



## Edgar Filing: VERTEX PHARMACEUTICALS INC / MA - Form 8-K/A

The following unaudited pro forma combined financial information gives effect to the merger using the pooling of interests method of accounting, after giving effect to the pro forma adjustments described below and in the accompanying notes. The unaudited pro forma combined financial information should be read in conjunction with the audited historical consolidated financial statements and related notes of Vertex and Aurora.

The unaudited pro forma combined statements of operations give effect to the merger as if it had occurred at the beginning of the periods presented. The unaudited pro forma combined statements of operations for each year in the three-year period ended December 31, 2000 combine the audited historical consolidated statements of operations of Vertex for each year in the three-year period ended December 31, 2000 included in its annual report on Form 10-K and the audited historical consolidated statements of operations of Aurora for each year in the three-year period ended December 31, 2000 included in its current report on Form 8-K dated May 18, 2001. The unaudited pro forma combined statements of operations for the three months ended March 31, 2001 combine the unaudited historical consolidated statements of operations of Vertex for the three months ended March 31, 2001 and the unaudited historical consolidated statements of operations of Aurora for the three months ended March 31, 2001 as found in their respective filings on Form 10-Q.

The unaudited pro forma combined condensed balance sheet gives effect to the merger as if it had occurred on March 31, 2001. The unaudited pro forma combined condensed balance sheet combines the unaudited condensed historical consolidated balance sheets of Vertex and Aurora as of March 31, 2001. The pro forma balance sheet as of March 31, 2001 reflects \$21.6 million in accounts payable and accrued expenses and in stockholders' equity representing estimated expenses to be incurred in connection with the merger--primarily advisor, legal and accounting fees and expenses. These costs have not been reflected in the pro forma statements of operations for any period; they will be reflected in the statement of operations during the accounting period in which the merger was consummated.

In the third quarter of 2001, in connection with the conforming of accounting policies between the Company and Aurora, the Company elected to change its accounting principle related to the recognition of collaborative research and development revenues in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, from the method prescribed in Emerging Issues Task Force Issue No. 91-6 to the substantive milestone method. The Company will record the cumulative effect of this change in accounting principle in its Form 10-Q for the fiscal quarter ended September 30, 2001, retroactive to January 1, 2001. The pro forma balance sheet as of March 31, 2001 reflects an increase in deferred revenue and a corresponding decrease in stockholders' equity amounting to \$27,528,000 pursuant to this change in accounting principle. In addition, the pro forma combined statement of operations for the three months ended

2

March 31, 2001 reflects a decrease in revenue and a corresponding increase in net loss of \$1,627,000 representing the impact on the first quarter of the accounting change; the cumulative effect of the accounting change has not been reflected in the pro forma statement of operations for the three months ended March 31, 2001.

The unaudited pro forma combined financial information is presented for illustrative purposes only and does not purport to be indicative of the operating results or financial position that would have actually occurred if the merger had been in effect on the dates indicated, nor is it necessarily indicative of future operating results or financial position of the merged

Edgar Filing: VERTEX PHARMACEUTICALS INC / MA - Form 8-K/A

companies. The pro forma adjustments are based on the information and assumptions available at the time of the filing of this 8K/A.

3

VERTEX PHARMACEUTICALS INCORPORATED  
 PRO FORMA COMBINED BALANCE SHEET  
 MARCH 31, 2001  
 (UNAUDITED)

	VERTEX	AURORA	PRO FORMA ADJUSTMENTS	PRO FORM COMBINED
	-----	-----	-----	-----
	(IN THOUSANDS)			
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$222,662	\$ 10,367	\$ --	\$233,029
Short-term investments, available for sale.....	100,674	61,752	--	162,426
Accounts receivable.....	7,615	20,681	--	28,296
Prepaid expenses and other current assets.....	2,327	8,070	--	10,397
	-----	-----	-----	-----
Total current assets.....	333,278	100,870	--	434,148
Property and equipment, net.....	36,063	20,913	--	56,976
Long-term investments, available for sale.....	361,535	30,194	--	391,729
Other assets.....	38,668	13,944	--	52,612
	-----	-----	-----	-----
Total assets.....	\$769,544	\$165,921	\$ --	\$935,465
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses.....	\$ 18,512	\$ 12,396	\$ 21,600 (1)	\$ 52,508
Deferred revenue.....	11,174	12,209	27,528 (2)	50,911
Other current liabilities.....	2,186	5,305	--	7,491
	-----	-----	-----	-----
Total current liabilities.....	31,872	29,910	49,128	110,910
Other noncurrent liabilities.....	1,966	9,293	--	11,259
Convertible subordinated notes.....	345,000	--	--	345,000
	-----	-----	-----	-----
Total liabilities.....	378,838	39,203	49,128	467,169
	-----	-----	-----	-----
Stockholders' equity.....	390,706	126,718	(49,128)	468,296
	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$769,544	\$165,921	\$ --	\$935,465
	=====	=====	=====	=====

- 
- (1) Reflects estimated expenses of \$21.6 million in connection with the merger--primarily advisor, legal and accounting fees and expenses.
  - (2) Reflects the impact of the change in accounting principle, including the \$25,901,000 cumulative effect as of January 1, 2001 and the additional deferred revenue of \$1,627,000 for the three months ended March 31, 2001.
  - (3) Reflects the conversion of 22.5 million shares of Aurora common stock to 14.0 million shares of Vertex common stock based on the exchange ratio in the merger agreement.

VERTEX PHARMACEUTICALS INCORPORATED  
 PRO FORMA COMBINED STATEMENT OF OPERATIONS  
 THREE MONTHS ENDED MARCH 31, 2001  
 (UNAUDITED)

	VERTEX	AURORA	PRO FORMA ADJUSTMENTS	PRO FOR COMBINE
	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<b>Revenues:</b>				
Royalties and product sales.....	\$ 2,513	\$ --	\$ --	\$ 2,513
Discovery service and technology revenues.....	--	17,521	--	17,521
Collaborative and other research and development revenues.....	16,544	--	(1,627) (1)	14,917
	-----	-----	-----	-----
Total revenues.....	19,057	17,521	(1,627)	34,951
<b>Operating expenses:</b>				
Royalties and product costs.....	837	--	--	837
Cost of discovery service and technology revenues.....	--	9,004	--	9,004
Research and development.....	26,119	5,844	--	31,963
Sales, general and administrative.....	7,496	5,739	--	13,235
	-----	-----	-----	-----
Total operating expenses.....	34,452	20,587	--	55,039
Net loss from operations.....	(15,395)	(3,066)	(1,627)	(20,088)
Interest income and other, net.....	11,299	1,771	--	13,070
Interest expense.....	(4,774)	(229)	--	(5,003)
	-----	-----	-----	-----
Loss before taxes.....	(8,870)	(1,524)	(1,627)	(12,021)
Provision for income taxes.....	--	(198)	--	(198)
Net loss before cumulative effect of change in accounting principle.....	\$ (8,870)	\$ (1,722)	\$ (1,627)	\$ (12,217)
	=====	=====	=====	=====
Basic and diluted net loss per common share before cumulative effect of change in accounting principle.....	\$ (0.15)	\$ (0.08)		\$ (0.13)
	=====	=====		=====
Basic and diluted weighted average number of common shares outstanding.....	60,011	22,437		73,921

-----  
 (1) Reflects the impact of the change in accounting principle related to revenue recognition for the three months ended March 31, 2001.

VERTEX PHARMACEUTICALS INCORPORATED  
 PRO FORMA COMBINED STATEMENT OF OPERATIONS  
 YEAR ENDED DECEMBER 31, 2000  
 (UNAUDITED)

Edgar Filing: VERTEX PHARMACEUTICALS INC / MA - Form 8-K/A

	VERTEX	AURORA	PRO FORMA ADJUSTMENTS	PRO FOR COMBINE
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<b>Revenues:</b>				
Royalties and product sales.....	\$ 12,036	\$ --	\$ --	\$ 12,036
Discovery service and technology revenues.....	--	75,155	--	75,155
Collaborative and other research and development revenues.....	66,091	--	--	66,091
Total revenues.....	78,127	75,155	--	153,282
<b>Operating expenses:</b>				
Royalties and product costs.....	4,082	--	--	4,082
Cost of discovery service and technology revenues.....	--	39,563	--	39,563
Research and development.....	84,921	16,172	--	101,093
Sales, general and administrative.....	27,806	18,181	--	45,987
Total operating expenses.....	116,809	73,916	--	190,725
Net income (loss) from operations.....	(38,682)	1,239	--	(37,443)
Interest income and other, net.....	27,679	5,633	--	33,312
Interest expense.....	(24,944)	(1,084)	--	(26,028)
Equity in losses of unconsolidated subsidiary.....	(550)	--	--	(550)
Income (loss) before taxes.....	(36,497)	5,788	--	(30,709)
Provision for income taxes.....	--	(870)	--	(870)
Net income (loss) before cumulative effect of change in accounting principle.....	(36,497)	4,918	--	(31,579)
Cumulative effect of change in accounting principle.....	(3,161)	--	--	(3,161)
Net income (loss).....	\$ (39,658)	\$ 4,918	\$ --	\$ (34,740)
Basic net income (loss) per common share before cumulative effect of change in accounting principle.....	\$ (0.67)	\$ 0.23		\$ (0.44)
Diluted net income (loss) per common share before cumulative effect of change in accounting principle.....	\$ (0.67)	\$ 0.20		\$ (0.47)
Cumulative effect of change in accounting principle--basic.....	\$ (0.06)	--		\$ (0.06)
Cumulative effect of change in accounting principle--diluted.....	\$ (0.06)	--		\$ (0.06)
Basic net income (loss) per common share.....	\$ (0.73)	\$ 0.23		\$ (0.50)
Diluted net income (loss) per common share.....	\$ (0.73)	\$ 0.20		\$ (0.53)
Basic weighted average number of common shares outstanding.....	54,322	21,548		67,680
Diluted weighted average number of common shares				

Edgar Filing: VERTEX PHARMACEUTICALS INC / MA - Form 8-K/A

outstanding.....	54,322	24,094		67,68
------------------	--------	--------	--	-------

6

VERTEX PHARMACEUTICALS INCORPORATED  
 PRO FORMA COMBINED STATEMENT OF OPERATIONS  
 YEAR ENDED DECEMBER 31, 1999  
 (UNAUDITED)

	VERTEX	AURORA	PRO FORMA ADJUSTMENTS	PRO FOR COMBINE
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<b>Revenues:</b>				
Royalties and product sales.....	\$ 8,053	\$ --	\$ --	\$ 8,05
Discovery service and technology revenues.....	--	58,327	--	58,32
Collaborative and other research and development revenues.....	42,507	--	--	42,50
Total revenues.....	50,560	58,327	--	108,88
<b>Operating expenses:</b>				
Royalties and product costs.....	2,925	--	--	2,92
Cost of discovery service and technology revenues.....	--	31,656	--	31,65
Research and development.....	72,180	12,849	--	85,02
Sales, general and administrative.....	26,131	14,787	--	40,91
Total operating expenses.....	101,236	59,292	--	160,52
Net loss from operations.....	(50,676)	(965)	--	(51,64)
Interest income and other, net.....	11,088	1,866	--	12,95
Interest expense.....	(654)	(1,050)	--	(1,70)
Equity in losses of unconsolidated subsidiary.....	(724)	--	--	(72
Loss before taxes.....	(40,966)	(149)	--	(41,11
Provision for income taxes.....	--	(39)	--	(3
Net loss.....	\$ (40,966)	\$ (188)	\$ --	\$ (41,15
Basic and diluted net loss per common share.....	\$ (0.80)	\$ (0.01)		\$ (0.6
Basic and diluted weighted average number of common shares outstanding.....	51,036	18,655		62,60

7

VERTEX PHARMACEUTICALS INCORPORATED  
 PRO FORMA COMBINED STATEMENT OF OPERATIONS  
 YEAR ENDED DECEMBER 31, 1998  
 (UNAUDITED)

Edgar Filing: VERTEX PHARMACEUTICALS INC / MA - Form 8-K/A

	VERTEX	AURORA	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<b>Revenues:</b>				
Discovery service and technology revenues.....	\$ --	\$ 33,511	\$ --	\$ 33,511
Collaborative and other research and development revenues.....	29,055	--	--	29,055
<b>Total revenues.....</b>	<b>29,055</b>	<b>33,511</b>	<b>--</b>	<b>62,566</b>
<b>Operating expenses:</b>				
Cost of discovery service and technology revenues.....	--	27,110	--	27,110
Research and development.....	58,668	18,204	--	76,872
Sales, general and administrative.....	18,135	8,100	--	26,235
<b>Total operating expenses.....</b>	<b>76,803</b>	<b>53,414</b>	<b>--</b>	<b>130,217</b>
<b>Net loss from operations.....</b>	<b>(47,748)</b>	<b>(19,903)</b>	<b>--</b>	<b>(67,651)</b>
Interest income and other, net.....	15,343	2,510	--	17,853
Interest expense.....	(681)	(740)	--	(1,421)
<b>Loss before taxes.....</b>	<b>(33,086)</b>	<b>(18,133)</b>	<b>--</b>	<b>(51,219)</b>
Benefit for income taxes.....	--	212	--	212
<b>Net loss.....</b>	<b>\$ (33,086)</b>	<b>\$ (17,921)</b>	<b>\$ --</b>	<b>\$ (51,007)</b>
<b>Basic and diluted net loss per common share.....</b>	<b>\$ (0.65)</b>	<b>\$ (1.00)</b>		<b>\$ (0.83)</b>
<b>Basic and diluted weighted average number of common shares outstanding.....</b>	<b>50,598</b>	<b>17,972</b>		<b>61,741</b>

8

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 hereunto duly authorized.

VERTEX PHARMACEUTICALS INCORPORATED  
(Registrant)

Date: September 28, 2001

By: /s/ JOSHUA S. BOGER

-----  
Joshua S. Boger  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

9