AVI BioPharma Announces First Quarter 2008 Financial Results

5/12/08

For Immediate Release

PORTLAND, OR — May 12, 2008 — AVI BioPharma, Inc. (Nasdaq: AVII) today reported financial results for the three months ending March 31, 2008

Revenues for the first quarter of 2008 were $5.6 million, up from $536,000 in the first quarter of 2007, reflecting an increase in research contracts revenues of $5.1 million, partially offset by a decrease in grant revenues of $19,500. The net loss for the first quarter of 2008 was $15.0 million, or $0.23 per share, compared with a net loss for the first quarter of 2007 of $8.2 million, or $0.15 per share. The first quarter 2008 net loss included $9.9 million of expense for acquiring in–process research and development as part of the asset acquisition of Ercole Biotechnology, Inc. (“Ercole”).

Research and development (R&D) expenses for the quarter increased to $7.5 million from $6.3 million in the first quarter of 2007. The increase reflects $800,000 in government research contract expense, $580,000 increase in compensation costs, $402,000 in severance payments to certain Ercole employees, $400,000 increase in net clinical expenses, partially offset by a $425,000 decrease in professional consultant costs, $245,000 decrease in chemical costs, $225,000 decrease in purchases of government contract related equipment and $190,000 decrease in amortization of patents and leaseholds.

General and administrative (G&A) expenses decreased to $2.0 million from $4.3 million in the prior year period. The decrease was due primarily to a $2.2 million decrease in employee costs, of which $1.6 million (including $562,500 in cash compensation and $1.1 million in SFAS 123R expenses) was related to the Separation and Release Agreement with the Company’s former Chief Executive Officer during the first quarter of 2007, as well as, a $530,000 decrease in SFAS 123R expenses. G&A expenses also included a $150,000 decrease in legal expenses

AVI had cash, cash equivalents and short–term securities of $20.2 million as of March 31, 2008, a decrease of $4.8 million from December 31, 2007. This decrease was due primarily to $4.4 million used in operations and $339,000 used for purchases of equipment and patent–related costs. This decrease included approximately $900,000 advanced to Ercole for its use in retiring certain of its debts prior to closing of the Ercole asset purchase.

Corporate Updates

In March of this year, the company announced the acquisition of Ercole, a pioneer in developing drugs to directed alternative RNA splicing. AVI and Ercole had collaborated since December 2006 to develop drug candidates, including AVI–4658, which is in use in a current DMD study in the U.K.

In April, the company announced Ryszard Kole, Ph.D. as Senior Vice President of Discovery Research. Dr. Kole, a co–founder and president of Ercole, is a pioneer in the use of oligonucleotides for the modulation of splicing.

The company also announced that Patrick Iversen, Ph.D. has assumed a new role as Senior Vice President of Strategic Alliances. In this new role, he will manage AVI’s ongoing programs in government contracting and focus the Company’s external collaborator network for the identification of novel drug targets both for the Company’s and external partners’ R&D programs.

The company further announced that Hans Wigzell, M.D., Ph.D. agreed to chair the company’s newly formed Corporate Strategy Board. Dr. Wigzell was President of the Karolinska Institut and Chairman of the Nobel Committee.

Corporate Priorities

The company has set the following as its corporate priorities:

- To Advance the Company’s clinical development programs in Duchenne muscular dystrophy (DMD), cardiovascular restenosis and in ebola, marburg, junin and dengue virus infections.
- To advance the soluble TNFαR2 project through preclinical development to clinical trials.
- To complete the portfolio of discovery projects for drug candidates which direct RNA alternative splicing.
- And to secure additional major, revenue–producing partnerships to further validate our profolio of product candidates.

Reviewing the AVI–4658 DMD program, the company has an ongoing program in the United Kingdom which started as a small dose escalation study in the last quarter of last year. The MDEX consortium, which is running the trial, announced last week that, given the safety profile, they have requested a protocol modification to skip to the highest allowed of the three dose groups. The company views this as a positive development.

In addition, the Medicine and Healthcare Product Regulatory Agency has indicated that the existing data package should be sufficient to support a proposed systemic clinical study in ambulatory DMD patients. We expect that study to commence this year.

Regarding the company’s cardiovascular program, Cook continues to pursue applications with AVI–5126, the company’s PPMO product, which is being looked at to prevent or reduce restenosis by delivery in a weeping catheter kit or as part of a coated stent. The company is supporting Cook with product and analytics and Cook is performing the required regulatory studies to be able to take forward their development candidates.

In the company’s viral program, the focus has been principally on efforts with the Department of Defense and in cooperation with the U.S. Army Medical Research Institute of Infectious Diseases (USAMRIID).

The company has filed pre–INDs with the FDA on its drugs to treat Ebola Zaire and Marburg Musoke and is awaiting FDA feedback on the proposed

toxicology program before proceeding to our formal IND submissions.

Conference Call

AVI BioPharma has scheduled an investor conference call regarding this announcement, and the company's current and planned business activities, to be held on May 13, 2008 beginning at 9:30 a.m. Eastern time (6:30 a.m. Pacific time).

Individuals interested in listening to the live conference call may do so by dialing 866.507.1212 toll free within the United States and Canada, or 416.695.7848 for international callers.

Following the conference call, a recording of the call will be available for download (MP3) on the company's website: www.avibio.com.

A transcript of the call is also available.

About AVI BioPharma

AVI BioPharma develops therapeutic products for the treatment of life–threatening diseases using third–generation NeuGene® antisense drugs and ESPRIT directed RNA alternative splicing technology. AVI's ESPRIT technology is initially being applied to potential treatments for Duchenne muscular dystrophy. AVI's NeuGene compounds are also designed to treat cardiovascular restenosis in stent and coronary artery bypass graft (CABG) procedures. In addition to targeting specific genes in the body, AVI's antiviral program uses NeuGene antisense compounds to combat disease by targeting single–stranded RNA viruses, including Marburg Musoke and Ebola Zaire viruses. More information about AVI is available at www.avibio.com.

[Tables to Follow]

AVI BioPharma, Inc.
(A Development-Stage Company)

STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,	
	2008	**2007**
Revenues, from license fees, grants & research contracts	$5,624,617	$536,042
	Operating expenses:	
Research and development	7,472,811	6,317,641
General and administrative	1,982,679	4,303,885
Acquired in-process research and development	9,916,271	-
	19,371,761	10,621,526
	Other income:	
Interest income, net	167,352	362,509
Gain (loss) on warrant liability	(1,434,684)	1,498,691
Net loss	$(15,014,476)	$(8,224,284)
Net loss per share, basic and diluted	$(0.23)	$(0.15)
Shares used in per share calculations	65,321,986	53,241,730

BALANCE SHEET HIGHLIGHTS
(unaudited)

	March 31, 2008	**December 31, 2007**
Cash, cash equivalents and short-term securities	$20,235,018	$25,074,413
Total current assets	25,363,352	28,711,451
Total assets	35,479,866	38,637,930
Total current liabilities	12,141,612	9,752,329
Total shareholders' equity	$20,786,138	$26,381,748