

Fourth Quarter and Full Year Report 2007

Positive Alpharadin results - phase III program to commence during 2008

During 2007, Algeta announced that treatment with Alpharadin, the Company's lead investigational drug, significantly increased the survival of men with hormone-refractory prostate cancer (HRPC) in a placebo-controlled, randomized phase II trial. The clinical data from the Phase II trial involving 64 HRPC patients shows that more than twice as many patients receiving Alpharadin were alive (10 of 33) two years following start of treatment compared to those that receive placebo (4 of 31). Alpharadin is conveniently administered as a monthly, intravenous bolus injection in an out patient setting. Patients in the phase II trial received regular injections over four months and the treatment was well tolerated with a benign side-effect profile. These encouraging data have been presented during the year at leading international congresses, such as ASCO and ECCO, and were published in the July 2007 issue of *Lancet Oncology*¹.

Following the phase II results, Algeta has finalized the design of a pivotal international phase III trial study. Regulatory filing with relevant authorities for start up of the trial commenced early in 2008, and the first patient is expected to enrol before mid 2008. The trial will aim to enrol a total of 450 patients and will initially include clinical centres in Europe, Asia/Pacific and South America. The primary endpoint will be the overall survival benefit of Alpharadin in men with skeletal metastases from HRPC. The double-blind, controlled trial will enrol symptomatic HRPC patients who will be randomized to receive Alpharadin plus best supportive care or placebo plus best supportive care. Patients will receive regular injections of Alpharadin over a period of six months. An independent safety and monitoring board will be established to review the safety data of the trial.

To supplement the data already available for Alpharadin, Algeta is performing additional clinical phase I and II studies in HRPC. Patient enrolment has been completed for two phase II trials, and the first data from these studies are expected to become available during 2008. Recently, patient enrolment has also been completed for a phase I dosimetry / biodistribution study in the UK. Furthermore, Algeta filed an Investigational New Drug (IND) application for Alpharadin with the United States Food and Drug Administration (FDA) in December 2007. The IND was cleared by the FDA in February 2008 and Algeta will initiate a phase I pharmacokinetics, biodistribution and dosimetry study with Alpharadin in HRPC patients at a leading US cancer centre. This US trial will further expand upon the information obtained in the UK dosimetry study. Following the start of this US trial, Algeta will continue discussions with the FDA to agree on the design of the further clinical development program for Alpharadin.

In addition, Algeta has started to consult with expert oncologists concerning the use of Alpharadin in breast cancer patients with skeletal metastases, and is drafting the design for such study.

The active-ingredient radium-223 is manufactured in accordance with Good Manufacturing Practice (GMP) regulations. All patient doses used in clinical trials were produced and delivered on schedule during the year.

Building a pipeline based on alpha emitter technologies

¹ Bone-targeted radium-223 in symptomatic, hormone-refractory prostate cancer: a randomised, multicentre, placebo-controlled phase II study, Nilsson, *et al.* - *Lancet Oncology* 2007; 8: 587-594

Algeta is actively pursuing three preclinical projects in order to develop additional therapeutic products/platforms based on its expertise with alpha-emitting radionuclides:

- Receptor targeted products
- Intracavitary directed products
- Soft tissue targeted products

Feasibility studies are ongoing with third parties for combining their receptor targeted products with Algeta's alpha-emitter technology. During 2007, Algeta initiated a study with an undisclosed partner specialized in antibody-based therapeutics, aimed at linking the alpha emitter thorium-227 to tumor-selective antibodies developed by the partner. The Company has also extended its collaboration with the Radiumhospitalet in Oslo in order to further document and develop the receptor targeting technology. Significant progress has been made and the target cancer-killing potential of this novel technology was published in the medical journal *Blood*² during 2007.

The *Blood* paper describes how researchers from the Radiumhospitalet 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 and demonstrated its potent anti-tumor 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.

Senior Management Team strengthened

Algeta strengthened its organization significantly during 2007, as part of its preparations for the phase III program for Alpharadin, with the appointments of Peter A. Harris as Chief Medical Officer (CMO) and Roger Harrison as Chief Business Officer (CBO). Both have extensive international experience in the development and commercialization of cancer therapeutics.

Dr. Harris was appointed as CMO in September 2007 with the key responsibility of directing the clinical development program for Alpharadin. In addition, he will also oversee the clinical development of our innovative pipeline of oncology products. Dr. Harris is an accomplished and highly respected pharmaceutical physician with over 25 years' experience leading clinical development programs for global pharmaceutical companies. Most recently Dr. Harris was Chief Medical Officer at Oxigene Inc., a NASDAQ-listed company, and previously, he has worked at KuDos Pharmaceuticals (now a wholly-owned subsidiary of AstraZeneca), Amgen, Roche, Revlon Healthcare, Cobra Therapeutics and ICI Pharmaceuticals.

Dr. Harrison joined the Company in April 2007 in the newly created CBO role and is responsible for implementing and further developing Algeta's corporate business development and commercial strategy. He has more than two decades of broad-based experience in the pharmaceutical and biotech industry. Previously, Dr. Harrison was Senior Vice President, Director of Corporate Development at BTG plc, the London-based drug development and licensing company, and before that he worked at Amersham International plc (now GE Healthcare) in the USA and UK.

At 31 December 2007, Algeta had 29 employees compared to 19 employees at the end of 2006.

² Targeted cancer therapy with a novel low dose rate alpha-emitting radioimmunoconjugate, Dahle, J. *et al.* - *Blood* 2007; 110(6): 2049-2056.

Financial Review

The Algeta Group consists of Algeta ASA and its wholly owned subsidiary Algeta Innovations AS. Accounts for the Algeta Group are presented according to the International Financial Reporting Standards. Algeta ASA, the parent company, presents its accounts according to generally accepted accounting principles in Norway.

The Group's operating expenses for the fourth quarter 2007 amounted to NOK 29.5 million compared with NOK 17.8 million in the fourth quarter 2006. Operating expenses amounted to NOK 88.7 million for the full year 2007 compared with NOK 48.8 million in 2006. The increase is due mainly to increased R&D and payroll costs related to the development of Alpharadin, which during 2007 made significant progress towards entering clinical phase III. During 2007, the Group earned NOK 2.4 million in public grants as part of the Norwegian "SkatteFUNN" (tax refund) arrangement. This compares to NOK 1.6 million in grants earned in 2006.

For the fourth quarter 2007, the Group's net loss amounted to NOK 25.6 million, compared to NOK 17.0 million in the fourth quarter in 2006. The Group's income statement for the full year 2007 shows a net loss of NOK 77.2 million, compared to a net loss in 2006 of NOK 47.0 million. The parent company Algeta ASA accrued a net loss of NOK 63.2 million in 2007. The Board of Directors proposes that the net loss is being covered by a transfer from additional paid-in capital.

During the first quarter of 2007, the final tranche of a venture financing committed in August 2005 totalling NOK 25 million was completed. Subsequently in March 2007, Algeta raised NOK 250 million (US\$ 41 million) in gross proceeds in a successful initial public offering (IPO).

During the first quarter and prior to the IPO, a share split of 1:20 was resolved and completed. Previously outstanding Preference A shares were converted to ordinary shares in connection with the IPO. The total number of outstanding shares as of 31.12.2007 was 16,506,608, all Ordinary shares. The total number of granted share options as of 31.12.2007 was 824,000, vested and unvested.

Net Cash Flow from operations totaled NOK -57.9 million in 2007 compared to NOK -41.3 million in 2006. As of 31.12.2007, the Group had liquid funds in total of NOK 281.3 million, which is invested in bank deposits and money marked funds. The Company has no debt except current liabilities totaling 26.6 NOK million. The improvement in both equity and liquid funds is mainly due to the completion of the IPO of NOK 250 million in March 2007.

Future prospects

Development of a new drug requires significant capital and time to complete its development and secure approval from regulatory authorities. It is expected that the Company's expenses will increase significantly going forward as the phase III program for Alpharadin in HRPC starts during 2008. This is the final clinical testing phase prior to submission for regulatory approval.

Algeta and Alpharadin are registered trademarks of Algeta ASA.

Oslo, 28 February 2008

The Board of Directors of Algeta ASA

ALGETA ASA – Fourth Quarter Accounts 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

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

3 months ending			12 months ending	
2007	2006		2007	2006
01.10 - 31.12	01.10 - 31.12		01.01 - 31.12	01.01 - 31.12
0	10	Other income	0	94
9 062	6 486	Payroll and related costs	27 000	15 112
361	197	Ordinary depreciation	1 255	632
20 075	11 124	Other expenses	60 428	33 011
29 498	17 806	Total operating expenses	88 683	48 754
-29 498	-17 796	Operating profit/loss(-)	-88 683	-48 661
3 935	759	Finance income	11 512	1 627
-61	0	Finance costs	-60	-4
3 874	758	Net financial income/(loss)	11 452	1 622
-25 624	-17 038	Loss before taxes	-77 231	-47 038
-	-	Income tax expense	0	0
-25 624	-17 038	Loss for the period	-77 231	-47 038
-1.55	-5.40	Basic earnings per share	-5.67	-14.89
-1.55	-5.40	Diluted earnings per share	-5.67	-14.89

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CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in NOK 1,000)

	2007	2006
	31.12.	31.12.
ASSETS		
Non-current assets		
Property, plant and equipment	6 104	2 062
Financial fixed assets		
Total non-current assets	6 104	2 062
Current assets		
Other receivables	5 071	3 880
Cash & cash equivalents	281 255	84 604
Total current assets	286 326	88 484
TOTAL ASSETS	292 430	90 546
EQUITY AND LIABILITIES		
Equity		
Share capital	8 253	5 072
Additional paid-in-capital	464 620	205 006
Accumulated losses	-207 003	-129 771
Retained earnings for the year		
Shareholders' equity	265 870	80 307
Current liabilities		
Trade and other payables	26 560	10 239
Total current liabilities	26 560	10 239
TOTAL EQUITY AND LIABILITIES	292 430	90 546

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1,000)

3 months ending			2007	2006
2007	2006		2007	2006
01.10 - 31.12	01.10 - 31.12		01.01 - 31.12	01.01 - 31.12
290 551	96 264	Equity at beginning of period	80 307	51 926
0	0	Share issuance preference shares	25 000	75 000
0	0	Share issuance, employees	818	317
0	0	Share issuance, public offering	250 000	0
-1	0	Share price stabilisation profit	1 616	0
34	0	Offering costs	-17 572	-1 546
909	1 082	Share-based compensation	2 932	1 648
-25 624	-17 038	Net profit/loss(-) for the period	-77 231	-47 038
265 870	80 307	Equity at end of period	265 870	80 307

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(All amounts in NOK 1,000)

3 months ending			2007	2006
2007	2006		2007	2006
01.10 - 31.12	01.10 - 31.12		01.01 - 31.12	01.01 - 31.12
-25 625	-17 038	Profit/loss(-) before tax	-77 231	-47 038
0	0	Interest paid	0	0
12 075	2 397	Other operational items	19 317	5 750
-13 550	-14 641	Net cash flow from operations	-57 914	-41 289
-1 279	-463	Cash flow from investments	-5 297	-1 381
34	0	Cash flow from capital transactions	259 861	73 772
-14 794	-15 104	Net change in cash during the period	196 650	31 102
296 048	99 708	Cash & cash equivalents at beginning of period	84 604	53 502
281 254	84 604	Cash & cash equivalents at end of period	281 254	84 604

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Notes to the Interim Financial Statements ending at 31 of December 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	7 400 000	-7 400 000
Share issuance, employees	43 300	
At 31 December 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 numbers of outstanding ordinary shares are 16,506,608.

Note 5 – Earnings per share

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

3 months ending			2007	2006
2007	2006		2007	2006
01.10 - 31.12	01.10 - 31.12		01.01 - 31.12	01.01 - 31.12
-25 624	-17 038	Loss for the period	-77 231	-47 038
0	-1 700	Less: 8% dividend on preference shares	0	-8 625
		Loss for the period attributable to ordinary equity holders of the Company	-77 231	-55 663
-1.55	-5.40	Earnings per share, basic	-5.67	-14.89
-1.55	-5.40	Earnings per share, diluted	-5.67	-14.89
		Weighted average number of ordinary shares outstanding	13 624 652	3 742 325
16 506 608	3 744 160			

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 2007	482 300	17.80
Granted first quarter	159 500	47.00
Granted second quarter	98 000	43.00
Granted fourth quarter	198 500	33.70
Exercised during second quarter	-43 300	17.50
Forfeited during the period	-71 000	24.13
Outstanding at 31 December 2007	824 000	29.67

The weighted average fair value of options granted in 2007 was NOK 22.8 per share. The weighted average assumptions used to determine the grant date fair value under the Black Scholes model were:

Weighted-average inputs	2007
Volatility	75%
Expected life (in years)	3.7
Risk free interest rate	4.7%
Share price (NOK)	40.4
Exercise price (NOK)	40.4