AVI BioPharma Announces First Quarter 2009 Financial Results

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For Immediate Release

PORTLAND, OR — May 11, 2009 — AVI BioPharma, Inc. (NASDAQ: AVII), a developer of RNA-based drugs, today reported financial results for the three months ending March 31, 2009.

Revenues for the first quarter of 2009 were $3.2 million, down from $5.6 million in the first quarter of 2008, reflecting a decrease in research contracts revenues of $2.4 million.

The net loss for the first quarter of 2009 was $0.9 million, or $0.01 per share, compared with a net loss for the first quarter of 2008 of $15.0 million, or $0.23 per share.

The Company's total operating expenses decreased by $12.7 million to $6.7 million in the first quarter of 2009 compared with the first quarter of 2008, due to $9.9 million of acquired in-process research and development expenses in the prior year quarter associated with the Company's acquisition of Ercole Biotechnology, Inc. and the positive impact of increased drug pipeline focus and other operational improvements.

Research and Development (R&D) expenses for the first quarter of 2009 decreased to $4.5 million from $6.9 million during the first quarter of 2008. The decrease in R&D expenses was due primarily to decreases in government research contracting costs in line with the decline in government research contracts revenue.

General and Administrative (G&A) expenses for the first quarter of 2009 decreased to $2.2 million from $2.6 million for the first quarter of 2008, due primarily to one-time non-cash stock compensation expenses incurred in the prior-year quarter related to the Ercole acquisition. Net interest income declined in relation to declines in market rates of interest on the Company's interest-earning investments.

The gain on warrant liability of $2.6 million was the result of the decline in the Company's stock price subsequent to the issuance of warrants as a part of the private equity financing that closed in January 2009. In general, the gain or (loss) on warrant liability contribution to the company's financial statement fluctuates with the price of the Company's stock.

AVI had cash, cash equivalents and short-term securities of $25.0 million as of March 31, 2009, an increase of $13.5 million from December 31, 2008. This increase was due primarily to the private equity financing that raised net proceeds of $15.5 million, partially offset by cash used in operations of $1.6 million and property and equipment and patent-related costs of approximately $300,000.

"AVI has advanced each of its lead drug candidates in Duchenne muscular dystrophy (DMD) and Ebola and Marburg virus infections," said Leslie Hudson, Ph.D., President and Chief Executive Officer of AVI BioPharma, "We now have four drug candidates in, or approved by the FDA for, the clinic and two lead compounds in preclinical development, one for Junín virus and a second DMD candidate based on our novel PPMO chemistry."

First Quarter and Recent Corporate Highlights

- Announced a $2.5 million contract with Children's National Medical Center in Washington, D.C. to support preclinical studies in the development of AVI-4658 for treatment of Duchenne muscular dystrophy. The work will be conducted with Children's National collaborators Eric Hoffman, Ph.D., an authority on DMD and Professor of Pediatrics, and Edward Connor, M.D., Director, Office of Investigational Therapeutics and Professor of Pediatrics. The collaboration will support the series of GLP toxicology studies for AVI-4658 which is required to release the clinical hold on the US IND.
- Received key patents for drug candidate AVI-6002 targeting Ebola Zaire Virus protein VP35.The patents cover composition and methods to target the Ebola virus VP35 protein with a range of PMOplus™ compounds.
- Announced treatment of the first patient in a clinical trial evaluating IV delivery of AVI-4658 for the treatment of Duchenne muscular dystrophy (DMD). The open label trial is evaluating multiple infusions over 12 weeks of ascending doses of AVI-

4658 and includes measures of safety, efficacy and pharmacokinetics.

- Announced successful completion of a single injection, dose escalation Phase 1 trial of AVI–4658 for the treatment of DMD by exon skipping. AVI-4658 induced a robust expression of dystrophin following IM injection in a series of drug-treated patients such that up to 80 of fibers were positive for dystrophin expression, when one corrects for background expression in the other, saline-treated foot. Equally importantly, individual fibers showed new protein expression at a level up to 40 % of normal. There was no immune response to the protein and no serious, treatment-related side effects were observed.
- Announced publication of pre–clinical results in Proceedings of the National Academy of Sciences (Saovaros Svasti et al (January 12, 2009) Proc. Natl Acad. Sci. USA, 10.1073/PNAS 0812436106) demonstrating the effectiveness of a systemically delivered PPMO–based splice switching oligomer or SSO in vivo in a mouse model of an inherited blood disorder.
- Announced the appointment of Stephen B. Shrewsbury, M.D., as Chief Medical Officer and Senior Vice President of Clinical and Regulatory Affairs.
- Announced the retirement of John Fara, PhD., and the appointment of Christopher S. Henney, Ph.D., D. Sc. and M. Kathleen Behrens, Ph.D. to the Company's Board of Directors.

Guidance:

For 2009, AVI confirms its guidance for expenditures for operations, net of government funding and other collaborative efforts, to be approximately $10 to $12 million. The Company believes it will be awarded certain government contracts to pursue the continued development of its antiviral compounds and has assumed a revenue contribution from these awards in providing this guidance. Should the Company not receive the additional contracts, or should their timing be delayed, they may have a negative impact on these projections.

Conference Call

AVI management will hold a conference call to report first quarter 2009 financial results on Monday, May 11, 2009, 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 877–723–9519 toll free within the United States and Canada, or 719–325–4809 for international callers.

A replay of the call will be available by dialing 888–203–1112 toll free within the U.S. and Canada, or 719–457–0820. The passcode for the replay is 5077924. In addition, a recording of the call will be available within approximately 24 hours at www.avibio.com/events.php.

About AVI BioPharma

AVI BioPharma is focused on the discovery and development of RNA–based drugs utilizing proprietary derivatives of its antisense chemistry (morpholino-modified phosphorodiamidate oligomers or PMOs) that can be applied to a wide range of diseases and genetic disorders through several distinct mechanisms of action. Unlike other RNA therapeutic approaches, AVI's antisense technology has been used to directly target both messenger RNA (mRNA) and its precursor (pre-mRNA), allowing for both up- and down-regulation of targeted genes and proteins. AVI's RNA–based drug programs are being evaluated for the treatment of Duchenne muscular dystrophy as well as for the treatment of cardiovascular restenosis through our partner Global Therapeutics, a Cook Group Company. AVI's antiviral programs have demonstrated promising outcomes in Ebola Zaire and Marburg Musoke virus infections and may prove applicable to other viral targets such as HCV or Dengue viruses. For more information, visit www.avibio.com.