SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended MARCH 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-28150

NEUROCRINE BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	33-0525145
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

10555 SCIENCE CENTER DRIVE
SAN DIEGO, CALIFORNIA 92121
(Address of principal executive offices)

(619) 658-7600
(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

The number of outstanding shares of the registrant's Common Stock, par value of $0.001, was 18,960,581 as of April 30, 1999.

NEUROCRINE BIOSCIENCES, INC
FORM 10-Q INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 1999	December 31, 1998
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,160	$11,708
Short-term investments, available-for-sale	51,778	50,962
Receivables under collaborative agreements	644	863
Receivables from related parties	1,038	544
Other current assets	801	1,556
Total current assets	60,421	65,633
Property and equipment, net	10,900	10,899
Other assets	3,322	3,997
Total assets	$74,643	$80,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	688	2,481
Accrued liabilities	1,486	2,077
Deferred revenues and current portion of long-term obligations	1,497	1,011
Total current liabilities	3,671	5,569
Long-term debt and capital lease obligations	2,058	2,247
Other liabilities	924	755
Total liabilities	6,653	8,571
Stockholders' equity:		
Preferred Stock, $0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	--	--
Common Stock, $0.001 par value; 100,000,000 shares authorized; issued and outstanding shares were 18,960,581 in 1999 and 18,930,865 in 1998	19	19
Additional paid in capital	97,254	97,064
Deferred compensation and shareholder notes	(340)	(306)
Accumulated other comprehensive income	(4)	31
Accumulated deficit	(28,939)	(24,850)
Total stockholders' equity	67,990	71,958
Total liabilities and stockholders' equity	74,643	80,529

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited; in thousands except earnings per share data)

	Three Months Ended March 31,	
	1999	1998
Revenues:		
Sponsored research and development	$ 2,789	$ 2,661
Milestones	--	1,250
Grant income and other revenues	762	225
Total revenues	3,551	4,136
Operating expenses:		
Research and development	6,371	4,641
General and administrative	1,706	1,528
Total operating expenses	8,077	6,169
Income (loss) from operations	(4,526)	(2,033)
Other income and (expenses):		
Interest income	892	1,119
Interest expense	(46)	(34)
Equity in NPI loss and other adjustments	(749)	(400)
Other income	340	163
Income (loss) before taxes	(4,089)	(1,185)
Income taxes	--	--
Net income (loss)	$(4,089)	$(1,185)
Earnings (loss) per common share:		
Basic and Diluted	$ (0.22)	$ (0.07)
Shares used in the calculation of earnings (loss) per common share:		
Basic and Diluted	18,955	17,707

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited; in thousands)

	Three Months Ended March 31,	
	1999	1998
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) income	$ (4,089)	$ (1,185)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Equity in NPI losses and other adjustments	749	400
Depreciation and amortization	632	377
Deferred revenues	525	(875)
Deferred rent	197	85
Compensation expense for stock options	31	97
Change in operating assets and liabilities:		
Accounts receivable and other current assets	480	(3,036)
Other non-current assets	(147)	131
Accounts payable and accrued liabilities	(2,412)	(1,666)
Net cash flows used in by operating activities	(4,034)	(5,672)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(5,851)	(15,082)
Sales/maturities of short-term investments	5,000	19,659
Purchases of property and equipment	(560)	(424)
Net cash flows (used in) provided by investing activities	(1,411)	4,153
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of Common Stock	125	135
Principal payments on long-term obligations	(228)	(250)
Net cash flows used in financing activities	(103)	(115)
Net decrease in cash and cash equivalents	(5,548)	(1,634)
Cash and cash equivalents at beginning of the period	11,708	15,771
Cash and cash equivalents at end of the period	$ 6,160	$ 14,137

See accompanying notes to the condensed consolidated financial statements.

NEUROCRINE BIOSCIENCES, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. BASIS OF PRESENTATION

The condensed consolidated financial statements included herein are unaudited. These financial statements include the accounts of Neurocrine Biosciences, Inc. ("Neurocrine" or the "Company") and its wholly owned subsidiary, Northwest NeuroLogic, Inc. ("NNL"). All significant intercompany transactions have been eliminated in consolidation. The Company's minority ownership interest in Neuroscience Pharma, Inc. ("NPI") has been accounted for under the equity method. Certain reclassifications have been made to prior year amounts to conform to the presentation for the three months ended March 31, 1999.

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions of the Securities and Exchange Commission on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented.

The results of operations for the interim periods shown in this report are not necessarily indicative of results expected for the full year. The financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 1998, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NET INCOME PER SHARE

In accordance with Financial Accounting Standards Board Statement No. 128, "Earnings Per Share", basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities that could share in the earnings of the Company such as common stock which may be issuable upon exercise of outstanding common stock options, warrants and preferred stock. These shares are excluded when their effects are antidilutive. For the quarters ended March 31, 1999 and 1998, potentially dilutive securities were excluded from the diluted earnings per share calculation as their effects were antidilutive.

COMPREHENSIVE INCOME

Financial Accounting Standards Board Statement No. 130, "Comprehensive Income", requires the disclosure of all components of comprehensive income, including net income and changes in equity during a period from transactions and other events and circumstances generated from non-owner sources. Other comprehensive income consisted of gains (losses) on short-term investments of ($35,000) and $17,000 for the three months ended March 31, 1999 and 1998, respectively.

SEGMENT INFORMATION

Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for reporting financial and descriptive information about an enterprise's operating segments in its annual financial statements and selected segment information in interim financial reports. The Company is engaged in the discovery and development of prescription drugs and considers its operations to be a single reportable segment. Financial results of this reportable segment are presented in the accompanying financial statements. The Company has no foreign operations.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company contain forward-looking statements which involve risks and uncertainties, pertaining generally to the expected

continuation of the Company's collaborative agreements, the receipt of research payments thereunder, the future achievement of various milestones in product development and the receipt of payments related thereto, the potential receipt of royalty payments, pre-clinical testing and clinical trials of potential products, the period of time the Company's existing capital resources will meet its funding requirements, and financial results and operations. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below and those outlined in the Company's 1998 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

OVERVIEW

Since the founding of the Company in January 1992, Neurocrine has been engaged in the discovery and development of novel pharmaceutical products for diseases and disorders of the central nervous and immune systems. To date, Neurocrine has not generated any revenues from the sale of products, and does not expect to generate any product revenues in the foreseeable future. The Company has funded its operations primarily through public offering and payments under research and development agreements. The Company is developing a number of products with corporate collaborators and will rely on those collaborators and new collaborators to meet funding requirements. Revenues are expected to come from the Company's strategic alliances. The Company expects to generate future net losses in anticipation of significant increases in operating expenses as products are advanced through the various stages of clinical development. As of March 31, 1999, Neurocrine has incurred a cumulative deficit of $28.9 million and expects to incur operating losses in the future, which may be greater than losses in prior years.

RESULTS OF OPERATIONS

Revenues decreased to $3.6 million for the first quarter 1999 compared with $4.1 million respective period last year. The decline in revenues resulted primarily from the timing of milestone achievements under the Company's collaborative agreements. To date, the Company's revenues have come from funded research and achievements of milestones under corporate collaborations. The nature and amount of these revenues vary from period to period may lead to substantial fluctuations in the results of quarterly revenues and earnings. Accordingly, results and earnings of one period are not predictive of future periods.

Research and development expenses increased to $6.4 million for the first quarter 1999 compared with $4.6 million for the respective period in 1998. Increased expenses resulted primarily from the advancement of drug candidates into clinical testing and the addition of clinical personnel needed to manage these efforts. The Company anticipates substantial increases in future development expenses as it continues to advance drug candidates into various stages of clinical development.

General and administrative expenses increased to $1.7 million for first quarter 1999 compared with $1.5 million during the same period last year. Increased expenses resulted from additional administrative personnel, business development and professional services needed to support the Company's expanded clinical development efforts.

Interest income decreased to $892,000 during the first quarter of 1999 compared with $1.1 million for the same period last year. This decrease was due to a decline in the effective interest yields and average cash balances. The effective interest yield during the first quarter of 1999 was 6.0% on an average cash, cash equivalents and short-term investments balance of $59.3 million compared with a yield of 6.2% on an average balance of $71.1 million during the first quarter of 1998. The Company anticipates further decline in interest income as it uses cash reserves to fund progressive clinical trials.

Net loss for the first quarter of 1999 was $4.1 million or $0.22 per share compared with $1.2 million or $0.07 per share for the same period in 1998. The decrease in net earnings and earnings per share resulted primarily from the timing of milestone revenues received under the Company's collaborative agreements and the increase in development expenses as the Company advances it's drug candidates into clinical testing. The Company anticipates substantial losses in future periods as these activities mature.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1999, the Company's cash, cash equivalents, and short-term investments totaled $57.9 million compared with $62.7 million at December 31, 1998. The decline in cash balances in 1999 reflects the funding of clinical development and the purchase of equipment.

Cash used in operating activities during the first quarter of 1999 was $4.0 million compared to $5.7 million for the same period last year. Cash used during the first quarter of 1999 reflects the payment of clinical development expenses and other accrued liabilities. Cash used during 1998 reflects the increase in accounts receivable and payment of liabilities.

Cash used in investing activities during the first quarter of 1999 was $1.4 million compared to cash provided of $4.2 million during the same period in 1998. The increase in cash used was primarily the result of timing differences in investment purchases and sales/maturities and fluctuations in the Company's portfolio mix between cash equivalent and short-term investment holdings.

Cash used in financing activities during the first quarter of 1999 was $103,000 compared to $115,000 for the same period last year. The issuances of Common Stock and principal payments on long-term obligations were consistent between periods. Beginning with the second quarter of 1999, the Company expects to enter into new capital leasing obligations to finance its current year equipment purchases.

The Company believes that its existing capital resources, together with interest income and future payments due under the strategic alliances, will be sufficient to satisfy its current and projected funding requirements at least through the year 2000. However, no assurance can be given that such capital resources and payments will be sufficient to conduct its research and development programs as planned. The amount and timing of expenditures will vary depending upon a number of factors, including progress of the Company's research and development programs. Failure of a corporate collaborator to meet its contractual obligations could have a material adverse effect on the Company's financial position and results of operations.

INTEREST RATE RISK

The Company is exposed to changes in interest rates primarily from its investments in certain available-for-sale securities and secondarily from its long-term debt. The Company believes that a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially effect the fair value of interest sensitive financial instruments nor the costs associated with the long-term debt.

Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes. The Company's investments are primarily in fixed income, investment-grade securities that are not restricted. The investment policy emphasizes return on principal and liquidity and is focused on fixed returns, which limit volatility and risk of principal. At March 31, 1999 and December 31, 1998, the Company had available-for-sale securities of $51.8 million and $51.0 million, respectively.

Interest risk exposure on long-term debt relates to the Company's note payable which bears a floating interest rate of prime plus one quarter percent (8.00% at March 31, 1999 and December 31, 1998). At March 31, 1999 and December 31, 1998, the note balance was approximately $573,000 and $610,000, respectively. This note is payable in equal monthly installments through January 2003.

IMPACT OF YEAR 2000

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Based on recent assessments, the Company determined that it will not be required to modify or replace significant portions of hardware and software so that those systems will properly utilize dates beyond December 31, 1999. The Company presently believes that with modifications and replacement of existing hardware and software, the Year 2000 Issue can be mitigated. However, if such modifications and replacements are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company.

The Company's plan to resolve the Year 2000 Issue involves the following four phases: assessment, remediation, testing, and implementation. To date the Company has fully completed its assessment of all systems that could be significantly affected by the Year 2000. The completed assessment indicated that most of the Company's significant information technology systems are Year

2000 compliant. That assessment did, however, indicated that software and hardware (embedded chips) used in some scientific equipment were at risk. The Company is currently assessing cost comparisons on whether to remediate or replace this equipment and expects to have the equipment corrected and re-tested by mid-1999. The Company has gathered information about the Year 2000 compliance status of its significant suppliers and contractors and continues to monitor their compliance.

For its information technology exposures, to date the Company is 99% complete on the remediation phase and expects to complete software reprogramming and replacement no later than May 31, 1999. To date, the Company has completed 100% of its testing and has implemented 90% of its remediated systems for its scientific equipment. The remediation phase for all significant systems is expected to be complete by May 31, 1999, with all remediated systems fully tested by mid-1999.

The Company has queried its important suppliers and contractors that do not share information systems with the Company (external agents). To date, the Company is not aware of any external agent Year 2000 issue that would materially impact the company's results of operations, liquidity, or capital resources. However, the Company has no means of ensuring that external agents will be Year 2000 ready. The inability of external agents to complete their Year 2000 resolution process in a timely fashion could materially impact the Company. The effect of non-compliance by external agents is not determinable.

The Company will utilize both internal and external resources to reprogram, or replace, test and implement the software and scientific equipment for Year 2000 modifications. The total cost of the Year 2000 project is estimated at approximately $175,000 and is being funded through operating cash flows and capital equipment financing. To date, the Company has incurred approximately $100,000 related to all phases of the Year 2000 project. Of the total remaining project costs, approximately $40,000 is attributable to the purchase of new software, $25,000 for new scientific equipment, which will be capitalized, and $10,000 for the repair of hardware and software.

The Company's plan to complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events including continued availability of certain resources, and other factors. Estimates on the status of completion and the expected completion dates are based on costs incurred to date compared to total expected costs. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

The Company has not completed a formal contingency plan for non-compliance, but it is developing a plan based on the information obtained from third parties and an on-going evaluation of the Company's own systems. The Company anticipates having a contingency plan in place by mid-1999, which will include development of backup procedures, identification of alternate suppliers and possible increases in supplies inventory levels. The Company has not identified its most likely worst case scenario with respect to possible losses in connection with Year 2000 related problems. The Company plans on completing this analysis by mid-1999.

The information above contains forward-looking statements including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, and adequate resources that are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that forward-looking statements about the Year 2000 should be read in conjunction with the Company's disclosures under the heading: "Caution on forward-looking statements".

CAUTION ON FORWARD-LOOKING STATEMENTS

The Company's business is subject to significant risks, including but not limited to, the risks inherent in its research and development activities, including the successful continuation of the Company's strategic collaborations, the successful completion of clinical trials, the lengthy, expensive and uncertain process of seeking regulatory approvals, uncertainties associated both with the potential infringement of patents and other intellectual property rights of third parties, and with obtaining and enforcing its own patents and patent rights, uncertainties regarding government reforms and of product pricing and reimbursement levels, technological change and competition, manufacturing uncertainties and dependence on third parties. Even if the Company's product candidates appear promising at an early stage of development, they may not reach the market for numerous reasons. Such reasons include the possibilities that the product will be ineffective or unsafe during clinical trials, will fail to receive necessary regulatory approvals, will be difficult to manufacture on a

large scale, will be uneconomical to market or will be precluded from commercialization by proprietary rights of third parties.

Neurocrine will require additional funding for the continuation of its research and product development programs, for progress with preclinical testing and clinical trials, for operating expenses, for the pursuit of regulatory approvals for its product candidates, for the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims, if any, for the cost of product in-licensing and any possible acquisitions, and may require additional funding for establishing manufacturing and marketing capabilities in the future. The Company may seek to access the public or private equity markets whenever conditions are favorable. The Company may also seek additional funding through strategic alliances and other financing mechanisms, potentially including off-balance sheet financing. There can be no assurance that adequate funding will be available on terms acceptable to the Company, if at all. If adequate funds are not available, the Company may be required to curtail significantly one or more of its research or development programs or obtain funds through arrangements with collaborative partners or others. This may require the Company to relinquish rights to certain of its technologies or product candidates.

The Company believes that its existing capital resources will be adequate to satisfy its current and planned operations through the year 2000. The Company's operating expenses are anticipated to rise significantly in future periods as products are advanced through the various development and clinical stages. Neurocrine expects to incur additional operating expenses over the next several years as its research, development, preclinical testing and clinical trial activities increase. To the extent that the Company is unable to obtain third party funding for such expenses, the Company expects that increased expenses will result in increased losses from operations. There can be no assurance that the Company's products under development will be successfully developed or that its products, if successfully developed, will generate revenues sufficient to enable the Company to earn a profit.

In particular, see "Risk Factors" referenced in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 1998.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

A discussion of the Company's exposure to, and management of, market risk appears in Part 1, Item 2 of this Quarterly Report on Form 10-Q under the heading "Interest Rate Risk".

PART II: OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this report:

27 Financial Data Schedule

(B) Reports on Form 8-K. During the quarter ended March 31, 1999, the Company filed no current reports on Form 8-K.

SIGNATURES

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

Dated: 05/11/99

/s/ Paul W. Hawran
Paul W. Hawran
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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JAN-01-1999
MAR-31-1999
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