for advancement of expenses on the same basis as is provided for the Company's other executive officers and in accordance with the provisions of the Company's charter and by-laws then in effect. The Executive shall also be covered under all of the Company's policies of liability insurance maintained for the benefit of its directors and officers on the same basis as is provided for its other executive officers.

13. ENTIRE AGREEMENT; TERMINATION.

This Agreement, the agreements referenced herein, and the Employee Non-Disclosure, Non-Competition & Inventions Agreement between the Executive and the Company, contain the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes all prior

agreements, understandings, discussions, negotiations and undertakings, whether written or oral,

between the Parties with respect thereto. Subject to the terms of this Agreement, the Company shall be entitled to terminate the Executive's employment at any time, and the Executive may terminate the Executive's employment by the Company, at any time, in each case by written notice provided in accordance with Section 20 of this Agreement.

14. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

15. SEVERABILITY.

If any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

16. SURVIVORSHIP.

The respective rights and obligations of the Parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

17. BENEFICIARIES/REFERENCES.

The Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of the Executive's incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to the Executive's beneficiary, estate or other legal representative.

18. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts without reference to principles of conflict of laws.

19. RESOLUTION OF DISPUTES.

Any disputes arising under or in connection with this Agreement may, at the election of the Executive or the Company, be resolved by binding arbitration, to be held in Massachusetts in accordance with the Rules and Procedures of the American Arbitration Association. If arbitration is elected, the Executive and the Company shall mutually select the arbitrator. If the Executive and the Company cannot agree on the selection of an arbitrator, each Party shall select an arbitrator and the two arbitrators shall select a third arbitrator, and the three arbitrators shall form an arbitration panel that shall resolve the dispute by majority vote. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. Costs of the arbitrator or arbitrators and other similar costs in connection with an arbitration shall be shared equally by the Parties; all other costs, such as attorneys' fees incurred by each Party, shall be borne by the Party incurring such costs.

20. NOTICES.

All notices that are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, addressed as follows:

If to the Company:	Vertex Pharmaceuticals Incorporated 130 Waverly Street Cambridge, MA 02139-4242 Attn: Chief Executive Officer with copies to: the General Counsel
If to the Executive:	at the Executive's home address listed in the Company records.

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a business day; (b) on the business day after dispatch if sent by nationally-recognized overnight courier; and/or (c) on the fifth business day following the date of mailing if sent by mail.

21. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

22. COUNTERPARTS.

This Agreement may be executed in two or more counterparts.

23. SECTION 409A COMPLIANCE.

It is the intention of the Company and the Executive that this Agreement and the payments provided for herein meet the requirements of Section 409A of the Code, to the extent applicable to this Agreement and such payments. The Company and the Executive agree to cooperate in good faith in preparing and executing, at such time as sufficient guidance is available under Section 409A and from time to time thereafter, such amendments to this Agreement, if any, as the Executive may reasonably request solely for the purpose of assuring that this Agreement and the payments provided hereunder meet the requirements of Section 409A. Nothing in this Section 23 shall require the Company to increase the Executive's compensation or make the Executive whole for any requested changes.

24. TAX WITHHOLDING; NO GUARANTEE OF ANY TAX CONSEQUENCES.

All payments hereunder shall be subject to all applicable withholding for any federal, state or local income taxes including any excise taxes under the Code. Notwithstanding any other provision of this Agreement to the contrary or other representation, the Company does not in any way guarantee the tax consequences of any payment or compensation under this Agreement including, without limitation, under Section 409A of the Code.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Vertex Pharmaceuticals Incorporated

/s/Matthew W. Emmens
Matthew W. Emmens, President, Chairman,
and Chief Executive Officer

Executive

/s/Amit Sachdev
Amit Sachdev

VERTEX PHARMACEUTICALS INCORPORATED
130 WAVERLY STREET · CAMBRIDGE, MA 02139-4242
TEL. 617.444.6100 · FAX 617.444-6483
http://www.vrtx.com

February 5, 2010

Amit Sachdev
5218 Loughboro Road NW
Washington, DC 20016

RE: Amended and Restated Change of Control Agreement

Dear Amit:

You are a key member of the senior management team of Vertex Pharmaceuticals Incorporated (the "Company"). As a result, the Company would like to provide you with the following "change of control" benefits to help ensure that if the Company becomes involved in a "change of control" transaction, there will be no distraction from your attention to the needs of the Company. This Amended and Restated Change of Control Agreement (this "Agreement") amends and restates, effective as of the date written above, that certain Change of Control Agreement made and entered into as of February 11, 2008 by and between you and the Company.

I. *Definitions*. For the purposes of this Agreement, capitalized terms shall have the following meaning:

1. "Cause" shall mean:

   (a) your conviction of a crime of moral turpitude;

   (b) your willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom you report, provided that you receive prior written notice of the directive(s) or instruction(s) that you failed to follow, and provided further that the Company, in good faith, gives you 30 days to correct such failure and further provided if you correct the failure(s), any termination of your employment on account of such failure shall not be treated for purposes of this Agreement as a termination of employment for "Cause;"

   (c) in carrying out your duties you commit (i) willful gross negligence, or (ii) willful gross misconduct, resulting in either case in material harm to the Company, unless such act, or failure to act, was believed by you, in good faith, to be in the best interests of the Company; or

   (d) your violation of the Company's policies made known to you regarding confidentiality, securities trading or inside information.

---

2. "Change of Control" shall mean that:

   (a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than 50% of the combined voting power of the outstanding securities of the Company having the right to vote in the election of directors; or

   (b) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (i) a transaction solely for the purpose of reincorporating the Company or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying the Company's stock; or (ii) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

3. "Code" shall mean the Internal Revenue Code of 1986, as amended.

4. "Disability" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined Section 22(e)(3) of the Code.

5. "Good Reason" shall mean one of the following events has occurred without your consent:

   (a) you are assigned to any duties or responsibilities that are inconsistent, in any significant respect, with the scope of duties and responsibilities customarily associated with the position and office of Senior Vice President, Public Policy and Government Affairs, provided that such reassignment of duties or responsibilities is not due to your Disability or performance, nor is at your request;

   (b) you suffer a reduction in the authorities, duties, and responsibilities customarily associated with your position as Senior Vice President, Public Policy and Government Affairs, provided that such reassignment of authorities, duties and responsibilities is not due to your

Disability or your performance, and is not at your request or with your prior agreement;

(c) your annual base salary is decreased below $350,000 per year;

(d) the office to which you are assigned (currently Washington, D.C.) is relocated to a place 35 or more miles away; or

(e) following a Change of Control, the Company's successor fails to assume the Company's rights and obligations under both this Agreement and the Employment Agreement, as it may be amended from time to time;

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (a) through (e) above has occurred, you deliver a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that you assert constitutes Good

Reason under any of (a) through (e) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving your notice. To avoid doubt, the termination of your employment would become effective at the close of business on the thirtieth day after the Company receives your termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

6. "Termination Date" shall mean the last day of your employment with the Company.

II. *Severance Benefits upon Change of Control*. If:

(A) your employment is terminated by the Company (except for termination for Cause or due to a Disability) and the Termination Date is within 90 days prior to a Change of Control or within 12 months after a Change of Control; or

(B) you, of your own initiative, (i) terminate your employment for Good Reason (in accordance with the notice and cure provisions set forth in Section I.5 above) and (ii) the event giving rise to Good Reason occurs within 90 days prior to a Change of Control or within 12 months after a Change of Control;

then, in exchange for a general release executed by you within 30 days of your Termination Date of all claims against the Company, its subsidiaries, and its and their officers, directors and representatives, in a form satisfactory to the Company, you shall receive the following benefits:

1. *Severance Payment*. The Company shall make a cash payment (the "Severance Payment") to you in an amount equal to:

(a) your annual base salary (provided, however, that if you terminate your employment for Good Reason based on a reduction in your annual base salary, then the annual base salary to be used in calculating the Severance Payment shall be your annual base salary in effect immediately prior to such reduction in annual base salary) plus your target bonus under any bonus program applicable to you for the year in which the Termination Date occurs; plus

(b) a pro rata portion of your target bonus for the year in which the Termination Date occurs under any bonus program applicable to you; plus

(c) all cash incentive compensation awards earned by you but not paid prior to the Termination Date; provided that, if a fiscal year has been completed and the incentive award for such fiscal year has not been determined, the incentive compensation for such completed fiscal year shall equal the target bonus for such fiscal year.

Except with respect to any portion of the Severance Payment that is delayed as set forth in this paragraph, the Severance Payment shall be made in cash within ten days after the

execution by you of the general release referred to above and expiration without revocation of any applicable revocation periods under such general release (or, if the Change of Control resulting in your becoming entitled to such benefits occurs after such execution and expiration, within ten days after the Change of Control). The Severance Payment shall be divided into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion, if any, that does constitute nonqualified deferred compensation. If you are a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation payable upon a "separation from service" under Section 409A(a)(2)(A)(i) of the Code will be delayed until the first business day that is more than six months after your Termination Date. The determination of whether, and the extent to which, any of the payments to be made to you hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions, including those set forth under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Reg. §1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which the Termination Date occurs. To the extent that the termination of your employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that are reasonably anticipated to be provided by you to the Company at the time your employment is terminated), the payment of any non-qualified deferred compensation will be further delayed until the first business day that is more than six months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

2. *Accelerated Vesting.*

(a) Stock options for the purchase of the Company's securities held by you as of the Termination Date and not then exercisable shall immediately become exercisable in full. The options to which this accelerated vesting applies shall remain exercisable until the earlier of (a) the end of the 90-day period immediately following the later of (i) the Termination Date or (ii) the date of the Change of Control or (b) the date the stock option(s) would otherwise expire; and

(b) the Company's lapsing repurchase right with respect to shares of restricted stock held by you shall lapse in full (subject to your making satisfactory arrangements with the Company providing for the payment to the Company of all required withholding taxes).

Notwithstanding anything to the contrary in this Agreement, the terms of any option agreement or restricted stock agreement shall govern the acceleration, if any, of vesting or lapsing of the Company's repurchase rights, as applicable, except to the extent that the terms of this Agreement are more favorable to you.

3. *Continued Insurance Coverage.* If COBRA coverage is elected by you, the Company shall pay the cost of insurance continuation premiums on your behalf (whether or not covered by COBRA) to continue standard medical, dental and life insurance coverage for you (or

the cash equivalent of same if you are ineligible for continued coverage) for a maximum of 12 months after the Termination Date.

4. *No Mitigation.* You shall not be required to mitigate the amount of the Severance Payment or any other benefit provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of other employment, by retirement benefits, or be offset against any amount claimed to be owed by you to the Company or otherwise (except for any required withholding taxes); provided, that if the Company makes any other severance payments to you under any other program or agreement, including any payments under the Employment Agreement, such amounts shall be offset against the payments the Company is obligated to make pursuant to this Agreement.

III. *Miscellaneous*.

1. *Employee's Obligations*. Upon the termination of employment, you shall promptly deliver to the Company all property of the Company and all material documents, statistics, account records, programs and other similar tangible items which may by in your possession or under your control and which relate in a material way to the business or affairs of the Company or its subsidiaries, and no copies of any such documents or any part thereof shall be retained by you.

2. *Entire Agreement.* This Agreement, the Employment Agreement, and the "*Employee Non-Disclosure, Non-Competition & Inventions Agreement*" previously executed by you covers the entire understanding of the parties as to the subject matter hereof, superseding all prior understandings and agreements related hereto. No modification or amendment of the terms and conditions of this Agreement shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

3. *Governing Law*. This Agreement shall be governed by the laws of The Commonwealth of Massachusetts, as applied to contracts entered into and performed entirely in Massachusetts by Massachusetts residents.

4. *Successors and Assigns*. This Agreement may be assigned by the Company upon a sale, transfer or reorganization of the Company. Upon a Change of Control, the Company shall require the successor to assume the Company's rights and obligations under this Agreement. The Company's failure to do so shall constitute a material breach of this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, permitted assigns, legal representatives and heirs.

Kindly indicate your acceptance of the forgoing by signing and dating this Agreement as noted below, and returning one fully executed original to my attention.

Very truly yours,

Vertex Pharmaceuticals Incorporated

By: /s/Matthew W. Emmens
Matthew W. Emmens
President, Chairman and
Chief Executive Officer

ACCEPTED AND AGREED:

/s/Amit Sachdev
Amit Sachdev

3/1/10
Date

Exhibit 10.5

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") amends and restates, effective as of the 5th day of February, 2010, that certain Employment Agreement made and entered into as of the 11th day of February, 2008, as amended by that certain Amendment to Employment Agreement entered into as of the 29th day of December, 2008 (collectively, the "Original Agreement") by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (together with its successors and assigns, the "Company"), and Lisa Kelly-Croswell (the "Executive").

W I T N E S S E T H

WHEREAS, the Company is employing the Executive as the Company's Senior Vice President, Human Resources;

WHEREAS, the Company and the Executive desire amend the Original Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which mutually is acknowledged, the Company and the Executive (each individually a "Party", and together the "Parties") agree as follows:

1. DEFINITIONS.

"Base Salary" shall mean the Executive's base salary in accordance with Section 4 below.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean (i) the Executive is convicted of a crime involving moral turpitude, (ii) the Executive commits a material breach of any provision of this Agreement not involving the performance or nonperformance of duties, or (iii) the Executive, in carrying out the Executive's duties, acts or fails to act in a manner that is determined, in the sole discretion of the Board, after written notice of any such act or failure to act and a reasonable opportunity to cure the deficiency has been provided to the Executive, to be (A) willful gross neglect or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Executive, in good faith, to be in the best interests of the Company.

"Change of Control" shall have the meaning set forth in the Change of Control Agreement.

"Change of Control Agreement" shall mean the Change of Control letter agreement between the Company and the Executive dated July 12, 2007.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the common stock of the Company.

"Disability" or "Disabled" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Section 22(e)(3) of the Code.

"Effective Date" shall mean February 11, 2008.

"Good Reason" shall mean that, without the Executive's consent, one or more of the following events occurs:

(i) the Executive's Base Salary is decreased unless such reduction is part of an across-the-board proportionate reduction in the salaries of the Company's senior management team; or

(ii) the office to which the Executive is assigned is relocated to a place 35 or more miles away and such relocation is not at the Executive's request or with the Executive's prior agreement (and other than, for Executives assigned to the Company's principal executive offices, in connection with a change in location of the Company's principal executive offices);

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (i) through (ii) above has occurred, the Executive delivers a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that the Executive asserts constitutes Good Reason under any of (i) through (ii) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving such notice. To avoid doubt, the termination of the Executive's employment would become effective at the close of business on the thirtieth day after the Company receives the Executive's termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

"Severance Payment" shall mean an amount equal to the sum of the Base Salary in effect on the date of termination of Executive's employment, plus the amount of the Target Bonus for the Executive for the year in which the Executive's employment is terminated; provided, however, that if the Executive terminates the Executive's employment for Good Reason based on a reduction in Base Salary, then the Base Salary to be used in calculating the Severance Payment shall be the Base Salary in effect immediately prior to such reduction in Base Salary.

"Target Bonus" shall mean the target cash bonus for which the Executive is eligible on an annual basis, at a level consistent with the Executive's title and responsibilities, under the Company's bonus program then in effect and applicable to the Company's senior executives generally.

2. TERM OF EMPLOYMENT.

The Company hereby employs the Executive, and the Executive hereby accepts such employment, continuing until termination in accordance with the terms of this Agreement. The period during which the Executive is employed hereunder is referred to in this Agreement as the "term of employment."

3. POSITION.

On the Effective Date, the Executive shall be employed as the Company's Senior Vice President, Human Resources.

4. BASE SALARY.

The Executive's annualized Base Salary as of the date of this Agreement is $298,700.00, payable in accordance with the regular payroll practices of the Company. The Base Salary shall be reviewed no less frequently than annually, and any changes thereto (which shall thereafter be deemed the Executive's Base Salary) shall be solely within the discretion of the Board.

5. TARGET BONUS PROGRAM.

During the term of employment, the Executive shall be eligible to participate in the Company's Target Bonus program (and other cash incentive compensation programs) applicable to the Company's senior executives, as any such programs are established and modified from time to time by the Board in its sole discretion, and in accordance with the terms of such program.

6. INCENTIVE COMPENSATION PROGRAMS.

During the term of employment, the Executive shall be eligible to participate in the Company's incentive compensation programs applicable to the Company's senior executives, as such programs may be established and modified from time to time by the Board in its sole discretion.

7. EMPLOYEE BENEFIT PROGRAMS.

During the term of employment, the Executive shall be entitled to participate in all employee welfare and pension benefit plans, programs and/or arrangements offered by the Company to its senior executives, as such plans, programs and arrangements may be amended from time to time, to the same extent and on the same terms applicable to other senior executives. Nothing in this section shall preclude the Company from amending or terminating any of its employee benefit plans, programs or arrangements.

8. VACATION.

During the term of employment, the Executive shall be entitled to paid vacation days each calendar year in accordance with the Company's vacation policy then in effect.

9. TERMINATION OF EMPLOYMENT.

(a) **Termination in Connection with a Change of Control**. To the extent the Executive is entitled, in connection with the Executive's termination of employment, to severance or other benefits under the Change of Control Agreement, the Executive shall not be entitled to corresponding benefits under this Section 9.

(b) **Termination by the Company for Cause; or Termination by the Executive without Good Reason.** If the Company terminates the Executive's employment for Cause, or if the Executive voluntarily terminates the Executive's employment, other than for Good Reason,

death or Disability, the term of employment shall end as of the date specified below, and the Executive shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 9(b); and

(ii) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 5, 6, or 7 above.

Termination by Company for Cause shall be effective as of the date noticed by the Company. Voluntary termination by Executive other than for Good Reason, death or Disability shall be effective upon 90 days' prior written notice to the Company and shall not be deemed a breach of this Agreement.

(c) **Termination by the Company Without Cause; or Termination by the Executive for Good Reason.** If the Executive's employment is terminated by the Company without Cause (other than due to death or Disability), or is terminated by the Executive for Good Reason (in accordance with the notice and cure provisions set forth in the definition of "Good Reason" above), the Executive shall be entitled to the following (provided that, with respect to (iii) and (v) such amounts shall be subject to and in exchange for a general release executed by Executive within 30 days of the date of termination of all claims against the Company, its subsidiaries, and their officers, directors, agents and representatives):

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 9(c);

(ii) all incentive compensation awards earned by Executive but not paid prior to the date of termination of Executive's employment under this Section 9(c);

(iii) a cash payment to the Executive in an amount equal to the Severance Payment, payable within ten days after the execution of a general release and expiration without revocation of any applicable revocation periods under the general release;

(iv) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 5, 6 or 7 above;

(v) if COBRA coverage is elected by the Executive, the Company shall pay the cost of insurance continuation premiums on the Executive's behalf (whether or not covered by COBRA) to continue standard medical, dental and life insurance coverage for the Executive (or the cash equivalent of same in the event the Executive is ineligible for continued coverage) until the earlier of:

(A) the date 12 months after the date the Executive's employment is terminated; or

(B) the date, or dates, on which the Executive receives equivalent coverage and benefits under the plans, programs and/or arrangements of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis).

If Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code, any payment of "nonqualified deferred compensation" (as defined under Section 409A of the Code

and related guidance) attributable to a "separation from service" (as defined under Section 409A of the Code and related guidance) shall not commence until the first full business day that is more than 6 months after the applicable separation from service ("Deferred Payment Date"). Any payments that would otherwise have been made between the separation from service and the Deferred Payment Date, but for this paragraph, shall be made in a lump sum on the Deferred Payment Date. Payments that, in any case, are scheduled to be made after the Deferred Payment Date shall continue according to the applicable payment schedule. To the extent that the termination of the Executive's employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that reasonably are anticipated to be provided by the Executive to the Company at the time the Executive's employment is terminated), the payment of any nonqualified deferred compensation will be further delayed until the date that is the first full business day that is more than 6 months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

10. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company; provided, however, that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

11. REPRESENTATIONS.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement, and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization. The Executive represents and warrants that no agreement exists between him and any other person, firm or organization that would be violated by the performance of the Executive's obligations under this Agreement.

12. INDEMNIFICATION; INSURANCE.

The Executive shall at all times be indemnified and eligible for advancement of expenses on the same basis as is provided for the Company's other executive officers and in accordance with the provisions of the Company's charter and by-laws then in effect. The Executive shall also be covered under all of the Company's policies of liability insurance maintained for the benefit of its directors and officers on the same basis as is provided for its other executive officers.

13. ENTIRE AGREEMENT; TERMINATION.

This Agreement, the agreements referenced herein, and the Employee Non-Disclosure, Non-Competition & Inventions Agreement between the Executive and the Company, contain the entire understanding and agreement between the Parties concerning the subject matter hereof and

supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the Parties with respect thereto. Subject to the terms of this Agreement, the Company shall be entitled to terminate the Executive's employment at any time, and the Executive may terminate the Executive's employment by the Company, at any time, in each case by written notice provided in accordance with Section 20 of this Agreement.

14. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

15. SEVERABILITY.

If any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

16. SURVIVORSHIP.

The respective rights and obligations of the Parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

17. BENEFICIARIES/REFERENCES.

The Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of the Executive's incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to the Executive's beneficiary, estate or other legal representative.

18. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts without reference to principles of conflict of laws.

19. RESOLUTION OF DISPUTES.

Any disputes arising under or in connection with this Agreement may, at the election of the Executive or the Company, be resolved by binding arbitration, to be held in Massachusetts in accordance with the Rules and Procedures of the American Arbitration Association. If arbitration is elected, the Executive and the Company shall mutually select the arbitrator. If the Executive and the Company cannot agree on the selection of an arbitrator, each Party shall select an arbitrator and the two arbitrators shall select a third arbitrator, and the three arbitrators shall form

an arbitration panel that shall resolve the dispute by majority vote. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. Costs of the arbitrator or arbitrators and other similar costs in connection with an arbitration shall be shared equally by the Parties; all other costs, such as attorneys' fees incurred by each Party, shall be borne by the Party incurring such costs.

20. NOTICES.

All notices that are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, addressed as follows:

If to the Company:	Vertex Pharmaceuticals Incorporated 130 Waverly Street Cambridge, MA 02139-4242 Attn: Chief Executive Officer with copies to: the General Counsel
If to the Executive:	at the Executive's home address listed in the Company records.

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a business day; (b) on the business day after dispatch if sent by nationally-recognized overnight courier; and/or (c) on the fifth business day following the date of mailing if sent by mail.

21. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

22. COUNTERPARTS.

This Agreement may be executed in two or more counterparts.

23. SECTION 409A COMPLIANCE.

It is the intention of the Company and the Executive that this Agreement and the payments provided for herein meet the requirements of Section 409A of the Code, to the extent applicable to this Agreement and such payments. The Company and the Executive agree to cooperate in good faith in preparing and executing, at such time as sufficient guidance is available under Section 409A and from time to time thereafter, such amendments to this Agreement, if any, as the Executive may reasonably request solely for the purpose of assuring that this Agreement and the payments provided hereunder meet the requirements of Section 409A. Nothing in this Section 23 shall require the Company to increase the Executive's compensation or make the Executive whole for any requested changes.

24. TAX WITHHOLDING; NO GUARANTEE OF ANY TAX CONSEQUENCES.

All payments hereunder shall be subject to all applicable withholding for any federal, state or local income taxes including any excise taxes under the Code. Notwithstanding any other provision of this Agreement to the contrary or other representation, the Company does not in any way guarantee the tax consequences of any payment or compensation under this Agreement including, without limitation, under Section 409A of the Code.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Vertex Pharmaceuticals Incorporated

/s/Matthew W. Emmens
Matthew W. Emmens, President, Chairman and
Chief Executive Officer

Executive

/s/Lisa Kelly-Croswell
Lisa Kelly-Croswell

VERTEX PHARMACEUTICALS INCORPORATED
130 WAVERLY STREET · CAMBRIDGE, MA 02139-4242
TEL. 617.444.6100 · FAX 617.444-6483
http://www.vrtx.com

February 5, 2010

Lisa Kelly-Croswell
40 Wyman Road
Lexington, MA 02420

RE: Amended and Restated Change of Control Agreement

Dear Lisa:

Your expertise, reputation and position make you a key member of the senior management team of Vertex Pharmaceuticals Incorporated (the "Company"). As a result, the Company would like to provide you with the following "change of control" benefit to help ensure that in the event the Company becomes involved in a "change of control" transaction, there will be no distraction from your attention to the needs of the Company. This Amended and Restated Change of Control Agreement (this "Agreement") amends and restates, effective as of the date written above, that certain Change of Control Agreement made and entered into as of February 11, 2008, as amended by that certain Amendment to Change of Control Agreement entered into as of December 29, 2008, by and between you and the Company.

I. *Definitions*. For the purposes of this Agreement, capitalized terms shall have the following meaning:

1. "*Base Salary*" shall mean your annual base salary in effect immediately prior to a Change of Control (as such term is defined in Section I.3 below).

2. "*Cause*" shall mean:

   (a) your conviction of a felony crime of moral turpitude;

   (b) your willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom you report, provided that you receive prior written notice of the directive(s) or instruction(s) that you failed to follow, and provided further that the Company, in good faith, gives you thirty (30) days to correct any problems and further provided if you correct the problem(s) you may not be terminated for Cause in that instance;

   (c) in carrying out your duties you commit (i) willful gross negligence, or (ii) willful gross misconduct, resulting in either case in material harm to the Company, unless such act, or failure to act, was believed by you, in good faith, to be in the best interests of the Company; or

   (d) your violation of the Company's policies made known to you regarding confidentiality, securities trading or inside information.

---

3. "*Change of Control*" shall mean that:

   (a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the outstanding securities of the Company, as the case may be, having the right to vote in the election of directors; or

   (b) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (i) a transaction solely for the purpose of reincorporating the Company or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying the Company's stock; or (ii) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

4. "*Disability*" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Internal Revenue Code Section 22(e)(3).

5. "*Good Reason*" shall mean that within ninety (90) days prior to a Change of Control, or within twelve (12) months after a Change of Control, one of the following events occurs without your consent:

   (a) You are assigned to material duties or responsibilities that are inconsistent, in any significant respect, with the scope of duties and responsibilities associated with your position and office immediately prior to the Change of Control (provided that such reassignment of duties or responsibilities is not for Cause, due to your Disability or at your request);

(b) You suffer a material reduction in the authorities, duties, or job title and responsibilities associated with your position and office immediately prior to the Change of Control, on the basis of which you make a good faith determination that you can no longer carry out your position or office in the manner contemplated before the Change of Control (provided that such reduction in the authorities, duties, or job title and responsibilities is not for Cause, due to your Disability or at your request);

(c) your annual base salary is decreased below the Base Salary;

(d) the principal offices of the Company, or the location of the office to which you are assigned at the time this Agreement is entered into, is relocated to a place thirty-five (35) or more miles away, without your agreement; or

(e) following a Change of Control, the Company's successor fails to assume the Company's rights and obligations under this Agreement.

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (a) through (e) above has occurred, you deliver a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that you assert constitutes Good Reason under any of (a) through (e) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving your notice. To avoid doubt, the termination of your employment would become effective at the close of business on the thirtieth day after the Company receives your termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

6. "*Termination Date*" shall mean the last day of your employment with the Company.

II. *Severance Benefits upon Change of Control*. If:

(A) your employment is terminated by the Company (except for termination for Cause or due to a Disability) and the Termination Date is within 90 days prior to a Change of Control or within 12 months after a Change of Control; or

(B) you, of your own initiative, (i) terminate your employment for Good Reason (in accordance with the notice and cure provisions set forth in Section I.5 above) and (ii) the event giving rise to Good Reason occurs within 90 days prior to a Change of Control or within 12 months after a Change of Control;

then, in exchange for a general release executed by you within 30 days of your Termination Date of all claims against the Company, its subsidiaries, and its and their officers, directors and representatives, in a form satisfactory to the Company, you shall receive the following benefits:

1. *Severance Payment*. The Company shall make a cash payment (the "Severance Payment") to you in an amount equal to:

(a) your annual base salary (provided, however, that if you terminate your employment for Good Reason based on a reduction in your annual base salary, then the annual base salary to be used in calculating the Severance Payment shall be your annual base salary in effect immediately prior to such reduction in annual base salary) plus your target bonus under any bonus program applicable to you for the year in which the Termination Date occurs; plus

(b) a pro rata portion of your target bonus for the portion of the year in which the Termination Date occurs under any bonus program applicable to you; plus

(c) all cash incentive compensation awards earned by you but not paid prior to the Termination Date; provided that, if a fiscal year has been completed and the incentive award for such fiscal year has not been determined, the incentive compensation for such completed fiscal year shall equal the target bonus for such fiscal year.

Except with respect to any portion of the Severance Payment that is delayed as set forth in this paragraph, the Severance Payment shall be made in cash within ten days after the execution by you of the general release referred to above and expiration without revocation of any applicable revocation periods under such general release (or, if the Change of Control resulting in your becoming entitled to such benefits occurs after such execution and expiration, within ten days after the Change of Control). The Severance Payment shall be divided into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion, if any, that does constitute nonqualified deferred compensation. If you are a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation payable upon a "separation from service" under Section 409A(a)(2)(A)(i) of the Code will be delayed until the first business day that is more than six months after your Termination Date. The determination of whether, and the extent to which, any of the payments to be made to you hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions, including those set forth under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Reg. §1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which the Termination Date occurs. To the extent that the termination of your employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that are reasonably anticipated to be provided by you to the Company at the time your employment is terminated), the payment of any non-qualified deferred compensation will be further delayed until the first business day that is more than six months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

2. *Accelerated Vesting.*

(a) Stock options for the purchase of the Company's securities held by you as of the Termination Date and not then exercisable shall immediately become exercisable in full. The options to which this accelerated vesting applies shall remain exercisable until the earlier of (a) the end of the 90-day period immediately following the later of (i) the Termination Date or (ii) the date of the Change of Control and (b) the date the stock option(s) would otherwise expire; and

(b) the Company's lapsing repurchase right with respect to shares of restricted stock held by you shall lapse in full (subject to your making satisfactory arrangements with the Company providing for the payment to the Company of all required withholding taxes).

Notwithstanding anything to the contrary in this Agreement, the terms of any option agreement or restricted stock agreement shall govern the acceleration, if any, of vesting or lapsing of the Company's repurchase rights and period of exercisability of such awards, as applicable, except to the extent that the terms of this agreement are more favorable to you.

3. *Continued Insurance Coverage*. If COBRA coverage is elected by you, the Company shall pay the cost of insurance continuation premiums on your behalf (whether or not covered by COBRA) to continue standard medical, dental and life insurance coverage for you (or the cash equivalent of same if you are ineligible for continued coverage) for a period of 18 months from the Termination Date.

4. *No Mitigation.* You shall not be required to mitigate the amount of the Severance Payment or any other benefit provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by you as the result of other employment, by retirement benefits, or be offset against any amount claimed to be owed by you to the Company or otherwise (except for any required withholding taxes); provided, that if the Company makes any other severance payments to you under any other program or agreement, such amounts shall be offset against the payments the Company is obligated to make pursuant to this Agreement.

III. *Miscellaneous*.

1. *Employee's Obligations*. Upon the termination of employment, you shall promptly deliver to the Company all property of the Company and all material documents, statistics, account records, programs and other similar tangible items which may by in your possession or under your control and which relate in a material way to the business or affairs of the Company or its subsidiaries, and no copies of any such documents or any part thereof shall be retained by you.

2. *Entire Agreement.* This Agreement and the "*Employee Non-Disclosure, Non-Competition & Inventions Agreement*" previously executed by you covers the entire understanding of the parties as to the subject matter hereof, superseding all prior understandings and agreements related hereto. No modification or amendment of the terms and conditions of this Agreement shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

3. *Governing Law*. This Agreement shall be governed by the laws of The Commonwealth of Massachusetts, as applied to contracts entered into and performed entirely in Massachusetts by Massachusetts residents.

4. *Successors and Assigns*. This Agreement may be assigned by the Company upon a sale, transfer or reorganization of the Company. Upon a Change of Control, the Company shall require the successor to assume the Company's rights and obligations under this Agreement. The Company's failure to do so shall constitute a material breach of this Agreement. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, permitted assigns, legal representatives and heirs.

Kindly indicate your acceptance of the forgoing by signing and dating this Agreement as noted below, and returning one fully executed original to my attention.

Very truly yours,

Vertex Pharmaceuticals Incorporated

By: /s/Matthew W. Emmens
Matthew W. Emmens
President, Chairman and
Chief Executive Officer

ACCEPTED AND AGREED:

/s/Lisa Kelly-Croswell
Lisa Kelly-Croswell

2/16/10
Date

Exhibit 10.7

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Second Amended and Restated Employment Agreement (the "Agreement") amends and restates, effective as of this 5th day of February, 2010, that certain Amended and Restated Employment Agreement made and entered into as of the 8th day of November, 2004, as amended by that certain Amendment No. 1 entered into as of the 11th day of February, 2008, and that certain Amendment No. 2 entered into as of the 29th day of December, 2008 (collectively, the "Original Agreement") by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (together with its successors and assigns, the "Company"), and Kenneth S. Boger (the "Executive").

W I T N E S S E T H

WHEREAS, the Company has employed the Executive as the General Counsel and a Senior Vice President of the Company since the date of the Original Agreement; and

WHEREAS, the Company and the Executive desire to amend the Original Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Company and the Executive (each individually a "Party", and together the "Parties") agree as follows:

1. DEFINITIONS.

(a) "Base Salary" shall mean the Executive's base salary in accordance with SECTION 4 below.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean (i) the Executive is convicted of a crime involving moral turpitude, or (ii) the Executive commits a material breach of any provision of this Agreement, or (iii) the Executive, in carrying out his duties, acts or fails to act in a manner which is determined, in the sole discretion of the Board, to be (A) willful gross neglect or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Executive, in good faith, to be in the best interests of the Company.

(d) "Change of Control" shall be deemed to have occurred if:

(i) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than 50% of the combined voting power of the outstanding securities of the Company, having the right to vote in the election of directors (any such owner being herein referred to as an "Acquiring Person");

(ii) a majority of the Company's Board at any time during the Term of this Agreement consists of individuals other than individuals nominated or approved by a majority of the Disinterested Directors; or

(iii) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a Subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (1) a transaction solely for the purpose of reincorporating the company in a different jurisdiction or recapitalizing or reclassifying the Company's stock, or (2) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to

---

own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

(e) "Common Stock" shall mean the common stock of the Company.

(f) "Competitive Activity" shall mean engagement directly or indirectly, individually or through any corporation, partnership, joint venture, trust, limited liability company or person, as an officer, director, employee, agent, consultant, partner, proprietor, shareholder or otherwise, in any business associated with the biopharmaceutical or pharmaceutical industry(other than a business which is an independent general practice law firm which is so "associated" only by reason of the business of one or more of its clients), which, in the sole discretion of the Company, is determined to compete with the business and/or interests or future interests of the Company, or any of its affiliates, at any place in which it, or any such affiliate, is then conducting its business, or at any place where products manufactured or sold by it, or any such affiliate, are offered for sale, or any place in the United States or any possessions or protectorates thereof, provided, however, that ownership of five percent (5%) or less of the outstanding voting securities or equity interests of any company shall not in itself be deemed to be competition with the Company.

(g) "Disability" or "Disabled" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Internal Revenue Code Section 22(e)(3). Notwithstanding the foregoing, to the extent that any payments under this Agreement that are payable upon disability constitute nonqualified deferred compensation subject to Section 409A of the Code, "DISABILTY" or "DISABLED" shall mean, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, the Executive is either (a) unable to engage in any substantial gainful activity or (b) receiving income replacement benefits for a period of not less than three months under any disability plan covering employees of the Company. For purposes of the immediately foregoing sentence, the existence of a disability will be determined in all respects in accordance with the provisions of Section 409A(a)(2)(C) of the Code.

(h) "Disinterested Director" shall mean any member of the Company's Board (i) who is not an officer or employee of the Company or any of their subsidiaries, (ii) who is not an Acquiring Person or an affiliate or associate of an Acquiring Person or of any such affiliate or associate and (iii) who was a member of the Company's Board prior to the date of this Agreement or was recommended for election or elected by a majority of the Disinterested Directors on the Company's Board at the time of such recommendation or election.

(i) "Effective Date" shall mean the first date written above.

(j) "Good Reason" shall mean that, without the Executive's consent, one or more of the following events occurs during the Term of this Agreement:

(i) The Executive is assigned to any material duties or responsibilities that are inconsistent, in any significant respect, with the scope of duties and responsibilities customarily associated with the Executive's position and office as described in SECTION 3, provided that such reassignment of duties or responsibilities is not for Cause, or due to Executive's Disability, and is not at the Executive's request;

(ii) The Executive suffers a reduction in the authorities, duties, and responsibilities customarily associated with his position and office as described in SECTION 3 on the basis of which Executive makes a determination in good faith that Executive can no longer carry out such position or office in the manner contemplated at the time this Agreement was entered into,

---

provided that such reduction in the authorities, duties or responsibilities is not for Cause, or due to Executive's Disability, and is not at the Executive's request;

(iii) The Executive's Base Salary is decreased;

(iv) The principal executive office of the Company, or the Executive's own office location as assigned to him by the Company at the Effective Date is relocated to a place thirty-five (35) or more miles away, without the Executive's agreement; or

(v) Failure of the Company's successor, in the event of a Change of Control, to assume all obligations and liabilities of this Agreement; or

(vi) The Company shall materially breach any of the terms of this Agreement;

provided that Good Reason shall not exist unless and until within 30 days after the event giving rise to Good Reason under any of (i) through (vi) above has occurred, the Executive delivers a written termination notice to the Company stating that an event giving rise to Good Reason has occurred and identifying with reasonable detail the event that the Executive asserts constitutes Good Reason under any of (i) through (vi) above and the Company fails or refuses to cure or eliminate the event giving rise to Good Reason on or within 30 days after receiving such notice. To avoid doubt, the termination of the Executive's employment would become effective at the close of business on the thirtieth day after the Company receives the Executive's termination notice, unless the Company cures or eliminates the event giving rise to Good Reason prior to such time.

(k) "Pro-Rata Share of Restricted Stock" for any period shall mean, for any grant of restricted stock as to which the Company's repurchase right lapses ratably over a specified period (e.g. in equal annual increments over four years), that number of shares as to which the Company's repurchase right with respect to those shares would have lapsed if the Executive's employment by the Company had continued for such period. For any other shares of restricted stock, "Pro-Rata Share of Restricted Stock" shall mean, as to any shares of restricted stock which were granted on the same date and as to which the Company's repurchase right lapses on the same date, that portion of such shares calculated by multiplying the number of shares by a fraction, the numerator of which is the number of days that have passed since the date of grant, plus the number of days in the period in question, and the denominator of which is the total number of days from the date of the grant until the date (without regard to any provisions for earlier vesting upon achievement of a specified goal) on which the Company's repurchase right would lapse under the terms of the grant.

(l) "Severance Pay" shall mean an amount equal to the sum of the Base Salary in effect on the date of termination of Executive's employment, plus the amount of the Target Bonus for the Executive for the year in which the Executive's employment is terminated, divided by twelve (12) (each of the 12 shares to constitute a "month's" Severance Pay); PROVIDED, HOWEVER, that in the event Executive terminates his employment for Good Reason based on a reduction in Base Salary, then the Base Salary to be used in calculating Severance Pay shall be the Base Salary in effect immediately prior to such reduction in Base Salary.

(m) "Subsidiary" shall mean a corporation of which the Company owns 50% or more of the combined voting power of the outstanding securities having the right to vote in an election of directors, or any other business entity in which the Company directly or indirectly has an ownership interest of 50% or more.

(n) "Target Bonus" shall mean a bonus for which the Executive is eligible on an annual basis, at a level consistent with his title and responsibilities, under the Company's bonus program then in effect and

---

applicable to the Company's senior executives generally, in such amount as may be determined in the sole discretion of the Board.

2. TERM OF EMPLOYMENT.

The Company hereby employs the Executive, and the Executive hereby accepts such employment, for the period commencing on the Effective Date and ending on the fourth anniversary of the Effective Date, subject to earlier termination in accordance with the terms of this Agreement. Thereafter, the Term of Employment shall automatically renew on each anniversary of the Effective Date for additional one-year period(s), UNLESS (i) the Company notifies the Executive in writing in accordance with SECTION 23 below, at least 90 days prior to the expiration of the then-current Term that it does not want the Term of Employment to so renew, or (ii) the Executive has notified the Company in writing in accordance with SECTION 23 below that Executive does not want the Term of Employment to so renew. The initial four year Term of Employment hereunder is referred to herein as the "Initial Term", and the Initial Term plus all additional one-year renewal periods (if any), are collectively referred to herein as the "Term of Employment" or the "Term of the Agreement".

3. POSITION, DUTIES AND RESPONSIBILITIES.

On the Effective Date and continuing for the remainder of the Term of Employment, the Executive shall be employed as the General Counsel and Senior Vice President of the Company, and shall be responsible for duties customarily associated with the position of chief legal officer of the Company. The

Executive shall represent and serve the Company faithfully, conscientiously and to the best of the Executive's ability and shall promote the interests, reputation and current and long term plans, objectives and policies of the Company. The Executive shall devote all of the Executive's time, attention, knowledge, energy and skills, during normal working hours, and at such other times as the Executive's duties may reasonably require, to the duties of the Executive's employment, provided, however, nothing set forth herein shall prohibit the Executive from engaging in other activities to the extent such activities do not impair the ability of the Executive to perform his duties and obligations under this Agreement, nor are contrary to the interests, reputation, current and long term plans, objectives and policies of the Company. The Executive, in carrying out his duties under this Agreement, shall report to the President of the Company.

4. BASE SALARY.

During the Term of this Agreement, the Executive shall be paid an annualized Base Salary of $320,000, payable in accordance with the regular payroll practices of the Company. The Base Salary shall be reviewed no less frequently than annually, and any increase thereto (which shall thereafter be deemed the Executive's Base Salary) shall be solely within the discretion of the Board.

5. TARGET BONUS/INCENTIVE COMPENSATION PROGRAM.

a) TARGET BONUS PROGRAM: The Executive shall participate in the Company's Target Bonus program (and other incentive compensation programs) applicable to the Company's senior executives, as any such programs are established and modified from time to time by the Board in its sole discretion, and in accordance with the terms of such program.

b) SIGN-ON CASH BONUS: The Executive shall receive a sign-on cash bonus in the amount of $70,000 payable to the Executive on the Effective Date. In the event the Executive terminates this Agreement without "Good Reason" during the period commencing on the Effective Date and ending on the first anniversary of the Effective Date, then the Executive shall repay the sign-on cash bonus to the Company within thirty (30) days of such termination.

---

c) SIGN-ON STOCK OPTION GRANT: An initial stock option grant shall be awarded to the Executive pursuant to the terms of the Company's stock option plan. The initial stock option grant shall be for 120,000 shares of Company capital stock, the option for which will vest and become exercisable in equal amounts quarterly over the five (5) year period commencing on the Effective Date, and as otherwise specified herein and in the Company's stock option plan, and shall be subject to the other terms and conditions specified in a separate grant agreement.

6. LONG-TERM INCENTIVE COMPENSATION PROGRAMS.

During the Term of Employment, the Executive shall be eligible to participate in the Company's long-term incentive compensation programs applicable to the Company's senior executives, as such programs may be established and modified from time to time by the Board in its sole discretion.

7. EMPLOYEE BENEFIT PROGRAMS.

During the Term of Employment, the Executive shall be entitled to participate in all employee welfare and pension benefit plans, programs and/or arrangements offered by the Company from time to time to its senior executives, to the same extent and on the same terms applicable to other senior executives.

8. REIMBURSEMENT OF BUSINESS EXPENSES.

During the Term of Employment, the Executive is authorized to incur reasonable business expenses in carrying out his duties and responsibilities under this Agreement, and the Company shall reimburse him for all such reasonable business expenses reasonably incurred in connection with carrying out the business of the Company, subject to documentation in accordance with the Company's policy. Any reimbursement in one calendar year shall not affect the amount that may be reimbursed in any other calendar year, and a reimbursement (or right thereto) may not be exchanged or liquidated for another benefit or payment. Any expense reimbursements subject to Section 409A of the Code shall be made no later than the end of the calendar year following the calendar year in which such business expense is incurred by the Executive.

9. VACATION.

During the Term of Employment, the Executive shall be entitled to paid vacation days each calendar year in accordance with the Company's vacation policy.

10. TERMINATION OF EMPLOYMENT.

(a) TERMINATION DUE TO DEATH OR DISABILITY. In the event Executive's employment is terminated due to Executive's death or Disability, the Term of Employment shall end as of the date of the Executive's death or termination of employment due to Disability, and Executive, his estate and/or beneficiaries, as the case may be, shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination under this SECTION 10(a);

(ii) all long-term incentive compensation awards earned by Executive but not paid prior to the date of termination under this SECTION 10(a);

(iii) a pro rata Target Bonus award for the year in which termination under this SECTION 10(a) occurs, as determined in its sole discretion by the Board of Directors;

(iv) all stock options held by the Executive as of the date of the termination under this SECTION 10(a) that are not exercisable as of that date shall be deemed to have been held by the

---

Executive for an additional 12 months, for purposes of vesting and exercise rights, and any unexercisable stock options which are deemed exercisable as a result thereof shall remain exercisable as provided in SECTION 10(a)(v) below;

(v) all exercisable stock options held by the Executive as of the date of termination under this SECTION 10(a) shall remain exercisable until the earlier of (1) the end of the 1-year period following the date of termination, or (2) the date the option would otherwise expire;

(vi) any amounts earned, accrued or owing to the Executive but not yet paid under SECTIONS 6, 7, 8, or 9 above, and in the event of termination due to Disability, benefits due to Executive under the Company's then-current disability program;

(vii) six months of Severance Pay, payable in accordance with the regular payroll practices of the Company, commencing on the first day of the month following the month in which termination under this SECTION 10(a) occurred; and

(viii) the Company's lapsing repurchase right with respect to shares of restricted stock held by the Executive shall lapse with respect to the Pro-Rata Share of Restricted Stock. The "period" referenced in the first sentence of the definition of "Pro-Rata Share of Restricted Stock," and the "period in question" referenced in the second sentence of that definition shall be 12 months.

(b) TERMINATION BY THE COMPANY FOR CAUSE; TERMINATION BY THE EXECUTIVE WITHOUT GOOD REASON; OR NONRENEWAL OF THE AGREEMENT BY THE EXECUTIVE. In the event the Company terminates the Executive's employment for Cause, or if Executive terminates his employment without Good Reason, or if the Executive gives notice of nonrenewal of this Agreement, the Term of Employment shall end as of the date specified below, and the Executive shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this SECTION 10(b);

(ii) any amounts earned, accrued or owing to the Executive but not yet paid under SECTIONS 6, 7, 8, or 9 above; and

(iii) a pro rata Target Bonus award for the year in which termination under this SECTION 10(b) occurs, as determined in its sole discretion by the Board of Directors.

Termination by Company for Cause shall be effective as of the date noticed by the Company. Termination by Executive without Good Reason shall be effective upon 90 days' prior written notice to the Company, and shall not be deemed a breach of this Agreement. In the event that the Executive gives notice of non-renewal in accordance with SECTION 2 above, the Term of Employment shall end on the last day of the then-current Term.

(c) TERMINATION BY THE COMPANY WITHOUT CAUSE; TERMINATION BY THE EXECUTIVE FOR GOOD REASON OR NONRENEWAL OF THE AGREEMENT BY THE COMPANY. If the Executive's employment is terminated by the Company without Cause (other than due to death or Disability), is terminated by the Executive for Good Reason (in accordance with the notice and cure provisions set forth in the definition of "Good Reason" above), or if the Company gives notice of nonrenewal of this Agreement, the Executive shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this SECTION 10(c);

(ii) all long-term incentive compensation awards earned by Executive but not paid prior to the date of termination of Executive's employment under this SECTION 10(c);

(iii) Twelve months of Severance Pay, payable in accordance with the regular payroll practices of the Company, commencing on the first day of the month following the month during which the Executive's employment is terminated under this SECTION 10(c); PROVIDED, HOWEVER, that if the Executive dies while receiving benefits under this Section, all payments shall immediately cease, but in no event shall the Executive or his estate or beneficiaries receive less than a total of six months of Severance Pay.

(iv) a pro rata Target Bonus award for the year in which the termination of the Executive's employment occurs under this SECTION 10(c), as determined in its sole discretion by the Board of Directors;

(v) all exercisable stock options held by the Executive as of the date of the termination of his employment under this SECTION 10(c) shall remain exercisable until the earlier of (1) the end of the one-year period following the date of the termination of his employment or (2) the date the stock option would otherwise expire;

(vi) all stock options held by the Executive as of the date of the termination under this SECTION 10(c) that are not exercisable as of that date shall be deemed to have been held by the Executive for an additional 18 months, for purposes of vesting and exercise rights, and any stock options which become exercisable as a result thereof shall remain exercisable as provided in SECTION 10(c)(v) above;

(vii) any amounts earned, accrued or owing to the Executive but not yet paid under SECTIONS 6, 7, 8, or 9 above;

(viii) until the earlier of (a) the expiration of the term of the Severance Pay paid under Section 10(c)(iii) above or (b) the date the Executive receives equivalent coverage and benefits under the plan of a subsequent employer, the Company shall provide the Executive with medical and dental insurance benefits substantially similar to those which the Executive was receiving immediately prior to the termination of his employment, including any employer paid portion of the premium, subject to the Executive's election of benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") in accordance with the applicable plan procedures. During such time that the Executive is receiving such continued medical and dental benefits from the Company, the Company shall also provide Executive with life insurance benefits substantially similar to those which the Executive was receiving immediately prior to the termination of his employment;

(ix) the Company's lapsing repurchase right with respect to shares of restricted stock held by the Executive shall lapse with respect to the Pro-Rata Share of Restricted Stock . The "period" referenced in the first sentence of the definition of "Pro-Rata Share of Restricted Stock," and the "period in question" referenced in the second sentence of that definition shall be 18 months; and

(x) if the termination of employment to which this Section 10(c) applies occurs within 90 days prior to a Change of Control or within 12 months after a Change of Control:

(a) all stock options that are not exercisable upon the application of the provisions of Section 10(c)(vi) shall immediately become exercisable in full and the options to which this provision applies shall remain exercisable until the earlier of (1) the end of the 90-day period immediately following the later of the date of employment

---

termination or the date of the Change of Control and (2) the date the stock option(s) would otherwise expire; and

(b) the Company's lapsing repurchase right with respect to shares of restricted stock held by the Executive shall lapse in full (subject to the Executive making satisfactory arrangements with the Company providing for payment to the Company of all required withholding taxes).

Notwithstanding anything to the contrary in this Section 10, the terms of any Option Agreement or Restricted Stock Agreement shall govern the acceleration, if any, of vesting or lapsing of the Company's repurchase rights, as applicable, except to the extent that the terms of this Employment Agreement are more favorable to the Executive.

If the Company gives notice of nonrenewal in accordance with Section 2 above, the Term of Employment shall end on the last day of the then current term.

11. MITIGATION.

In the event of any termination of this Agreement, Company is hereby authorized to offset against any Severance Pay due the Executive during the period for which Severance Pay is due under SECTION 10 any remuneration earned by the Executive during that period and attributable to any subsequent employment or engagement that the Executive may obtain. Executive shall provide Company written notice of subsequent employment or engagement no later than five (5) business days after commencement by Executive of such employment or engagement.

12. CONFIDENTIALITY; ASSIGNMENT OF RIGHTS.

(a) During the Term of Employment and thereafter, the Executive shall not disclose to anyone or make use of any trade secret or proprietary or confidential information of the Company, including such trade secret or proprietary or confidential information of any customer of the company or other entity that has provided such information to the Company, which Executive acquires during the Term of Employment, including but not limited to records kept in the ordinary course of business, except (i) as such disclosure or use may be required or appropriate in connection with his work as an employee of the Company, (ii) when required to do so by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information, or (iii) as to such confidential information that becomes generally known to the public or trade without violation of this SECTION 12(a).

(b) The Executive hereby sells, assigns and transfers to the Company all of his right, title and interest in and to all inventions, discoveries, improvements and copyrightable subject matter (the "rights") which during the Term of Employment are made or conceived by him, alone or with others, and which are within or arise out of any general field of the Company's business or arise out of any work Executive performs or information Executive receives regarding the business of the Company while employed by the Company. The Executive shall fully disclose to the Company as promptly as available all information known or possessed by him concerning the rights referred to in the preceding sentence, and upon request by the Company and without any further remuneration in any form to him by the Company, but at the expense of the Company, execute all applications for patents and for copyright registration, assignments thereof and other instruments and do all things which the Company may deem necessary to vest and maintain in it the entire right, title and interest in and to all such rights.

---

13. NONCOMPETITION; NONSOLICITATION.

(a) Notwithstanding any of the provisions herein to the contrary, in the event that the Executive's employment with the Company is terminated for any reason other than due to Executive's death or termination by Executive for Good Reason, the Executive shall not engage in Competitive Activity for a period not to exceed the lesser of 12 months from the date of termination under such applicable provision listed above or the maximum length of time allowed under then current Massachusetts State law. The Company may, at its election, waive its rights of enforcement under this SECTION 13(a).

(b) The Parties acknowledge that in the event of a breach or threatened breach of SECTIONS 12 or 13(a), the Company shall not have an adequate remedy at law. Accordingly, in the event of any breach or threatened breach of SECTIONS 12 OR 13(a), the Company shall be entitled to such equitable and injunctive relief as may be available to restrain the Executive and any business, firm, partnership, individual, corporation or entity participating in the breach or threatened breach from the violation of the provisions of SECTIONS 12 or 13(a) above. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies available at law or in equity for breach or threatened breach of SECTIONS 12 or 13(a) including the recovery of damages.

14. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company; PROVIDED, HOWEVER, that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

15. REPRESENTATIONS.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement and that the performance of its obligations under this Agreement will not violate any agreement between it and any other person, firm or organization. The Executive represents and warrants that no agreement exists between him and any other person, firm or organization that would be violated by the performance of his obligations under this Agreement.

16. ENTIRE AGREEMENT.

This Agreement contains the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the Parties with respect thereto.

17. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

---

18. SEVERABILITY.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

19. SURVIVORSHIP.

The respective rights and obligations of the Parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

20. BENEFICIARIES/REFERENCES.

The Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

21. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts without reference to principles of conflict of laws.

22. RESOLUTION OF DISPUTES.

Any disputes arising under or in connection with this Agreement may, at the election of the Executive or the Company, be resolved by binding arbitration, to be held in Massachusetts in accordance with the Rules and Procedures of the American Arbitration Association. If arbitration is elected, the Executive and the Company shall mutually select the arbitrator. If the Executive and the Company cannot agree on the selection of an arbitrator, each Party shall select an arbitrator and the two arbitrators shall select a third arbitrator, and the three arbitrators shall form an arbitration panel which shall resolve the dispute by majority vote. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. Costs of the arbitrator or arbitrators and other similar costs in connection with an arbitration shall be shared equally by the Parties; all other costs, such as attorneys' fees incurred by each Party, shall be borne by the Party incurring such costs.

23. NOTICES.

All notices that are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, addressed as follows:

If to the Company: Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139-4242
Attn: Chairman of the Board
with a copy to:
Vice President of HR

If to the Executive: Kenneth S. Boger

---

200 Church Street Rear
Newton, MA 02458

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a business day: (b) on the business day after dispatch if sent by nationally-recognized overnight courier; and/or (c) on the fifth business day following the date of mailing if sent by

mail.

24. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

25. COUNTERPARTS.

This Agreement may be executed in two or more counterparts.

26. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

If any payment or benefit received by Executive pursuant to this Agreement, but determined without regard to any additional payments required under this Agreement, would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax, the Company will pay to Executive an additional amount in cash (the "Additional Amount") equal to the amount necessary to cause the aggregate payments and benefits received by Executive, including such Additional Amount (net of all federal, state, and local income and payroll taxes and all taxes payable as a result of the application of Sections 280G and 4999 of the Code and including any interest and penalties with respect to such taxes) to be equal to the aggregate payments and benefits Executive would have received, excluding such Additional Amount (net of all federal, state and local income and payroll taxes) as if Sections 280G and 4999 of the Code (and any successor provisions thereto) had not been enacted into law. The Company will pay to Executive the Additional Amount within 10 days after the Executive delivers to the Company a calculation of the Additional Amount, together with such supporting documentation as the Company may reasonably require, provided that the Company does not object to such calculation.

If the Company and the Executive do not agree on the calculation of the amount of any such Additional Amount, Executive may submit to the Company a written opinion (the "Opinion") of a nationally recognized accounting firm, employment consulting firm, or law firm selected by Executive setting forth a statement and a calculation of the Additional Amount. The determination of such firm concerning the extent of the Additional Amount (which determination need not be free from doubt), shall be final and binding on both Executive and the Company. The Company will pay to Executive the Additional Amount not later than ten (10) business days after such firm has rendered the Opinion. The Company agrees to pay the reasonable fees and expenses of such firm in preparing and rendering the Opinion.

If, following the payment to Executive of the Additional Amount, Executive's liability for the excise tax imposed by Section 4999 of the Code on the payments and benefits received by Executive is finally determined (at such time as the Internal Revenue Service is unable to make any further adjustment to the amount of such liability) to be less than the amount thereof set forth in the Opinion, the Executive shall promptly file for a refund with respect thereof, and the Executive shall promptly pay to the Company the amount of such refund when received (together with any interest paid or credited thereon after taxes applicable thereto). If, following the payment to Executive of the Additional Amount, Executive's liability for the excise tax imposed by Section 4999 of the Code on the payments and benefits received by Executive is finally determined (at such time as the Internal Revenue Service is unable to

---

make any further adjustment to the amount of such liability) to be more than the amount thereof set forth in the Opinion and the Executive thereafter is required to make a further payment of any such excise tax, the Company shall promptly pay to or for the benefit of the Executive an additional Additional Amount in respect of such underpayment. Notwithstanding the foregoing, no payments under this Section 26 from the Company to Executive shall be made after the end of the calendar year immediately following the calendar year in which the Executive remits the related taxes to the applicable taxing authority.

27. 409A.

Any severance payment to the Executive under this Agreement shall be bifurcated into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion, if any, that does constitute nonqualified deferred compensation. If the Executive is a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation payable upon a "separation from service" under Section 409A(a)(2)(A)(i) of the Code will be delayed until the later of (i) the first business day that is more than six months after the employment termination date and (ii) the date such payments would otherwise be payable hereunder. The determination of whether, and the extent to which, any of the payments to be made to the Executive hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions, including those set forth under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Reg. §1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which the employment termination date occurs. To the extent that the termination of the Executive's employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that are reasonably anticipated to be provided by the Executive to the Company at the time the Executive's employment is terminated), the payment of any non-qualified deferred compensation will be further delayed until the later of (i) date the first business day that is more than six months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code and (ii) the date such payments would otherwise be payable hereunder. Any portion of a payment that constitutes nonqualified deferred compensation under Section 409A of the Code payable as a result of a termination of employment may only be paid upon a "separation from service" under Section 409A(a)(2)(A)(i) of the Code. For purposes of clarification, the foregoing sentence shall not cause any forfeiture of benefits on the part of the Executive, but shall only act as a delay until such time as a "separation from service" occurs.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Vertex Pharmaceuticals Incorporated

/s/Matthew W. Emmens

Matthew W. Emmens, President, Chairman
and Chief Executive Officer

/s/Kenneth S. Boger

Kenneth S. Boger

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.1

CERTIFICATION

I, Matthew W. Emmens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Pharmaceuticals Incorporated;

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2010

/s/ MATTHEW W. EMMENS

Matthew W. Emmens
Chief Executive Officer
(principal executive officer)

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.2

CERTIFICATION

I, Ian F. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Pharmaceuticals Incorporated;

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2010

/s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer
(principal financial officer)

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 3, 2010

/s/ MATTHEW W. EMMENS

Matthew W. Emmens
Chief Executive Officer
(principal executive officer)

Dated: May 3, 2010

/s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer
(principal financial officer)

QuickLinks