SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

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

VERTEX PHARMACEUTICALS INCORPORATED
(Exact name of registrant as specified in its charter)

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

130 WAVERLY STREET, CAMBRIDGE, MASSACHUSETTS 02139-4242
(Address of principal executive offices, including zip code)

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

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

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 14, 1996
Common Stock, par value $.01 per share	21,008,062

Number of Pages: 12

Exhibit Index on Page 11

VERTEX PHARMACEUTICALS INCORPORATED

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VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	June 30, 1996	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,250	$ 28,390
Short-term investments	51,234	58,588
Prepaid expenses and other current assets	1,748	959
Total current assets	62,232	87,937
Restricted cash	2,316	2,316
Property and equipment, net	7,222	7,840
Other assets	1,973	888
Total assets	$ 73,743	$ 98,981
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Obligations under capital lease	$ 2,306	$ 2,075
Accounts payable and accrued expenses	4,145	6,525
Deferred revenue	1,000	197
Total current liabilities	7,451	8,797
Obligations under capital leases, excluding current portion	4,550	4,912
Total liabilities	12,001	13,709
Stockholders' equity:		
Common stock	176	173
Additional paid-in capital	148,572	142,038
Equity adjustments	(274)	---
Accumulated deficit	(86,732)	(56,939)
Total stockholders' equity	61,742	85,272
Total liabilities and stockholders' equity	$ 73,743	$ 98,981

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

VERTEX PHARMACEUTICALS INCORPORATED

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

	Three Months Ended June 30,	
	1996	1995
Revenues:		
Collaborative and other research and development	$ 3,116	$ 6,534
Interest income	1,030	1,417
Total revenues	4,146	7,951
Costs and expenses:		
Research and development	9,490	15,115
General and administrative	1,878	1,739
License payment	15,000	--
Interest	103	120
Total costs and expenses	26,471	16,974
Net loss	$ (22,325)	$ (9,023)
Net loss per common share	$ (1.28)	$ (0.52)
Weighted average number of common shares outstanding	17,397,601	17,220,654

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)

	Six Months Ended June 30,	
	1996	1995
Revenues:		
Collaborative and other research and development	$ 5,589	$ 11,587
Interest income	2,308	2,697
Total revenues	7,897	14,284
Costs and expenses:		
Research and development	18,827	24,477
General and administrative	3,641	3,297
License payment	15,000	---
Interest	222	236
Total costs and expenses	37,690	28,010
Net loss	$ (29,793)	$ (13,726)
Net loss per common share	$ (1.72)	$ (0.80)
Weighted average number of common shares outstanding	17,364,683	17,205,251

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)

	Six Months Ended June 30,	
	1996	1995
Cash flows from operating activities:		
Net loss	$(29,793)	$(13,726)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	1,675	1,667
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(789)	(2,405)
Accounts payable and accrued expenses	(2,380)	2,095
Deferred revenue	803	438
Net cash provided (used) by operating activities	(30,484)	(11,931)
Cash flows from investing activities:		
Short-term investments	7,080	(13,280)
Deposit to collateralize letter of credit	---	(2,316)
Expenditures for property and equipment	(1,057)	(978)
Other assets	(1,085)	(31)
Net cash provided (used) by investing activities	4,938	(16,605)
Cash flows from financing activities:		
Proceeds from private placement of common stock	5,000	---
Other issuances of common stock	1,536	452
Proceeds from equipment sale/leaseback	903	1,439
Repayment of capital lease obligations	(1,034)	(902)
Net cash provided (used) by financing activities	6,405	989
Effect of exchange rate changes on cash	1	2
Decrease in cash and cash equivalents	(19,140)	(27,545)
Cash and cash equivalents at beginning of period	28,390	71,643
Cash and cash equivalents at end of period	$ 9,250	$ 44,098

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

VERTEX PHARMACEUTICALS INCORPORATED

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying financial statements are unaudited and have been prepared by the Company in accordance with generally accepted accounting principles. Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The interim financial statements, in the opinion of management, reflect all adjustments (including normal recurring accruals) necessary for a fair statement of the results for the interim periods ended June 30, 1996 and 1995.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year, although the Company expects to incur a substantial loss for the year ended December 31, 1996. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1995, which are contained in the Company's 1995 Annual Report to its shareholders and in its Form 10-K filed with the Securities and Exchange Commission.

2. CASH AND CASH EQUIVALENTS

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

3. NET LOSS PER COMMON SHARE

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

4. LICENSE PAYMENT AND EQUITY TRANSACTION

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

5. SUBSEQUENT EVENT - PUBLIC OFFERING OF COMMON STOCK

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

VERTEX PHARMACEUTICALS INCORPORATED

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

Vertex Pharmaceuticals Incorporated ("Vertex" or "the Company") is engaged in the discovery, development and commercialization of novel, small molecule pharmaceuticals for the treatment of major diseases for which there are currently limited or no effective treatments. The Company is a leader in the use of structure-based drug design, an approach to drug discovery that integrates advanced biology, biophysics and chemistry. The Company is conducting eight significant pharmaceutical research and development programs to develop pharmaceuticals for the treatment of viral diseases, multidrug resistance in cancer, hemoglobin disorders, inflammation, immunosuppression and neurodegenerative disorders. Three of these programs are in the development phase, and the other five are in the research phase. During the second quarter of 1996, Glaxo conducted Phase I/II clinical trials to assess the safety, pharmacokinetics and initial efficacy of VX-478, the lead compound from the Company's HIV Program. Kissei Pharmaceutical Co., Ltd. ("Kissei") is also developing VX-478 as Vertex's partner for the HIV Program in the Far East. During the second quarter the Company initiated Phase II clinical trials in liver cancer of VX-710, the Company's lead compound in its cancer multidrug resistance program. The Company, together with its partners Alpha Therapeutic Corporation ("Alpha") and Ravizza Farmaceutici S.p.A., also continued development of VX-366 in its Hemoglobin Disorders Program.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1996 COMPARED WITH THREE MONTHS ENDED JUNE 30, 1995. For the second quarter of 1996 the Company's total revenues decreased to $4,146,000 from $7,951,000 during the same period in 1995. The decrease resulted principally from reimbursements of material and patent costs by the Company's collaborators which were approximately $3,194,000 lower during the second quarter in 1996. In addition, the research funding requirements of the Chugai Pharmaceutical Co., Ltd. ("Chugai") and Kissei collaborative agreements concluded in April and December 1995, respectively. These two collaborations generated $1,063,000 of revenue during the second quarter of 1995. Interest income decreased due to lower investment balances in the Company's portfolio. From quarter to quarter, the Company's revenues fluctuate as a result of changes in the timing and amount of partner research support payments, partner reimbursements of Vertex drug development costs, and payments for the achievement of various research and development milestones. In the second quarter of 1996, the Company earned $2,865,000 in revenue from its collaborative agreements, $1,030,000 in interest income and $251,000 from government grants and other income. In the second quarter of 1995, revenues consisted of $6,347,000 earned under collaborative agreements, $1,417,000 in interest earned on invested funds and $187,000 from government grants and other income.

VERTEX PHARMACEUTICALS INCORPORATED

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

RESULTS OF OPERATIONS - CONTINUED

The Company's total costs and expenses increased to $26,471,000 in the second quarter of 1996, from $16,974,000 during the same period in 1995. The increase in total costs and expenses resulted principally from the Company's payment of $15,000,000 to obtain a non-exclusive, world-wide license under certain Searle patent applications claiming HIV protease inhibitors which was offset in part by a decline in research and development expenses. Research and development expenses decreased to $9,490,000 in the second quarter of 1996 from $15,115,000 in the second quarter of 1995 primarily because the Company expensed approximately $5,600,000 during the second quarter of 1995 to manufacture bulk intermediate drug substance for the HIV Program in anticipation of the advancement of clinical trials. General and administrative expenses increased modestly during the second quarter of 1996 to $1,878,000 from $1,739,000 in the second quarter of 1995 due primarily to increases in personnel costs as well as an increase in marketing efforts by Altus Biologics Inc. ("Altus"), a subsidiary of the Company. Interest expense was $103,000 in the second quarter of 1996, a decrease from $120,000 in the second quarter of 1995 as a result of slightly lower levels of equipment financing during the second quarter of 1996.

For the reasons stated above, the Company incurred a net loss of $22,325,000 or $1.28 per share in the second quarter of 1996 as compared to a net loss of $9,023,000 or $.52 per share in the second quarter of 1995.

SIX MONTHS ENDED JUNE 30, 1996 COMPARED WITH SIX MONTHS ENDED JUNE 30, 1995. The Company's total revenues decreased to $7,897,000 for the six months ended June 30, 1996 from $14,284,000 for the six months ended June 30, 1995. The quarterly revenue decline for the six months ended June 30, 1996 compared to the six months ended June 30, 1995 was principally due to reimbursements of material and patent costs by the Company's collaborators which were $4,163,000 lower during the first half of 1996. In addition, the research funding requirements of the Chugai and Kissei collaborative agreements concluded in April and December 1995, respectively. These two collaborations generated $3,000,000 of revenue during the first half of 1995. These decreases were partially offset in the first half of 1996 by a $500,000 initial licensing fee from the Company's collaborator, BioChem Pharma. In 1996, the Company's revenues consisted of $5,147,000 earned under the Company's collaborative agreements, $2,308,000 in interest income and $442,000 in government grants and other income. The Company's revenues during the same period in 1995 consisted of $11,268,000 earned under the Company's collaborative agreements, $2,697,000 of interest carried on invested funds and $319,000 from government grants.

The Company's total costs increased to $37,690,000 for the six months ended June 30, 1996 from $28,010,000 for the six months ended June 30, 1995. The principal reason for this increase during the first half of 1996 was due to the Company's payment of $15,000,000 to obtain a non-exclusive, world-wide license under certain Searle patent applications claiming HIV protease inhibitors.

VERTEX PHARMACEUTICALS INCORPORATED

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

RESULTS OF OPERATIONS - CONTINUED

Research and development expenses decreased to $18,827,000 in the first half of 1996 from $24,477,000 in the first half of 1995 primarily because the Company expensed approximately $5,600,000 during the first half of 1995 to manufacture bulk intermediate drug substance for the HIV Program in anticipation of the advancement of clinical trials.

General and administrative expenses increased during the second quarter of 1996 to $3,641,000 from $3,297,000 in the second quarter of 1995 due primarily to increases in personnel costs as well as an increase in Altus' marketing efforts. Interest expense was $222,000 in the second quarter of 1996, a small decrease from $236,000 in the second quarter of 1995 as a result of slightly lower levels of equipment financing during the two periods.

For the reasons stated above, the Company incurred a net loss of $29,793,000 or $1.72 per share in the six months ended June 30, 1996 compared to a net loss of $13,726,000 or $.80 per share in the six months ended June 30,1995.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company expects to finance these substantial cash needs through the net proceeds of its current public offering, existing cash and investments, together with interest earned thereon, future payments under its existing collaborative agreements, and facilities and equipment financing. To the extent that funds from these sources are not sufficient to fund the Company's activities, it will be necessary to raise additional funds through public offerings or private placements of securities or other methods of financing. There can be no assurance that such financing will be available on acceptable terms, if at all.

On June 28, 1996, the Company sold 151,792 shares of common stock in a private placement to Glaxo at a price of $32.94 per share, with net proceeds to the Company of approximately $5.0 million.

At June 30, 1996, the Company's aggregate cash and investments were approximately $60,484,000, a decrease of $26,494,000 during the six months then ended. Cash used by operations, principally to fund research and development activities, was $30,484,000, including a payment of $15,000,000 to obtain a non-exclusive, world-wide license to certain Searle patent applications claiming HIV protease inhibitors.

PART II.

OTHER INFORMATION

Item 1. Legal Proceedings:

None

Item 2. Changes in Securities:

None

Item 3. Defaults Upon Senior Securities:

None

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

The Company's Annual Meeting of Stockholders was held on May 9, 1996. The stockholders elected two directors to the class of directors whose term expires in 1999. The tabulation of votes with respect to the election of such directors is as follows:

	Total Vote For:	Total Vote Withheld:
Roger W. Brimblecombe	14,427,257	91,481
Donald R. Conklin	14,425,657	93,081

The stockholders approved an amendment to the Vertex Pharmaceuticals Incorporated Employee Stock Purchase Plan (the "Plan") to increase the number of shares of common stock, $.01 par value per share, of the Company authorized for issuance under the Plan from 150,000 to 300,000. This proposal was approved by a vote of 12,854,152 shares in favor, 1,248,077 shares against, 40,866 shares abstaining and 375,643 shares not voting.

In addition, the stockholders approved the appointment of Coopers & Lybrand L.L.P. as the Company's independent accountants for the 1996 fiscal year by a vote of 14,507,221 shares in favor, 6,102 shares against, and 5,415 shares abstaining.

Item 5. Other Information:

None

Item 6. Exhibits and Reports on Form 8-K:

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

Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VERTEX PHARMACEUTICALS INCORPORATED

Date: August 14, 1996

/s/Thomas G. Auchincloss

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

/S/Hans D. van Houte

Hans D. van Houte
Controller
(Principal Accounting Officer)

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10-Q JUNE 30, 1996

1,000
U.S. DOLLARS

3-MOS	
DEC-31-1995	
APR-1-1996	
JUN-30-1996	
1.0	
	9,250
51,234	
0	
0	
0	
62,232	
	25,774
18,552	
73,743	
7,451	
	0
	176
0	
	0
61,742	
73,743	
	0
4,146	
	0
26,368	
0	
0	
103	
(22,325)	
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0	
	0
0	
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(22,325)	
(1.28)	
	0