SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: June 30, 1997 Commission File Number 0-27352

Hybridon, Inc.
(Exact name of registrant as specified in its charter)

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

620 Memorial Drive
Cambridge, MA 02139
(Address of principal executive offices, including zip code)

(617) 528-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports 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 July 31, 1997
Common Stock, par value $.001 per share	25,260,252

HYBRIDON, INC.

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HYBRIDON, INC. AND SUBSIDIARIES

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

ASSETS	JUNE 30, 1997	DECEMBER 31, 1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,594,921	$ 12,633,742
Short-term investments	20,052,761	3,785,146
Accounts receivable	644,505	573,896
Prepaid expenses and other current assets	1,660,867	1,545,324
Total current assets	30,953,054	18,538,108
PROPERTY AND EQUIPMENT, AT COST:		
Leasehold improvements	13,606,246	9,257,516
Laboratory equipment	6,051,548	5,884,861
Equipment under capital leases	5,353,458	2,904,688
Office equipment	1,760,020	1,496,639
Furniture and fixtures	515,012	499,958
Construction-in-progress	2,086,000	2,193,400
	29,372,284	22,237,062
Less--Accumulated depreciation and amortization	8,837,668	6,596,294
	20,534,616	15,640,768
OTHER ASSETS:		
Restricted cash	350,000	437,714
Notes receivable from officers	322,641	317,978
Deferred financing costs and other assets	3,698,501	1,152,034
Investment in real estate partnership	5,450,000	5,450,000
	9,821,142	7,357,726
	$ 61,308,812	$ 41,536,602

LIABILITIES AND STOCKHOLDERS' EQUITY(DEFICIT)		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	$ 1,887,863	$ 1,308,511
Accounts payable	3,895,988	4,064,419
Accrued expenses	3,786,842	4,190,766
Deferred revenue	--	86,250
Total current liabilities	9,570,693	9,649,946
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	10,019,593	9,031,852
CONVERTIBLE SUBORDINATED NOTES	50,000,000	--
STOCKHOLDERS' EQUITY(DEFICIT):		
Preferred stock, $.01 par value- Authorized--5,000,000 shares Issued and outstanding--None	--	--
Common stock, $.001 par value- Authorized--100,000,000 shares Issued and outstanding--25,250,252 shares at June 30, 1997, and 25,146,577 shares at December 31, 1996 respectively	25,250	25,147
Additional paid-in capital	173,636,989	173,227,358
Deficit accumulated during the development stage	(180,736,741)	(149,193,775)
Deferred Compensation	(1,206,972)	(1,203,926)
Total stockholders' equity(deficit)	(8,281,474)	22,854,804
	$ 61,308,812	$ 41,536,602

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

HYBRIDON, INC. AND SUBSIDIARIES

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		CUMULATIVE FROM MAY 25,1989 (INCEPTION) TO JUNE 30, 1997
	1997	1996	1997	1996	
REVENUES:					
Research and development	$ 186,250	$ 458,150	$ 780,150	$ 717,500	$ 5,334,413
Product Revenue	727,704	--	1,075,858	--	2,156,033
Interest income	486,502	340,622	603,914	635,495	2,745,531
Royalty and other income	14,971	62,321	14,971	62,321	77,292
	1,415,427	861,093	2,474,893	1,415,316	10,313,269
OPERATING EXPENSES:					
Research and development	14,969,366	9,700,841	26,445,805	17,084,138	145,077,705
General and administrative	2,524,046	2,804,907	5,954,499	5,223,293	42,744,367
Interest	1,447,348	29,978	1,617,555	69,581	3,227,938
	18,940,760	12,535,726	34,017,859	22,377,012	191,050,010
Net loss	$(17,525,333)	$(11,674,633)	$(31,542,966)	$ (20,961,696)	$(180,736,741)
NET LOSS PER COMMON SHARE (Note 2)	$ (.69)	$ (.48)	$ (1.25)	$ (.89)	

SHARES USED IN COMPUTING NET LOSS PER COMMON SHARE (Note 2)	25,241,956	24,518,126	25,211,845	23,613,260

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

HYBRIDON, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,		CUMULATIVE FROM MAY 25, 1989 (INCEPTION) TO JUNE 30,
	1997	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(31,542,966)	$(20,961,696)	$(180,736,741)
Adjustments to reconcile net loss to net cash used in operating activities-			
Depreciation and amortization	2,241,374	985,840	8,939,109
Issuance of common stock for services rendered	146,875	--	146,875
Compensation on grant of stock options, warrants and restricted stock	188,412	--	7,996,143
Amortization of discount on convertible promissory notes payable	--	--	690,157
Amortization of deferred financing costs	250,395	--	467,127
Noncash interest on convertible promissory notes payable	--	--	260,799
Changes in operating assets and liabilities-			
Accounts Receivable	(70,609)	--	(644,505)
Prepaid and other current assets	(108,610)	(931,251)	(1,653,933)
Notes receivable from officers	(4,663)	(4,953)	(322,641)
Amounts payable to related parties	--	(12,500)	(200,000)
Accounts payable and accrued expenses	(572,356)	(269,454)	7,682,830
Deferred revenue	(86,250)	--	--
Net cash used in operating activities	(29,558,398)	(21,194,014)	(157,374,780)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in short-term investments	(16,267,615)	(19,282,850)	(20,052,761)
Purchases of property and equipment, net	(5,838,183)	(3,991,072)	(27,640,893)
Decrease (increase) in restricted cash and other assets	133,878	184,588	(1,530,305)
Investment in real estate partnership	--	(4,230,539)	(5,450,000
Net cash used in investing activities	(21,971,920)	(27,319,873)	(54,673,959)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible preferred stock	--	--	96,584,154
Proceeds from issuance of common stock related to stock options and restricted stock grants	62,327	260,426	1,236,929
Proceeds from issuance of common stock related to stock warrants	9,075		3,185,816
Net proceeds from issuance of common stock	--	52,231,244	52,355,324
Repurchase of common stock	--	--	(263)
Proceeds from notes payable	--	--	9,450,000
Proceeds from issuance of convertible promissory notes payable	50,000,000		59,191,744
Proceeds from long-term debt	--	--	662,107
Payments on long-term debt and capital leases	(895,183)	(206,913)	(2,696,796)
Proceeds from sale/leaseback	1,165,236	2,042,811	3,960,752
(Increase) decrease in deferred financing costs	(2,849,958)	526,721	(3,286,107)
Net cash provided by financing activities	47,491,497	54,854,289	220,643,660
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,038,821)	6,340,042	8,594,921
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12,633,742	5,284,262	--
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,594,921	$ 11,624,664	$ 8,594,921
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 492,555	$ 69,581	$ 2,102,938

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

HYBRIDON, INC. AND SUBSIDIARIES

(A DEVELOPMENT STAGE COMPANY)

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.

The Company is in the development stage. Since inception, the Company has been engaged primarily in research and development efforts, development of its manufacturing capabilities and organizational efforts, including recruitment 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 collaborative agreements, interest on invested 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.

(1) ORGANIZATION (Continued)

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, 1996, as filed with the Securities and Exchange Commission.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Loss per Common Share

Net loss per common share is computed using the weighted average number of shares of common stock outstanding during the period. Pursuant to the requirements of the Securities and Exchange Commission, common stock issued by the Company during the 12 months immediately preceding its initial public offering, plus shares of common stock that became issuable

during the same period pursuant to the grant of common stock options and preferred and common stock warrants, has been included in the calculation of weighted average number of shares outstanding for the period from January 1, 1996 through February 2, 1996 (using the treasury-stock method and the initial public offering price of $10 per share). In addition, the calculation of the weighted average number of shares outstanding includes shares of common stock as if all shares of preferred stock were converted into common stock on the respective original dates of issuance.

(3) CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company applies SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Accordingly, the Company has classified its cash equivalents and short-term investments as held-to-maturity, and has recorded them at amortized cost, which approximates market value. Short-term investments mature within one year of the balance sheet date. Cash equivalents have original maturities of less than three months. Cash and cash equivalents and short-term investments at June 30, 1997 and December 31, 1996 consisted of the following:

	June 30, 1997	December 31, 1996
Cash and Cash Equivalents-		
Cash and money market funds	$ 3,621,326	$10,144,367
U.S. government securities	974,701	2,489,375
Commercial paper and certificates of deposit	3,998,894	--
	$ 8,594,921	$12,633,742
Short-term Investments-		
U.S. government securities	$ -	$ 3,785,146
Commercial paper and certificates of deposit	20,052,761	--
	$20,052,761	$ 3,785,146

(4) CONVERTIBLE SUBORDINATED NOTES PAYABLE

On April 2, 1997, the Company issued $50,000,000 of 9% convertible subordinated notes (the Notes). Under the terms of the Notes, the Company must make semi-annual interest payments on the outstanding principal balance through the maturity date of April 1, 2004. If the 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 Notes are subordinate to substantially all of the Company's existing indebtedness. The Notes are convertible at any time prior to the maturity date at a conversion price equal to $7.0125, subject to adjustment under certain circumstances, as defined.

Beginning April 1, 2000, the Company may redeem the 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 Notes may not be redeemed unless the closing price of the common stock equals or

(4) CONVERTIBLE SUBORDINATED NOTES PAYABLE (continued)

exceeds 150% of the conversion price for a period of at least 20 out of 30 consecutive trading days and the 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 Notes at 150% of the original issuance price.

(5) NEW ACCOUNTING STANDARD

On March 31, 1997, the Financial Accounting Standards Board issued SFAS No. 128, Earnings Per Share. SFAS No. 128 establishes standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. SFAS No. 128 is effective for fiscal years ending after December 15, 1997 and early adoption is not permitted. When adopted by the Company, SFAS No. 128 will require restatement of prior years' earnings per share. The Company will adopt SFAS No. 128 for its fiscal year ended December 31, 1997. The Company believes that the adoption of SFAS No. 128 will not have a material effect on its financial statements.

(6) SUBSEQUENT EVENTS

In July 1997, the Company stopped the development of GEM 91, its first generation antisense drug for the treateent of AIDS and HIV infection, based on a review of new data from an open label Phase II clinical trial of patients with advanced HIV infection. In the Phase II trial, three of the nine subjects tested experienced decreases in platelet counts that required dose interruption. In addition, a review of the data showed inconsistent responses to the treatment and failed to confirm the decrease in cellular viremia observed in an earlier clinical trial. As a result, the Company now plans to focus its resources on core drug development programs involving four second generation antisense compounds based on the Company's proprietary mixed backbone chemistries.

The Company is implementing a restructuring plan to reduce expenditures on a phased basis over the balance of 1997 in an effort to conserve its cash resources. As part of this restructuring plan, in addition to stopping the clinical development of GEM 91, the Company is reducing or suspending selected programs unrelated to the four core programs. To begin the implementation of these changes the Company terminated the employment of 28 employees at its Cambridge and Milford, Massachusetts facilities in July 1997 and plans to substantially reduce operations at its Paris, France office and terminate 11 employees at that location in August 1997. The Company is continuing to review its expenditure rate and implement additional measures to conserve its cash resources.

Because of the significant costs involved in terminating employees and substantially reducing operations at its Paris, France office, the Company does not expect its expenditure rate to materially decrease until at least

October 1997. The Company estimates that restructuring charges from the actions taken to date and the substantial reduction of operations at its Paris, France office will total between approximately $2.0 million and $3.0 million, and expects that it will recognize such charges in the third quarter of 1997 and that it will make the associated cash payments over the third and fourth quarters of 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company is engaged in the discovery and development of genetic medicines based primarily on antisense technology. The Company commenced operations in February 1990 and since that time has been engaged primarily in research and development efforts, development of its manufacturing capabilities and organizational efforts, including recruitment 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 collaborative agreements, interest on invested funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by the Company's Hybridon Specialty Products Division.

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Because of the significant costs involved in terminating employees and substantially reducing operations at its Paris, France office, the Company does not expect its expenditure rate to materially decrease until at least October 1997. The Company estimates that restructuring charges from the actions taken to date and the substantial reduction of operations at its Paris France office will total between approximately $2.0 million and $3.0 million, and expects that it will recognize such charges in the third quarter of 1997 and that it will make the associated cash payments over the third and fourth quarters of 1997.

The Company has incurred losses since its inception and, despite its restructuring plan, expects to incur significant operating losses in the future. The Company expects that its research and development expenses will continue to be significant during the balance of 1997 and in future years as it pursues its four core development programs. The Company has incurred cumulative losses from inception through June 30, 1997 of approximately $180.7 million.

This Quarterly Report on Form 10-Q contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans,"

"intends," "may," and other similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include the matters set forth 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, 1996, which is hereby incorporated herein by this reference. Any statement contained in such matters shall be deemed to be modified or superseded for purposes of this Quarterly Report on Form 10-Q to the extent that a statement contained herein modifies or supersedes such statement. Moreover, there can be no assurance that the Company will be able to successfully implement its restructuring plan or as to the timing thereof.

RESULTS OF OPERATIONS

Three and Six Months Ended June 30, 1997 and 1996

Revenues

The Company had total revenues of $1,415,000 and $861,000 in the three months ended June 30, 1997 and 1996, respectively, and $2,475,000 and $1,415,000 in the six months ended June 30, 1997 and 1996, respectively.

Revenues from research and development collaborations were $186,000 and $458,000 for the three months ended June 30, 1997 and 1996, respectively, and $780,000 and $718,000 for the six months ended June 30, 1997 and 1996, respectively. Revenues for the three months ended June 30, 1997 decreased because the research funding, which the Company received under the Company's collaboration with F. Hoffmann-La Roche Ltd. ("Roche") during the three months ended June 30, 1996, was terminated by Roche as of March 31, 1997 in connection with Roche's termination of the research phase of the collaboration. Despite the decrease in revenues for the three months ended June 30, 1997 as a result of the termination of research funding by Roche, revenues for the six months ended June 30, 1997 were comparable to revenues for the six months ended June 30, 1996 because of the inclusion of revenues earned under the Company's collaboration with G.D. Searle & Co. ("Searle") during the full six months ended June 30, 1997. During the six months ended June 30, 1996, the Company did not receive revenues under the Searle collaboration until the second quarter of 1996.

Revenues from the custom contract manufacturing of synthetic DNA and reagent products by the Hybridon Specialty Products Division were $727,000 and $1,075,000, respectively, for the three and six months ended June 30, 1997. The Hybridon Specialty Products Division commenced operations in June 1996. Accordingly, the Company did not receive any revenues from the custom contract manufacturing of synthetic DNA and reagent products during the six months ended June 30, 1996.

Interest income was $487,000 and $341,000 for the three months ended June 30, 1997 and 1996, respectively, and $604,000 and $635,000 for the six months ended June 30, 1997 and 1996, respectively. The increase in interest income in the three months ended June 30, 1997 was the result of more favorable interest rates during such period then during the three months ended June 30, 1996.

Research and Development Expenses

The Company had research and development expenses of $14,969,000 and $9,701,000 in the three months ended June 30, 1997 and 1996, respectively, and $26,446,000 and $17,084,000 in the six months ended June 30, 1997 and 1996, respectively.

The increase in research and development expenses for the three and six months ended June 30, 1997 primarily reflected increased expenses related to ongoing clinical trials of the Company's product candidates, including trials of GEM 91 (which were terminated in July of 1997) and trials of two different formulations of GEM 132 (an antisense compound for the treatment of systemic CMV and CMV retinitis), which were first initiated with respect to GEM 132 intravenous in Europe during the third quarter of 1996 and with respect to GEM 132 intravitreal for the treatment of CMV retinitis in the United States during the first quarter of 1997. The increase also reflected increased salaries and related costs, facilities equipment costs related to additional laboratories, consulting and professional expenses and expenses related to the production of GEM 91, GEM 132 and preclinical compounds. Research and development staffing and related costs increased significantly as the number of employees engaged in research and development activities increased from 157 employees as of March 31, 1997 to 161 employees as of June 30, 1997.

General and Administrative Expenses

The Company had general and administrative expenses of $2,524,000 and $2,805,000 in the three months ended June 30, 1997 and 1996, respectively, and $5,954,000 and $5,223,000 in the six months ended June 30, 1997 and 1996, respectively. The decrease in general and administrative expenses for the three months ended June 30, 1997 was attributable primarily to a reduction in travel and consulting expenses in such period. The increase in general and administrative expenses for the six months ended June 30, 1997 was attributable primarily to increased expenses in the three months ended March 31, 1997 related to certain financing activities which were terminated during such period and a one-time charge related to the Company's investment in MethylGene, Inc., a Canadian company in which the Company owns a minority interest.

Interest Expense

The Company had interest expense of $1,447,000 and $30,000 in the three months ended June 30, 1997 and 1996, respectively, and $1,618,000 and $70,000 in the six months ended June 30, 1997 and 1996, respectively. The increase in interest expense for the three and six months ended June 30, 1997 reflected an increase in the debt outstanding during the three months ended June 30, 1997 associated with the Company's issuance of $50,000,000 of 9% Convertible Subordinated Notes (the "Notes") on April 2, 1997 and interest incurred on borrowing to finance the purchase of property and equipment, and leasehold improvements.

Net Loss

As a result of the above factors, the Company incurred net losses of $17,525,000 and $11,675,000 for the three months ended June 30, 1997 and 1996, respectively, and $31,543,000 and $20,962,000 for the six months ended June 30, 1997 and 1996, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30,1997, the Company used $29,558,000 of net cash for operating activities, principally for ongoing research and development programs, and $5,838,000 of net cash for investment in property and equipment, consisting primarily of costs related to leasehold improvements, equipment and furnishings of the Cambridge facility which the Company moved into on February 1, 1997.

On April 2, 1997, the Company sold $50.0 million of Notes to certain investors. The Notes bear interest at a rate of 9% per annum and have a maturity date of April 1, 2004. Under the Notes, the Company is required to make semi-annual interest payments on the outstanding principal balance through the maturity date of April 1, 2004. The Notes are unsecured and subordinate to substantially all of the Company's existing indebtedness. The Notes are convertible at the option of the holder into the Company's Common Stock at any time prior to maturity, unless previously redeemed or repurchased by the Company under certain specified circumstances, at a conversion price of $7.0125 per share (subject to adjustment). Upon change of control of the Company (as defined), the Company is required to offer to repurchase the Notes at 150% of the original issuance

price.

The Company had cash, cash equivalents and short term investments of $28,648,000 at June 30, 1997. Based on its current operating plan, including the expenditure rate reduction initiatives being undertaken by the Company as part of its restructuring plan, the Company believes that its existing capital resources, together with the committed collaborative research and development payments from Searle, and anticipated sales of the Hybridon Specialty Products Division and margins on such sales, will be adequate to fund the Company's capital requirements into the fourth quarter of 1997. The Company will require substantial additional funds from external sources in the fourth quarter of 1997 to support the Company's operations through the end of the fourth quarter of 1997 and thereafter.

A significant factor affecting the Company's future capital requirements is the level of sales of the Hybridon Specialty Products Division and the margins on such sales. Revenues from the sale of custom contract manufacturing of synthetic DNA and reagent products by the Hybridon Specialty Products Division were lower than anticipated in the three months ended June 30, 1997. During such period, the Company received repeat customer orders and expanded its customer base from 17 customers to 30 customers. The Company expects revenues from sale of custom contract manufacturing of synthetic DNA and reagent products by the Hybridon Specialty Products Division in the three months ending September 30, 1997 to exceed revenues in the three months ended June 30, 1997. However, based on the Hybridon Specialty Products Division's backlog of orders at June 30, 1997, the Company believes that such revenues may be lower than initially anticipated for the three months ending September 30, 1997 and for the balance of 1997.

The Company intends to seek additional equity, debt and lease financing to fund future operations. The Company also intends to seek additional collaborative development and commercialization relationships with potential corporate partners in order to fund certain of its programs. Except for research and development funding from Searle under Hybridon's 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 products that it is developing (as opposed to sales of DNA products and reagents manufactured on a custom contract basis by the Hybridon Specialty Products Division). If the Company is unable to obtain necessary additional funds, it may be required to further scale back or eliminate certain of its core development programs, license to third parties certain technologies which the Company would otherwise pursue on its own, sell certain assets or business units to third parties, conduct a financing which could be dilutive to holders of the Company's existing securities and contain certain terms that would adversely affect the rights of holders of the Company's existing securities or cease operations.

PART II

OTHER INFORMATION

Item 2 Changes in Securities

During the three months ended June 30, 1997, the Company issued and sold the following securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

1. On April 2, 1997, the Company issued $50,000,000 of its 9% Convertible Subordinated Notes Due 2004 to an investment bank (the "Bank") pursuant to Rule 506 under the Securities Act.

2. On April 2, 1997, the Company issued to the Bank warrants to purchase 356,506 shares of Common Stock at an exercise price of $7.0125 per share pursuant to Section 4(2) of the Securities Act.

Item 4 Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Stockholders held on May 19, 1997, the following proposals were adopted by the vote specified below:

1. Election of Class II Directors

	For	Withheld Authority
Mohamed A. El-Khereiji	15,046,792	14,666
Jerry A. Weisbach	15,027,192	34,266
James B. Wyngaarden	15,046,892	14,566
Paul C. Zamecnik	15,047,092	14,366

2. Adoption of the 1997 Stock Incentive Plan

For	Against	Abstain	Broker Nonvotes
10,704,147	244,725	12,641	4,099,945

3. Ratification of the Selection of Independent Auditors

For	Against	Abstain	Broker Nonvotes
15,003,091	9,801	48,566	--

Item 5. Other Information

1. Effective July 28, 1997, Jerry A. Weisbach, a Class II director of the Company resigned from the Board of Directors of the Company.

2. Effective August 11, 1997, J. Robert Buchanan, a Class I director of the Company, resigned from the Board of Directors of the Company.

3. On August 8, 1997, the Company withdrew Post-effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-28409) (the "Registration Statement"). The Company filed Post-effective Amendment No. 1 to the Registration Statement on July 25, 1997 to remove from registration the 5,000,000 shares of Common Stock registered under the Registration Statement. Although the Company is not offering shares of Common Stock pursuant to the Registration Statement at this time, the Company may do so in the future at such time as it considers, in its sole discretion, to be appropriate.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed as part of this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

On April 14, 1997, the Company filed a Current Report on Form 8-K dated April 2, 1997 announcing the completion of the sale of $50,000,000 of the Company's 9% Convertible Subordinated Notes Due 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.

HYBRIDON, INC.

August 13, 1997	/s/ E. Andrews Grinstead III
Date	E. Andrews Grinstead, III Chairman, President and Chief Executive Officer (Principal Executive Officer)
August 13, 1997	/s/ Anthony J. Payne
Date	Anthony J. Payne Senior Vice President of Finance and Administration and Chief Financial Officer (Principal Financial and Accounting Officer)

HYBRIDON, INC.

EXHIBIT INDEX

Exhibit No.	Description
*10.1	Amendment No. 1 to License Agreement, dated as February 21, 1990 and restated as of September 8, 1993, by and between the Worcester Foundation for Biomedical Research, Inc. and the Company, dated as of November 26, 1996.
10.2	Letter Agreement dated May 12, 1997 between the Company and Pillar S.A. amending the Consulting Agreement dated as of March 1, 1994 between the Company and Pillar S.A..
10.3	Amendment dated July 15, 1997 to the Series G Convertible Preferred Stock and Warrant Purchase Agreement dated as of September 9, 1994 among the Company and certain purchasers, as amended.
10.4	Sixth Amendment to the lease dated April 1997 between the Company and Charles River Building Limited Partnership for space located at 620 Memorial Drive, Cambridge, Massachusetts.
11	Computation of Net Loss Per Common Share.
27	Financial Data Schedule (EDGAR)
99	Pages 39-48 of the Company's Annual Report on Form 10-K for the period ended December 31, 1996 (which is not deemed to be filed except to the extent that portions thereof are expressly incorporated by reference herein).
*	Confidential treatment requested as to certain portions of exhibit, which portions have been omitted and filed separately with the commission

EXHIBIT 10.1

Confidential materials omitted and filed separately with the
Securites and Exchange Commission.
Asterisks denote omissions.

AMENDMENT NO. 1 TO LICENSE AGREEMENT,
DATED AS OF FEBRUARY 21, 1990 AND
RESTATED AS OF SEPTEMBER 8, 1993,
BY AND BETWEEN THE WORCESTER FOUNDATION
FOR BIOMEDICAL RESEARCH, INC. AND HYBRIDON, INC.

This Agreement, dated as of November 26, 1996, is entered into by and between the Worcester Foundation for Biomedical Research, Inc. (formerly the Worcester Foundation for Experimental Biology, Inc.), having offices at 222 Maple Avenue, Shrewsbury, Massachusetts 01545, ("Foundation") and Hybridon, Inc., a Delaware Corporation having offices at One Innovation Drive, Worcester, Massachusetts 01605, ("Hybridon").

WITNESSETH:

WHEREAS, Foundation and Hybridon entered into a license agreement, dated as of February 21, 1990 and restated as of September 8, 1993 (the "License Agreement"); and

WHEREAS, Foundation and Hybridon wish to amend the License Agreement on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, the parties agree as follows:

1. Capitalized terms used herein and not defined herein shall have the respective meanings ascribed to such terms in the License Agreement.

2. Section 1.7 of the License Agreement shall be amended to read in its entirety as follows:

1.7. SUBLICENSE INCOME. The term "Sublicense Income" shall mean all consideration received from Sublicensees of Licensee pursuant to Section 2.2(c), excluding (a) payments made by a Sublicensee in consideration for the issuance of equity or debt securities of Licensee, (b) payments made by a Sublicensee to support or fund research activities to be undertaken by Licensee, (c) up-front payments made in consideration or recognition of prior research and development efforts undertaken by Licensee, (d) payments made upon the achievement by Licensee or Sublicensee of specified milestones or benchmarks relating to the

Confidential materials omitted and filed separately
with the Securities and Exchange Commission.
Asterisks denote omissions.

development of the Licensed Products sublicensed to Sublicensee, except to the extent that such payments are in consideration for the grant or exercise of a sublicense under the Patent Rights, and (e) payments made by a Sublicensee for the manufacture and supply of Licensed Products to such Sublicensee. If non-monetary

consideration is so received, then a commercially reasonable monetary value will be assigned for purposes of calculating Foundation's share of Sublicense Income.

3. Section 5.2 of the License Agreement shall be amended to read in its entirety as follows:

5.2. Royalties.

(a) Except as provided in Section 5.2(b) below, on all sales of Licensed Products covered by any pending or Valid Claim of Patent Rights in any country where the Licensed Product is made, used or sold by Licensee or its Affiliates, Licensee shall pay Foundation royalties in accordance with the following schedule, such undertaking and schedule having been agreed to for the purpose of reflecting and advancing the mutual convenience of the parties:

(*) ***** *********** *** *********** ******** *** ** *** **** ****;

(*) ***** ********** ********* ** ** *** ***** *****;

(*) ********** *********** *** *********** ********* ** ** *** ***** *****;

(*) ********** ********** ********* ** ** *** ***** *****;

(*) *********** ********* ** ** *** ***** ****** ***

(*) ******** ******** *** *** ********** **** ** *** ***** *****.

For purposes of this Section 5.2, a "Valid Claim" shall mean a claim of an unexpired patent which shall not have been withdrawn, cancelled, or disclaimed, nor held invalid by a court of competent jurisdiction in any

unappealed or unappealable decision in the country where the Licensed Product is made, used or sold by Licensee or its Affiliates.

(b) Foundation shall *** ** ******** ** * ******* ** *** ******** **** ** ******** ** ** ********** for the ********** *** ****** ** ******** ******** ** **** *********** *** ********** ***** ** **** ******** ******** if, and only if, *** ********* received by ******** **** **** *********** ** *** **** of such ******** ******** ** **** *********** **** ********** ** *** *********** ** ***** ******* ***** ******* ***** ********** ********** ******* *** at rates equal to or greater than those set forth in Section 5.2(a) (subject to any reduction pursuant to Section 5.8). **** ******* ** ******** ******* ************* ** ******** *** * *********** **** *** *** *** ********** **** *** with respect to which Foundation shall ** ******** ** * ******** pursuant to the first sentence of this Section 5.2(b), or **** *** *** ** ** ******** ** ******* ********* ***** *** *** ** ** ****

*** ********** *********** ** ******** ********* ********** *****
** ********* ** * ******* ** *** ***** ** **** ******** ******** **
**** ************ ** the applicable royalty rates set forth in Section 5.2(a) (subject to any reduction pursuant to Section 5.8)***** ********** ******* ****** *** **** ** **** ***********
*** ****** ** ********* ******** *** *** ******* ** *** ********
***** ******* ** ************ PROVIDED, HOWEVER, **** *** ********
***** *** ********** ******* ** ****** the agreement of such
*********** ** ********* ******** *** *** ******* ** *** ********
***** ******** *** *** ** *** ***** **** ******** ***** ** ******
such agreement **** **** ************ **** ******** ***** *** **
********** *** ******* ******** ** ******** *** ***** ***********
*** *** ************ *** ****** ** ******** ******** ** ****
*********** **** *** ** ****** ** ********** ***** ********* *****
** ************** *** ********* **** ******** ********* ** ** **
********* ****** **** ** ***** ** *** ******* ***** *******.

4. In all other respects the License Agreement shall remain in full force and effect.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names by their properly and duly authorized officers or representatives as of the date first written above.

WORCESTER FOUNDATION FOR BIOMEDICAL RESEARCH, INC.	HYBRIDON, INC.
By: /s/ Thoru Pederson	By: /s/ E. Andrews Grinstead III
Name: Thoru Pederson	Name: E. Andrews Grinstead III
Title: President & Director	Title: Chairman, President & CEO
Date: 11/26/96	Date: 11-13-96

EXHIBIT 10.2

HYBRIDON, INC.
620 Memorial Drive
Cambridge, MA 02139

May 12, 1997

Pillar S.A.
28, Avenue de Messine
75008 Paris, France
Attn: Mr. Youssef El-Zein

Re: Consulting Agreement dated as of March 1, 1994 as amended

Dear Youssef:

Hybridon, Inc. ("Hybridon") hereby confirms its agreement that the term of the Consulting Agreement dated as of March 1, 1994, as amended, between Hybridon and Pillar S.A., as set forth in Section 2(a) of such Consulting Agreement, has been extended to February 28, 1998.

If you are in agreement with the foregoing, please so indicate by signing below.

HYBRIDON, INC.

/s/ E. Andrews Grinstead, III
E. Andrews Grinstead, III
Chairman, President and Chief Executive Officer

Agreed and Acknowledged this
14 day of May, 1997

PILLAR S.A.

By: /s/ Youssef El-Zein

Title: President Directeur General

EXHIBIT 10.3

Amendment to Definition of Registrable Shares
in Section 8.1 of the Series G Convertible
Preferred Stock and Warrant Purchase Agreement

Section 8.1 of the Series G Convertible Preferred Stock and Warrant Purchase Agreement dated as of September 9, 1994, as amended, between the Company and certain holders of securities of the Company (the "Purchase Agreement") is amended by deleting the proviso to the definition of "Registrable Shares" under Section 8.1 of the Purchase Agreement in its entirety and inserting in lieu thereof the following:

"PROVIDED, HOWEVER, that shares of Common Stock which are Registrable Shares shall cease to be Registrable Shares (i) upon any sale pursuant to a Registration Statement, Section 4(1) of the Securities Act or Rule 144 under the Securities Act ("Rule 144"), (ii) with respect to a holder of Registrable Shares, if all of the Registrable Shares held by such holder (A) may be sold by the holder within a 90-day period pursuant to Rule 144, (B) may be sold by the holder pursuant to Rule 144(k) or (C) do not constitute "restricted securities" under Rule 144 because such Registrable Shares were acquired by such holder pursuant to Regulation S under the Securities Act, or (iii) upon any sale in any manner to a person or entity which, by virtue of Section 9(b) of this Agreement is not entitled to the rights provided by this Section 8."

EXHIBIT 10.4

SIXTH AMENDMENT TO LEASE

This Sixth Amendment to Lease is entered into by and between Charles River Building Limited Partnership, a Delaware limited partnership (the "Landlord") and Hybridon, Inc., a Delaware corporation (the "Tenant") as of April __, 1997. Reference is hereby made to that certain Lease between Landlord and Tenant dated February 4, 1994, as amended by a First Amendment to Lease dated as of November 30, 1995, a Second Amendment to Lease dated as of February 23, 1996, a Third Amendment to Lease dated as of February 28, 1996, a Fourth Amendment to Lease dated July 25, 1996 and a Fifth Amendment to Lease dated March 14, 1997 (as affected by this Fifth Amendment to Lease, the "Lease").

WHEREAS, the Tenant has elected to exercise the Equity Investment Option (as defined in the Lease); and

WHEREAS, Landlord and Tenant have agreed that the Building (as defined in the Lease) contains 91,500 rentable square feet; and

WHEREAS, Landlord and Tenant have agreed to extend the initial Term (as defined in the Lease) for an additional five years; and

WHEREAS, Landlord and Tenant have agreed that the Commencement Date (as defined in the Lease) was February 1, 1997;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as of the date hereof that the Lease is amended as follows:

1. The recitals set forth above are hereby incorporated herein.

2. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Lease.

3. The definitions set forth in Section 1.1 of the Lease for the term set forth below are hereby deleted and replaced with the following:

Term:	Fifteen (15) years, commencing on the Commencement Date, with three (3) five (5) year options to extend, as set forth in Section 2.3
Annual Fixed Rent Rate:	During the original Term, for the five years commencing on the Commencement Date, Thirty-Seven and 79/100 Dollars ($37.79) per

EXHIBIT 11

HYBRIDON, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

COMPUTATION OF NET LOSS PER COMMON SHARE (1)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
NET LOSS	$(17,525,333)	$(11,674,633)	$(31,542,966)	$(20,961,696)
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES:				
Weighted average common stock outstanding during the period	25,241,956	24,518,126	25,211,845	20,747,427
Conversion of preferred stock	--	--	--	2,778,569
Dilutive effect of common equivalent shares issued subsequent to October 31, 1994 (2)	--	--	--	87,264
	25,241,956	24,518,126	25,211,845	23,613,260
NET LOSS PER COMMON SHARE	$ (.69)	$ (.48)	$ (1.25)	$ (.89)

(1) Primary and fully diluted net loss per share has not been separately presented, as the amounts would not be meaningful.

(2) Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, stock options issued at prices below the initial public offering price per share (cheap stock) during the 12-month period immediately preceding the initial filing date of the Company's Registration Statement of its initial public offering have been included as outstanding for all periods presented. The dilutive effect of the common and common stock equivalents was computed in accordance with the treasury stock method.

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EXHIBIT 99

Certain Factors That May Affect Future Results

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K and presented elsewhere by management from time to time.

Early Stage of Development; Technological Uncertainty

Hybridon's potential pharmaceutical products are at various stages of research, preclinical testing or clinical development. There are a number of technological challenges that the Company must successfully address to complete any of its development efforts. To date, most of the Company's resources have been dedicated to applying oligonucleotide chemistry and cell biology to the research and development of potential pharmaceutical products based upon antisense technology. As in most drug discovery programs, the results of in vitro, tissue culture and preclinical studies by the Company may be inconclusive and may not be indicative of results that will be obtained in human clinical trials. In addition, results attained in early human clinical trials by the Company may not be indicative of results that will be obtained in later clinical trials. Neither the Company, nor to its knowledge, any other company has successfully completed human clinical trials of a product based on antisense technology, and there can be no assurance that any of the Company's products will be successfully developed.

The success of any of the Company's potential pharmaceutical products depends in part on the molecular target on the genetic material chosen as the site of action of the oligonucleotide. There can be no assurance that the Company's choice will be appropriate for the treatment of the targeted disease indication in humans or that mutations in the genetic material will not result in a reduction in or loss of the efficacy or utility of the Company product.

Uncertainty Associated with Clinical Trials

Before obtaining regulatory approvals for the commercial sale of any of its pharmaceutical products under development, the Company must undertake extensive and costly preclinical studies and clinical trials to demonstrate that such products are safe and efficacious. The results from preclinical studies and early clinical trials are not necessarily predictive of results that will be obtained in later stages of testing or development, and there can be no assurance that the Company's clinical trials will demonstrate the safety and efficacy of any pharmaceutical products or will result in pharmaceutical products capable of being produced in commercial quantities at reasonable cost or in a marketable form.

Although the Company is conducting clinical trials of certain oligonucleotide compounds and is developing several oligonucleotide compounds on which it plans to file IND applications with the FDA and equivalent filings outside of the U.S., there can be no assurance that necessary preclinical studies on these compounds will be completed satisfactorily or that the Company otherwise will be able to make its intended filings. Further, there can be no assurance that the Company will be permitted to undertake and complete human clinical trials of any of the Company's potential products, either in the U.S. or elsewhere, or, if permitted, that such products will not have undesirable side effects or other characteristics that may prevent or limit their commercial use.

The rate of completion of the Company's human clinical trials, if permitted, will be dependent upon, among other factors, the rate of patient enrollment. Patient enrollment is a function of many factors, including the size of the patient population, the nature of the protocol, the availability of alternative treatments, the proximity to clinical sites and the eligibility criteria for the study. Delays in planned patient enrollment might result in increased costs and delays, which could have a material adverse effect on the Company. The Company or the FDA or other regulatory agencies may suspend clinical trials at any time if the subjects or patients participating in such trials are being exposed to unacceptable health risks.

3
Future Capital Needs; Uncertainty of Additional Funding

The Company's future capital requirements will depend on many factors, including continued scientific progress in its research, drug discovery and development programs, the magnitude of these programs, progress with preclinical and clinical trials, sales of DNA products and reagents to these parties manufactured on a custom contract basis by the Hybridon Specialty Products Division 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, the ability of the Company to establish and maintain collaborative academic and commercial research, development and marketing relationships, the ability of the Company to obtain third-party financing for leasehold improvements and other capital expenditures and the costs of manufacturing scale-up and commercialization activities and arrangements.

Based upon its current operating plan, the Company believes that its existing capital resources, together with the committed collaborative research and development payments from Searle, anticipated sales of the Hybridon Specialty Products Division and margins on such sales, which are expected to increase significantly over historic levels, and the net proceeds from the sale of the Notes and the interest earned thereon, will be adequate to fund the Company's capital requirements through at least the first quarter of 1998. The Company anticipates that it will be required to raise substantial additional funds, through external sources, including through collaborative relationships and public or private financings, to support the Company's operations beyond that time. No assurance can be given that additional financing will be available, or, if available, that it 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. If adequate funds are not available, the Company may be required to curtail significantly one or more of its research, drug discovery or development programs, or obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, product candidates or products which the Company would otherwise pursue on its own. See "Item 1. Business -- Hybridon Drug Development and Discovery Programs."

History of Operating Losses and Accumulated Deficit

Hybridon has incurred net losses since its inception. At December 31, 1996, the Company's accumulated deficit was approximately $149,194,000. Such losses have resulted principally from costs incurred in the Company's research and development programs and from general and administrative costs associated with the Company's development. No revenues have been generated from sales of pharmaceutical products developed by the Company and no revenues from the sale of such products are anticipated for a number of years, if ever. The Company expects to incur additional operating losses over the next several years and expects cumulative losses to increase significantly as the Company's research and development and clinical trial efforts expand. The Company expects that

losses will fluctuate from quarter to quarter and that such fluctuations may be substantial. Although the Company's Hybridon Specialty Products Division has begun to generate revenues from the sale of synthetic DNA products and reagents manufactured by it on a custom contract basis, there can be no assurance that demand for and margins on these products will not be lower than anticipated. The Company's ability to achieve profitability is dependent in part on obtaining regulatory approvals for its pharmaceutical products and entering into agreements for drug discovery, development and commercialization. There can be no assurance that the Company will obtain required regulatory approvals, enter into any additional agreements for drug discovery, development and commercialization or ever achieve sales or profitability.

4
Patents and Proprietary Rights

The Company's success will depend in part on its ability to develop patentable products and obtain and enforce patent protection for its products both in the U.S. and in other countries. The Company has filed and intends to file applications as appropriate for patents covering both its products and processes. However, the patent positions of pharmaceutical and biotechnology firms, including Hybridon, are generally uncertain and involve complex legal and factual questions. No assurance can be given that patents will issue from any pending or future patent applications owned by or licensed to Hybridon. Since patent applications in the U.S. are maintained in secrecy until patents issue, and since publication of discoveries in the scientific or patent literature tend to lag behind actual discoveries by several months, the Company cannot be certain that it was the first creator of inventions covered by pending patent applications or that is was the first to file patent applications for such inventions. Further, there can be no assurance that the claims allowed under any issued patents will be sufficiently broad to protect the Company's technology. In addition, no assurance can be given that any issued patents owned by or licensed to the Company will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to the Company.

The commercial success of the Company will also depend in part on its neither infringing patents issued to competitors or others nor breaching the technology licenses upon which the Company's products might be based. The Company's licenses of patents and patent applications impose various commercialization, sublicensing, insurance and other obligations on the Company. Failure of the Company to comply with these requirements could result in termination of the license. The Company is aware of patents and patent applications belonging to competitors, and it is uncertain whether these patents and patent applications will require the Company to alter its products or processes, pay licensing fees or cease certain activities. In particular, competitors of the Company and other third parties hold issued patents and pending patent applications relating to antisense and other gene expression modulation technologies which may result in claims of infringement against the Company or other patent litigation. There can be no assurance that the Company will be able successfully to obtain a license to any technology that it may require or that, if obtainable, such technology can be licensed at a reasonable cost or on an exclusive basis. See "Item 1. Business -- Patents, Trade Secrets and Licenses."

The pharmaceutical and biotechnology industries have been characterized by extensive litigation regarding patents and other intellectual property rights. Litigation, which could result in substantial cost to the Company, may be necessary to enforce any patents issued or licensed to the Company and/or to determine the scope and validity of others' proprietary rights. The Company also may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in substantial cost to the Company, to determine the priority of inventions. Furthermore, the Company may have to participate at substantial cost in International Trade Commission proceedings to abate importation of products which would compete unfairly with products of the Company.

Hybridon engages in collaborations, sponsored research agreements and other agreements with academic researchers and institutions and government agencies. Under the terms of such agreements, third parties may have rights in certain inventions developed during the course of the performance of such collaborations and agreements.

The Company relies on trade secrets and proprietary know-how which it seeks to protect, in part, by confidentiality agreements with its collaborators, employees and consultants. There can be no assurance that these agreements will not be breached, that the Company would have adequate remedies for any breach or independently developed by competitors. See "Item 1. Business -- Patents, Trade Secrets and Licenses."

5

Risks Associated with Hybridon Specialty Products Division

Through its Hybridon Specialty Products Division, the Company manufactures oligonucleotide compounds on a custom contract basis for third parties. The results of operations of the Hybridon Specialty Products Division will be dependent upon the Demand for and margins on these products, which may be lower than anticipated by the Company. The results of operations of the Hybridon Specialty Products Division also may be affected by the price and availability of raw materials. It is possible that Hybridon's manufacturing capacity may not be sufficient for production of oligonucleotides both for the Company's internal needs and for sale to third parties. The Company's manufacturing facility must comply with GMP and other FDA regulation. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - - Certain Factors That May Affect Future Results - - Limited Manufacturing Capability."

The Company will be competing against a number of third parties, as well as the possibility of internal production by the Company's customers, in connection with the operations of the Hybridon Specialty Products Division. Many of these third parties are likely to have greater financial, technical and human resources than the Company. Key competitive factors will include the price and quality of the products as well as manufacturing capacity and ability to comply with specifications and to fulfill orders on a timely basis. The Company may be required to reduce the cost of its product offerings to meet competition. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - - Certain Factors That May Affect Future Results - - Competition." Failure to manufacture oligonucleotide compounds in accordance with the purchaser's specifications could expose the Company to breach of contract and/or product liability claims from the purchaser or the purchaser's customers. The Company has limited experience in sales, marketing and distribution and is relying in part upon the efforts of third party, Perkin-Elmer, in connection with the marketing and sale of products by the Hybridon Specialty Products Division. See "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations - - Certain Factors That May Affect Future Results - - Absence of Sales and Marketing Experience."

Need to Establish Collaborative Commercial Relationships; Dependence on Partners

Hybridon's business strategy includes entering into strategic alliances or licensing arrangements with corporate partners, primarily pharmaceutical and biotechnology companies, relating to the development and commercialization of certain of its potential products. Although the Company is a party to corporate collaborations with Searle, Roche and Medtronic, there can be no assurance that these collaborations will be scientifically or commercially successful, that the Company will be able to negotiate additional collaborations, that such collaborations will be available to the Company on acceptable terms or that any such relationships, if established, will be scientifically or commercially successful. The Company expects that under certain of these arrangements, the collaborative partner will have the responsibility for conducting human clinical trials and the submission for regulatory approval of the product candidate with the FDA and certain other regulatory agencies. Should the collaborative partner

fail to develop a marketable product, the Company's business may be materially adversely affected. There can be no assurance that the Company's collaborative partners will not be pursuing alternative technologies or developing alternative compounds either on their own or in collaboration with others, including the Company's competitors, as a means for developing treatments for the diseases targeted by these collaborative programs. The Company's business also will be affected by the performance of its corporate partners in marketing any successfully developed products within the geographic areas in which such partners are granted marketing rights. The Company's plan is to retain manufacturing rights for many of the products it may license pursuant to arrangements with corporate partners. However, there can be no assurance that the Company will be able to retain such rights on acceptable terms, if at all, or that the Company will have the ability to produce the quantities of product required under the terms of such

arrangements. See "Item 1. Business -- Hybridon Drug Development and Discovery Programs" and "-- Corporate Collaborations."

No Assurance of Regulatory Approval; Government Regulation

The Company's preclinical studies and clinical trials, as well as the manufacturing and marketing of its potential products being developed by it and the products sold by the Hybridon Specialty Products Division, are subject to extensive regulation by numerous federal, state and local governmental authorities in the U.S. Similar regulatory requirements exist in other countries where the Company intends to test and market its drug candidates. Preclinical studies of the Company's product development candidates are subject to GLP requirements and the manufacture of any products by the Company, including products developed by the Company and products manufactured for third parties on a custom contract basis by Hybridon Specialty Products Division, will be subject to GMP requirements prescribed by the FDA.

The regulatory process, which includes preclinical studies, clinical trials and post-clinical testing of each compound to establish its safety and effectiveness, takes many years and requires the expenditure of substantial resources. Delays may also be encountered and substantial costs incurred in foreign countries. There can be no assurance that, even after the passage of such time and the expenditure of such resources, regulatory approval will be obtained for any drugs developed by the Company. Data obtained from preclinical and clinical activities are subject to varying interpretation which could delay, limit or prevent regulatory approval by the FDA or other regulatory agencies. The Company, an IRB, the FDA or other regulatory agencies may suspend clinical trials at any time if the participants in such trials are being exposed to unacceptable health risks. Moreover, if regulatory approval of a drug is granted, such approval may entail limitation on the indicated uses for which it may be marketed. Failure to comply with applicable regulatory requirements can, among other things, result in fines, suspension of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecutions. FDA policy may change and additional government regulations may be established that could prevent or delay regulatory approval of the Company's potential products. In addition, a marketed drug and its manufacturer are subject to continual review, and subsequent discovery of previously unknown problems with a product or manufacturer may result in restrictions on such product or manufacturer, including withdrawal of the product from the market and withdrawal of the right to manufacture the product. All of the foregoing regulatory matters also will be applicable to development, manufacturing and marketing undertaken by any strategic partners or licensees of the Company. See "Item 1. Business -- Government Regulation."

Competition

There are many companies, both private and publicly traded, that are conducting research and development activities on technologies and products similar to or competitive with the Company's antisense technologies and proposed

products. For example, many other companies are actively seeking to develop products, including antisense oligonucleotides, with disease targets similar to those being pursued by the Company. Some of these competitive products are in clinical trials. The Company believes that the industry-wide interest in investigating the potential of gene expression modulation technologies will continue and will accelerate as the techniques which permit the design and development of drugs based on such technologies become more widely understood. There can be no assurance that the Company's competitors will not succeed in developing products based on oligonucleotide or other technologies, existing or new, which are more effective than any that are being developed by the Company, or which would render Hybridon's antisense technologies obsolete and noncompetitive. Moreover, there currently are commercially available products for the treatment of certain of the disease targets being pursued by the Company.

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Competitors of the Company engaged in all areas of biotechnology and drug discovery in the U.S. and other countries are numerous and include, among others, pharmaceutical and chemical companies, biotechnology firms, universities and other research institutions. Many of the Company's competitors have substantially greater financial, technical and human resources than the Company. In addition, many of these competitors have significantly greater experience than the Company in undertaking preclinical studies and human clinical trials of new pharmaceutical products and obtaining FDA and other regulatory approvals of products for use in health care. Furthermore, if the Company is permitted to commence commercial sales of products, it will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which it has limited or no experience. Accordingly, the Company's competitors may succeed in obtaining FDA or other regulatory approvals for products or in commercializing such products more rapidly than the Company. See "Item 1. Business -- Competition."

Limited Manufacturing Capability

While the Company believes that its existing production capacity will be sufficient to enable it to satisfy its current research needs and to support the Company's preclinical and clinical requirements for oligonucleotide compounds, the Company will need to purchase additional equipment to expand its manufacturing capacity in order to satisfy its future requirements, subject to obtaining regulatory approvals, for commercial production of its product candidates. In addition, Hybridon Specialty Products Division is using the Company's existing production capacity to custom contract manufacture synthetic DNA products for commercial sale. As a result, depending on the level of sales by the Hybridon Specialty Products Division, and the success of the Company's product development programs, Hybridon's manufacturing capacity may not be sufficient for production for both its internal needs and sales to third parties. In addition, in order to successfully commercialize its product candidates or achieve satisfactory margins on sales, the Company may be required to reduce further the cost of production of its oligonucleotide compounds, and there can be no assurance that the Company will be able to do so.

The manufacture of the Company's products is subject to GMP requirements prescribed by the FDA or other standards prescribed by the appropriate regulatory agency in the country of use. To the Company's knowledge, therapeutic products based on chemically-modified oligonucleotides have never been manufactured on a commercial scale. There can be no assurance that the Company will be able to manufacture or obtain products in a timely fashion and at acceptable quality and price levels, that it or its suppliers can manufacture in compliance with GMP or other regulatory requirements or that it or its suppliers will be able to manufacture an adequate supply of product. The Company has in the past relied in part and may in the future rely upon third party contractors in connection with the manufacture of some compounds. Reliance on such third parties entails a number of risks, including the possibility that such third parties may fail to perform on an effective or timely basis or fail to abide by regulatory or contractual restrictions applicable to the Company. See "Item 1. Business -- Manufacturing. Technology and the Hybridon Specialty Products

Division."

There are three sources of supply for the nucleotide building blocks used by the Company in its current oligonucleotide manufacturing process. This process is covered by issued patents either held by or licensed to these three companies. Therefore, these companies are likely the sole suppliers to Hybridon of these nucleotide building blocks. The inability of Hybridon to obtain these nucleotide building blocks from one of these suppliers could have a material adverse effect on Hybridon.

Absence of Sales and Marketing Experience

The Company expects to market and sell certain of its products directly and certain of its products through co-marketing or other licensing arrangements with third parties. The Company has limited experience in sales, marketing or distribution, and does not expect to establish a sales and marketing plan or direct sales capability with respect to the products being developed by it until such time as one or more of such products approaches marketing approval. In addition, although the Company does have a limited direct sales capability with respect to the sales of custom contract manufactured DNA products to third parties by the Hybridon Specialty Products Division, the Company has entered into a sales and marketing arrangement with Perkin-Elmer with respect to such products and its reliant in par on the efforts of Perkin-Elmer to promote these products. In order to market the products being developed by it directly, the Company will be required to develop a substantial marketing staff and sales force with technical expertise and with supporting distribution capability. There can be no assurance that the Company will be able to build such a marketing staff or sales force, that the cost of establishing such a marketing staff or sales force will be justifiable in light of any product revenues or that the Company's direct sales and marketing efforts will be successful. In addition, if the Company succeeds in bringing one or more products to market, it may compete with other companies that currently have extensive and well-funded marketing and sales operations. There can be no assurance that the Company's marketing and sales efforts would enable it to compete successfully against such other companies. To the extent the Company enters into co-marketing or other licensing arrangements, any revenues received by the Company will be dependent in part on the efforts of third parties and there can be no assurance that such efforts will be successful. See "Item 1. Business -- Marketing Strategy."

No assurance of Market Acceptance

Pharmaceutical products, if any, resulting from the Company's research and development programs are not expected to be commercially available for a number of years. There can be no assurance that, if approved for marketing, such products will achieve market acceptance. The degree of market acceptance will depend upon a number of factors, including the receipt of regulatory approvals, the establishment and demonstration in the medical community of the clinical efficacy and safety of the Company's products and their potential advantages over existing treatment methods and reimbursement policies of government and third-party payors. There is no assurance that physicians, patients, payors or the medical community in general will accept or utilize any products that may be developed by the Company.

Product Liability Exposure and Insurance

The use of any of the Company's potential products in clinical trials and the commercial sale of any products, including the products being developed by it and the DNA products and reagents manufactured and sold on a custom contract basis by the Hybridon Specialty Products Division, may expose the Company to liability claims. These claims might be made directly by consumers, health care providers or by pharmaceutical and biotechnology companies or others selling such products. Hybridon has product liability insurance coverage, and such coverage is subject to various deductibles. Such coverage is becoming increasingly expensive, and no assurance can be given that the Company will be able to maintain or obtain such insurance at reasonable cost or in sufficient

amounts to protect the Company against losses due to liability claims that could have a material adverse effect on the Company.

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Hazardous Materials

The Company's research and development and manufacturing activities involves the controlled use of hazardous materials, chemicals, viruses and various radioactive compounds. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by federal, state and local regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could have a material adverse effect on the Company.

Uncertainty of Pharmaceutical Pricing and Adequate Reimbursement

The Company's ability to commercialize its pharmaceutical products successfully will depend in part on the extent to which appropriate reimbursement levels for the cost of such products and related treatment are obtained from government authorities, private health insurers and other organizations, such as health maintenance organization ("HMO's"). Third-party payors are increasingly challenging the prices charged for medical products and services. Also the trend towards managed health care in the U.S. and the concurrent growth of organizations such as HMO's, which could control or significantly influence purchase of health care services and products, as well as legislative proposals to reduce government insurance programs, may all result in lower prices for the Company's products. The cost containment measures that health care providers are instituting could affect the Company's ability to sell its products and may have a material adverse effect on the Company.

Uncertainty of Health Care Reform Measures

Federal, state and local officials and legislators (and certain foreign government officials and legislators) have proposed or are reportedly considering proposing a variety of reforms to the health care systems in the U.S. and abroad. The Company cannot predict what health care reform legislation, if any, will be enacted in the U.S. or elsewhere. Significant changes in the health care system in the U.S. or elsewhere are likely to have a substantial impact over time on the manner in which the Company conducts its business. Such changes could have a material adverse effect on the Company. The existence of pending health care reform proposals could have a material adverse effect on the Company's ability to raise capital. Furthermore, the Company's ability to commercialize its potential products may be adversely affected to the extent that such proposals have a material adverse effect on the business, financial condition and profitability of other companies that are prospective corporate partners with respect to certain of the Company's proposed products.

Attraction and Retention of Key Employees and Scientific Collaborators

The Company is highly dependent on the principal members of its management and scientific staff, including E. Andrews Grinstead, III, the Company's Chairman of the Board, President and Chief Executive Officer, and Sudhir Agrawal, The Company's Senior Vice President of Discovery and Chief Scientific Officer, the loss of whose services could have a material adverse effect on the Company. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future will also be critical to the Company's success. There can be no assurance that the Company will be able to attract and retain scientific personnel on acceptable terms given the competition for experienced scientists among numerous pharmaceutical, biotechnology and health care companies, universities and non-profit research institutions.

The Company's anticipated growth and expansion into areas and activities requiring additional expertise, such as clinical testing, governmental

approvals, production and marketing, are expected to require the addition of new management personnel and the development of additional expertise by

existing management personnel. The failure to acquire such services or to develop such expertise could have a material adverse effect on the Company.

The Company's success will depend in part on its continued ability to develop and maintain relationships with independent researchers and leading academic and research institutions. The competition for such relationships is intense, and there can be no assurance that the Company will be able to develop and maintain such relationships on acceptable terms. The Company has entered into a number of such collaborative relationships relating to specific disease targets and other research activities in order to augment its internal research capabilities and to obtain access to the specialized knowledge or expertise of its collaborative partners. The loss of any such collaborative relationship could have an adverse effect on the Company's ability to conduct research and development in the area targeted by such collaboration. See "Item 1. Business - - - Hybridon Drug Development and Discovery Programs" and "- - Academic and Research Collaborations."

Concentration of Ownership by Directors and Executive Officer

The Company's directors and executive officers and their affiliates beneficially own approximately 18.89% of the Company's outstanding Common Stock (including 4,217,857 shares issuable upon exercise of outstanding warrants and options held by the Company's directors and executive officers and their affiliates which are exercisable within the 60-day period following February 28, 1997). As a result, these stockholders, if acting together, may have the ability to influence the outcome of corporate actions requiring stockholder approval. This concentration of ownership may have the effect of delaying or preventing a change in control of the Company.