As filed with the Securities and Exchange Commission on August 16, 1999

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 1999, or

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

For transition period from _________________.

Commission File Number 0-27352

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

Delaware	04-3072298
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

155 Fortune Blvd.
Milford, Massachusetts 07157
(Address of principal executive offices)

(508) 482-7500
(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 ____

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

Class	Outstanding as of August 12, 1999
Common Stock, par value $.001 per share	16,039,084

HYBRIDON, INC.

FORM 10-Q

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HYBRIDON, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
(Unaudited)

Assets

	June 30, 1999	December 31, 1998
Current Assets:		
Cash and cash equivalents	$ 1,311,321	$ 5,607,882
Accounts receivable	760,775	1,175,441
Prepaid expenses and other current assets	102,150	110,827
Total current assets	2,174,246	6,894,150
Property and Equipment, at cost:		
Leasehold improvements	11,127,035	11,127,035
Laboratory and other equipment	11,440,738	11,432,435
	22,567,773	22,559,470
Less--Accumulated depreciation and amortization	15,075,632	13,788,979
	7,492,141	8,770,491
Other Assets:		
Deferred financing costs and other assets	558,407	612,374
Notes receivable from officers	264,350	258,650
	822,757	871,024
	$10,489,144	$16,535,665

Liabilities and Stockholders' (Deficit) Equity

	June 30, 1999	December 31, 1998
Current Liabilities:		
Current portion of long-term debt	$6,075,691	$6,070,951
Accounts payable	2,305,041	2,368,163
Accrued expenses	2,278,801	4,068,679
Total current liabilities	10,659,533	12,507,793
Long-Term Debt, net of current portion	434,025	473,094
9% Convertible Subordinated Notes payable	1,306,000	1,306,000
Stockholders' (Deficit)Equity:		
Preferred stock, $.01 par value- Authorized-5,000,000 shares		
Series A convertible preferred stock- Designated - 1,500,000 shares Issued and outstanding - 662,099 and 641,259 shares at June 30, 1999 and December 31, 1998, respectively (Liquidation preference of $67,285,900 at June 30, 1999)	6,621	6,413
Common stock, $.001 par value- Authorized - 100,000,000 shares		

Issued and outstanding - 15,764,825 and 15,304,825 shares, respectively	15,765	15,305
Additional paid-in capital	245,074,889	241,632,024
Accumulated deficit	(246,166,434)	(238,447,837)
Deferred compensation	(841,255)	(957,127)
Total stockholders' (deficit) equity	(1,910,414)	2,248,778
	$10,489,144	$16,535,665

The accompanying notes are an integral part of these consolidated condensed financial statements.

HYBRIDON, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenues:				
Product and service revenue	$ 1,536,863	$ 681,620	$ 3,066,717	$ 1,506,689
Research and development	150,000	649,915	300,000	799,915
Interest income	16,383	44,602	69,184	62,447
Royalty and other income	14,755	--	54,980	--
	1,718,001	1,376,137	3,490,881	2,369,051
Operating Expenses:				
Research and development	3,244,399	5,577,144	6,691,677	11,979,681
General and administrative	940,987	2,648,907	2,062,455	4,314,019
Interest	167,068	976,526	337,394	2,583,963
	4,352,454	9,202,577	9,091,526	18,877,663
Loss from operations	(2,634,453)	(7,826,440)	(5,600,645)	(16,508,612)
Extraordinary item:				
Gain on conversion of 9% convertible subordinated notes payable	--	8,876,685	--	8,876,685
Net Income (Loss)	(2,634,453)	1,050,245	(5,600,645)	(7,631,927)
Accretion of Preferred Stock Dividends	1,075,900	620,500	2,117,952	620,500
Net Income (Loss) Applicable to Common Stockholders	$ (3,710,353)	$ 429,745	$ (7,718,597)	$ (8,252,427)
Basic and Diluted Income (Loss) Per Common Share From				(Note 3):
Loss before extraordinary item	$ (0.17)	$ (0.69)	$ (0.36)	$ (2.01)
Extraordinary item	--	0.78	--	1.08
Net income (loss) per share	(0.17)	0.09	(0.36)	(0.93)
Accretion of preferred stock dividends	(0.07)	(0.05)	(0.14)	(0.08)
Net income (loss) per share applicable to common stockholders	$ (0.24)	$ 0.04	$ (0.50)	$ (1.01)
Shares Used in Computing Basic and Diluted Net Income (Loss) Per Common Share (Note 2)	15,661,492	11,333,604	15,483,158	8,196,627

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The accompanying notes are an integral part of these consolidated condensed financial statements

HYBRIDON, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 1999	1998
Cash Flows from Operating Activities:		
Net loss	$ (5,600,645)	$ (7,631,927)
Adjustments to reconcile net loss to net cash used in operating activities-		
Extraordinary gain on conversion of 9% convertible subordinated notes payable	--	(8,876,685)
Depreciation and amortization	1,286,653	1,785,353
Loss on disposal of fixed assets	--	228,000
Amortization of deferred compensation	441,452	108,696
Amortization of deferred financing costs	53,967	225,816
Changes in operating assets and liabilities-		
Accounts receivable	414,666	265,580
Prepaid and other current assets	8,677	122,148
Notes receivable from officers	(5,700)	(5,700)
Accounts payable and accrued expenses	(852,999)	(330,465)
Net cash used in operating activities	(4,253,929)	(14,109,184)
Cash Flows from Investing Activities:		
Purchases of property and equipment, net	(8,303)	(285,509)
Proceeds from sale of fixed assets	--	400,000
Net cash provided by (used in) investing activities	(8,303)	114,491
Cash Flows from Financing Activities:		
Proceeds from issuance of convertible preferred stock	--	7,999,960
Net proceeds from issuance of common stock	--	6,876,676
Proceeds from issuance of convertible promissory notes payable	--	4,233,833
Payments on long-term debt and capital leases	(34,329)	(2,489,782)
Decrease (increase) in restricted cash and other assets	--	690,486
Net cash (used in) provided by financing activities	(34,329)	17,311,173
Net (Decrease) Increase in Cash and Cash Equivalents	(4,296,561)	3,316,480
Cash and Cash Equivalents, beginning of period	5,607,882	2,202,202
Cash and Cash Equivalents, end of period	$ 1,311,321	$ 5,518,682
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 337,394	$ 1,261,502
Supplemental Disclosure of Noncash Activities:		
Accretion of Series A convertible preferred stock dividend	$ 2,117,952	$ 620,500
Issuance of common stock in lieu of services	$ 1,000,000	$ --

The accompanying notes are an integral part of these consolidated condensed financial statements.

HYBRIDON, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

(1) ORGANIZATION

Hybridon, Inc. (the Company) was incorporated in the State of Delaware on May 25, 1989. The Company is engaged in the discovery and development of novel genetic medicines based primarily on antisense technology.

Since inception, the Company has been engaged primarily in research and development efforts, development of its manufacturing capabilities and organizational efforts, including recruiting of scientific and management personnel and raising capital. To date, the Company has not received revenue from the sale of biopharmaceutical products developed by it based on antisense technology. In order to commercialize its own products, the Company will need to address a number of technological challenges and comply with comprehensive regulatory requirements. Accordingly, it is not possible to predict the amount of funds that will be required or the length of time that will pass before the Company receives revenues from sales of any of these products. All revenues received by the Company to date have been derived from collaboration agreements, interest on investment funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by the Company's Hybridon Specialty Products Division. As a result, although the Company has begun to generate revenues from its contract manufacturing business, the Company is dependent on the proceeds from possible future sales of equity securities, debt financings and research and development collaborations in order to fund future operations.

The Company is currently seeking debt or equity financing in an amount sufficient to support its operations through at least the end of 1999, and in connection therewith, is in negotiations to obtain such financing. If the Company is unable to obtain additional financing by September 1999, it will be forced to terminate its operations or seek relief under applicable bankruptcy law.

On December 3, 1997, the Company was delisted from the Nasdaq Stock Market, Inc. (NASDAQ) because the Company was not in compliance with the continued listing requirements of the NASDAQ National Market. The Company is currently trading on the NASD OTC as a result of the delisting.

(2) UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited consolidated condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include, in the opinion of management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of interim period results. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes, however, that its disclosures are adequate to make the information presented not misleading. The results for the interim periods presented are not necessarily indicative of results to be expected for the full fiscal year. It is suggested that these financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998, as filed with the Securities and Exchange Commission.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Loss per Common Share

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. Under SFAS No. 128, basic net loss per share applicable to common shareholders is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is the same as basic net loss per common as the effects of the Company's potential common stock equivalents are antidilutive.

Comprehensive Loss

The Company follows the provisions of SFAS No. 130, Reporting Comprehensive Income. Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. The Company's comprehensive loss is the same as the reported net loss for all periods presented.

Segment Reporting

The Company follows the provisions of SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be reported in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services and geographic areas. To date, the Company has viewed its operations and manages its business as principally one operating segment. As a result, the financial information disclosed herein, represents all of the material financial information related to the Company's principal operating segment. All of the Company's revenues are generated in the United States and substantially all assets are located in the United States.

(4) CASH EQUIVALENTS

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 1999 and December 31, 1998 consisted of the following (at amortized cost, which approximates fair market value):

	June 30, 1999	December 31, 1998
Cash and cash equivalents-		
Cash and money market funds	$ 1,115,605	$ 3,865,365
Corporate bond	195,716	1,742,517
	$ 1,311,321	$ 5,607,882

(5) 9.0% CONVERTIBLE SUBORDINATED NOTES

On April 2, 1997, the Company issued $50,000,000 of 9.0% convertible subordinated notes (the 9% Notes). On May 5, 1998 noteholders holding $48.7 million of principal value of the 9% Notes tendered such notes in exchange for Series A convertible preferred stock, approximately $2,355,000 of accrued interest thereon was converted into shares of Series A convertible preferred stock and warrants to purchase common stock. As of June 30, 1999, there is $1.3 million of 9% Notes outstanding. Under the terms of the 9% Notes, the Company must make semi-annual interest payments on the outstanding principal balance through the maturity date of April 1, 2004. If the 9% Notes are converted prior to April 1, 2000, the Noteholders are entitled to receive accrued interest from the date of the most recent interest payment through the conversion date. The 9% Notes are convertible at any time prior to the maturity date at a conversion price equal to $35.0625 per share, subject to adjustment under certain circumstances, as defined.

Beginning April 1, 2000, the Company may redeem the 9% Notes at its option for a 4.5% premium over the original issuance price, provided that from April 1, 2000 to March 31, 2001, the 9% Notes may not be redeemed unless the closing price of the common stock equals or exceeds 150% of the conversion price for a period of at least 20 out of 30 consecutive trading days and the 9% Notes redeemed within 60 days after such trading period. The premium decreases by 1.5% each year through March 31, 2003. Upon a change of control of the Company, as defined, the Company will be required to offer to repurchase the 9% Notes at 150% of the original issuance price.

(6) NOTE PAYABLE TO LENDERS

During November 1998, the Company entered into a $6,000,000 note payable with Forum Capital Markets, LLC (Forum) and certain investors associated with Pecks Management Partners Ltd. (collectively, the Lenders). The terms of the note payable are as follows: (i) the maturity is November 30, 2003; (ii) the interest rate is 8%; (iii) interest is payable monthly in arrears, with the principal due in full at maturity of the loan; (iv) the note payable is convertible, at the Lender's option, in whole or in part, into shares of common stock at a rate equal to $2.40 per share; (v) the note includes a minimum liquidity covenant of $2,000,000; and (vi) the note payable may not be prepaid, in whole or in part, at any time prior to December 1, 2000. The Company has received waivers of noncompliance with the minimum tangible net worth covenant and for the minimum liquidity covenant through August 31, 1999. The Company has classified the outstanding balance of $6,000,000 at June 30, 1999 and December 31, 1998 as a current liability in the accompanying consolidated balance sheet as it does not expect to remain in compliance with the financial covenants. In connection with refinancing the note payable to a bank, Forum received $400,000, which was reinvested by Forum to purchase 160,000 shares of common stock with 40,000 attached warrants at an exercise price of $3.00 per share. The Company has recorded the $400,000 as a deferred financing cost, which will be amortized to interest expense over the term of the note. In addition, Forum received warrants to purchase 133,333 shares of common stock of the Company at $3.00 per share. The Company computed the value of the warrants to be $85,433, by using the Black-Scholes option pricing model. The Company has recorded this $85,433 as a deferred financing cost, which will be amortized to interest expense over the term of the note.

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

GENERAL

Hybridon is engaged in the discovery and development of genetic medicines based on antisense technology. Hybridon commenced operations in February 1990 and since that time has been engaged primarily in research and development efforts, developing its manufacturing capabilities and raising capital. In order to commercialize its therapeutic products, Hybridon will need to raise substantial additional funds, as well as to address a number of technological challenges and comply with comprehensive regulatory requirements. All revenues received by Hybridon to date have been derived from collaborative agreements, interest on invested funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by Hybridon Specialty Products ("HSP").

Hybridon has incurred cumulative losses from inception through June 30, 1999 of approximately $246.2 million. Hybridon has significantly reduced its operating expenses pursuant to a restructuring commenced in the second half of 1997 and completed in 1998. Hybridon expects that, assuming adequate financing can be obtained, its research and development expenses will be significant in 1999 and future years as it pursues its core drug development programs and expects to continue to incur operating losses and have significant capital requirements that it will not be able to satisfy with internally generated funds. As of August 12, 1999, the Company had 52 full-time employees.

RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 1999 AND 1998

Hybridon had total revenues of $1.7 million and $1.4 million for the three months ended June 30, 1999 and 1998, respectively, and had total revenues of $3.5 million and $2.4 million for the six months ended June 30, 1999 and 1998, respectively. Revenues from research and development collaborations were $0.2 million and $0.6 million for the three months ended June 30, 1999 and 1998, respectively, and $0.3 million and $0.8 million for the six months ended June 30, 1999 and 1998, respectively. This decrease was primarily due to a reduction in revenues recorded under a License Agreement with MethylGene, Inc., an entity in which the Company has an approximately 30% equity interest.

Revenues from products and services were $1.5 million and $0.7 million for the three months ended June 30, 1999 and 1998, respectively, and $3.1 million and $1.5 million for the six months ended June 30, 1999 and 1998, respectively. The increase was primarily the result of increased sales to HSP customers and receipt of service revenues from MethylGene, Inc. and OriGenix Technologies, Inc., an entity in which the Company has an approximately 49% equity interest.

Hybridon's research and development expenses were $3.2 million and $5.6 million for the three months ended June 30, 1999 and 1998, respectively, and $6.7 million and $12.0 million for the six months ended June 30, 1999 and 1998, respectively. The decrease reflects Hybridon's reduction of its operating expenses in 1997 and 1998 pursuant to the restructuring commenced in 1997 and completed in 1998 and the lower levels of cash available for expenditures in 1999. The restructuring included the discontinuation of operations at Hybridon's facilities in Europe, and also resulted in significant reductions in employee-related expenses, clinical and outside testing, consulting, materials and lab expenses. Accordingly, research and development salaries and related costs decreased in 1999 due to the reduction in the number of employees engaged in research and development.

The facilities expense included in research and development expenses decreased significantly in 1999 as a result of the relocation of the Company's corporate offices and lab space in July 1998 from Cambridge to Milford,

Massachusetts. Hybridon's facility costs in 1999 related to research and development were also reduced by the income received from subleasing its underutilized laboratory facilities in Cambridge, Massachusetts.

Hybridon's general and administrative expenses were $0.9 million and $2.6 million for the three months ended June 30, 1999 and 1998, respectively, and $2.1 million and $4.3 million for the six months ended June 30, 1999 and 1998, respectively. The decrease reflects Hybridon's reduction of its operating expenses in 1997 and 1998 pursuant to the restructuring commenced in 1997 and completed in 1998 and its effect on employee-related and consulting expenses. General and administrative expenses related to business development, public relations and legal and accounting expenses also decreased in 1999.

The net facilities expense included in general and administrative expenses also decreased significantly in 1999 as a result of the relocation of the Company's corporate offices to Milford, Massachusetts in 1998.

Hybridon's patent expenses remained at approximately the same level in 1999 as 1998, as Hybridon continues to limit the scope of patent protection that it seeks as part of its effort to conserve its cash resources while prosecuting and maintaining key patents and patent applications.

Hybridon's interest expense was $0.2 million and $1.0 million for the three months ended June 30, 1999 and 1998, respectively, and $0.3 million and $2.6 million for the six months ended June 30, 1999 and 1998, respectively. The decrease is attributable to the exchange of approximately $48.7 million of the 9% convertible subordinated notes (the " 9% Notes") issued in the second quarter of 1997 for Series A Preferred Stock on May 5, 1998. In addition, the outstanding balance of borrowings to finance the purchase of property and equipment was reduced in May 1998, resulting in a subsequent reduction in interest expense.

As a result of the above factors, Hybridon incurred net losses from operations of $2.6 million and $7.8 million for the three months ended June 30, 1999 and 1998, respectively, and $5.6 million and $16.5 million for the six months ended June 30, 1999 and 1998, respectively.

Hybridon had extraordinary income of $8.9 million for the three and six months ended June 30, 1998 resulting from the conversion of $48.7 million principal amount of 9% Notes to Series A Convertible Preferred Stock in the second quarter of 1998. As a result of this transaction, the Company recorded a net income after extraordinary income of $1.1 million for the three months ended June 30, 1998 and reduced its net loss to $7.6 million for the six months ended June 30, 1998.

Hybridon had an accretion of preferred stock dividends of $1.1 million and $0.6 million for the three months ended June 30, 1999 and 1998, respectively, and $2.1 million and $0.6 million for the six months ended June 30, 1999 and 1998, respectively, to reflect the accrued portion of dividends payable to the holders of Series A Preferred Convertible Stock, resulting in a net loss to common stockholders of $3.7 million and a net gain of $0.4 million for the three months ended June 30, 1999 and 1998, respectively, and a net loss of $7.7 million and $8.3 million for the six months ended June 30, 1999 and 1998, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 1999, Hybridon used approximately $4.3 million to fund operating activities. The primary use of cash for operating activities was to fund Hybridon's operating loss of $5.6 million. Hybridon did not engage in any significant investing and financing activities during the six months ended June 30, 1999.

Hybridon had cash and cash equivalents of $1.3 million at June 30, 1999. However, since that date, Hybridon has expended a portion of such cash resources and continues to have substantial obligations to lenders, real estate landlords, trade creditors and others. On August 13, 1999, Hybridon's obligations included $1.3 million principal amount of 9% Notes, a $6.0 million loan with Forum Capital Markets, LLC and others, $0.5 million of notes

payable and approximately $2.3 million of accounts payable. Because of Hybridon's financial condition, many trade creditors are only willing to provide Hybridon with products and services on a cash on delivery basis. The note to Forum Capital Markets, LLC and others contains certain financial covenants that require Hybridon to maintain minimum tangible net worth and minimum liquidity. Hybridon is not in compliance with such covenants. However, the lender has granted Hybridon a waiver of compliance with the minimum tangible net worth requirement and the minimum liquidity requirement at June 30, 1999 and has agreed not to require compliance with such requirements for any periods commencing July 1, 1999 through August 31, 1999

Hybridon's ability to continue operations in 1999 depends on its success in obtaining new funds in the immediate future. Hybridon is currently seeking debt or equity financing in an amount sufficient to support its operations into 2000, and in connection therewith, is in negotiations with several parties to obtain such financing. However, there can be no assurance that Hybridon will obtain any funds or as to the timing thereof. The Company's existing cash resources and proceeds of accounts receivable from HSP customers are expected to be sufficient to fund the Company's operations into September 1999. The Company's management expects such receivables to be collected no later than September 1999, given such customers' payment histories, although there can be no assurance thereof. If the Company is unable to obtain substantial additional new funding by the beginning of September, 1999, Hybridon will be required to further curtail significantly one or more of its core drug development programs, obtain funds through arrangements with collaborative partners or others that may require it to relinquish rights to certain of its technologies, product candidates or products which it would otherwise pursue on its own, or terminate operations or seek relief under applicable bankruptcy laws.

HISTORY OF OPERATING LOSSES; UNCERTAINTY OF FUTURE PROFITABILITY

Since inception, Hybridon has incurred significant losses, which it has funded through the issuance of equity securities, debt issuances, sales by HSP, and through research and development collaborations and licensing arrangements.

FUTURE CAPITAL NEEDS; UNCERTAINTY OF ADDITIONAL FUNDING

Even if Hybridon obtains sufficient cash to fund its operations into 2000, it will be required to raise substantial additional funds through external sources, including through collaborative relationships and public or private financing, to support its operations throughout 2000 and beyond. Except for research and development funding from Searle under its collaborative agreement with Searle (which is subject to early termination in certain circumstances), Hybridon has no committed external sources of capital, and, as discussed above, expects no product revenues for several years from sales of the therapeutic products that it is developing (as opposed to sales of DNA products and reagents manufactured and sold by HSP).

No assurance can be given that additional funds will be available to fund operations for the balance of 1999 or in future years, or, if available, that such funds will be available on acceptable terms. If additional funds are raised by issuing equity securities, further dilution to then existing stockholders will result. Additionally, the terms of any such additional financing may adversely affect the holdings or rights of then existing stockholders.

Hybridon'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, progress with preclinical and clinical trials, sales of DNA products and reagents to third parties by HSP and the margins on such sales, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, Hybridon's ability to establish and maintain collaborative academic and commercial research, development and marketing

relationships, its ability to obtain third-party financing for leasehold improvements and other capital expenditures and the costs of manufacturing scale-up and commercialization activities and arrangements.

YEAR 2000; CONTINGENCY PLANS

As has been widely publicized, many computer systems and microprocessors are not programmed to accommodate dates beyond the year 1999. Hybridon's exposure to this year 2000 ("Y2K") problem comes not only from its own internal computer systems and microprocessors, but also from the systems and microprocessors of its key suppliers, including utility companies and payroll services.

Hybridon believes that all of its internal systems will be Y2K compliant by the end of 1999. Hybridon is currently evaluating all of its internal computer systems and microprocessors in light of the Y2K problem. As part of this process, Hybridon has conducted an inventory of its automated instruments and other computerized equipment and is contacting applicable vendors for information regarding Y2K compliance. Hybridon will then upgrade or otherwise modify its internal computer systems and microprocessors, to the extent necessary. Testing of all its internal computer systems and microprocessors has been completed. Hybridon does not expect the cost of bringing all systems and microprocessors into Y2K compliance to be material. Approximately 60% of Hybridon's systems either have been found compliant or have already been brought into compliance.

Hybridon's Y2K compliance efforts are in addition to other planned information technology ("IT") projects. While these efforts have caused and may continue to cause delays in other IT projects, Hybridon does not expect that any of these delays will have a significant effect on Hybridon's business or that any of Hybridon's other IT projects will be canceled or postponed to pay for the Y2K upgrades.

With regard to potential supplier Y2K problems, Hybridon has compiled a list of its critical suppliers, and has sent and received back a Y2K questionnaire from each of them in order to permit Hybridon to ascertain the Y2K compliance status of each. Hybridon has not yet uncovered any key supplier Y2K problems that could have a material effect on its business. If through continued monitoring of these suppliers Hybridon becomes aware of any such problems and is not satisfied that those problems are being adequately addressed, it will take appropriate steps to find alternative suppliers.

It has been acknowledged by governmental authorities that Y2K problems have the potential to disrupt global economies, that no business is immune from the potentially far-reaching effects of Y2K problems, and that it is difficult to predict with certainty what will happen after December 31, 1999. Consequently, it is possible that Y2K problems will have a material effect on Hybridon's business even if Hybridon takes all appropriate measures to ensure that it and its key suppliers are Y2K compliant.

It is possible that the conclusions reached by Hybridon from its analysis to date will change, which could cause Hybridon's Y2K cost estimates and target completion dates to change.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

Statements contained in this Report on Form 10-Q may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Hybridon to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These forward looking statements are subject to a number of uncertainties and other factors, many of which are outside

Hybridon's control, that could cause Hybridon's actual results to differ materially from those indicated by such statements.

For a more complete discussion of the factors that could cause actual results to differ materially from such forward looking statements, see the discussion thereof contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations - Certain Factors that May Affect Future Results" in the Company's Annual Report on Form 10-K for the year ended December 31, 1998, which information is incorporated herein by reference. Hybridon disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Historically, Hybridon's primary exposures have been related to nondollar-denominated operating expenses in Europe. As of June 30, 1999, Hybridon's assets and liabilities related to nondollar-denominated currencies were not material.

HYBRIDON, INC.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

In April, 1999, the Company issued 300,000 shares of Common Stock to Pillar Investments Ltd. ("Pillar") as part of an advisory agreement dated May 5, 1998 entered into by the Company and Pillar, pursuant to which Pillar acts as the Company's non-exclusive financial advisor. The Common Stock was issued in reliance on an exemption from securities registration under Section 4(2) under the Securities Act of 1933, as amended.

In May, 1999, the Company issued 150,000 shares of Common Stock and 173,333 warrants to purchase additional shares of Common Stock at $3.00 per share to Forum Capital Markets, LLC ("Forum") as part of a loan agreement entered into by the Company and Forum. The Common Stock and warrants were issued in reliance on an exemption from securities registration under Section 4(2) under the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

At the Company's Annual Meeting of Stockholders held on June 8, 1999, the stockholders re-elected the following three individuals as Class I Directors to hold office until the 2002 Annual Meeting of Stockholders:

	For	Against	Abstain
Nasser Menhall	9,381,406	157,799	0
Arthur W. Berry	9,379,726	159,479	0
Harold L. Purkey	9,379,726	159,479	0

The term of office as a Director for each of the following individuals continued after the meeting:

Sudhir Agrawal, D. Phil.
Camille A. Chebeir
Yousef El-Zein
E. Andrews Grinstead, III
H.F. Powell
Dr. James B. Wyngaarden
Dr. Paul C. Zamecnik

The stockholders also approved a proposal to amend the Company's 1997 Stock Incentive Plan. The holders of 7,603,125 shares of Common Stock voted for the proposal, the holders of 110,631 shares of Common Stock voted against the proposal, the holders of 159,470 shares of Common Stock abstained from voting and the holders of 1,665,979 shares of Common Stock were broker non-votes.

The stockholders also approved a proposal to amend the Company's 1995 Director Stock Option Plan. The holders of 7,550,065 shares of Common Stock voted for the proposal, the holders of 163,411 shares of Common Stock voted against the proposal, the holders of 159,750 shares of Common Stock abstained from voting and the holders of 1,665,979 shares of Common Stock were broker non-votes.

Finally, the stockholders ratified the selection of Arthur Andersen LLP as the independent public accountants to audit the Company's consolidated financial statements. The holders of 9,532,615 shares of Common Stock voted for the ratification, the holders of 4,200 shares of Common Stock voted against and the holders of 2,390 abstained from voting.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 Financial Data Schedule (EDGAR)

(b) No current reports on Form 8-K were filed during the six months ended June 30, 1999.

SIGNATURES

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

HYBRIDON, INC.

August 16, 1999	/s/ E. Andrews Grinstead, III
Date	E. Andrews Grinstead, III Chairman, President and Chief Executive Officer (Principal Executive Officer)
August 16, 1999	/s/ Robert G. Andersen
Date	Robert G. Andersen Treasurer (Principal Financial and Accounting Officer)

HYBRIDON, INC.

EXHIBIT INDEX

27.1 Financial Data Schedule (EDGAR)

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