

## Second Quarter Report 2007

### Second Quarter: Highlights

- Algeta's lead product, Alpharadin and unique technology benefited from increased visibility and recognition in the second quarter:
  1. Positive Alpharadin clinical Phase II data were published in *Lancet Oncology* and presented at the 2007 ASCO Annual Meeting. 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.
  2. A paper related to Algeta's TH-1 technology was published in *Blood* demonstrating the anti-tumor effects of thorium-227 labelled rituximab.
- Based on positive Phase II clinical data for Alpharadin, Algeta is in preparations for Phase III clinical trials which are expected to start in 2008.
- Algeta expanded its pipeline research activities even further in the second quarter. A new research project linking the alpha emitter thorium-227 to tumor-selective antibodies was initiated. Also, Algeta extended its collaboration with The Norwegian Radium Hospital, for the evaluation and development of tumor-selective therapeutics based on alpha emitters.

*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 and published**

During the second quarter of 2007, 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 and published. In this trial, 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) Annual Meeting (1-5 June 2007, Chicago, USA) by Professor Øyvind Bruland of the Norwegian Radium Hospital, Oslo and co-founder of Algeta. The presentation was well received. Furthermore, the data were published in the July 2007 issue of the leading peer-reviewed journal *Lancet Oncology*<sup>1</sup> and its online version.

A clinical dosimetry trial has started as part of Algeta's continuing program to provide further supporting clinical documentation for Alpharadin at a major cancer research centre in the United Kingdom. The study is an open-label, dosimetry, biodistribution, excretion and pharmacokinetic study of Alpharadin in patients with HRPC and skeletal metastases.

Algeta is now focusing on the preparations for the start of the Phase III program for Alpharadin. Patient enrolment for the program is scheduled to commence in 2008.

### **Algeta continues to invest in its pipeline**

During the second quarter, Algeta initiated a feasibility study with an undisclosed partner specialised in antibody-based therapeutics. This new collaboration is aimed at linking the alpha emitter thorium-227 to tumor-selective antibodies developed by the partner. Pursuing a jointly developed and managed research collaboration, both parties will upon completion assess the development and commercialization potential of thorium-227-based immunotherapeutic products. This expansion of this TH-1 (Thorium-227) targeted cancer therapy program at Algeta complements an ongoing research collaboration between Algeta and Affibody, which was initiated in August 2006 and is aimed at exploring the potential of the TH-1 technology in the context of Affibody's novel cancer-targeting molecules. Initial data have been gathered together with Affibody and the research under this contract continues.

Also, during the second quarter, Algeta extended its TH-1 collaboration with The Norwegian Radium Hospital, for the evaluation and development of tumor-selective therapeutics based on alpha emitters.

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<sup>1</sup> *Lancet Oncology* 2007; 8: 587-94

Further evidence of the potential of our TH-1 technology was published in a research paper in the 29 May 2007 online issue of the prestigious medical journal, *Blood*, the official journal of the American Society of Hematology. The *Blood* paper describes how researchers from the Norwegian Radium Hospital in collaboration with Professor Oliver Press at the Fred Hutchison Cancer Research Center (Seattle, USA) and Algeta have linked thorium-227 to the monoclonal antibody rituximab to create <sup>227</sup>Th-rituximab and demonstrated its potent anti-tumour effects. Rituximab binds to a specific molecule on the cancer cell surface called CD20 and is used in treatments targeting certain types of non-Hodgkin's lymphoma and rheumatoid arthritis. Rituximab-based therapies generated global sales of nearly \$6 billion in 2006.

## **Financial Review**

### **Second quarter financial statements review**

Operating expenses amounted to NOK 19.2 million in the second quarter of 2007 compared with NOK 11.4 million in the second 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 R&D team has been strengthened in order to manage and conduct the increased clinical and other R&D activities. Net financial income in the second quarter of 2007 is substantially improved compared to the second quarter of 2006 as a result of the increased liquid funds resulting from the IPO, which was done in conjunction with Algeta's listing on the Oslo Stock Exchange (Oslo Børs). Net loss amounted to NOK 15.8 million in the second quarter of 2007, compared to a net loss of NOK 11.1 million in the second quarter 2006.

Total equity amounted to NOK 308.8 million as of 30 June 2007, compared to NOK 80.3 million as of 31 December 2006. Liquid funds amounted to NOK 316.0 million as of 30 June 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 March 2007.

The total number of outstanding shares as of 30 June 2007 was 16,506,608, all ordinary shares. The total number of granted share options as of 30 June 2007 was 696,500 (vested and unvested).

Oslo, 9 August 2007

The Board of Directors of Algeta ASA

## ALGETA ASA – Second Quarter Accounts 2007

### CONDENSED CONSOLIDATED INCOME STATEMENT

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

3 months ending			2007	2006	2006
2007	2006		2007	2006	2006
01.04-30.06	01.04-30.06		01.01 - 30.06	01.01 - 30.06	01.01 - 31.12
<b>0</b>	<b>57</b>	<b>Other income</b>	<b>0</b>	<b>57</b>	<b>94</b>
5 503	2 981	Payroll and related costs	11 204	5 469	15 112
281	147	Ordinary depreciation	541	272	632
13 393	8 243	Other expenses	26 893	14 409	33 011
<b>-19 176</b>	<b>-11 315</b>	<b>Operating profit/loss(-)</b>	<b>-38 638</b>	<b>-20 093</b>	<b>-48 661</b>
3 408	251	Finance income	4 365	537	1 627
0	0	Finance costs	0	0	4
<b>-15 768</b>	<b>-11 063</b>	<b>Loss before taxes</b>	<b>-34 273</b>	<b>-19 556</b>	<b>-47 038</b>
-	-	Income tax expense	0	0	0
<b>-15 768</b>	<b>-11 063</b>	<b>Loss for the period</b>	<b>-34 273</b>	<b>-19 556</b>	<b>-47 038</b>
-0,96	-3,41	Basic earnings per share	-3,21	-6,14	-14,87
-0,96	-3,41	Diluted earnings per share	-3,21	-6,14	-14,87

## ALGETA ASA – Second Quarter Accounts 2007

### CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in NOK 1,000)

	2007	2006	2006
	30.06	30.06	31.12
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3 733	1 768	2 062
<b>Total non-current assets</b>	<b>3 733</b>	<b>1 768</b>	<b>2 062</b>
<b>Current assets</b>			
Other receivables	3 849	2 878	3 880
Cash & cash equivalents	316 003	33 927	84 604
<b>Total current assets</b>	<b>319 853</b>	<b>36 805</b>	<b>88 484</b>
<b>TOTAL ASSETS</b>	<b>323 585</b>	<b>38 573</b>	<b>90 546</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8 253	3 572	5 072
Additional paid-in-capital	464 635	131 971	205 006
Accumulated losses	-164 044	-102 289	-129 771
<b>Shareholders' equity</b>	<b>308 844</b>	<b>33 253</b>	<b>80 307</b>
<b>Current liabilities</b>			
Trade and other payables	14 741	5 320	10 239
<b>Total current liabilities</b>	<b>14 741</b>	<b>5 320</b>	<b>10 239</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323 585</b>	<b>38 573</b>	<b>90 546</b>

## ALGETA ASA – Second Quarter Accounts 2007

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1,000)

3 months ending			2007	2006	2006
2007	2006		2007	2006	2006
01.04-30.06	01.04-30.06		01.01 - 30.06	01.01 - 30.06	01.01 - 31.12
<b>321 408</b>	<b>43 466</b>	<b>Equity at beginning of period</b>	<b>80 307</b>	<b>51 926</b>	<b>51 926</b>
0	0	Share issuance preference shares	25 000	0	75 000
818	316	Share issuance incentive scheme	818	316	316
176	0	Share issuance, public offering	250 000	0	0
1 617	0	Share price stabilisation profit	1 617	0	0
-593	0	Offering costs	-16 765	0	-1 546
1 187	534	Share-based compensation	2 141	566	1 648
-15 768	-11 063	Net profit/loss(-) for the period	-34 273	-19 556	-47 038
<b>308 844</b>	<b>33 253</b>	<b>Equity at end of period</b>	<b>308 844</b>	<b>33 253</b>	<b>80 307</b>

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(All amounts in NOK 1,000)

3 months ending			2007	2006	2006
2007	2006		2007	2006	2006
01.04-30.06	01.04-30.06		01.01 - 30.06	01.01 - 30.06	01.01 - 31.12
-15 768	-11 063	Profit/loss(-) before tax	-34 272	-19 556	-47 038
-10 743	142	Other operational items	7 215	392	5 750
<b>-26 511</b>	<b>-10 921</b>	<b>Net cash flow from operations</b>	<b>-27 058</b>	<b>-19 165</b>	<b>-41 289</b>
-667	-534	Cash flow from investments	-2 211	-727	-1 381
2 017	316	Cash flow from capital transactions	260 668	317	73 772
<b>-25 161</b>	<b>-11 139</b>	<b>Net change in cash during the period</b>	<b>231 400</b>	<b>-19 575</b>	<b>31 102</b>
341 164	45 066	Cash & cash equivalents at beginning of period	84 604	53 502	53 502
<b>316 003</b>	<b>33 927</b>	<b>Cash &amp; cash equivalents at end of period</b>	<b>316 003</b>	<b>33 927</b>	<b>84 604</b>

# ALGETA ASA – Second Quarter Accounts 2007

## Notes to the Interim Financial Statements ending at 30 of June 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 2007	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
Share issuance, employees	43 300	
At 30 June 2007	16 506 608	-

During the first 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 is 16,506,608.

## Note 5 – Earnings per share

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

3 months ending			2007	2006	2006
2007	2006		2007	2006	2006
01.04-30.06	01.04-30.06		01.01 - 30.06	01.01 - 30.06	01.01 - 31.12
-15 768	-11 063	Loss for the period	-34 273	-19 556	-47 038
0	-1 700	Less: 8% dividend on preference shares	0	-3 400	-8 625
-15 768	-12 763	Loss for the period attributable to ordinary equity holders of the Company	-34 273	-22 956	-55 663
-0.96	-3.41	Earnings per share, basic	-3.21	-6.14	-14.87
-0.96	-3.41	Earnings per share, diluted	-3.21	-6.14	-14.87
16 482 552	3 744 160	Weighted average number of ordinary shares outstanding	10 678 652	3 740 440	3 742 325

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

## Note 6 – Share options

	Number of options	Weighted Average exercise price (in NOK)
<b>Outstanding on 1 January 2007</b>	<b>482 300</b>	<b>17.80</b>
Granted during first quarter	159 500	47.00
Granted during second quarter	98 000	43.00
Exercised during second quarter	-43 300	18.90
Expired during the period	-	-
<b>Outstanding at 30 June 2007</b>	<b>696 500</b>	<b>27.97</b>

The weighted average fair value of options granted in the 2nd quarter 2007 was NOK 10.37. 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 43, and risk free interest of 4.53%.