UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2007

OR

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

Commission file number: 0-15006

AVANT IMMUNOTHERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**No. 13-3191702**
(State of Incorporation)	(I.R.S. Employer Identification No.)

119 Fourth Avenue, Needham, Massachusetts 02494-2725
(Address of principal executive offices) (Zip Code)

(781) 433-0771
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required 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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 5, 2007, 74,188,066 shares of common stock, $.001 par value per share, were outstanding.

AVANT IMMUNOTHERAPEUTICS, INC.

FORM 10-Q
Quarter Ended September 30, 2007
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PART I—FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 20,339,659	$ 40,911,539
Accounts and Other Receivables	525,600	320,941
Prepaid Expenses and Other Current Assets	515,118	1,171,014
Total Current Assets	21,380,377	42,403,494
Property and Equipment, Net	17,072,700	13,967,800
Investment in Select Vaccines Ltd	576,905	—
Intangible and Other Assets, Net	3,338,362	4,071,963
Goodwill	1,036,285	1,036,285
Total Assets	$ 43,404,629	$ 61,479,542
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 1,022,861	$ 2,552,089
Accrued Expenses	3,038,941	2,674,544
Current Portion of Deferred Revenue	4,122,672	4,380,074
Current Portion of Long-Term Liabilities	577,630	477,606
Total Current Liabilities	8,762,104	10,084,313
Deferred Revenue	43,886,636	45,069,123
Other Long-Term Liabilities	4,702,491	4,165,126
Commitments and Contingent Liabilities (Note 12)		
Stockholders' Equity (Deficit):		
Convertible Preferred Stock, 4,513,102 Shares Authorized; None Issued and Outstanding	—	—
Common Stock, $.001 Par Value; 100,000,000 Shares Authorized; 74,408,385 Issued and 74,188,066 Outstanding at September 30, 2007 and 74,402,867 Issued and 74,182,548 Outstanding at December 31, 2006	74,408	74,403
Additional Paid-In Capital	258,838,046	258,560,628
Less: 220,319 Common Treasury Shares at Cost	(227,646)	(227,646)
Accumulated Deficit	(272,631,410)	(256,246,405)
Total Stockholders' Equity (Deficit)	(13,946,602)	2,160,980
Total Liabilities and Stockholders' Equity	$ 43,404,629	$ 61,479,542

See accompanying notes to unaudited consolidated financial statements

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	September 30, 2007	September 30, 2006
REVENUE:		
Product Development and Licensing Agreements	$ 100,508	$ 35,475
Government Contracts and Grants	90,149	280,419
Product Royalties	1,000,878	23,105
Total Revenue	1,191,535	338,999
OPERATING EXPENSE:		
Research and Development	4,457,475	4,416,320
General and Administrative	2,000,271	1,818,799
Amortization of Acquired Intangible Assets	240,048	248,778
Total Operating Expense	6,697,794	6,483,897
Operating Loss	(5,506,259)	(6,144,898)
Investment and Other Income, Net	132,778	624,331
Loss Before Provision for Income Taxes	$ (5,373,481)	$ (5,520,567)
Benefit from Income Taxes	(120,000)	—
Net Loss	(5,253,481)	(5,520,567)
Basic and Diluted Net Loss Per Common Share	$ (0.07)	$ (0.07)
Shares Used in Calculating Basic and Diluted Net Loss per Share	75,188,022	74,182,347

See accompanying notes to unaudited consolidated financial statements

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended	
	September 30, 2007	September 30, 2006
REVENUE:		
Product Development and Licensing Agreements	$ 118,612	$ 2,672,895
Government Contracts and Grants	441,407	1,241,149
Product Royalties	2,823,109	636,921
Total Revenue	3,383,128	4,550,965
OPERATING EXPENSE:		
Research and Development	14,383,806	13,228,926
General and Administrative	5,723,386	5,924,505
Amortization of Acquired Intangible Assets	720,144	746,334
Total Operating Expense	20,827,336	19,899,765
Operating Loss	(17,444,208)	(15,348,800)
Investment and Other Income, Net	939,202	1,558,943
Loss before Provision for Income Taxes	(16,505,006)	(13,789,857)
Provision for (Benefit from) Income Taxes	(120,000)	372,000
Net Loss	$ (16,385,006)	$ (14,161,857)
Basic and Diluted Net Loss Per Common Share	$ (0.22)	$ (0.19)

Shares Used in Calculating Basic and Diluted Net Loss per Share	75,185,365	74,176,593

See accompanying notes to unaudited consolidated financial statements

AVANT IMMUNOTHERAPEUTICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	September 30, 2007	September 30, 2006
Cash Flows from Operating Activities:		
Net Loss	$ (16,385,006)	$ (14,161,857)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,937,228	1,505,578
Impairment of Investment in Select Vaccines Ltd	158,095	—
Loss on Disposal of Assets	76,014	—
Stock-Based Compensation Expense	272,879	953,297
Changes in Operating Assets and Liabilities:		
Accounts and Other Receivables	(204,659)	(135,978)
Prepaid and Other Current Assets	655,896	(160,117)
Accounts Payable and Accrued Expenses	(1,160,661)	(19,447)
Deferred Revenue	(1,444,058)	39,586,697
Other Long-Term Liabilities	824,527	1,405,351
Net Cash Provided by (Used in) Operating Activities	(15,269,745)	28,973,524
Cash Flows from Investing Activities:		
Other Non-Current Assets	13,456	—
Acquisition of Property and Equipment	(4,397,997)	(5,549,954)
Investment in Select Vaccines Limited	(735,000)	—
Cash Used in Investing Activities	(5,119,541)	(5,549,954)
Cash Flows from Financing Activities:		
Proceeds from Stock Issuance	4,544	13,897
Proceeds from Exercise of Stock Options and Warrants	—	5,135
Payments of Long-Term Liabilities	(187,138)	(180,706)
Net Cash Used in Financing Activities	(182,594)	(161,674)
Net Increase (Decrease) in Cash and Cash Equivalents	(20,571,880)	23,261,896
Cash and Cash Equivalents at Beginning of Period	40,911,539	23,419,434
Cash and Cash Equivalents at End of Period	$ 20,339,659	$ 46,681,330
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 77,022	$ 87,255

See accompanying notes to unaudited consolidated financial statements

AVANT IMMUNOTHERAPEUTICS, INC.
Notes to Unaudited Consolidated Financial Statements
September 30, 2007

(1) Nature of Business

AVANT Immunotherapeutics, Inc. (the “Company” or “AVANT”) is engaged in the discovery, development and commercialization of products that harness the human immune system to prevent and treat disease. The Company is developing a broad portfolio of vaccines and therapeutics against infectious diseases. The portfolio includes a pipeline of preventative, single-dose oral vaccines aimed at protecting travelers and people in regions where infectious diseases are endemic. The portfolio also includes immunotherapeutics for cardiovascular diseases which are available for partnering, including a treatment to reduce complement-mediated tissue damage associated with cardiac by-pass surgery and transplantation and a proprietary vaccine candidate for cholesterol management. In addition, the Company is developing the VitriLifeÒ preservation and lyophilization technologies for use in manufacturing AVANT’s oral vaccines and certain other non-injectable applications. AVANT further leverages the value of its technology portfolio through corporate, governmental and non-governmental partnerships. One successful collaboration resulted in the development and marketing of an oral human rotavirus vaccine. Current collaborations encompass the development of vaccines addressed to global health, human food safety and animal health.

The unaudited consolidated financial statements include the accounts of AVANT and its wholly owned subsidiary, Megan Health, Inc. ("Megan"). All intercompany transactions have been eliminated.

On October 22, 2007, AVANT announced the signing of a definitive merger agreement with Celldex Therapeutics, Inc., a privately-held biopharmaceutical company. The all-stock transaction, approved by both companies' Boards of Directors, will combine the two companies under the same name AVANT. Celldex and AVANT shareholders will own 58% and 42% of the combined company on a fully diluted basis, respectively. Closing of the merger is contingent upon a vote of approval by AVANT's current shareholders at a special meeting of shareholders expected to take place in the first quarter of 2008.

(2) Interim Financial Statements

The accompanying unaudited consolidated financial statements for the three months and nine months ended September 30, 2007 and 2006 include the consolidated accounts of AVANT, and have been prepared in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the information contained herein reflects all adjustments, consisting solely of normal recurring adjustments, that are necessary to present fairly the Company's financial position at September 30, 2007, results of operations for the three months and nine months ended September 30, 2007 and 2006, and cash flows for the nine-month periods ended September 30, 2007 and 2006. The results of operations for the nine-month period ended September 30, 2007 are not necessarily indicative of results for any future interim period or for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been omitted, although the Company believes that the disclosures included, when read in conjunction with AVANT's Annual Report on Form 10-K for the year ended December 31, 2006, are adequate to make the information presented not misleading. The accompanying December 31, 2006 Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

(3) Recent Accounting Pronouncements

SFAS 159: In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – including an Amendment of FASB Statement No. 155* ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items on an instrument-by-instrument basis under a fair value option. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. AVANT has not yet determined the effect if any that adopting SFAS 159 will have on the Company's financial statements.

EITF 07-3: In June 2007, the EITF reached consensus on EITF Issue No. 07-3, *Accounting for Advance Payments for Goods and Services to Be Used in Future Research and Development Activities* ("EITF 07-3"). EITF 07-3 states that non-refundable advance payments for future research and development activities should be capitalized until the goods have been delivered or the related services have been performed. EITF is effective for fiscal years beginning after December 15, 2007.

Entities are to recognize the effects of EITF 07-3 prospectively for new contracts entered into after the effective date. The adoption of EITF 07-3 is not expected to have a material impact on AVANT's financial position or results of operations.

(4) Stock-Based Compensation

The Company adopted SFAS 123(R) beginning January 1, 2006, using the modified prospective transition method. In conjunction with the adoption of SFAS 123(R), compensation expense for all stock-based payment awards granted prior to January 1, 2006 will continue to be recognized using the straight-line method and compensation expense for all share-based payment awards granted subsequent to January 1, 2006 will also be recognized using the straight-line method. As stock-based compensation expense recognized in the Consolidated Statement of Operations for the first nine months of fiscal 2007 and 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Also, upon adoption of SFAS 123(R), the Company retained its method of valuation for share-based awards granted using the Black-Scholes option-pricing model ("Black-Scholes model"). The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

As of September 30, 2007, the Company had two shareholder approved, share-based compensation plans: the 2004 Employee Stock Purchase Plan (the "2004 ESPP Plan") and the 1999 Stock Option and Incentive Plan (the "1999 Plan"). For a complete discussion of the Company's share-based plans see Note 5 of the consolidated financial statements included in its annual report on Form 10-K, as previously filed with the Securities and Exchange Commission on March 16, 2007.

Employee Stock Benefit Plans

Restricted Stock Unit Awards

In September 2005, November 2004 and September 2003, the Company awarded restricted stock units to Dr. Una Ryan, its President and CEO, and determined the value of the restricted stock unit awards to be $270,000, $832,000 and $1,104,000, respectively, based on the closing price of AVANT's common stock on the award date. The value of the restricted stock units was amortized over the remaining months until Dr. Ryan attained age 65 in December 2006, and was recorded as compensation expense. In connection with the awards, the Company has recognized $175,000 and $350,000 as stock-based compensation expense in the statements of operations during the three- and nine-month periods ended September 30, 2006, respectively.

AVANT has applied an estimated forfeiture rate of zero to the restricted stock unit awards.

Employee Stock Purchase Plan

During the nine months ended September 30, 2007 and 2006, the Company issued 5,518 and 5,665 shares, respectively, under the 2004 ESPP Plan. At September 30, 2007, 121,239 shares were available for issuance under the 2004 ESPP Plan.

The current purchase period began on July 1, 2007. The Company has established the risk-free interest rate assumption to be 4.1% using the 6-month rate on a traded zero-coupon U.S. Treasury bond. The Company used its historical volatility rate of 46% for the 6-month period preceding the grant date for the current stock purchase period. The Company has concluded that volatility during the current purchase period is expected to be consistent with the calculated historical volatility rate. Finally, the Company established the expected term for the current stock purchase period as six months. Based on these assumptions, the stock-based compensation expense recorded for the employee stock purchases was not significant.

Employee Stock Option Plan

General Option Information

A summary of stock option activity under the 1999 Plan for the nine months ended September 30, 2007 is as follows:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (In Years)
Outstanding at January 1	3,281,154	$ 2.40	5.26
Granted	463,450	1.26	
Canceled/forfeited	(342,398)	1.75	
Expired	(388,154)	2.41	
Outstanding at September 30	3,014,052	$ 2.30	4.79
At September 30			
Options exercisable	2,374,710	$ 2.50	

The weighted average fair value of options granted during the nine-month period ended September 30, 2007 was $0.90.

The aggregate intrinsic value of options outstanding at September 30, 2007 was insignificant.

Valuation and Expense Information under SFAS 123(R)

The following table summarizes stock-based compensation expense related to employee and non-employee director stock options and employee stock purchases under SFAS 123(R) for the three and nine months ended September 30, 2007 and 2006 which was allocated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Research and development	$ 45,674	$ 39,970	$ 119,093	$ 113,098
General and administrative	51,818	373,431	153,786	840,199
Total stock-based compensation expense	$ 97,492	$ 413,401	$ 272,879	$ 953,297

Stock-based compensation expense related to restricted stock unit awards recognized for the three and nine months ended September 30, 2006 was $306,250 and $656,250, respectively, all of which was allocated to general and administrative expenses.

Based on basic and diluted weighted average common shares outstanding of 75,188,022 and 75,185,365, the effect of stock-based compensation expense recorded under SFAS 123R for the three-and nine-month periods has no significant impact on net loss per share.

As of September 30, 2007, total compensation cost related to non-vested stock options not yet recognized was $731,070, net of estimated forfeitures, which is expected to be recognized as expense over a weighted average period of 1.9 years.

The fair values of employee and non-employee director stock options granted during the three and nine months ended September 30, 2007 and 2006 were valued using the Black-Scholes model with the following assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Expected stock price volatility (employees)	73%	76%	73%	76%
Expected stock price volatility (non-employee directors)	61%	76%	61%	76%
Expected option term (employees)	6.25 Years	6.25 Years	6.25 Years	6.25 Years
Expected option term (non-employee directors)	5.5 Years	5.5 Years	5.5 Years	5.5 Years
Risk-free interest rate	4.0 -5.1%	4.5 -5.2%	4.0 - 5.2%	4.3 - 5.2%
Expected dividend yield	None	None	None	None

The Company used its daily historical stock price volatility consistent with the expected term of grant as the basis for its expected volatility assumption in accordance with SFAS 123(R) and SAB 107 for its employee and non-employee director stock options and employee stock purchases. The Company has concluded that its historical volatility is representative of expected future stock price trends.

The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of the Company's employee and non-employee director stock options and employee stock purchases. The dividend yield assumption is based on the Company's history of zero dividend payouts and expectation that no dividends will be paid in the foreseeable future.

The expected term of employee and non-employee director stock options represents the weighted-average period the stock options are expected to remain outstanding. SAB 107 provides for a simplified method for estimating expected term for "plain-vanilla" options. The simplified method is based on the vesting period and the contractual term for each grant or for each vesting tranche for awards with graded vesting. The mid-point between the vesting date and the expiration date is used as the expected term under this method. The Company has elected to follow the guidance of SAB 107 and adopt this simplified method in determining expected term for its stock option awards. There were 5,000 stock options granted to non-employee directors during the three months ended September 30, 2007.

Forfeitures were estimated based on historical experience by applying an eleven and zero percent forfeiture rate to employee and non-employee director stock option awards granted during the nine months ended September 30, 2007, respectively.

The Company has not recognized any tax benefits or deductions related to the tax effects of employee stock-based compensation as the Company carries a full deferred tax asset valuation allowance and has significant net operating loss carryforwards available.

(5) Accounts and Other Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company has not historically experienced credit losses from its accounts receivable and therefore has not established an allowance for doubtful accounts. The Company does not have any off-balance-sheet credit exposure related to its customers.

Accounts and other receivables consist of the following:

	September 30, 2007	December 31, 2006
Trade	$ 54,483	$ 183,830
Other	471,117	137,111
	$ 525,600	$ 320,941

Other receivables at September 30, 2007 represent interest receivable from a bank and an income tax refund of $401,752. Other receivables at December 31, 2006 represent interest receivable from a bank.

(6) Property and Equipment

Property and equipment includes the following:

	September 30, 2007	December 31, 2006
Laboratory Equipment	$ 4,313,666	$ 3,631,247
Manufacturing Equipment	1,978,346	1,842,017
Office Furniture and Equipment	1,300,674	992,076
Leasehold Improvements	9,794,502	5,202,366
Construction in Progress	5,945,624	7,668,904
Total Property and Equipment	23,332,812	19,336,610
Less Accumulated Depreciation and Amortization	(6,260,112)	(5,368,810)
	$ 17,072,700	$ 13,967,800

AVANT recorded a loss of $74,148 on disposal of fixed assets during the nine months ended September 30, 2007.

The Company has recorded $22,393 and $25,521 of capitalized interest costs incurred in financing leasehold improvements and laboratory and manufacturing equipment at its Fall River and Needham facilities during the three-month periods ended September 30, 2007 and 2006, respectively, and $54,396 and $67,493 of capitalized interest costs during the nine-month periods ended September 30, 2007 and 2006, respectively. The total amount of interest expense incurred by AVANT during the three-month periods ended September 30, 2007 and 2006 was $22,393 and $25,521, respectively, and $68,771 and $77,973 during the nine-month periods ended September 30, 2007 and 2006, respectively.

Depreciation expense related to equipment and leasehold improvements was $462,010 and $293,478 for the three months ended September 30, 2007 and 2006, respectively, and $1,217,083 and $780,493 for the nine months ended September 30, 2007 and 2006, respectively.

(7) Intangible and Other Assets

Intangible and other assets include the following:

		September 30, 2007			December 31, 2006		
	Estimated Lives	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets	Gross Intangible Assets	Accumulated Amortization	Net Intangible Assets
Intangible Assets:							

Collaborative Relationships	5 years	$ 1,090,000	$ (1,090,000)	$ —	$ 1,090,000	$ (1,090,000)	$ —
Core Technology	10 years	3,786,900	(2,171,067)	1,615,833	3,786,900	(1,887,046)	1,899,854
Developed Technology	7 years	3,263,100	(3,155,410)	107,690	3,263,100	(2,832,400)	430,700
Strategic Partner Agreement	17 years	2,563,900	(1,030,586)	1,533,314	2,563,900	(917,472)	1,646,428
Total Intangible Assets		10,703,900	(7,447,063)	3,256,837	10,703,900	(6,726,918)	3,976,982
Other Non Current Assets		81,525	¾	81,525	94,981	¾	94,981
		$ 10,785,425	$ (7,447,063)	$ 3,338,362	$ 10,798,881	$ (6,726,918)	$ 4,071,963

All of AVANT's intangible assets are amortized over their estimated useful lives. Total amortization expense for intangible assets was $240,048 and $248,778 for the three-month periods ended September 30, 2007 and 2006, respectively, and $720,144 and $746,334 for the nine-month periods ended September 30, 2007 and 2006, respectively.

The estimated future amortization expense of intangible assets as of September 30, 2007 for the remainder of fiscal year 2007 and the five succeeding years is as follows:

Year ending December 31,	Estimated Amortization Expense
2007 (remaining three months)	$ 240,068
2008	529,512
2009	529,512
2010	514,622
2011	350,822
2012 and thereafter	1,092,303

(8) Loss Per Share

The Company computes and reports earnings per share in accordance with the provisions of SFAS No. 128, *Earnings Per Share*. The computations of basic and diluted loss per common share are based upon the weighted average number of common shares outstanding and potentially dilutive securities. Potentially dilutive securities include stock options, warrants and restricted stock units. Options and warrants to purchase 4,452,871 and 3,745,785 shares of common stock and restricted stock units totaling 0 and 1,000,000 shares were not included in the computations of weighted average common shares for the periods ended September 30, 2007 and 2006, respectively, because inclusion of such shares would have an anti-dilutive effect on net loss per share. In 2007, restricted stock units totaling 1,000,000 shares were included in the computation of basic and diluted net loss per share as all necessary conditions for their issuance had been satisfied and an insignificant amount of cash consideration will be received upon issuance.

(9) Income Taxes

The $40 million milestone payment received from Paul Royalty Fund II, L.P. ("PRF") during the first quarter of 2006 resulted in taxable income for the Company. The regular taxable income generated by this transaction will be fully offset against available federal and state net operating loss carryforwards. The Company recorded a provision of $372,000 in the first quarter of 2006 for the alternative minimum tax that was estimated to result from receipt of this milestone. In the fourth quarter of 2006, the estimated provision was adjusted to $120,000. In the third quarter of 2007, AVANT made an adjustment to its tax provision estimates of $120,000 after determining that no alternative minimum tax will be due on the transaction.

On January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes –an interpretation of FASB Statement 109* ("FIN 48"). FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return, including a decision whether to file or not to file in a particular jurisdiction. As a result of the implementation of FIN 48, AVANT recognized no material adjustment in the liability for unrecognized income tax benefits. At adoption date and at September 30, 2007, AVANT had no material unrecognized income tax benefits.

As of December 31, 2006, the Company had federal and state net operating loss ("NOL") carryforwards and federal and state research and development ("R&D") credit carryforwards, which may be available to offset future federal and state income tax liabilities which expire at various dates starting in 2007 and going through 2026. Utilization of the NOL and R&D credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously or that could occur in the future provided by Section 382 of the Internal Revenue Code of 1986, as well as similar state provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. Since the Company's formation, the Company has raised capital through the issuance of capital stock on several occasions (both pre and post initial public offering) which, combined with the purchasing shareholders' subsequent disposition of those shares, may have resulted in a change of control, as defined by Section 382, or could result in a change of control in the future upon subsequent disposition. The Company has completed a study to assess whether changes of control have occurred which would limit the Company's utilization of its

NOL or R&D credit carryforwards. Based on this study, management has concluded that there are no significant limitations. The Company does not expect to have taxable income for the foreseeable future.

Massachusetts and Missouri are the two states in which the Company operates and has income tax nexus. Open federal and state return years subject to examination by major tax jurisdictions include the tax years ended December 31, 2004, 2005 and 2006. Carryforward attributes that were generated prior to 2004 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period.

The Company's policy is to recognize interest and penalties related to uncertain tax positions in income tax expense. There have been no interest or penalties recognized in the consolidated statement of operations and on the consolidated balance sheet as a result of FIN 48 calculations. The Company has no amounts accrued for interest and penalties at September 30, 2007.

As required by Statement of Financial Accounting Standards No. 109, management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of NOLs, capitalized research and development expenditures and R&D credits. Management has determined that it is more likely than not that the Company will not realize the benefits of federal and state deferred tax assets and, as a result, a full valuation allowance was maintained at September 30, 2007 and December 31, 2006.

During the third quarter of 2007, the Company completed the closing the its Missouri location and therefore expects that it will not benefit from the Missouri state loss carryforwards. This state net operating loss carryforward totaled approximately $13,256,300 at September 30, 2007.

(10) Product Development and Licensing Agreements

AVANT's revenue from product development and licensing agreements was received pursuant to contracts with different organizations. A summary of these contracts follows:

(A) GlaxoSmithKline plc ("Glaxo") and Paul Royalty Fund ("PRF")

In 1997, AVANT entered into an agreement with Glaxo to collaborate on the development and commercialization of the Company's oral rotavirus vaccine and Glaxo assumed responsibility for all subsequent clinical trials and all other development activities. AVANT licensed-in the Rotarix® technology in 1995 and owes a license fee of 30% to Cincinnati Children's Hospital Medical Center ("CCH") on net royalties received from Glaxo. AVANT is obligated to maintain a license with CCH with respect to the Glaxo agreement. All licensing fees are included in research and development expense. The term of the Glaxo agreement is through the expiration of the last of the relevant patents covered by the agreement, although Glaxo may terminate the agreement upon 90 days prior written notice.

In May 2005, AVANT entered into an agreement whereby an affiliate of Paul Royalty Fund II, L.P. ("PRF") purchased an interest in the net royalties AVANT will receive on worldwide sales of RotarixÒ. Under the PRF agreement, AVANT will retain 50% of future Glaxo milestone payments beginning on the effective date of the agreement with PRF, with 70% of the remaining balance payable to PRF and 30% of the remaining balance payable to CCH, respectively.

The PRF transaction qualifies as a sale in accordance with guidance in EITF 88-18, "Sale of Future Revenues." The upfront unconditional payment of $10 million and the $40 million milestone payment for launch in the European Union were recorded by AVANT as deferred revenue upon receipt. Any future milestone payments received from PRF will also be recorded as deferred revenue. Revenues are being recognized and calculated based on the ratio of total royalties received from Glaxo and remitted to PRF over expected total amounts to be received by PRF and then applying this percentage to the total cumulative consideration received from PRF to date. The expected total of payments to PRF is an estimate which will be updated for any changes in expectations of such payments. The impact of any such changes will be applied prospectively.

In February 2006, the European Commission granted approval of RotarixÒ in the European Union, which triggered a $4 million milestone payment from Glaxo, 50% of which is creditable against future royalties. Revenue of $2.6 million was recorded in the first quarter of 2006 as AVANT has no continuing obligations to incur any research and development costs in

connection with the Glaxo agreement. Glaxo has agreed to make further payments, which could total up to $1.5 million, upon achievement of a specific milestone.

AVANT also recorded $600,000 in royalty expense payable to Cincinnati Children's Hospital Medical Center ("CCH") as a result of this milestone payment. AVANT remitted the remaining $1.4 million of the Glaxo milestone payment to PRF in accordance with the PRF agreement. As a result, in the first nine months of 2006, AVANT also recognized $550,803 in product royalty revenue related to PRF's purchased interests in the net royalties that AVANT receives from RotarixÒ worldwide net sales. In the first nine months of 2007, AVANT recognized $2,742,689 in RotarixÒ-related product royalty revenue consisting of $1,444,058 related to PRF's purchased interest in Rotarix® net royalties and $1,298,631 related to AVANT's retained interest in Rotarix® net royalties which were not sold to PRF, which also corresponds to the amount payable by AVANT to CCH. As such, a corresponding amount is recorded as royalty expense and included in research and development expense. Based on management's best estimates of the amount and timing of Glaxo royalties, the Company has classified $4,118,503 and $43,886,636 of the deferred revenue balance at September 30, 2007 as short-term and long-term, respectively.

In September 2006, AVANT received notice from Glaxo that Glaxo would begin paying royalties on sales of RotarixÒ vaccine at the lower of two royalty rates under their 1997 license agreement. Glaxo's decision to pay the lower royalty rate (which is 70% of the full rate) is based upon Glaxo's assertion that RotarixÒ is not covered by the patents Glaxo licensed from AVANT in Australia and certain European countries. AVANT is analyzing various options to counter Glaxo's assertions and protect AVANT's rights. AVANT is determined to take all available steps to enforce its rights under its license agreement with Glaxo. AVANT has recognized royalty revenue at the lower royalty rates and will continue to do so until the dispute with Glaxo is resolved.

(B) Pfizer Inc ("Pfizer")

The Company entered into a licensing agreement in December 2000 with Pfizer's Animal Health Division whereby Pfizer has licensed Megan's technology for the development of animal health and food safety vaccines. Under the agreement, AVANT may receive additional milestone payments of up to $3 million based upon attainment of specified milestones. AVANT may receive royalty payments on eventual product sales. The term of this agreement is through the expiration of the last of the patents covered by the agreement. AVANT has no obligation to incur any research and development costs in connection with this agreement.

As of June 1, 2006, AVANT entered into a Collaborative Research and Development Agreement with Pfizer aimed at the discovery and development of vaccines to protect animals. The collaboration will employ vaccine technologies owned by AVANT. Under the agreement, Pfizer and AVANT will conduct a joint research program funded by Pfizer to develop prophylactic and therapeutic vaccines. AVANT had recognized revenue as the research and development service deliverables were completed and delivered to Pfizer. AVANT recognized $62,500 and zero in product development revenue from Pfizer, Inc in the nine-month periods ended September 30, 2007 and 2006, respectively.

(C) DynPort Vaccine Company LLC ("DVC")

In January 2003, AVANT was awarded a subcontract by DVC in the amount of $2.5 million to develop for the U.S. Department of Defense an oral combination vaccine against anthrax and plague using AVANT's proprietary vaccine technologies. As of September 30, 2007, AVANT had received a number of additional subcontract modifications from DVC to support further development and pre-clinical animal testing of vaccine constructs of anthrax and plague vaccine candidates being developed by AVANT for use in the oral combination vaccine. Total contract funding awarded by DVC now totals approximately $12 million. Payments under the subcontract agreement are made on a time and materials basis and receipt of the full amount is conditioned upon the project being fully funded through completion and AVANT performing and continuing to demonstrate that it has the capability to perform the funded work. As a result of AVANT's recent restructuring, the Company will no longer invest its resources in biodefense research and development activities and as a result limited contract revenue is expected during the remainder of 2007. For the nine months ended September 30, 2007 and 2006, AVANT recognized $250,491 and $1,049,906, respectively, in government contract revenue from DVC. Through September 30, 2007, AVANT had received approximately $9.7 million in payments under the various subcontract

agreements. These agreements expire in 2007, although they may be terminated by DVC at any time upon 30 days written notice.

(D) Select Vaccines Limited ("Select Vaccines")

In February 2007, AVANT entered into a research and development partnership with Select Vaccines, a public Australian biotechnology company, focused on the use of Select Vaccines' virus-like particles ("VLPs") as a platform technology for the development of viral vaccines. Research and development efforts will initially target the development of vaccines against influenza including both epidemic and pandemic forms of vaccine, with the opportunity to expand the collaboration to other disease targets. Under the terms of the agreement, AVANT made an upfront equity investment of $735,000 in Select Vaccines and will fund influenza vaccine research and development for two years, as well as provide payments to Select Vaccines for the achievement of specific preclinical and clinical development milestones. In addition, AVANT has the exclusive right to apply Select Vaccines' technology to a second target within the first two years of the agreement, and a third target within the first three years of the agreement. Select Vaccines would also be eligible to receive royalties based on net sales of any approved products arising out of this collaboration that are successfully marketed.

On November 1, 2007, AVANT notified Select Vaccines that, effective December 31, 2007, AVANT for strategic reasons was exercising its rights to terminate its Collaboration and License Agreement with Select Vaccines.

AVANT has classified its equity investment in Select Vaccines shares as available for sale securities under FAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, ("FAS 115"). In accordance with FAS115, all available-for-sale securities are recorded at fair market value and, to the extent deemed temporary, unrealized gains and losses are included in accumulated other comprehensive income (loss) in shareholders' equity. Realized gains and losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income (expense).

During the quarter ended September 30, 2007, AVANT recognized $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. In assessing whether the decline in fair value of the investment is other-than-temporary, AVANT has determined that it does not have significant positive evidence to conclude that the decline was temporary.

(11) Other Long-Term Liabilities

In December 2003, AVANT entered into a Lease Agreement, a Secured Promissory Note: Equipment Loan and a Security Agreement with the Massachusetts Development Finance Agency ("MassDevelopment"), an economic development entity for the Commonwealth of Massachusetts, for AVANT to occupy and build-out a manufacturing facility in Fall River, Massachusetts.

(A) Loan Payable

Under the Lease Agreement, AVANT received a Specialized Tenant Improvement Loan of $1,227,800 to finance the build-out of its Fall River facility. Principal and interest payments on the loan are due monthly using an amortization period of 15 years and an interest rate of 5.5% per annum.

At September 30, 2007, AVANT has recorded leasehold improvements of $1,227,800 and currently has a loan payable of $1,002,703 to MassDevelopment, of which $75,032 is classified as current and $927,671 as long-term. AVANT began amortizing the leasehold improvements when the Fall River facility became operational. Based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities, the fair value of the loan is approximately $738,600 at September 30, 2007.

(B) Note Payable

Under the Secured Promissory Note: Equipment Loan, AVANT received $903,657 from MassDevelopment to finance the purchases of manufacturing and laboratory equipment to be placed in its Fall River facility (the "Loan"). The

Loan has a term of 84 months at an interest rate of 5.5% per annum. The Loan is collateralized by all of the equipment purchased with the principal amount. The net book values of these collateralized assets at September 30, 2007 and December 31, 2006 was $692,410 and $769,855, respectively.

At September 30, 2007, AVANT currently has a note payable of $552,432 to MassDevelopment, of which $137,221 is classified as current and $415,210 as long-term. AVANT began depreciating the manufacturing and laboratory equipment assets over the estimated economic lives of the assets when the equipment became ready for its intended use. Based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities, the fair value of the note payable is approximately $505,200 at September 30, 2007.

(12) Commitments and Contingencies

(A) Commitments for the Renovations of the Needham Facility and Improvements to the Fall River Facility

In November 2005, AVANT entered into a Lease Amendment with the landlord which specified terms for the complete renovation of the Company's Needham facility. The current projected costs for the tenant improvements portion of the renovations project are approximately $9.5 million. As an incentive for AVANT to enter into the Lease Amendment, the landlord has agreed to contribute up to $3.6 million towards tenant improvement costs. The Company will record the full cost of the Needham renovation project as an asset and the amounts of landlord incentive will be recorded as deferred rent (included under "Other Long Term Liabilities" account in the consolidated balance sheets) in accordance with FASB Technical Bulletin 88-1 "Issues Related to Accounting for Leases." Amortization of the deferred rent will be recorded as a reduction of rent expense over the remaining lease term when the renovation project is complete and will be classified as an operating activity in the Consolidated Statement of Cash Flows. AVANT has recorded a total of $3,600,000 in deferred rent related to the Needham landlord's tenant incentive allowance. In May 2007, AVANT began amortizing on a straight-line basis the tenant incentive allowance over the ten-year lease term and recorded a reduction in rent expense of $90,000 in the quarter ended September 30, 2007. At September 30, 2007, deferred rent of $3,450,000 related to the Needham landlord's tenant incentive allowance was recorded on the Consolidated Balance Sheet of which $360,000 is classified as current and $3,090,000 as long-term.

(B) Purchase Commitments for Contract Manufacturing

In April 2000, AVANT entered into a Services Agreement (the "Lonza Agreement") with Lonza Biologics plc ("Lonza") for process development and manufacture of its product candidate TP10. AVANT has entered into a number of amendments to the Lonza Agreement for specific process development and scale-up work and remaining aggregate commitments as of September 30, 2007 total approximately $106,000. The Company has incurred $608,692 and $9,120,000 of expense related to the Lonza Agreement in the nine-month period ended September 30, 2007 and from inception through September 30, 2007, respectively, of which approximately $106,000 remained accrued at September 30, 2007.

(13) Restructuring

On April 16, 2007, AVANT initiated planned restructuring activities to reduce ongoing operational costs, following an extensive review of its operations and cost structure. The restructuring aimed to increase the focus of AVANT's resources upon key programs and core operational capabilities and to lower the Company's overall cost structure. The Company will concentrate its focus on building an enhanced portfolio of viral and bacterial vaccines for global health and travelers around the Company's core technologies, as well as its unique development and manufacturing capabilities. AVANT will no longer invest in biodefense research and development activities or further invest in clinical trials for its CETi and TP10 programs.

The restructuring resulted in a workforce reduction of approximately 30%. AVANT also exited from its St. Louis-based research facility at September 30, 2007 when the lease term expired and has moved all essential research activities to its Needham, MA headquarters. The restructuring charges consisted of severance, payroll tax and extended benefits costs for terminated employees, as well as, salary continuation and retention bonus costs for certain St. Louis employees retained during the transition and closing process for the St. Louis facility. During the nine-month period ended September 30, 2007, restructuring charges of $765,204 were recorded, of which $754,877 were recorded as research and development and $10,327 were recorded as general and administrative expense. Of the restructuring charge, $384,116 related to St. Louis benefit arrangements and $381,088 related to Needham and Fall River benefit arrangements. During the three months and nine

months ended September 30, 2007, $147,625 and $365,423, respectively, of restructuring costs were paid out and a balance of $399,781 of accrued restructuring costs remained at September 30, 2007.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: *This quarterly report on Form 10-Q includes forward-looking statements that are subject to a variety of risks and uncertainties and reflect AVANT's current views with respect to future events and financial performance. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by AVANT. These factors include, but are not limited to: (1) the integration of multiple technologies and programs; (2) the ability to adapt AVANT's vectoring systems to develop new, safe and effective orally administered vaccines against pandemic diseases or other disease causing agents; (3) the ability to successfully complete product research and further development, including animal, pre-clinical and clinical studies and commercialization of CholeraGarde® (Peru-15), Ty800, ETEC E. coli, VLPs and other products and AVANT's expectations regarding market growth; (4) the cost, timing, scope and results of ongoing safety and efficacy trials of CholeraGarde® (Peru-15), Ty800, ETEC E. coli and other preclinical and clinical testing; (5) the ability to negotiate strategic partnerships or other disposition transactions for AVANT's cardiovascular programs, including TP10 and CETi; (6) the ability of AVANT to manage multiple clinical trials for a variety of product candidates; (7) the volume and profitability of product sales of Megan®Vac 1, Megan®Egg and other future products; (8) the process of obtaining regulatory approval for the sale of RotarixÒ in major commercial markets, as well as the timing and success of worldwide commercialization of RotarixÒ by our partner, Glaxo; (9) Glaxo's strategy and business plans to launch and supply RotarixÒ worldwide, including in the U.S. and other major markets and its payment of royalties to AVANT; (10) changes in existing and potential relationships with corporate collaborators and partners; (11) the availability, cost, delivery and quality of clinical and commercial grade materials produced at AVANT's own manufacturing facility or supplied by contract manufacturers; (12) the timing, cost and uncertainty of obtaining regulatory approvals to use CholeraGarde® (Peru-15) and Ty800, ETEC E. coli, among other purposes, to protect travelers and people in endemic regions from diarrhea causing diseases, respectively; (13) the ability to obtain substantial additional funding; (14) the ability to develop and commercialize products before competitors that are superior to the alternatives developed by competitors; (15) the ability to retain certain members of management;(16) AVANT's expectations regarding research and development expenses and general and administrative expenses and restructuring costs; (17) AVANT's expectations regarding CETP's ability to improve cholesterol levels and AVANT's ability to find a partner todevelop and commercialize CETP; (18) AVANT's expectations regarding cash balances, capital*

requirements, anticipated royalty payments (including those from Paul Royalty Fund), revenues and expenses, including infrastructure expenses;(19) our belief regarding the validity of our patents and potential litigation; and (20) other factors detailed from time to time in filings with the Securities and Exchange Commission.

In addition, on October 19, 2007, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Celldex Therapeutics, Inc. ("Celldex"), a Delaware corporation, and Callisto Merger Corporation, a Delaware corporation and wholly owned subsidiary of the Company. See Note 14 of the notes to the unaudited consolidated financial statements for more information. Forward-looking statements regarding the Merger Agreement are subject to risks and uncertainties that may cause actual future experience and results to differ materially from those discussed in these forward-looking statements. Important factors that might cause such a difference include, but are not limited to, costs related to the merger, failure of AVANT's stockholders to approve the Merger; AVANT's or Celldex's inability to satisfy the conditions of the Merger; AVANT's inability to maintain its NASDAQ listing; the risk that AVANT's and Celldex's businesses will not be integrated successfully; the combined company's inability to further identify, develop and achieve commercial success for new products and technologies; the possibility of Merger-related delays in the research and development necessary to select drug development candidates and delays in clinical trials; the risk that clinical trials may not result in marketable products; the risk that the combined company may be unable to successfully secure regulatory approval of and market its drug candidates; the risks associated with reliance on outside financing to meet capital requirements; risks associated with Celldex's new and uncertain technology; risks of the development of competing technologies; risks related to the combined company's ability to protect its proprietary technologies; risks related to patent-infringement claims; and risks of new, changing and competitive technologies and regulations in the U.S. and internationally.

You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this report, and we do not promise to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

AVANT's principal activity since our inception has been research and product development conducted on our own behalf, as well as through joint development programs with several pharmaceutical companies and other collaborators. AVANT was incorporated in the State of Delaware in December 1983.

CRITICAL ACCOUNTING POLICIES

The Company's critical accounting policies are set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 to our 2006 Form 10-K. Other than the adoption of the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, ("FIN 48"), there have been no changes to these policies since December 31, 2006. Readers are encouraged to review these critical accounting policies in conjunction with the review of this Form 10-Q.

OVERVIEW

AVANT's is engaged in the discovery, development and commercialization of products that harness the human immune system to prevent and treat disease. The Company has assembled a broad portfolio of technologies and intellectual property that gives it a competitive position in vaccines and immunotherapeutics. These include an oral human rotavirus vaccine, which has gained marketing approval in over 90 countries worldwide and is being commercialized by Glaxo. Three of AVANT's products are in clinical development. The Company has actively developed and acquired innovative technologies — especially novel approaches to vaccine creation. The marriage of innovative bacterial vector delivery technologies with unique manufacturing processes offer the potential for a new generation of vaccines. The Company's goal is to become a leading developer of innovative vaccines and immunotherapeutics that address health care needs on a global basis.

AVANT is targeting its efforts where it can add the greatest value to the development of its products and technologies. Its goal is to demonstrate clinical proof-of-concept for each product, and then seek excellent partners to help see those products through to commercialization. This approach allows AVANT to maximize the overall value of its technology and product portfolio while best ensuring the expeditious development of each individual product.

On October 22, 2007, AVANT and Celldex Therapeutics, Inc., a privately-held company, announced the signing of a definitive merger agreement. The merger creates a NASDAQ-listed, fully-integrated and diversified biopharmaceutical company with a deep pipeline of product candidates addressing high- value indications including oncology, infectious and inflammatory diseases. The all-stock transaction, approved by both companies' Boards of Directors, will combine the two companies under the name AVANT, and is currently expected to close in the first quarter of 2008. Celldex and AVANT shareholders will own 58% and 42% of the combined company on a fully diluted basis, respectively. Closing of the merger is contingent upon a vote of approval by AVANT's current shareholders at a special meeting of shareholders expected to take place in the first quarter of 2008.

RESEARCH AND DEVELOPMENT ACTIVITIES

AVANT is currently focused on the development of a number of immunotherapeutic and vaccine product candidates which are in various stages of clinical trials. AVANT expects that a large percentage of its research and development expenses will be incurred in support of its current and future clinical trial programs.

During the past five years through the end of 2006, AVANT incurred an aggregate of $71 million in research and development costs. During the nine months ended September 30, 2007, AVANT incurred an aggregate of $14.4 million in research and development costs. The following table indicates the amount incurred for each of AVANT's material research programs and for other identified research and development activities during the two years ended December 31, 2006 and 2005 and the nine-month periods ended September 30, 2007 and 2006. The amounts disclosed in the following table and in "Program Developments" below reflect direct research and development costs, license fees associated with the underlying technology and an allocation of indirect research and development costs to each program.

	Nine Months Ended September 30,		Year Ended December 31,	
	2007	2006	2006	2005
Bacterial Vaccines:				
CholeraGardeÒ	$ 1,825,400	$ 3,240,200	$ 5,427,800	$ 1,257,200
Ty800	4,980,500	619,700	1,402,300	404,500
Other	3,446,200	1,287,400	1,873,600	528,900
Viral Vaccines:				
RotarixÒ Vaccine	1,323,600	648,600	648,600	—
Avian and Human Influenza	630,600	585,400	711,600	¾
BioDefense Vaccines:	194,400	1,413,700	1,558,600	2,470,700
Cholesterol Management Vaccine:				
CETi-1	269,500	834,000	922,700	650,800
Complement Inhibitors:				
TP10/TP20	1,452,900	3,722,800	4,466,400	8,327,200
Food Safety & Animal Health Vaccines:	¾	6,200	6,700	9,900
Other Programs:	260,700	871,000	1,048,200	414,100
Total R&D Expense	$ 14,383,800	$ 13,229,000	$ 18,066,500	$ 14,063,300

PROGRAM DEVELOPMENTS

Rotavirus Vaccine: Rotavirus is a major cause of diarrhea and vomiting in infants and children. In 1997, AVANT licensed its oral rotavirus vaccine to Glaxo. All of the ongoing development for this program is being conducted and funded by Glaxo. Glaxo gained approval for RotarixÒ in Mexico in July 2004, which represented the first in an expected series of worldwide approvals and commercial launches for the product. Glaxo has launched in additional Latin American and Asian Pacific countries during 2005 – 2007. Additionally, Glaxo filed for market approval with the European regulatory authorities in late 2004, which triggered a $2 million milestone payment to AVANT. In February 2006, the European Commission granted approval of RotarixÒ in the European Union, which triggered a $4 million milestone payment from Glaxo. Glaxo has agreed to make an additional payment of $1.5 million upon achievement of market approval in the United States. AVANT licensed-in the Rotarix® technology in 1995 and owes a license fee of 30% to Cincinnati Children's Hospital Medical Center ("CCH") on net royalties received from Glaxo. In May 2005, AVANT entered into an agreement whereby an affiliate of Paul Royalty Fund ("PRF") purchased an interest in the net royalties AVANT will receive on worldwide sales of RotarixÒ (see Note 10 of our unaudited consolidated financial statements). Under the PRF agreement, AVANT will retain 50% of future Glaxo milestone payments, with the balance payable to PRF and CCH.

In September 2006, AVANT received notice from Glaxo that Glaxo would begin paying royalties on sales of RotarixÒ vaccine at the lower of two royalty rates under their 1997 license agreement. Glaxo's decision to pay the lower royalty rate (which is 70% of the full rate) is based upon Glaxo's assertion that RotarixÒ is not covered by the patents Glaxo licensed from AVANT in Australia and certain European countries. AVANT is analyzing various options to counter Glaxo's assertions and protect AVANT's rights. AVANT is determined to take all available steps to enforce its rights under its license agreement with Glaxo.

If Glaxo's position stands, the royalties to which PRF is entitled will no longer be limited by a $27.5 million annual threshold, which AVANT projected may have been reached in later years as sales of RotarixÒ increased. Irrespective of Glaxo's position, AVANT will still retain the royalties on worldwide sales of RotarixÒ once PRF receives 2.45 times the aggregate cash payments it makes to AVANT, though the potential amount of such residual royalties will be lower if Glaxo's position stands.

Bacterial Vaccines: AVANT's goal is to become a leading developer of innovative vaccines that address health care needs on a global basis. Utilizing its *Cholera*- and *Salmonella*-vectored delivery technologies together with its drying and preservation technologies, the Company can now develop a new generation of vaccines that have an ideal product profile: safe, effective, oral, single-dose, rapidly protective and increased thermostability.

Development of a safe, effective cholera vaccine is the first step in establishing AVANT's single-dose, oral bacterial vaccine franchise. In December 2002 the International Vaccine Institute ("IVI") initiated a Phase 2 study of CholeraGarde® in Bangladesh where cholera is endemic. In July 2005, Bangladesh study results in children and infants showed CholeraGarde® to be well tolerated and highly immunogenic, with 77% of children aged 9 months to 5 years generating protective immune responses. Previously published results showed the vaccine to be well tolerated and immunogenic against the cholera organism in the adult portion of this trial.

In August 2006, IVI received $21 million in funding from the Bill & Melinda Gates Foundation for a Cholera Vaccine Initiative ("CHOVI"), which will include conducting further clinical trials of CholeraGarde®. IVI plans to conduct Phase 2 clinical trials of CholeraGarde® in Bangladesh and India beginning around year-end 2007 followed by Phase 3 field studies. IVI will be purchasing clinical materials produced at AVANT's Fall River, MA manufacturing facility for the trials.

AVANT has decided to focus only on the fully-funded opportunity for CholeraGarde® in the developing world. AVANT has determined that the high clinical costs of our own Phase 3 clinical trials in the United States and the investment in a commercial manufacturing facility are not justified by the limited market opportunities for a cholera vaccine in developed countries at this time. This decision frees up both financial and manufacturing resources for our Ty800 and ETEC programs.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $13.5 million in research, development and clinical costs on its CholeraGarde® program. During the nine months ended September 30, 2007, AVANT incurred approximately $1.8 million in research, development, manufacturing and clinical costs on its CholeraGarde® program.

AVANT is also developing an oral typhoid fever vaccine, Ty800, for the travelers' market and global health needs. The National Institute of Allergy and Infectious Disease ("NIAID") of the National Institutes of Health ("NIH") and AVANT agreed for the NIAID to conduct a Phase 1/2 in-patient dose-ranging clinical trial aimed at demonstrating the safety and immunogenicity of the Ty800 vaccine. NIAID has funded the production of Ty800 vaccine for

clinical testing and completed the Phase 1/2 trial at a NIH-funded clinical site. Results showed the single-dose, oral vaccine to be well tolerated and immunogenic, with over 90% of vaccinated subjects generating immune responses. AVANT initiated its own sponsored Phase 2 trial of Ty800 in July 2007. Enrollment was completed in late September 2007 and results are expected in the first half of 2008. During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $4.9 million in research, development, contract manufacturing and clinical costs on its Ty800 program. During the nine months ended September 30, 2007, AVANT incurred approximately $5.0 million in research, development and clinical costs on its Ty800 program.

Finally, AVANT is developing additional bacterial vaccines against enterotoxigenic *E. coli* ("ETEC"), *Salmonella paratyphi* and *Shigella*,—all important causes of serious diarrheal diseases and enteric fevers worldwide. These programs are in pre-clinical development. In early 2008, AVANT expects to initiate a Phase 1 trial of its ETEC vaccine candidate. AVANT's long-term goal is to develop a combination vaccine containing Cholera, Ty800, ETEC and *S. paratyphi* as a "super enteric vaccine" to address the travelers' market. During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $3.1 million in research, development, contract manufacturing and clinical costs on these pre-clinical programs. During the nine months ended September 30, 2007, AVANT incurred approximately $3.4 million in research and development costs on these pre-clinical programs.

BioDefense Vaccines: The attenuated live bacteria used to create AVANT's single-dose oral vaccines can also serve as vectors for the development of vaccines against other bacterial and viral diseases. In January 2003, AVANT was awarded a subcontract by DVC in the amount of $2.5 million to develop for the U.S. Department of Defense an oral combination vaccine against anthrax and plague using AVANT's proprietary vaccine technologies. AVANT has received a number of additional subcontract modifications from DVC to support further development and pre-clinical animal testing of vaccine constructs of anthrax and plague vaccine candidates. Payments under the subcontract agreement are made on a time and materials basis and receipt of the full amount is conditioned upon the project being fully funded through completion and AVANT performing and continuing to demonstrate that it has the capability to perform the funded work. As a result of AVANT's recent restructuring, the Company will no longer invest its resources in biodefense research and development activities. For the nine months ended September 30, 2007 and 2006, AVANT recognized $250,491 and $1,049,906, respectively, in government contract revenue from DVC. Through September 30, 2007, AVANT had received approximately $9.7 million in payments under the subcontract agreements. These agreements expire in 2007, although they may be terminated by DVC at any time upon 30 days notice.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $10.9 million in research and development costs on its biodefense vaccine program. During the six months ended September 30, 2007, AVANT incurred approximately $194,400 in research and development costs on its biodefense vaccine program.

Food Safety and Animal Health Vaccines: AVANT has partnered with Pfizer Inc. ("Pfizer"), who will apply AVANT's vaccine technologies to animal health and human food safety markets. As of June 1, 2006, AVANT entered into a Collaborative Research and Development Agreement with Pfizer aimed at the discovery and development of vaccines to protect animals. Under the agreement, Pfizer and AVANT will conduct a joint research program funded by Pfizer. AVANT expects to recognize revenue as the research and development service deliverables are completed and delivered to Pfizer. During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $0.5 million in research and development costs on its food safety and animal health vaccines program. During the nine months ended September 30, 2007, AVANT incurred no research and development costs on its food safety and animal health vaccines program.

Complement Inhibitors: In February 2006, AVANT reported that the Phase 2b females-only study did not meet its primary endpoint, thus confirming the results for female subjects in the previous TP10 Phase 2 trial. AVANT is currently spending limited resources on this program and is seeking a corporate partner to complete the development and commercialization of TP10.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $23.9 million in research, development, contract manufacturing and clinical costs associated with its complement inhibitor program. During the nine months ended September 30, 2007, the Company incurred approximately $1.5 million in research, development, contract manufacturing and clinical costs associated with its complement inhibitor program.

Cholesterol Management Vaccine: AVANT has been developing an immunotherapeutic vaccine against endogenous cholesteryl ester transfer protein ("CETP"), which may be useful in reducing risks associated with atherosclerosis. CETP is a key intermediary in the balance of HDL (high-density lipoprotein) and LDL (low-density lipoprotein). The vaccine stimulates an immune response against CETP, which may improve the ratio of HDL to LDL cholesterol and reduce the progression of atherosclerosis, which often leads to heart attack.

During the period January 1, 2002 through December 31, 2006, AVANT incurred approximately $9.0 million in research, development and clinical costs associated with the CETP program. During the nine months ended September 30, 2007, AVANT incurred approximately $269,500 in research and development costs associated with the CETP program. AVANT is no longer expending its own resources on this program and is seeking a corporate partner to complete development and to commercialize the CETP vaccine.

TECHNOLOGY LICENSING

AVANT has adopted a business strategy of out-licensing technology that does not match its development focus or where it lacks sufficient resources for the technology's efficient development or where certain uses of the technology are outside of AVANT's focus. For example, when AVANT acquired Megan, it also signed an agreement with Pfizer to leverage

the value of Megan's oral vaccine technology in a significant market opportunity (animal health and human food safety) outside of AVANT's own focus on human health care.

RESULTS OF OPERATIONS

Three-Month Period Ended September 30, 2007 as Compared with the Three-Month Period Ended September 30, 2006

AVANT reported a consolidated net loss of $5,253,481, or $.07 per share, for the third quarter ended September 30, 2007, compared with a net loss of $5,520,567, or $.07 per share, for the third quarter ended September 30, 2006. The weighted average common shares outstanding used to calculate net loss per common share was 75,188,022 in 2007 and 74,182,347 in 2006.

Revenue: Total revenue increased $852,536 to $1,191,535 for the third quarter of 2007 compared to $338,999 for the third quarter of 2006.

Product development and licensing revenue increased to $100,508 in 2007 from $35,475 in 2006 due to revenue earned from Pfizer for $62,500 and license fees from Inflazyme for $25,833, offset in part by a decrease in reimbursed patent expense by AVANT's partner, Pfizer.

In the third quarter of 2007, AVANT recognized $988,462 in product royalty revenue consisting of $540,374 related to PRF's purchased interest in Rotarix® net royalties and $448,088 related to AVANT's retained interests in Rotarix® net royalties which were not sold to PRF and which amount is also payable to CCH. As such, a corresponding amount is recorded as royalty expense and included in research and development expense. In the third quarter of 2006, no product royalty revenue related to net royalties from RotarixÒ worldwide net sales was recognized. AVANT expects the amount of product royalty revenue to increase during the remainder of 2007 as Glaxo continues the global commercialization of Rotarix®.

AVANT has received a number of subcontracts from its partner, DVC, to develop anthrax and plague vaccines for the U.S. Department of Defense. AVANT has been reimbursed by DVC on a time and materials basis for vaccine development research work performed by AVANT. Under these agreements and several SBIR grants, AVANT recognized $90,149 and $280,419 in government contract and grant revenue during the third quarters of 2007 and 2006, respectively, for work performed. The decrease in revenue in 2007 compared to 2006 primarily reflects reduced levels of vaccine development work billable to DVC in 2007 as the Company closed down its biodefense development activities to focus on its travelers vaccines. As a result, limited contract revenue is expected during the remainder of 2007.

Marketing and distribution of the Megan poultry product line is performed by AVANT's partner, Lohmann Animal Health International ("LAHI"), and AVANT receives a royalty percentage of all Megan®Vac 1 and Megan®Egg product sales. Royalty payments received during the third quarters of 2007 and 2006 totaled $12,416 and $23,105, respectively.

Operating Expense: Total operating expense increased $213,897 to $6,697,794 for the third quarter of 2007 compared to $6,483,897 for the third quarter of 2006.

Research and development expense increased $41,155, or 0.9%, to $4,457,475 from $4,416,320 in 2006. The increase in 2007 compared to 2006 is primarily due to increases in clinical trial costs of $685,120 associated with the TY800 program and royalty expense of $448,088, offset in part by declines in personnnel and related expenses of $445,128, primarily related to restructuring activity, lower contract manufacturing costs of $314,883, lab materials and supplies of $242,190 and consulting costs of $114,677. Research and development expense includes $448,088 and $0 of royalty expense payable to CCH in the three months ended September 30, 2007 and 2006, respectively. AVANT expects research and development expense to continue to decrease during the remainder of 2007 as a result of AVANT's restructuring activities initiated in April 2007.

General and administrative expense increased $181,472, or 10.0%, to $2,000,271 in 2007 compared to $1,818,799 in 2006 and is primarily attributed to increases in professional services costs of $561,146 primarily related to the anticipated merger transaction, offset in part by decreases in consulting expenses of $181,623 and lower personnel and related costs of $224,748. AVANT expects general and administrative expense to continue at current levels during the remainder of 2007.

Amortization expense of acquired intangible assets was $240,048 and $248,778 in 2007 and 2006, respectively.

Investment and Other Income, Net: Interest and other income decreased $491,553 to $132,778 for the third quarter of 2007 compared to $624,331 for the third quarter of 2006. During the quarter ended September 30, 2007, AVANT recognized a loss of $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. The decrease is also due to lower average cash balances, offset in part by slightly higher interest rates during the third quarter of 2007 compared to the third quarter of 2006. During the third quarters of 2007 and 2006, the average month-end cash balances were $21,972,582 and $49,378,137, respectively. The effective interest rates during the third quarters of 2007 and 2006 were 5.22% and 5.09%, respectively.

Provision for Income Taxes: The $40 million milestone payment received from PRF during the first quarter of 2006 resulted in taxable income for the Company. The regular taxable income generated by this transaction has been fully offset with available federal and state net operating loss carryforwards. The Company recorded a provision of $372,000 in the first quarter of 2006 for the alternative minimum tax that was estimated to result from receipt of this milestone. In the fourth quarter of 2006, the estimated provision was adjusted to $120,000. In the third quarter of 2007, AVANT made an adjustment to its tax provision estimates of $120,000.

Nine-Month Period Ended September 30, 2007 as Compared with the Nine-Month Period Ended September 30, 2006

AVANT reported consolidated net loss of $16,385,006, or $.22 per share, for the nine months ended September 30, 2007, compared with a net loss of $14,161,857, or $.19 per share, for the nine months ended September 30, 2006. The weighted average common shares outstanding used to calculate net loss per common share was 75,185,365 in 2007 and 74,176,593 in 2006.

Revenue: Total revenue decreased $1,167,837 to $3,383,128 for the first nine months of 2007 compared to $4,550,965 for the first nine months of 2006.

Product development and licensing revenue decreased $2,554,283 to $118,612 in 2007 from $2,672,895 in 2006. In February 2006, the European Commission granted approval of RotarixÒ in the European Union, which triggered a one-time $4 million milestone payment from Glaxo, 50% of which was creditable against future royalties. Product development and licensing revenue of $2.6 million was recorded in the first quarter of 2006 and the remaining $1.4 million was remitted to PRF in accordance with the PRF agreement. AVANT recorded $600,000 in royalty expense payable to CCH as a result of this milestone payment.

In the first nine months of 2007, AVANT recognized $2,742,689 in product royalty revenue consisting of $1,444,058 related to PRF's purchased interest in Rotarix® net royalties and $1,298,631 related to AVANT's retained interests in Rotarix® net royalties which were not sold to PRF and which amount is also payable to CCH. As such, a corresponding amount is recorded as royalty expense and included in research and development expense. In the first nine months of 2006, AVANT recognized $550,803 in product royalty revenue related to PRF's purchased interests in the net royalties from RotarixÒ worldwide net sales. AVANT expects the amount of product royalty revenue to increase during the remainder of 2007 as Glaxo continues the global commercialization of Rotarix®.

AVANT has received a number of subcontracts from its partner, DVC, to develop anthrax and plague vaccines for the U.S. Department of Defense. AVANT has been reimbursed by DVC on a time and materials basis for vaccine development research work performed by AVANT. Under these agreements and several SBIR grants, AVANT recognized $441,407 and $1,241,149 in government contract and grant revenue during the first nine months of 2007 and 2006, respectively, for work performed. The decrease in revenue in 2007 compared to 2006 primarily reflects reduced levels of vaccine development work billable to DVC in 2007 as the Company closes down its biodefense development activities, and as a result, limited contract revenue is expected during the remainder of 2007.

Marketing and distribution of the Megan poultry product line is performed by AVANT's partner, Lohmann Animal Health International ("LAHI"), and AVANT receives a royalty percentage of all Megan®Vac 1 and Megan®Egg product

sales. Royalty payments received during the first nine months of 2007 and 2006 totaled $80,419 and $86,117, respectively. AVANT expects royalty payments from LAHI to be approximately consistent in the remainder of 2007 compared to 2006.

Operating Expense: Total operating expense increased $927,571, or 4.7%, to $20,827,336 for the first nine months of 2007 compared to $19,899,765 for the first nine months of 2006.

Research and development expense increased $1,154,880, or 8.7%, to $14,383,806 from $13,228,926 for the first nine months of 2006. The increase in 2007 compared to 2006 is primarily due to increases in clinical trial costs of $635,728 associated with the TY800 program and increases in research and development personnel and related costs of $347,371, primarily related to restructuring activity. These increases were coupled by a increase in royalty expense of $698,631 in 2007 due primarily to higher sales of Rotarix® and were offset by lower contract manufacturing costs of $730,656. Research and development expense includes $1,298,631 and $600,000 of royalty expense payable to CCH at September 30, 2007 and 2006, respectively. AVANT expects research and development expense to continue to decrease during the remainder of 2007 as a result of AVANT's restructuring activities initiated in April 2007.

General and administrative expense decreased $201,119, or 3.4%, to $5,723,386 in 2007 compared to $5,924,505 for the first nine months of 2006 and is primarily attributed to lower personnel and related costs of $624,132 and consulting costs of $158,645, offset in part by higher professional services costs of $498,091 primarily related to the anticipated merger transaction. AVANT expects general and administrative expense to continue at current levels during the remainder of 2007.

Amortization expense of acquired intangible assets was $720,144 and $746,334 in the first nine months of 2007 and 2006, respectively.

Investment and Other Income, Net: Interest and other income decreased $619,741 to $939,202 for the first nine months of 2007 compared to $1,558,943 for the first nine months of 2006. During the quarter ended September 30, 2007, AVANT recognized a loss of $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. The decrease is also due to lower average cash balances, offset in part by slightly higher interest rates during the first nine months of 2007 compared to the first nine months of 2006. During the first nine months of 2007 and 2006, the average month-end cash balances were $28,179,604 and $46,441,661, respectively. The effective interest rates during the first nine months of 2007 and 2006 were 5.19% and 4.68%, respectively.

Provision for Income Taxes: The $40 million milestone payment received from PRF during the first quarter of 2006 resulted in taxable income for the Company. The regular taxable income generated by this transaction has been fully offset with available federal and state net operating loss carryforwards. The Company recorded a provision of $372,000 in the first quarter of 2006 for the alternative minimum tax that was estimated to result from receipt of this milestone. In the fourth quarter of 2006, the estimated provision was adjusted to $120,000. In the third quarter of 2007, AVANT made an adjustment to its tax provision estimates of $120,000.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2007, AVANT's principal sources of liquidity consisted of cash and cash equivalents of $20,339,659. AVANT's cash and cash equivalents are highly liquid investments with a maturity of three months or less at the date of purchase and consist of time deposits and investments in money market mutual funds with commercial banks and financial institutions. Also, the Company maintains cash balances with financial institutions in excess of insured limits. AVANT does not anticipate any losses with respect to such cash balances.

The use of AVANT's cash flows for operations has primarily consisted of salaries and wages for its employees, facility and facility-related costs for its offices, laboratories and manufacturing facility, fees paid in connection with preclinical studies, clinical studies, contract manufacturing, laboratory supplies and services, consulting fees, and legal fees. To date, the primary sources of cash flows from operations have been payments received from the Company's collaborative partners and from government entities. In general, AVANT's sources of cash flows from operations for the foreseeable future will be upfront license payments, payments for the achievement of milestones, product royalty payments, payments under government contracts and grants and funded research and development under collaboration agreements that AVANT may receive. The timing of any new collaboration agreements, government contracts or grants and any payments under these agreements, contracts or grants cannot be easily predicted and may vary significantly from quarter to quarter.

Net cash used in operating activities was $15,269,745 for the first nine months of 2007 compared to net cash provided by operating activities of $28,973,524 for the first nine months of 2006. The decrease in net cash provided by operating activities is primarily attributed to the increase in net loss

incurred in 2007 compared to 2006, the decrease in accounts payable and accrued expenses in 2007 and the $40 million PRF milestone payment received in the first quarter of 2006. AVANT expects that cash used in operations will decline in the remainder of 2007 as a result of the Company's restructuring activities initiated in April 2007.

Cash used in investing activities was $5,119,541 for the first nine months of 2007 compared to $5,549,954 for the first nine months of 2006. The change in amounts between years reflects a decreased investment in property and equipment in 2007 as the Company completes the full-scale renovations of its Needham facility.

Net cash used in financing activities was $182,594 for the first nine months of 2007 compared to $161,674 for the first nine months of 2006. The increase in net cash used in financing activities is primarily due to increases in payments of long-term liabilities.

In February 2007, AVANT entered into a research and development partnership with Select Vaccines, a public Australian biotechnology company, focused on the use of Select Vaccines' virus-like particles ("VLPs") as a platform technology for the development of viral vaccines. Research and development efforts will initially target the development of vaccines against influenza including both epidemic and pandemic forms of vaccine, with the opportunity to expand the collaboration to other disease targets. Under the terms of the agreement, AVANT made an upfront equity investment of $735,000 in Select Vaccines and will fund influenza vaccine research and development for two years, as well as provide payments to Select Vaccines for the achievement of specific preclinical and clinical development milestones. In addition, AVANT has the exclusive right to apply Select Vaccines' technology to a second target within the first two years of the agreement, and a third target within the first three years of the agreement. Select Vaccines would also be eligible to receive royalties based on net sales of any approved products arising out of this collaboration that are successfully marketed.

On November 1, 2007, AVANT notified Select Vaccines that, effective December 31, 2007, AVANT for strategic reasons was exercising its rights to terminate its Collaboration and License Agreement with Select Vaccines. During the quarter ended September 30, 2007, AVANT recognized $158,095 for the impairment of its investment in Select Vaccines that was determined to be other-than-temporary. In assessing whether the decline in fair value of the investment is other-than-temporary, AVANT has determined that it does not have significant positive evidence to conclude that the decline was temporary.

On April 16, 2007, AVANT initiated planned restructuring activities to reduce ongoing operational costs, following an extensive review of its operations and cost structure. The restructuring aimed to increase the focus of AVANT's resources upon key programs and core operational capabilities and to lower the Company's overall cost structure. The Company will concentrate its focus on building an enhanced portfolio of viral and bacterial vaccines for global health and travelers around the Company's core technologies, as well as its unique development and manufacturing capabilities. AVANT will no longer invest in biodefense research and development activities or further invest in clinical trials for its CETi and TP10 programs.

The restructuring resulted in a workforce reduction of approximately 30%. AVANT also exited from its St. Louis-based research facility by September 30, 2007 when the lease term expired and moved all essential research activities to its Needham, MA headquarters. The restructuring charges consisted of severance, payroll tax and extended benefits costs for terminated employees, as well as, salary continuation and retention bonus costs for certain St. Louis employees retained during the transition and closing process for the St. Louis facility. As of the quarter ended September 30, 2007, restructuring charges of $765,204 were recorded, of which $754,877 were recorded as research and development and $10,327 were recorded as general and administrative expense. Of the restructuring charge, $384,116 related to St. Louis benefit arrangements and $381,088 related to Needham and Fall River benefit arrangements. During the three and nine months ended September 30, 2007, $217,798 and $147,624, respectively, of restructuring costs were paid out and a balance of $399,781 of accrued restructuring costs remained at September 30, 2007. The cash impact of the remaining restructuring costs will be incurred during the fourth quarter of 2007 and the first quarter of 2008.

On June 27, 2007, AVANT reported that its partner, Glaxo, had filed a marketing application for the Rotarix® vaccine with the United States Food and Drug Administration (FDA) during the second quarter of 2007. The terms of

AVANT's agreement with PRF include a $10 million milestone payment on product launch in the United States, which AVANT now expects to receive in 2008 based on Glaxo's recent filing.

During 2007 and 2008, AVANT may take steps to raise additional capital including, but not limited to, the licensing of technology programs with existing or new collaborative partners, possible business combinations, or the issuance of common stock via private placement and public offering. There can be no assurance that such efforts will be successful.

On October 22, 2007, AVANT announced the signing of a definitive merger agreement with Celldex Therapeutics, Inc., a privately-held biopharmaceutical company. The all-stock transaction, approved by both companies' Boards of Directors, will combine the two companies under the same name AVANT. Celldex and AVANT shareholders will own 58% and 42% of the combined company on a fully diluted basis, respectively. Closing of the merger is contingent upon a vote of approval by AVANT's current shareholders at a special meeting of shareholders expected to take place in the first quarter of 2008.

On July 6, 2007, AVANT received a letter from the Listing Qualifications Department of The NASDAQ Stock Market indicating that the Company is not in compliance with NASDAQ Marketplace Rule 4450(a)(5) because the closing bid price per share for the Company's common stock had been below $1.00 per share for 30 consecutive business days. On August 15, 2007, AVANT received a second letter from the Listing Qualifications Department indicating that the Company was not in compliance with NASDAQ Marketplace Rules 4450(b)(1)(A) and (B) because the Company's market value and total assets and revenue have been below the minimum $50,000,000 requirement for 10 consecutive trading days.

To regain compliance with respect ot the second notification letter, on August 20, 2007, AVANT applied to list its common stock on the NASDAQ Capital Market and on August 29, 2007, received notice from the Listing Qualifications Department indicating that the Company had been approved to list its common stock on The NASDAQ Capital Market. AVANT's common stock began trading on The NASDAQ Capital Market, and ceased trading on The NASDAQ Global Market, at the opening of business on August 31, 2007. The trading symbol for the Company's common stock remained "AVAN." AVANT still needs to regain compliance with respect to the first notification letter by having the Company's stock maintain a minimum bid price of $1.00 for 10 consecutive business days. See Part II, "Item 1A: Risk Factors" in this Form 10-Q for additional details.

AGGREGATE CONTRACTUAL OBLIGATIONS

The following table summarizes AVANT's contractual obligations at September 30, 2007 and the effect such obligations and commercial commitments are expected to have on its liquidity and cash flow in future years. These obligations, commitments and supporting arrangements represent payments based on current operating forecasts, which are subject to change:

	Total	2007	2008-2010	2011-2012	Thereafter
Contractual obligations:					
Operating lease obligations	$ 20,178,100	$ 483,500	$ 5,927,400	$ 4,280,400	$ 9,486,800
Loan Payable*	1,347,800	23,000	391,200	238,000	695,600
Note Payable*	608,400	29,500	531,500	47,400	¾
Licensing and R&D obligations	995,000	150,000	255,000	170,000	420,000
Construction contracts	775,400	775,400	¾	¾	¾
Restructuring Costs	399,800	255,500	144,300	¾	¾
Total contractual obligations	$ 24,304,500	$ 1,716,900	$ 7,249,400	$ 4,735,800	$ 10,602,400
Commercial commitments:					
Clinical development	$ 1,260,600	$ 946,700	$ 313,900	$ —	$ —
Manufacturing development	106,000	106,000	—	—	—
Total commercial commitments	$ 1,366,600	$ 1,052,700	$ 313,900	$ —	$ —

* includes interest obligations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

AVANT owns financial instruments that are sensitive to market risk as part of its investment portfolio. AVANT's investment portfolio is used to preserve its capital until it is used to fund operations, including its research and development activities. None of these market-risk sensitive instruments are held for trading purposes. AVANT invests its cash primarily in money market mutual funds. These investments are evaluated quarterly to determine the fair value of the portfolio. AVANT's investment portfolio includes only marketable securities with active secondary or resale markets to help insure liquidity. AVANT has implemented investment policies regarding the amount and credit ratings of investments. Because of the short-term nature of these investments, AVANT does not believe it has material exposure due to market risk. The impact to AVANT's financial position and results of operations from likely changes in interest rates is not material.

AVANT does not utilize derivative financial instruments. The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, accounts receivables and accounts payable approximates fair value at September 30, 2007 due to the short-term maturities of these instruments.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), as of September 30, 2007, AVANT carried out an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of the period covered by this report. In designing and evaluating AVANT's disclosure controls and procedures, AVANT and its management recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and AVANT's management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon that evaluation, AVANT's Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2007, AVANT's disclosure controls and procedures were reasonably effective to ensure that information required to be disclosed by AVANT in the reports it files or submits under the Exchange Act is recorded, processed, summarized, accumulated, communicated and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. AVANT will continue to review and document its disclosure controls and procedures on an ongoing basis, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that its disclosure controls and procedures evolve with its business.

Changes in Internal Control Over Financial Reporting.

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the

Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

The risk factor below has been added to provide additional information related to our stock price:

We could lose our listing on the Nasdaq Global Market if our stock price falls below $1.00 for 30 consecutive business days, and the loss of the listing would make our stock significantly less liquid and would affect its value.

On July 6, 2007, AVANT received a letter from the Listing Qualifications Department of The NASDAQ Stock Market indicating that the we are not in compliance with NASDAQ Marketplace Rule 4450(a)(5) because the closing bid price per share for our common stock had been below $1.00 per share for 30 consecutive business days. On August 15, 2007, AVANT received a second letter from the Listing Qualifications Department indicating that the Company was not in compliance with NASDAQ Marketplace Rules 4450(b)(1)(A) and (B) because the Company's market value and total assets and revenue have been below the minimum $50,000,000 requirement for 10 consecutive trading days.

To regain compliance with respect to the second notification letter, on August 20, 2007, AVANT applied to list its common stock on the NASDAQ Capital Market and on August 29, 2007, received notice from the Listing Qualifications Department indicating that the Company had been approved to list its common stock on The NASDAQ Capital Market. AVANT's common stock began trading on The NASDAQ Capital Market, and ceased trading on The NASDAQ Global Market, at the opening of business on August 31, 2007. AVANT's common stock is listed on the NASDAQ Capital Market and had a closing price of $0.52 at the close of the market on November 5, 2007. AVANT has been afforded a 180-day compliance period, or until January 2, 2008, to regain compliance in accordance with Marketplace Rule 4450(e)(2). The Company will seek to regain compliance within the 180-day cure period and is considering alternatives to address compliance with the continued listing standards of The NASDAQ Stock Market. If the Company's stock fails to maintain a minimum bid price of $1.00 for 10 consecutive business days during the 180-day compliance period on the NASDAQ Capital Market, AVANT could receive a delisting notice from the NASDAQ Capital Market, and, under certain circumstances, even if its stock maintains a minimum bid price of $1.00 for 10 consecutive business days, AVANT may receive a delisting notice from the NASDAQ Capital Market. Upon delisting from the NASDAQ Capital Market, AVANT's stock would be traded over-the-counter, more commonly known as OTC. OTC transactions involve risks in addition to those associated with transactions in securities traded on the NASDAQ Capital Market. Many OTC stocks trade less frequently and in smaller volumes than securities traded on the NASDAQ Capital Market. Accordingly, AVANT's stock would be less liquid than it would otherwise be, and the value of its stock could decrease. There is no guarantee that an active trading market for AVANT's common stock will be maintained on the NASDAQ Capital Market. You may not be able to sell your shares of the Company's stock quickly, at the market price or at all, if trading in AVANT's stock is not active.

Item 6. Exhibits

2.1	Agreement and Plan of Merger, dated as of November 20, 2000, by and among AVANT, AVANT Acquisition Corp., and Megan Health, Inc., incorporated by reference to Exhibit 2.1 of AVANT's Current Report on Form 8-K, filed December 12, 2000 with the Securities and Exchange Commission.
2.2	First Amendment to Agreement and Plan of Merger, dated as of November 20, 2000, by and among AVANT, AVANT Acquisition Corp., and Megan Health, Inc., incorporated by reference to Exhibit 2.2 of AVANT's Current Report on Form 8-K, filed December 12, 2000 with the Securities and Exchange Commission.
3.1	Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.
3.2	Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.
3.3	Second Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.2 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.

3.4	Amended and Restated By-Laws of AVANT as of November 10, 1994, incorporated by reference to Exhibit 3.3 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.
3.5	Third Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.1 of AVANT's Quarterly Report on Form 10-Q, filed May 10, 2002 with the Securities and Exchange Commission.
3.6	Certificate of Elimination of Series C-1 Junior Participating Cumulative Preferred Stock, incorporated by reference to Exhibit 3.6 of AVANT's Annual Report on Form 10-K, filed March 16, 2005 with the Securities and Exchange Commission.
3.7	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of AVANT Immunotherapeutics, Inc. classifying and designating the Series C-1 Junior Participating Cumulative Preferred Stock, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form 8-A, filed November 8, 2004 with the Securities and Exchange Commission.
4.1	Shareholder Rights Agreement dated November 5, 2004 between AVANT and EquiServe Trust Company, N.A. as Rights Agent, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form 8-A, filed November 8, 2004 with the Securities and Exchange Commission.
*31.1	Certification of President and Chief Executive Officer
*31.2	Certification of Senior Vice President and Chief Financial Officer
**32.1	Section 1350 Certifications

* Filed herewith.

** Furnished herewith.

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.

AVANT IMMUNOTHERAPEUTICS, INC.

BY:

/s/ UNA S. RYAN

Dated: November 7, 2007

Una S. Ryan, Ph. D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ AVERY W. CATLIN

Dated: November 7, 2007

Avery W. Catlin
Senior Vice President, Treasurer
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBIT INDEX

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3.2	Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.
3.3	Second Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.2 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.
3.4	Amended and Restated By-Laws of AVANT as of November 10, 1994, incorporated by reference to Exhibit 3.3 of AVANT's Registration Statement on Form S-4 (Reg. No. 333-59215), filed July 16, 1998 with the Securities and Exchange Commission.
3.5	Third Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.1 of AVANT's Quarterly Report on Form 10-Q, filed May 10, 2002 with the Securities and Exchange Commission.
3.6	Certificate of Elimination of Series C-1 Junior Participating Cumulative Preferred Stock, incorporated by reference to Exhibit 3.6 of AVANT's Annual Report on Form 10-K, filed March 16, 2005 with the Securities and Exchange Commission.
3.7	Certificate of Designations, Preferences and Rights of a Series of Preferred Stock of AVANT Immunotherapeutics, Inc. classifying and designating the Series C-1 Junior Participating Cumulative Preferred Stock, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form 8-A, filed November 8, 2004 with the Securities and Exchange Commission.
4.1	Shareholder Rights Agreement dated November 5, 2004 between AVANT and EquiServe Trust Company, N.A. as Rights Agent, incorporated by reference to Exhibit 3.1 of AVANT's Registration Statement on Form 8-A, filed November 8, 2004 with the Securities and Exchange Commission.
*31.1	Certification of President and Chief Executive Officer
*31.2	Certification of Senior Vice President and Chief Financial Officer
**32.1	Section 1350 Certifications

* Filed herewith.
** Furnished herewith.

Exhibit 31.1

CERTIFICATION

I, Una S. Ryan, certify that:

1. I have reviewed this report on Form 10-Q of AVANT Immunotherapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2007

By /s/ UNA S. RYAN
Name: Una S. Ryan, Ph.D.
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Avery W. Catlin, certify that:

1. I have reviewed this report on Form 10-Q of AVANT Immunotherapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2007

By: /s/ AVERY W. CATLIN
Name: Avery W. Catlin
Title: Senior Vice President and Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATIONS

The undersigned officers of AVANT Immunotherapeutics, Inc. (the "Company") hereby certify to their knowledge and in their respective capacities that the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2007	By:	/s/ UNA S. RYAN
	Name:	Una S. Ryan, Ph.D.
	Title:	President and Chief Executive Officer
Date: November 7, 2007	By:	/s/ AVERY W. CATLIN
	Name:	Avery W. Catlin
	Title:	Senior Vice President and Chief Financial Officer

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act.