SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1996

/ / 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 0-19125

ISIS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

33-0336973
(I.R.S Employer Identification No.)

2292 Faraday Avenue, Carlsbad, CA 92008
(Address of principal executive offices, including zip code)

619-931-9200
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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 of 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.

(1) YES X (2) YES X

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

Common stock $.001 par value	25,674,548 shares
(Class)	(Outstanding at July 26, 1996)

EXHIBIT INDEX: NO. 27 : FINANCIAL DATA SCHEDULE

ISIS PHARMACEUTICALS, INC.
FORM 10-Q
INDEX

ISIS PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS
(in thousands, except share data)

ASSETS

	June 30, 1996 (Unaudited) <F2>	Dec 31 1995 <F1>
Current assets:		
Cash and cash equivalents	$ 25,520	$ 46,463
Short-term investments	43,051	30,944
Prepaid expenses and other current assets	1,649	1,638
Total current assets	70,220	79,045
Property, plant and equipment, net	15,522	14,631
Patent cost, net	5,113	4,773
Deposits and other assets	768	1,120

	$ 91,623	$ 99,569

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 664	$ 997
Accrued payroll and related expenses	1,124	1,249
Accrued liabilities	2,866	2,838
Deferred contract revenues	11,281	8,913
Current portion of long-term debt and capital lease obligations	4,972	5,008
Total current liabilities	20,907	19,005
Long-term debt and capital lease obligations, less current portion	4,884	4,714
Stockholders' equity:		
Common stock, $.001 par value; 50,000,000 shares authorized, 25,616,000 shares and 25,249,000 shares issued and outstanding at June 30, 1996 and December 31, 1995, respectively	26	25
Additional paid-in capital	174,568	172,253
Unrealized gain on investments	158	118
Accumulated deficit	(108,920)	(96,546)
Total stockholders' equity	65,832	75,850
	$ 91,623	$ 99,569

<FN>
<F1> The balance sheet at December 31, 1995 has been derived from the audited financial statements at that date.
<F2> See accompanying notes
</FN>

ISIS PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except for per share amounts)
(Unaudited)

	Three months ended June 30, <F2>	
	1996	1995
Revenue:		
Research and development revenue under collaborative agreements:	$ 4,719	$ 3,298
Interest Income	1,011	476
	5,730	3,774
Expenses:		
Research and development	11,212	7,934
General and administrative	1,601	1,422
Interest expense	238	282
	13,051	9,638
Net Loss	$ (7,321)	$ (5,864)
Net Loss per share	$ (.29)	$ (.30)
Weighted average common shares	25,459	19,833

	Six months ended June 30, <F2>	
	1996	1995
Revenue:		
Research and development revenue under collaborative agreements:	$ 10,078	$ 5,868
Interest income	2,061	1,001
	12,139	6,869
Expenses:		

Research and development	21,028	15,359
General and administrative	2,999	2,693
Interest expense	486	577
	24,513	18,629
Net Loss	$ (12,374)	$(11,760)
Net Loss per share	$ (.49)	$ (.59)

Weighted average common shares	25,404	19,796

<FN>
<F2> See accompanying notes
</FN>

ISIS PHARMACEUTICALS, INC.
CONDENSED STATEMENT OF CASH FLOWS
(in thousands)
(Unaudited)

	Six months ended June 30, <F2> 1996	1995
Cash used in operations:	$ (9,172)	$ (9,038)
Investing activities:		
Short-term investments	(12,107)	13,251
Property and equipment	(802)	(135)
Other assets	(18)	(531)
Net cash provided from (used in) investing activities	(12,927)	12,585
Financing activities:		
Net proceeds from issuance of common stock	2,316	3,771
Principal payments on debt and capital lease obligations	(1,160)	(1,416)
Net cash provided from financing activities	1,156	2,355
Net increase (decrease)in cash and cash equivalents	(20,943)	5,902
Cash and cash equivalents at beginning of the period	46,463	12,926
Cash and cash equivalents at end of period	$ 25,520	$ 18,828
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 486	$ 575
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Additions to capital lease obligations for acquisitions of property, plant and equipment	$ 1,294	$ 143

<FN>
<F2> See accompanying notes
</FN>

ISIS PHARMACEUTICALS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Basis of presentation

The unaudited interim financial statements for the three and six month periods ended June 30, 1996 and 1995 have been prepared on the same basis as the Company's audited financial statements for the year ended December 31, 1995. The financial statements include all adjustments (consisting only of normal recurring adjustments) which the Company considers necessary for a fair presentation of the

financial position at such dates and the operating results and cash flows for those periods. Results for the interim periods are not necessarily indicative of the results for the entire year. For more complete financial information, these financial statements, and notes thereto, should be read in conjunction with the audited financial statements for the year ended December 31, 1995 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information contained in this Report, this Report contains forward-looking statements regarding the Company's business and products. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering developing and commercializing drugs that can be proven to be safe and effective for use as human therapeutics, and the endeavor of building a business around such potential products. Actual results could differ materially from those projected in this Form 10-Q. As a result, the reader is cautioned not to rely on these forward-looking statements. These and other risks are described in additional detail in Isis' Annual Report on Form 10-K for the year ended December 31, 1995 which is on file with the U.S. Securities and Exchange Commission, a copy of which is available from the Company.

Since its inception in January 1989, the Company has devoted substantially all of its resources to its research, drug discovery and development programs. The Company has been unprofitable since its inception and expects to incur additional operating losses for the next several years. The Company has entered into collaborative research and development agreements with pharmaceutical companies that generate revenue to augment the level of research and development activity and to offset portions of its research and development costs. To date, the Company has not received any significant revenue from the sale of products.

RESULTS OF OPERATIONS

The Company had contract revenue of $4.7 million for the second quarter and $10.1 million for the six-month period ended June 30, 1996, compared with $3.3 million and $ 5.9 million, respectively, for the same periods in 1995. The revenue increase was primarily due to revenue received under an expanded collaborative agreement with Ciba-Geigy Limited for the development of two drug candidates identified through the collaborative research program between Ciba and Isis. Additional revenue from a collaborative agreement with Boehringer Ingelheim International GmbH also contributed to the increase. The Company also had interest income totaling $1.0 million for the quarter and $2.1 million for the six month period, compared with $0.5 million and $1.0 million for the same periods in 1995. The increase in interest income was primarily due to higher investment balances in the first half of 1996.

Research and development expenses increased to $11.2 million for the three months and $21.0 million for the six months ended June 30, 1996 from $7.9 million and $15.4 million during the same periods in 1995. These increases are primarily attributable to an increase in clinical development activities. The Company expects that its research and development expenses will continue to increase as its current preclinical and clinical activities continue and additional preclinical and clinical studies are undertaken.

General and administrative expenses increased to $1.6 million for the quarter and $3.0 million for the six months ended June 30, 1996 from $1.4 million and $2.7 million for the same periods in 1995.

The Company expects that its general and administrative expenses will increase in the future in support of its expanding operations.

During the quarter ended June 30, 1996, the Company recorded a net loss of $7.3 million, or $0.29 per share, compared with $5.9 million, or $0.30 per share, for the same period in 1995. During the six-month period ended June 30, 1996, the Company's net loss amounted to $12.4 million, or $0.49 per share, compared to $11.8 million, or $0.59 per share for the same period in 1995. The changes in net loss per share from 1995 to 1996 include the effect of increases in the weighted average number of shares outstanding due to the issuance of stock in the second half of 1995 in conjunction with an equity offering and corporate collaborations. The Company expects its operating losses will increase for the remainder of the fiscal year and beyond as its activities grow, and may fluctuate from quarter to quarter as a result of differences in timing and composition of revenue earned and expenses incurred.

The Company believes that inflation and changing prices have not had a material effect on its ongoing operations to date.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations primarily through the sale of equity securities, raising to date a net aggregate of $169 million, as of June 30, 1996, from the private and public sale of such securities. The company has also financed a portion of its operations through contract research revenue, portions of which were paid in advance of work being performed, offsetting the Company's cash usage for operations.

As of June 30, 1996, the Company had cash, cash equivalents and short-term investments totaling $68.6 million and working capital of $49.3 million, compared with $77.4 million and $60.0 million, respectively, as of December 31, 1995. The decreases in cash and working capital resulted from funding operating losses and making principal repayments on debt and capital lease obligations.

The Company had long-term debt and capital lease obligations at June 30, 1996 totaling $9.9 million, versus $9.7 million at

December 31, 1995. This increase, which was partially offset by principal repayments on existing obligations, was due to additional capital lease financing. The Company expects that its capital lease obligations will increase over time to fund capital equipment acquisitions required for its expanding business. Lease lines will continue to be used by the Company to the extent that the terms thereof remain commercially attractive.

The Company expects to incur substantial additional research and development costs related primarily to preclinical testing, clinical trials, and manufacturing process development and expects losses to continue to increase as the Company's preclinical testing and clinical

trial efforts expand. It is the Company's intention to seek additional collaborative research and development relationships with suitable potential corporate partners. There can be no assurance that any agreements resulting from these discussions will successfully reduce the Company's funding requirements, and arrangements with collaborative partners or others may require the Company to relinquish rights to certain of its technologies, product candidates or products. Additional equity or debt financings may be required, and there can be no assurance that these funds will be available on favorable terms, if at all. If additional funds are raised by issuing equity securities, further dilution to then existing stockholders may result.

The Company believes that its existing available cash, cash equivalents and short-term investments, combined with anticipated interest income and contract revenue, will be sufficient to meet its anticipated requirements for at least two years. The Company's future capital requirements will depend on many factors, including continued scientific progress in its research, drug discovery and development programs, the magnitude of these programs and progress with preclinical and clinical trials; the time and costs involved in obtaining regulatory approvals; the costs involved in filing, prosecuting and enforcing patent claims; competing technological and market developments; changes in the existing collaborative research and development relationships; the ability of the Company to establish additional research and development arrangements; and the cost of manufacturing scale-up and effective commercialization activities and arrangements. If adequate funds are not available, the Company may be required to significantly curtail one or more of its research, drug discovery or development programs.

Uncertainties associated with the length and expense of preclinical and clinical testing of any of the Company's products could greatly increase the cost of development of such product and affect the timing of anticipated revenue from product sales, and failure by the Company to obtain regulatory approval for any product will preclude its commercialization. In addition, the failure by the Company to obtain patent protection for its products may make certain of its products commercially unattractive.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not party to any legal proceedings.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company held its Annual Meeting of Stockholders on May 31, 1996.

(b) Daniel L. Kisner, M.D., Larry Soll, Ph.D. and Joseph H. Wender were elected to serve as directors for a three-year term and until their successors are duly elected and qualified.

	Votes in Favor	Votes Withheld
Daniel L. Kisner, M.D.	21,359,093	741,096
Larry Soll, Ph.D.	21,358,593	741,596
Joseph H. Wender	21,358,893	741,296

Other directors whose terms of office continued after the Annual Meeting were as follows:
Stanley T. Crooke, M.D., Ph.D., Mark B. Skaletsky, Alan C. Mendelson, William R. Miller, Christopher F.O. Gabrieli and Cristoph Hohbach.

(c) The following items were approved at the Annual Meeting:

(1) An increase in the number of shares authorized for issuance under the Company's 1989 Stock Option Plan from 6,000,000 to 8,200,0000.

Votes in favor:	13,451,477
Votes withheld:	2,709,615
Abstentions:	543,304
Unvoted:	5,395,793

(2) An increase in the number of shares authorized for issuance under the Company's 1992 Non-Employee Directors' Stock Option Plan from 200,000 to 300,000 and the amendment of the amounts and vesting schedule of non-discretionary option grants.

Votes in favor:	14,991,104
Votes withheld:	1,383,147
Abstentions:	561,166
Unvoted:	5,164,772

(3) The selection of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 1996.

Votes in favor:	21,999,576
Votes withheld:	43,117
Abstentions:	57,496

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

Exhibit no. 27 : FINANCIAL DATA SCHEDULE

b. Reports on Form 8-K

The Company filed no reports on Form 8-K during the quarter ended June 30, 1996.

ISIS PHARMACEUTICALS, INC.

SIGNATURES

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

ISIS PHARMACEUTICALS, INC.
(Registrant)

Date: July 29, 1996 By: /S/ STANLEY T. CROOKE
Stanley T. Crooke, M.D., Ph.D.
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: July 29, 1996 By: /S/ B. LYNNE PARSHALL
B. Lynne Parshall
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information derived from
the Company's Condensed Balance Sheet as of June 30, 1996 (Unaudited)
and Condensed Statements of Operations for the Six Months Ended
June 30, 1996(Unaudited) and is qualified in its entirety by the
reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1000

<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JAN-01-1996
<PERIOD-END>	JUN-30-1996
<CASH>	25,520
<SECURITIES>	43,051
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	70,220
<PP&E>	15,522
<DEPRECIATION>	0
<TOTAL-ASSETS>	91,623
<CURRENT-LIABILITIES>	20,907
<BONDS>	4,884
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	26
<OTHER-SE>	65,806
<TOTAL-LIABILITY-AND-EQUITY>	91,623
<SALES>	0
<TOTAL-REVENUES>	12,139
<CGS>	0
<TOTAL-COSTS>	0
<OTHER-EXPENSES>	24,027
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	486
<INCOME-PRETAX>	(12,374)
<INCOME-TAX>	0
<INCOME-CONTINUING>	(12,374)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(12,374)
<EPS-PRIMARY>	(.49)
<EPS-DILUTED>	(.49)