Isis Pharmaceuticals and Hybridon Cancel Remaining Reciprocal Financial Obligations From Intellectual Property Transaction

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CARLSBAD, Calif. and CAMBRIDGE, Mass., Aug. 15 /PRNewswire-FirstCall/ -- Isis Pharmaceuticals, Inc. (Nasdaq: ISIS) and Hybridon (OTC Bulletin Board: HYBN) announced today the cancellation of the remaining financial obligations related to their Collaboration and License Agreement that the companies completed in May 2001. Under the original agreement, Hybridon owed Isis an additional 4 million shares of Hybridon common stock, payable immediately. Isis owed Hybridon $4.5 million in cash or stock, due in May 2003. The companies have agreed to cancel each of these obligations.

"Through this transaction we have eliminated $4.5 million in future shareholder dilution," said B. Lynne Parshall, Isis' Executive Vice President and CFO. "This agreement is another important step in a series that we've recently taken to improve our balance sheet and strengthen the company financially. We are enthusiastic about the breadth of therapeutic potential that our antisense platform technology provides our patients and shareholders."

In the past four months Isis has completed a $125 million convertible debt offering, prepaid a $74 million loan that carried 14% interest, retired $19.7 million in 12% convertible debt for a $14.7 million cash payment, and has eliminated significant future dilution through this agreement.

"By undertaking this transaction, we have avoided dilution to Hybridon's shareholders at a time when we believe our shares are undervalued," said Stephen R. Seiler, Hybridon's Chief Executive Officer. "With our existing cash resources we believe we are in a position to exploit our antisense technology and clinical programs as well as to move into clinical trials drug candidates from our immunomodulatory oligonucleotide (IMO™) technology program."

In the Collaboration and License Agreement executed by the companies in May 2001, Isis took an exclusive license to all of Hybridon's antisense chemistry and delivery patents and technology. Hybridon retained the right to practice its licensed antisense patent technologies and to sublicense it to collaborators. Hybridon took a license to Isis' suite of RNase H patents, which cover the mechanism of action of many antisense drugs, to support Hybridon's activities in antisense therapeutics. The goals of the agreement were to eliminate any potential patent conflict between the companies, fortify Isis' dominant position in antisense technology and enhance Hybridon's ability to exploit the advances it has made in antisense technology.

Isis Pharmaceuticals, Inc. is exploiting its expertise in RNA to discover and develop novel human therapeutic drugs. The company has commercialized its first product, Vitravene® (fomivirsen), to treat CMV-induced retinitis in AIDS patients. In addition, Isis has 13 antisense products in its development pipeline, with two in late-stage development and six in Phase II human clinical trials. Affinitac™ (formerly called LY900003 and ISIS 3521), an inhibitor of PKC-alpha, is in Phase III trials for non-small cell lung cancer, and alicaforsen (ISIS 2302), an ICAM-1 inhibitor, is in Phase III human clinical trials for Crohn's disease. Isis has a broad patent estate, as the owner or exclusive licensee of more than 900 issued patents worldwide. Isis' GeneTrove™ division uses antisense to assist pharmaceutical industry partners in validating and prioritizing potential gene targets through customized services. Ibis Therapeutics™ is a division focused on the discovery of small molecule drugs that bind to RNA. Additional information about Isis is available at www.isispharm.com .

Hybridon, Inc. is a leader in the discovery and development of novel therapeutics and diagnostics, based on synthetic DNA. The company now has four technology platforms: 1) CpG-based immunomodulatory oligonucleotide (IMO™) motifs that act to modulate responses of the immune system; 2) Antisense technology which uses synthetic DNA to block production of disease causing proteins at the cellular level; 3) Synthetic DNA drug candidates that enhance the antitumor activity of certain marketed anticancer drugs, thereby increasing their effectiveness; and 4) Cyclicon™ probes, novel synthetic DNA structures for identifying gene function, which can be used for target validation and drug discovery as well as for PCR-based gene amplification.

This press release contains forward-looking statements concerning the intellectual property positions of both Isis Pharmaceuticals' Inc. and Hybridon, Inc. Any statement describing a goal, expectation, intention or belief of the companies is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercializing drugs that are safe and effective for use as human therapeutics and financing such activities. Actual results could differ materially from those projected in this release. As a result, you are cautioned not to rely on these forward-looking statements. These and other risks concerning Isis' and Hybridon's respective research and development programs are described in additional detail in each company's Annual Report on Form 10-K, for the year ended December 31, 2001, which is on file with the U.S. Securities and Exchange Commission, copies of which are available from the respective company.

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