AVI BioPharma Announces Intention to Restate Financial Statements

10/24/07

PORTLAND, Ore.--(BUSINESS WIRE)--Oct. 24, 2007--AVI BioPharma, Inc. (NASDAQ:AVII), announced today that it will restate financial statements for the three years ended Dec. 31, 2006, the three months ended March 31, 2007, and the three and six months ended June 30, 2007, contained in its previously filed Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q, respectively. The restatements arise from reclassifying certain warrants issued by the company in 2003, 2004 and 2005 as liabilities. These warrants were previously classified in equity.

AVI has evaluated the impact to earnings in each of the previously filed reporting periods effected, and concluded that the changes are quantitatively material to its previously filed financial statements. There is no effect on cash flows as a result of this change as the periodic mark to market adjustment for the value of the warrants would have been reflected as a non-cash charge within the company's Statements of Operations. AVI has discussed this matter with its independent registered public accounting firm, KPMG LLP.

AVI will amend its previously filed Form 10-K for 2006, and its Form 10-Q for the first and second quarters of 2007 as soon as practicable. AVI's independent registered accounting firm has not yet completed its audit procedures relating to the restatement, but the company currently expects the impact to the Statements of Operations to be as follows:

$ in millions

	Year Ended December 31:			Quarter Ended:	
	2004	2005	2006	March 31, 2007	June 20, 2007
Non-cash gain (loss) on warrants	2.8	(1.5)	2.4	1.5	0.8

"We decided to make these changes in response to a question that we received from the SEC," said K. Michael Forrest, interim chief executive officer of AVI. "The changes are technical in nature and do not affect the company's overall cash flow, performance or prospects."

About AVI BioPharma

AVI BioPharma develops therapeutic products for the treatment of life-threatening diseases using third-generation NEUGENE(R) antisense drugs and ESPRIT exon skipping technology. AVI's ESPRIT technology is initially being applied to potential treatments for Duchenne muscular dystrophy. AVI's lead NEUGENE compound is designed to target cell proliferation disorders, including cardiovascular restenosis. 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 dengue virus, Ebola virus and H5N1 avian influenza virus. More information about AVI is available on the company's Web site at http://www.avibio.com.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: The statements that are not historical facts contained in this release are forward-looking statements that involve risks and uncertainties, including, but not limited to, the results of research and development efforts, the results of preclinical and clinical testing, the effect of regulation by the FDA and other agencies, the impact of competitive products, product development, commercialization and technological difficulties, the impact of a restatement of the company's financial statements and other risks detailed in the company's Securities and Exchange Commission filings.

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