



First Quarter Report 2007

First Quarter: Highlights

- Positive Alpharadin clinical Phase II data was presented in February at the 2007 ASCO Prostate Cancer Symposium. The data from this randomised, double blind, placebo controlled study show that Alpharadin has positive and statistically significant effects on survival and biomarkers as well as a benign side effect profile.
- Algeta completed a successful initial public offering (IPO) in March raising NOK 250 million (\$ 41 million) at a price of NOK 47 per share. The Company's first day of trading on the Oslo Stock Exchange was 27 March 2007.

Algeta ASA is focused on the development of alpha particle emitters as radiopharmaceuticals for the treatment of cancer. The Group is targeting tumour types for which there is substantial unmet medical need. Its lead product, Alpharadin, is being developed for treatment of skeletal metastases.

Operational Review

Alpharadin progresses - Positive data from Phase II clinical trial presented

During the first quarter, positive and statistically significant data on survival and biomarkers from a Phase II clinical trial (BC1-02 study) of Algeta's lead product Alpharadin in patients with late-stage hormone-refractory prostate cancer (HRPC) were presented. Alpharadin was found to be well tolerated and demonstrated an overall benign side effect profile. The data were presented at the American Society of Clinical Oncology (ASCO) Prostate Cancer Symposium (Orlando, Florida, USA 22- 24 February, 2007).

In this double-blind placebo-controlled clinical trial involving 64 HRPC patients, those patients treated with at least two injections of Alpharadin, Algeta's novel radiotherapy product, based on radium-223, survived on median nearly 25 weeks (53%) longer than those receiving placebo (71.0 weeks compared to 46.4 weeks). At the time of the 18-months follow-up assessment, 15 (48%) patients in the Alpharadin group were still alive compared to 6 (22%) in the placebo group.

Furthermore, Alpharadin treatment resulted in a reduction in levels of prostate-specific antigen (PSA), a widely recognized disease biomarker for the diagnosis of prostate cancer. The measurement of reduced PSA blood levels in response to Alpharadin treatment is indicative of a therapeutic effect. The beneficial effects on PSA levels lasted for up to three months after the end of treatment. In addition, Alpharadin has a significant positive effect on a range of biomarkers of bone turnover, including significantly reduced bone alkaline phosphatase (bone-ALP) levels compared with placebo. This result is also indicative of a therapeutic effect, supporting the positive survival data seen in this trial.

In addition to this encouraging evidence of efficacy, Alpharadin was well tolerated with little or no myelotoxicity and demonstrated an overall benign side effect profile.

Algeta is currently enrolling patients in two additional Phase II clinical trials for Alpharadin. One of these studies focuses on the palliative effects of a single injection of Alpharadin using four different doses of the product. The other study focuses on the therapeutic effects of repeated injections of Alpharadin using three different doses. These studies will provide further clinical efficacy and safety data for Alpharadin.

A clinical dosimetry trial is about to start in order to gain more safety data on the use of Alpharadin. This trial will include up to 10 patients.

Algeta is now focusing on the preparations for start of the Phase III program for Alpharadin. These preparations include, among other things, obtaining feedback to the proposed Phase III study design from key opinion leaders (i.e. oncology clinicians and nuclear medicine specialists), communication with regulatory authorities in the US and Europe and negotiations with potential service suppliers (clinical research organisations). Patient enrolment for the program is scheduled to commence in 2008.

Algeta continues to invest in its pipeline

Algeta continues to invest in expanding its pipeline and the indications targeted. As such, the Company has three proprietary pre-clinical projects under development for the treatment of various cancers, all utilizing the strong, localized cell-killing effect of alpha particles. These three projects use different methods for delivering alpha particles to cancers: antibodies and other targeting molecules, liposomes and microparticles.

Human resources – CBO hired

In April, Algeta announced the hiring of Dr Roger Harrison as Chief Business Officer (CBO). Dr Harrison will be responsible for implementing and further developing Algeta's business and commercial strategy. He has more than two decades of broad-based experience in the pharmaceutical and biotech industry. Prior to joining Algeta, Dr. Harrison was Senior Vice President, Director of Corporate Development at BTG plc, the London-based drug development and licensing company.

In addition, due to increasing clinical and pre-clinical activities, Algeta continues to grow its staff of experienced drug development and manufacturing personnel and now has 25 employees.

Financial Review

Algeta raised NOK 250 million and completed listing of its shares

Algeta raised NOK 250 million (\$ 41 million) in gross proceeds in its successful initial public offering (IPO) in March. The offering was more than twice oversubscribed and took place in conjunction with Algeta's listing on the Oslo Stock Exchange; Algeta's first day of trading on the OSE was 27 March 2007 (ticker: ALGETA). The equity offering attracted a substantial number of international institutional investors, including many European and US investors with a focus on life science investments. Following the IPO and listing, Algeta has now about 360 shareholders, with approximately 64% of the shares held by international institutional investors.

First quarter financial statements review

Operating Statement

Operating expenses amounted to NOK 19.5 million in the first quarter of 2007 compared with NOK 8.8 million in the first quarter of 2006. The increase in expenses is due mainly to increased R&D costs related to the development of Alpharadin. Payroll expenses also increased as the in-house staff has been strengthened in order to perform and supervise

the increased clinical and other R&D activities. Net financial income in the first quarter of 2007 is substantially improved compared to the first quarter of 2006 as a result of the increased liquid funds due to equity transactions. Net loss amounted to NOK 18.5 million in the first quarter of 2007, compared to a net loss of NOK 8.5 million in the first quarter 2006.

Balance Sheet and cash flow statement

Total equity amounted to NOK 321.4 million as of 31 March 2007, compared to NOK 80.3 million as of 31 December 2006. Liquid funds amounted to NOK 341.2 million as of 31 March 2007, compared to NOK 84.6 million as of 31 December 2006. The improvement in both equity and liquid funds is mainly due to the completion of the IPO of NOK 250 million. In addition, during the quarter, the last tranche of the venture financing resolved and committed in August 2005 totalling NOK 25 million was completed.

During the first quarter and prior to the IPO, a share split of 1:20 was resolved and completed. The total number of outstanding shares as of 31 March 2007 was 16,463,308, all ordinary shares. Previously outstanding Preference A shares were converted to ordinary shares in connection with the IPO. The total number of granted share options as of 31 March 2007 was 641,800.

Oslo, 10 May 2007

The Board of Directors of Algeta ASA

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CONDENSED CONSOLIDATED INCOME STATEMENT

(All amounts in NOK 1,000 except per share data)

	2007	2006	2006
	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
Other income	0	0	94
Payroll and related costs	5 702	2 488	15 112
Ordinary depreciation	260	125	632
Other expenses	13 500	6 165	33 011
Operating profit/loss(-)	-19 462	-8 779	-48 661
Finance income	957	286	1 627
Finance costs	0	0	- 4
Loss before taxes	-18 504	-8 493	-47 038
Income tax expense	0	0	0
Loss for the period	-18 504	-8 493	-47 038
Basic earnings per share	-3.80	-2.73	-14.87
Diluted earnings per share	-3.80	-2.73	-14.87

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CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in NOK 1,000)

	2007	2006	2006
	31.03	31.03	31.12
ASSETS			
Non-current assets			
Property, plant and equipment	3 347	1 381	2 062
Total non-current assets	3 347	1 381	2 062
Current assets			
Other receivables	5 013	2 644	3 880
Cash & cash equivalents	341 165	45 066	84 604
Total current assets	346 178	47 710	88 484
TOTAL ASSETS	349 525	49 092	90 546
EQUITY AND LIABILITIES			
Equity			
Share capital	8 232	3 565	5 072
Additional paid-in-capital	461 452	131 127	205 006
Accumulated losses	-148 276	-91 226	-129 771
Shareholders' equity	321 408	43 466	80 307
Current liabilities			
Trade and other payables	28 116	5 625	10 239
Total current liabilities	28 116	5 625	10 239
TOTAL EQUITY AND LIABILITIES	349 525	49 092	90 546

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1,000)

	Three months ended		2006
	31.03.2007	31.03.2006	01.01 - 31.12
Equity at beginning of period	80 307	51 926	51 926
Share issuance preference shares	25 000	1	317
Share issuance, public offering	249 824	-	75 000
Offering costs	(16 172)	-	(1 546)
Share-based compensation	953	32	1 648
Net profit/loss(-) for the period	(18 504)	(8 493)	(47 038)
Equity at end of period	321 408	43 466	80 307

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(All amounts in NOK 1,000)

	Three months ended		2006
	31.03.2007	31.03.2006	01.01 - 31.12
Profit/loss(-) before tax	-18 504	-8 493	-47 038
Interest paid	0	0	0
Other operational items	17 958	249	5 750
Net cash flow from operations	- 546	-8 243	-41 289
Cash flow from investments	-1 544	- 194	-1 381
Cash flow from capital transactions	258 651	1	73 772
Net change in cash during the period	256 561	-8 436	31 102
Cash & cash equivalents at beginning of period	84 604	53 502	53 502
Cash & cash equivalents at end of period	341 165	45 066	84 604

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Notes to the Interim Financial Statements ending at 31 March 2007.

Note 1 - Basis of Presentation

The financial information is prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). This financial information should be read together with the financial statements for the year ended 31 December 2006 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accounting policies used are consistent with those used in the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Where necessary, the comparatives have been reclassified or extended to take into account any presentational changes made in these Interim Financial Statements.

The preparation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the Interim Financial Statements. If in the future such estimates and assumptions, which are based on management’s best judgement at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Note 2 – Segments

The Group’s activities are focused on the development of anti-cancer drugs. The research and development of compounds are focused on the various applications of a few base compounds. The Group’s research and development activities are primarily directed from Norway. Furthermore, all of the Group’s fixed assets are located in Norway. None of the Company’s products have obtained regulatory approval; therefore, the Group does not yet recognize significant operating revenue.

For management purposes, the Company is organized as one business unit and the internal reporting is structured thereafter. The Company is currently organized as one operating segment.

Note 3 – Listing of Algeta ASA on Oslo Børs

The shares of Algeta ASA were listed on the Oslo Stock Exchange on 27 March 2007 (ticker: ALGETA). In connection with the Company’s listing in Oslo, the Company raised gross proceeds of approximately NOK 250 million (\$41 million) in a public offering.

Note 4 – Share capital

	Ordinary Shares	Preference A Shares
Ordinary shares at 1 January	3 744 160	6 400 000
Share issuance	-	1 000 000
Share issuance, public offering	5 319 148	
Conversion of preference shares to ordinary shares	7 400 000	-7 400 000
At 31 March 2007	16 463 308	-

During the quarter, the Company split its shares into 20 new shares for each old share, thus reducing the par value of the shares to NOK 0.50. The table above reflects the stock split on the opening balance of number of shares.

In February 2007, an additional 1 000 000 Preference A shares were issued (50 000 shares on a pre-split basis) for gross proceeds of NOK 25 million. The share issuance was the third (and final) tranche of an agreement the Group entered into with a group of investors in 2005.

The Preference A shares automatically converted to ordinary shares as a result of the listing on Oslo Stock Exchange. The shareholders' agreement regulating Preference A shareholders rights and obligations is thereby void.

As of March 24, 2007, all the preference shares were converted to ordinary shares. At the end of the period the number of outstanding ordinary shares are 16,463,308.

Note 5 – Earnings per share

(all amounts in NOK 1,000 except per share data)

	Three months ended		2006
	31.03.2007	31.03.2006	01.01 - 31.12
Loss for the period	-18 504	-8 493	-47 038
- Less: 8% dividend on preference shares	0	-1 700	-8 625
Loss for the period attributable to ordinary equity holders of the Company	-18 504	-10 193	-55 663
Earnings per share, basic	-3.80	-2.73	-14.87
Earnings per share, diluted	-3.80	-2.73	-14.87
Weighted average number of ordinary shares outstanding	4 874 751	3 736 720	3 742 325

Earnings per share adjusted for share split as of February 15, 2007.

Note 6 – Share options

	Number of options	Weighted average exercise price (in NOK)
Outstanding on 1 January	482 300	17.80
Granted during the period	159 500	47.00
Forfeited during the period		
Exercised during the period		
Expired during the period		
Outstanding at 31 March	641 800	25.06

The weighted average fair value of options granted in the 1st quarter 2007 was NOK 27.08. The weighted average assumptions used to determine the grant date fair value under the Black Scholes model was: volatility of 75%, grant date share price of NOK 47, and risk free interest of 4.53%.