
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): OCTOBER 28, 2004

LEXICON GENETICS INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

000-30111
(COMMISSION FILE NUMBER)

76-0474169
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

8800 TECHNOLOGY FOREST PLACE
THE WOODLANDS, TEXAS 77381
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES AND ZIP CODE)

(281) 863-3000
(REGISTRANT'S TELEPHONE NUMBER,
INCLUDING AREA CODE)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On October 28, 2004, we issued a press release to report our financial results for the quarter ended September 30, 2004. A copy of the press release is attached to this current report on Form 8-K as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached to this Form 8-K shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

EXHIBIT NO.	DESCRIPTION
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99.1 --	Press Release of Lexicon Genetics Incorporated dated October 28, 2004

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.

LEXICON GENETICS INCORPORATED

Date: October 28, 2004

By: /s/ JEFFREY L. WADE

Jeffrey L. Wade
Executive Vice President and
General Counsel

INDEX TO EXHIBITS

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LEXICON GENETICS REPORTS 2004
THIRD QUARTER FINANCIAL RESULTS

THE WOODLANDS, TEXAS, OCTOBER 28, 2004 - Lexicon Genetics Incorporated (Nasdaq: LEXG), a biopharmaceutical company focused on the discovery of breakthrough treatments for human disease, today reported financial results for the three and nine months ended September 30, 2004.

REVENUES: Lexicon's revenues for the three months ended September 30, 2004 increased eight percent to \$13.1 million from \$12.1 million for the corresponding period in 2003. The increase was primarily attributable to collaborative research revenue recognized under Lexicon's neuroscience drug discovery alliance with Bristol-Myers Squibb Company, the completion of the second performance milestone under its therapeutic protein and antibody target discovery alliance with Genentech, Inc., and the commencement of its hypertension drug discovery alliance with Takeda Pharmaceutical Company Limited, offset by a decline in technology license fees. For the nine months ended September 30, 2004, revenues increased 23 percent to \$35.7 million from \$29.1 million for the corresponding period of 2003.

RESEARCH AND DEVELOPMENT EXPENSES: Research and development expenses for the three months ended September 30, 2004 increased six percent to \$22.5 million from \$21.2 million for the corresponding period in 2003. The increase primarily reflects higher personnel, laboratory supply and contract research costs related to the continued advancement of Lexicon's drug discovery programs. There was no stock-based compensation expense in the three months ended September 30, 2004, as compared to \$1.2 million in the three months ended September 30, 2003. For the nine months ended September 30, 2004, research and development expenses increased nine percent to \$67.5 million from \$61.9 million for the corresponding period in 2003. Research and development expenses included stock-based compensation expense of \$0.4 million and \$3.8 million for the nine months ended September 30, 2004 and 2003, respectively.

GENERAL AND ADMINISTRATIVE EXPENSES: General and administrative expenses for the three months ended September 30, 2004 decreased 21 percent to \$4.6 million from \$5.8 million for the corresponding period in 2003. The decrease was primarily attributable to the absence of any stock-based compensation expense in the three months ended September 30, 2004, as compared to \$1.3 million in the three months ended September 30, 2003. For the nine months ended September 30, 2004, general and administrative expenses decreased 19 percent to \$14.2 million from \$17.5 million for the corresponding period in 2003. General and administrative expenses included stock-based compensation expense of \$0.4 million and \$3.8 million for the nine months ended September 30, 2004 and 2003, respectively.

NET LOSS: Net loss for the three months ended September 30, 2004 decreased to \$14.4 million, or \$0.23 per share, from a net loss of \$14.6 million, or \$0.24 per share, in the corresponding period in 2003. Net loss for the nine months ended September 30, 2004 decreased to \$46.6 million, or \$0.74 per share, from a net loss of \$49.3 million, or \$0.90 per share, in the corresponding period in 2003.

CASH AND INVESTMENTS: As of September 30, 2004, Lexicon had \$97.7 million in cash and investments, including restricted cash and investments, compared to \$104.3 million as of June 30, 2004 and \$161.0 million as of December 31, 2003. Cash and investments as of September 30, 2004 reflects the receipt of the \$12.0 million initial payment from Takeda in connection with its hypertension drug discovery alliance with Lexicon. Restricted cash and investments were \$0.4 million on September 30, 2004 and June 30, 2004 and \$57.5 million on December 31, 2003. Lexicon refinanced the synthetic lease of its headquarters and research facility in The Woodlands, Texas in April 2004 with proceeds from a conventional mortgage and cash. This transaction eliminated all restrictions on the cash and investments that had secured Lexicon's obligations under the synthetic lease.

"Drug discovery alliances continue to be an important component of our strategy," said Julia P. Gregory, executive vice president, corporate development and chief financial officer. "Strategic collaborations, such as our new agreement with Takeda, contribute to our financial strength and give us flexibility in advancing our drug discovery programs."

THIRD QUARTER 2004 HIGHLIGHTS

ESTABLISHED COLLABORATION TO DISCOVER NEW DRUGS FOR HIGH BLOOD PRESSURE: On July 28, 2004, Lexicon and Takeda announced the formation of a collaboration to discover new drugs for the treatment of high blood pressure. The alliance is designed to accelerate the development and commercialization of new drugs directed against promising hypertension targets discovered in Lexicon's Genome5000 program. In the collaboration, Takeda will have exclusive access to drug targets from Lexicon's Genome5000 program that control blood pressure. Takeda will be responsible for the screening, medicinal chemistry, preclinical and clinical development and worldwide commercialization of drugs directed against Lexicon's novel blood pressure targets, and will bear all related costs.

Lexicon received an initial payment of \$12 million from Takeda for the three-year term of the agreement. Takeda has the option to extend the term of the alliance for an additional two years in exchange for further committed funding. Takeda will make research milestone payments to Lexicon for each target selected for therapeutic development. In addition, Takeda will make clinical development and product launch milestone payments to Lexicon for each product commercialized from the collaboration. Lexicon will also earn royalties on worldwide sales of drugs commercialized by Takeda.

ACHIEVED SECOND PERFORMANCE MILESTONE IN GENENTECH ALLIANCE: Lexicon announced the achievement of the second performance milestone under its alliance with Genentech. Lexicon and Genentech established this alliance in December 2002 to discover potential new therapeutic proteins and antibody targets. In this alliance, Lexicon is discovering the functions of potential therapeutic proteins and antibody targets identified through Genentech's internal drug discovery research.

The milestone payment is related to Lexicon's production of gene knockouts in mouse embryonic stem cell lines for all of the proteins selected for inclusion in the alliance. Lexicon

has completed the generation of knockout mice and identified the physiological functions of many of the proteins in the alliance. Lexicon is in the process of discovering the therapeutic potential for the remaining proteins. The amount of the milestone payment was not disclosed.

ADVANCED BIOTHERAPEUTICS PROGRAM: Lexicon provided a review of its biotherapeutics program, in which it has prioritized for phenotypic analysis more than 1,000 genes that encode potential antibody targets or therapeutic proteins. Lexicon has advanced several targets identified as a result of its analysis into drug discovery programs. Some of the genes in these classes are included in Lexicon's drug discovery alliance with Genentech. More than 500 additional genes are part of Lexicon's internal biotherapeutics drug discovery pipeline. Lexicon expects to complete the phenotypic analysis of knockout mice for all of these genes within the next three years.

"In this quarter, Lexicon entered into a drug discovery collaboration with Takeda, in which we are mining the Genome5000 for new mechanisms that regulate blood pressure," said Arthur T. Sands, M.D., Ph.D., president and chief executive officer of Lexicon. "We also achieved the second performance milestone in our Genentech collaboration, having now produced gene knockouts for all of the proteins included in that alliance. We believe our unique drug discovery capability, based on the physiological validation of targets, will enable the development of breakthrough therapeutics for both ourselves and our collaborators."

LEXICON CONFERENCE CALL:

Dr. Arthur T. Sands, president and chief executive officer, and Julia P. Gregory, executive vice president, corporate development and chief financial officer, will host the conference call at 5:00 p.m. EDT on Thursday, October 28, 2004. They will review Lexicon's operating highlights and financial results for the nine months ended September 30, 2004 and will discuss the Company's expectations for the fourth quarter.

Conference call participants may dial: 800/967-7140 (domestic USA), 719/457-2629 (international). Pass code for all callers: 867753. The audio web cast can be heard by logging on to www.lexicon-genetics.com. It will be archived and available for review through November 2, 2004.

ABOUT LEXICON GENETICS

Lexicon Genetics is a biopharmaceutical company focused on the discovery of breakthrough treatments for human disease. Lexicon is systematically discovering the physiological and behavioral functions of genes to identify potential points of therapeutic intervention, or drug targets. Lexicon makes these discoveries using its proprietary gene knockout technology to model the physiological effects that could be expected from prospective drugs directed against novel targets. The Company has advanced knockout-validated targets into drug discovery programs in six therapeutic areas: diabetes and obesity, cardiovascular disease, cancer, immune system disorders, ophthalmic disease, and psychiatric and neurological disorders. Lexicon is

working both independently and through strategic collaborations and alliances to accelerate the development and commercialization of its discoveries. Additional information about Lexicon is available through its corporate website, www.lexicon-genetics.com.

SAFE HARBOR STATEMENT

This press release contains "forward-looking statements," including statements about Lexicon's growth and future operating results, discovery and development of products, strategic alliances and intellectual property, as well as other matters that are not historical facts or information. These forward-looking statements are based on management's current assumptions and expectations and involve risks, uncertainties and other important factors, specifically including those relating to Lexicon's ability to develop drug candidates from its discoveries, achieve its operational objectives, obtain patent protection for its discoveries and establish strategic alliances, that may cause Lexicon's actual results to be materially different from any future results expressed or implied by such forward-looking statements. Information identifying such important factors is contained under "Factors Affecting Forward-Looking Statements" and "Business - Risk Factors" in Lexicon's annual report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission. Lexicon undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

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CONTACT FOR LEXICON GENETICS:

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LEXICON GENETICS INCORPORATED

SELECTED FINANCIAL DATA

	THREE MONTHS ENDED NINE MONTHS ENDED CONSOLIDATED STATEMENTS OF OPERATIONS DATA SEPTEMBER 30, SEPTEMBER 30, (In thousands, except per share data) 2004 2003 2004 2003 -----			
	(UNAUDITED) (UNAUDITED)			
Revenues: Subscription and license fees				
.....	\$ 1,617	\$ 8,029	\$	\$
7,732	\$ 15,441	Collaborative research		
.....		11,492	4,082	
27,997	13,665	Compound libraries and other		
.....	--	--	--	32
	----- Total revenues			
.....	13,109			
12,111	35,729	29,138	Operating expenses: Research and development, including stock-based compensation of \$0, \$1,246, \$416 and \$3,801, respectively	
22,485	21,224	67,466	61,852	General and administrative, including stock-based compensation of \$0, \$1,275, \$411 and \$3,827, respectively
17,538				4,573
				5,755
				14,259
				----- Total operating expenses
27,058	26,979	81,725	79,390	-----
	----- Loss from operations			
.....	(13,949)			
(14,868)	(45,996)	(50,252)	Interest and other income	
.....	405	386	1,194	
	1,170	Interest expense		
.....	(833)			
(76)	(1,829)	(240)	-----	-----
	----- Net loss			
.....	\$ (14,377)	\$ (14,558)	\$ (46,631)	\$ (49,322)
	=====	=====	=====	=====
	===== Net loss per common share, basic and diluted			
.....	\$ (0.23)			
	\$ (0.24)	\$ (0.74)	\$ (0.90)	=====
	=====	=====	=====	=====
	===== Shares used in computing net loss per common share			
.....	63,422	59,475	63,286	
	54,806			

	CONSOLIDATED BALANCE SHEET DATA AS OF SEPTEMBER 30, AS OF DECEMBER 31, (In thousands) 2004 2003 -----			
	(UNAUDITED)			
Cash and investments, including restricted cash and investments of \$430 and \$57,514, respectively				
.....	\$ 97,671	\$ 161,001		
Property and equipment, net				
.....	82,439	83,676		
Goodwill				
.....				
25,798	25,798	Intangible assets other than goodwill, net		
.....	2,140	3,040	Total assets	
			-----	-----
	215,132	284,199	Deferred revenue	
.....				43,520
	47,692	Long-term debt		
.....				
	37,120	56,344	Accumulated deficit	
.....	(260,574)			
(213,943)	Total stockholders' equity			
.....	121,990	166,216		