UNITED STATES
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, 1997

OR

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

Commission file number: 0-15006

T CELL SCIENCES, INC.
(Exact name of registrant as specified in charter)

Delaware	No. 13-3191702
(State of Incorporation)	(I.R.S. Employer Identification No.)

119 Fourth Avenue, Needham, Massachusetts 02194-2725
(Address of principal executive offices) (Zip code)

(617) 433-0771
(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 .
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Class	Outstanding as of July 31, 1997
Common Stock, par value $.001	24,948,383

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

T CELL SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEET

June 30, 1997 and December 31, 1996

	June 30, 1997	December 31, 1996
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,671,300	$ 12,591,800
Accounts Receivable	17,600	19,500
Inventories	--	24,000
Current Portion Note Receivable	--	400,600
Prepaid Expenses and Other	274,500	241,500
Total Current Assets	10,963,400	13,277,400
Property and Equipment, Net	443,500	511,600
Restricted Cash	685,000	685,000
Long-Term Note Receivable	--	1,402,100
Other Noncurrent Assets	1,293,300	1,347,600
Total Assets	$ 13,385,200	$ 17,223,700
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 332,500	$ 326,000
Accrued Expenses	990,700	1,278,500
Deferred Revenue	56,700	--
Total Current Liabilities	1,379,900	1,604,500
Stockholders' Equity:		
Common Stock, $.001 Par Value	25,000	25,000
Additional Paid-in Capital	72,787,800	72,791,800
Less: Common Treasury Shares at Cost	(62,400)	(68,900)
Accumulated Deficit	(60,745,100)	(57,128,700)
Total Stockholders' Equity	12,005,300	15,619,200
Total Liabilities and Stockholders' Equity	$ 13,385,200	$ 17,223,700

See accompanying notes to condensed consolidated financial statements

T CELL SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Quarters Ended June 30, 1997 and 1996

	June 30, 1997	June 30, 1996
OPERATING REVENUE:		
Product Development and Licensing Agreements	$ 693,300	$ 179,400
Product Sales	--	8,800
Total Operating Revenue	693,300	188,200
OPERATING EXPENSE:		
Cost of Product Sales	--	2,900
Research and Development	1,483,000	1,437,100
General and Administrative	1,024,600	3,072,200
Marketing and Sales	30,100	97,900
Total Operating Expenses	2,537,700	4,610,100
Operating Loss	(1,844,400)	(4,421,900)
Non-Operating Income, Net	163,600	114,000
Net Loss	$ (1,680,800)	$(4,307,900)
Net Loss Per Common Share	$ (0.07)	$ (0.22)
Weighted Average Common Shares Outstanding	24,948,400	19,938,200

See accompanying notes to condensed consolidated financial statements

T CELL SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 1997 and 1996

	June 30, 1997	June 30, 1996
OPERATING REVENUE:		
Product Development and Licensing Agreements	$ 755,400	$ 270,600
Product Sales	1,300	506,400
Total Operating Revenue	756,700	777,000
OPERATING EXPENSE:		
Cost of Product Sales	400	351,200
Research and Development	2,818,900	2,928,100
General and Administrative	1,798,700	3,936,000
Marketing and Sales	70,900	282,900
Total Operating Expenses	4,688,900	7,498,200
Operating Loss	(3,932,200)	(6,721,200)
Non-Operating Income, Net	315,800	561,700
Net Loss	$ (3,616,400)	$(6,159,500)
Net Loss Per Common Share	$ (0.14)	$ (0.31)
Weighted Average Common Shares Outstanding	24,948,400	19,923,800

See accompanying notes to condensed consolidated financial statements

T CELL SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 1997 and 1996

	June 30, 1997	June 30, 1996
Cash Flows from Operating Activities:		
Net Loss	$(3,616,400)	$(6,159,500)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	186,900	280,900
Gain on Sale of Research Products and Operations of T Cell Diagnostics, Inc.	--	(309,800)
Write-off of Capitalized Patent Costs	51,100	1,751,600
Compensation Associated with Stock Options	--	170,300
Net Change in Current Assets and Current Liabilities	(231,700)	(1,058,300)
Net Cash Used by Operating Activities	(3,610,100)	(5,324,800)
Cash Flows from Investing Activities:		
Acquisition of Property and Equipment	(57,100)	(11,600)
Other Noncurrent Assets	(58,500)	(382,500)
Sale of Investment in Common Stock of Endogen, Inc.	1,802,700	--
Net Cash Provided (Used) by Investing Activities	1,687,100	(394,100)
Cash Flows from Financing Activities:		
Proceeds from Sale of Stock	2,500	11,600
Proceeds from Exercise of Stock Options	--	158,700
Net Cash Provided by Financing Activities	2,500	170,300
Decrease in Cash and Cash Equivalents	(1,920,500)	(5,548,600)
Cash and Cash Equivalents at Beginning of Period	12,591,800	12,275,200
Cash and Cash Equivalents at End of Period	$10,671,300	$ 6,726,600

See accompanying notes to condensed consolidated financial statements

T CELL SCIENCES, INC.
Notes to Condensed Consolidated Financial Statements
June 30, 1997

(1) Nature of Business

T Cell Sciences, Inc. (the "Company"), is a biopharmaceutical company engaged in the discovery and development of innovative drugs targeting diseases of the immune, inflammatory and vascular systems. The Company develops and commercializes products on a proprietary basis and in collaboration with established pharmaceutical partners, including Astra AB and Yamanouchi Pharmaceutical Co., Ltd. In March 1996, the Company sold substantially all of the assets of its wholly-owned subsidiary, T Cell Diagnostics, Inc. ("TCD"), while retaining all the rights to the TRAx(R) diagnostic franchise.

The condensed consolidated financial statements include the accounts of T Cell Sciences, Inc. and its wholly owned subsidiary, T Cell Diagnostics, Inc. All intercompany transactions have been eliminated.

(2) Interim Financial Statements

The accompanying condensed consolidated financial statements for the three and six months ended June 30, 1997 and 1996 include the consolidated accounts of the Company, and have been prepared in accordance with generally accepted accounting principles and with the instructions to Form 10-Q and article 10 of Regulation S-X. In the opinion of management, the information contained herein reflects all adjustments, consisting solely of normal recurring adjustments, that are necessary to present fairly the financial positions at June 30, 1997 and December 31, 1996, the results of operations for the three and six months ended June 30, 1997 and 1996, and the cash flows for the six months ended June 30, 1997 and 1996. The results of operations for the three and six months ended June 30, 1997 are not necessarily indicative of results for any future interim period or for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted, although the Company believes that the disclosures included are adequate to make the information presented not misleading. The condensed consolidated financial statements and the notes included herein should be read in conjunction with footnotes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1996.

(3) Litigation

In December 1994, the Company filed a lawsuit in the Superior Court of Massachusetts against the landlord of its former Cambridge, Massachusetts headquarters, to recover the damages incurred by the Company resulting from the evacuation of the building, due to air quality problems which caused skin and respiratory irritation to a significant number of employees. The landlord defendant has filed counterclaims, alleging the Company has breached its lease obligations. The court ordered a limited trial between the Company and the landlord on certain factual issues which began on November 20, 1996. Closing arguments for the limited trial were heard on January 13, 1997. The court has not yet entered its findings on the limited trial. Until the court enters its findings, the Company is unable to assess what impact the findings will have on the trial of the issue of the Company's liability under the lease. In a separate lawsuit, the landlord's mortgagee has filed claims against the Company for payment of the same rent alleged to be owed. A motion for summary judgment filed by the bank was denied by the court. Due to the current stage of the lawsuits, a range of potential losses, cannot be estimated at this time.

Accordingly, no accrual has been made in the financial statements relative to any potential effects on the Company's future operating results. A significant adverse settlement could have a negative impact on the future operating results of the Company.

(4) Disposition of Assets

On March 5, 1996 the Company sold to Endogen, Inc. the research products and operations of TCD for a purchase price of approximately $2,880,000, while retaining the TRAx diagnostic product franchise. The consideration for this sale was paid in the form of a convertible subordinated note receivable (the "Convertible Note") in the principal amount of $2,003,000 and a combination of cash and a short-term note used to repay approximately $980,000 of obligations under the Company's operating lease. On February 10, 1997, the Company converted the remaining outstanding principal balance of the Convertible Note into shares of Endogen common stock which it subsequently sold. Net proceeds from the sale were $1,829,000 and included an immaterial gain.

(5) Statement of Financial Accounting Standards No. 128, "Earnings per Share"

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." SFAS 128 is effective for interim and annual periods ending after December 15, 1997. The adoption of SFAS 128 is not expected to have a material impact in the Company's net loss per share computation.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements contained in the following, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical facts may be forward-looking statements that are subject to a variety of risks and uncertainties. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by the Company. These factors include, but are not limited to: (i) the Company's ability to successfully complete product research and development, including pre-clinical and clinical studies, and commercialization; (ii) the Company's ability to obtain substantial additional funding; (iii) the Company's ability to obtain required governmental approvals; (iv) the Company's ability to attract manufacturing, sales, distribution and marketing partners and other strategic alliances; and (v) the Company's ability to develop and commercialize its products before its competitors.

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

Overview

The Company's lead therapeutic program is focused on developing compounds that inhibit complement activation which is part of the body's immune defense system. In August 1996, the Company began enrollment in a Phase I/II clinical trial for the evaluation of its lead therapeutic compound, TP10, to prevent reperfusion injury in patients receiving lung transplants. Patients are followed for 28 days for clinical efficacy and six months to monitor safety. Patient accrual completed in May 1997 and the trial will conclude in the second half of 1997 when the last patient completes the six-month safety evaluation period. The Company initiated a Phase IIa clinical trial to evaluate the use of TP10 in patients with adult respiratory syndrome in January 1996. Completion of the Phase IIa trial is expected in the second half of 1997. In February 1997, the Company was awarded a second $100,000 Phase I Small Business Innovation Research grant from the National Institutes of Health. Funding from the grant will contribute to the Company's program for the development of a vaccine for the management of atherosclerosis. In June 1997, the Company received milestone payments from its partner, Astra AB ("Astra"), following the transfer of certain of its rights to the TCAR technology to Astra, which was completed in May 1997, and approval received by Astra to initiate clinical trials for one of the products derived from the TCAR technology platform for the treatment of multiple sclerosis.

Results of Operations

Quarter Ended June 30, 1997 Compared to Quarter Ended June 30, 1996 -- The Company reported a consolidated net loss of $1,680,800 or $.07 per share for the quarter ended June 30, 1997 reflecting a decrease of $2,627,100 or 61.0% compared with a net loss of $4,307,900 or $.22 per share for the quarter ended June 30, 1996. The decrease in net loss for the quarter is primarily due to a charge to earnings of $1,751,600 for the write-off of certain capitalized patent costs and a $425,300 charge to earnings resulting from a severance agreement with the Company's former President and Chief Executive Officer included in the quarter last year. Excluding these charges, the net loss for the quarter ended June 30, 1997 decreased $450,200 or 21.1% compared to the same period last year. The decrease in net loss, as adjusted, is mainly attributable to an increase in operating revenue of $505,100.

Operating revenue increased 268.4% for the quarter ended June 30, 1997 to $693,300 compared to $188,200 for the quarter ended June 30, 1996. The increase is primarily due to certain milestone payments received under the Company's agreement with Astra. In May 1997, the Company completed the transfer of certain of its rights to the TCAR technology to Astra who will be solely responsible for further clinical development and commercialization. In June 1997, Astra received approval to initiate clinical trials for one of the products derived from the TCAR technology platform for the treatment of multiple sclerosis.

Research and development expenses were $1,483,000 for the quarter ended June 30, 1997 compared to $1,437,100 for the same period last year. The increase is primarily due to costs associated

with the Phase I/II and Phase IIa clinical trials which were initiated in July 1996 and January 1996, respectively.

General and administrative expenses decreased $2,047,600 to $1,024,600 for the quarter ended June 30, 1997 from $3,072,200 for the comparable period last year. The decrease is primarily due to the $425,300 charge in June 1996 resulting from the severance agreement with the Company's former President and Chief Executive Officer combined with the $1,751,600 write-off of certain capitalized patent costs in June 1996. Excluding these charges, general and administrative expenses increased $129,300 for the quarter ended June 30, 1997 compared to the same period last year. The increase is primarily attributable to increased consulting fees related to business development partially offset by a decrease in administrative payroll and benefit costs.

Marketing and sales expenses decreased 69.3% or $67,800 to $30,100 for the quarter ended June 30, 1997 compared to $97,900 for the quarter ended June 30, 1996. The decrease in marketing and sales expenses is primarily due to the Company's reduced direct sales efforts for the TRAx(R) product line while it focuses on establishing a partnership for the TRAx(R) technology.

Non-operating income of $163,600 for the quarter ended June 30, 1997 reflects a 43.5% increase in interest income for the quarter compared with the same period last year. The increase in interest income is primarily the result of higher cash balances during the quarter ended June 30, 1997 compared with the quarter ended June 30, 1996.

Six Months Ended June 30, 1997 Compared to Six Months Ended June 30, 1996 -- The Company reported a consolidated net loss of $3,616,400 or $.14 per share for the six months ended June 30, 1997 compared with a net loss of $6,159,500 or $.31 per share for the six months ended June 30, 1996. Included in the six months ended June 30, 1996 is two months of operations of TCD prior the sale of its research products and operations in March 1996 and a gain recognized from the sale. The $2,543,100 decrease in net loss is mainly due to a $1,751,600 write-off of certain capitalized patent costs and a $425,300 charge to earnings resulting from a severance agreement with the Company's former President and Chief Executive Officer included in the six months ended June 30, 1996.

For the six months ended June 30, 1997, product development and licensing agreements revenue increased $484,800 to $755,400 compared to $270,600 for the six months ended June 30, 1996. The increase is primarily attributable to milestone payments received from Astra in accordance with the amended agreement of December 1996. In addition, the Company recognized approximately $105,000 of revenue relating to its Small Business Innovation Research grants from the National Institutes of Health. Included in product development and licensing agreements revenue in 1996 is research and development funding from Astra relating to the Company's earlier agreement and a $100,000 non-refundable execution fee associated with a license agreement with CytoTherapeutics, Inc. Product sales decreased $505,100 for the first half of 1997 compared to the same period last year primarily due to the sale of the research products and operations of TCD in March 1996.

Research and development expenses were $2,818,900 for the six months ended June 30, 1997 compared to $2,928,100 for the same period last year. The decrease is primarily attributed to the sale of the research products and operations of TCD in March 1996 partially offset by increased costs associated with two clinical trials initiated in 1996.

General and administrative expenses decreased $2,137,300 to $1,798,700 for the six months ended June 30, 1997 from $3,936,000 for the comparable period last year. The decrease is primarily due to the $425,300 charge in June 1996 resulting from a severance agreement with the Company's former President and Chief Executive Officer combined with the $1,751,600 write-off of certain capitalized patent costs in June 1996.

Marketing and sales expenses decreased 74.9% to $70,900 for the six months ended June 30, 1997 compared to $282,900 for the six months ended June 30, 1996. The decrease in marketing and sales expenses is primarily due to the sale of the research products and operations of TCD in March 1996 combined with the Company's reduced direct sales efforts for the TRAx(R) product line while it focuses on establishing a partnership for the TRAx(R) technology.

Non-operating income of $315,800 for the six months ended June 30, 1997 reflects a 43.8% decrease compared to the same period last year. Included in non-operating income for the six months ended June 30, 1996 is a $309,800 gain recognized from the sale of the research products and operations of TCD in March 1996. Interest income increased 32.4% for the six months ended June 30, 1997 compared with the same period last year. The increase in interest income is primarily the result of higher cash balances during the six months ended June 30, 1997 compared with the six months ended June 30, 1996.

Liquidity and Capital Resources

The Company's cash and cash equivalents at June 30, 1997 was $10,671,300 compared to $12,591,800 at December 31, 1996. Cash used in operations was $3,610,100 for the six months ended June 30, 1997 which was partially offset by $1,829,000 received from the conversion and subsequent sale of the convertible subordinated note receivable from Endogen, Inc. The Company received the convertible subordinated note receivable in connection with the sale of the research products and operations of TCD in March 1996. On February 10, 1997 the Company converted the remaining outstanding principal balance of $1,802,700 into shares of common stock of Endogen and subsequently sold the shares.

In December 1994, the Company filed a lawsuit in the Superior Court of Massachusetts against the landlord of its former Cambridge, Massachusetts headquarters, to recover the damages incurred by the Company resulting from the evacuation of the building, due to air quality problems which caused skin and respiratory irritation to a significant number of employees. The landlord defendant has filed counterclaims, alleging the Company has breached its lease obligations. In a separate lawsuit, the landlord's mortgagee has filed claims against the Company for payment of the same rent alleged to be owed. A motion for summary judgment filed by the bank was denied by the court. Due to the current stage of the lawsuits, a range of potential losses cannot be estimated at this time. Accordingly, no accrual has been made in the financial statements relative to any potential effects on the Company's future operating results. A significant adverse settlement could have a negative impact on the future operating results of the Company.

The Company believes its current cash and cash equivalents, combined with anticipated net cash provided by operations will be sufficient to meet working capital requirements into 1998. These requirements will depend on several factors including, but not limited to, the progress and costs associated with research and development programs; preclinical and clinical studies; time and costs associated with obtaining regulatory approval; timing and scope of collaborative arrangements; long term facility costs; and expenses and outcome of pending litigation on the air quality problem. The Company will consider alternative sources of funding and capital when available and appropriate.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." SFAS 128 is effective for interim and annual periods ending after December 15, 1997. The adoption of SFAS 128 is not expected to have a material impact in the Company's net loss per share computation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No material changes since the Company's annual report on Form 10-K for the year ended December 31, 1996.

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

On May 13, 1997, the Company held its Annual Meeting of Stockholders at which the voters elected seven directors to its Board of Directors.

At the Company's Annual Meeting of Stockholders, the following were elected to the Board of Directors:

	Number of Shares/Votes	
	For	Authority Withheld
James D. Grant	18,455,315	309,412
Patrick C. Kung	18,460,770	303,957
John P. Munson	18,484,713	280,014
Thomas R. Ostermueller	18,467,763	296,964
Harry H. Penner, Jr.	18,507,863	256,864
Una S. Ryan	18,541,938	222,789
John Simon	18,456,270	308,457

The number of shares issued, outstanding and eligible to vote as of the record date of April 1, 1997 were 24,948,383. Quorum was 18,764,727 shares represented by 236 proxies or 75.2% of the eligible voting shares tabulated.

ITEM 5. OTHER INFORMATION

The Company announced on May 28, 1997, the completion of patient accrual for its Phase I/II clinical trial evaluating TP10 in patients with reperfusion injury following lung transplantation. Objectives of the trial are to determine the safety and pharmacokinetics of TP10 in patients following lung transplant surgery, and to determine the ability of TP10 to reduce reperfusion injury and improve lung function in patients following lung transplant surgery. Patients are followed for 28 days for clinical efficacy and 6 months to monitor safety. The trial will conclude in the second half of 1997 when the last patient completes the six-month safety evaluation period.

In June 1997, the Company announced the appointment of Ronald M. Urvater to its Board of Directors. Mr. Urvater is currently a Managing Director of Aurora Capital Corporation, an investment bank dedicated to private financing of private and public biotechnology companies. He has also been the president of Capital Partners, a venture capital company, since 1987. Prior to that Mr. Urvater was a Vice President of Allen and Company, Inc. Mr. Urvater was one of T Cell's founders and original board members, and resigned from the board in 1995. His re-appointment increases the number of board members to eight.

The Company announced on June 23, 1997 that it has achieved another milestone in its T Cell Antigen Receptor (TCAR) program with Astra AB. Astra AB has received approval to initiate clinical trials for one of the products derived from the TCAR technology platform for the treatment of multiple

sclerosis. T Cell Sciences and Astra AB signed an amended agreement in December 1996 in which T Cell has transferred certain of its rights to the TCAR technology to Astra AB, who is responsible for all development activities including the clinical development and commercialization. T Cell Sciences will receive royalties from product sales, as well as upfront and milestone payments which may total up to $4 million as certain clinical developments are achieved. Astra AB will assume all costs for continued development and will have all marketing rights for the products worldwide.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

None

B. 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.

T CELL SCIENCES, INC.

BY: /s/ Norman W. Gorin

Norman W. Gorin
Vice President, Finance
and Chief Financial Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED FINANCIAL STATEMENTS OF T CELL SCIENCES, INC. FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

U.S. DOLLARS

6-MOS	
DEC-31-1997	
JAN-01-1997	
JUN-30-1997	
1	
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17,600	
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3,083,100	
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25,000	
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