

## **First Quarter Report 2008**

### **Development of Alpharadin**

In 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. Alpharadin is conveniently administered as a monthly, intravenous bolus injection in an outpatient 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.

On the basis of the encouraging survival benefit data and the improvement in the patients' quality of life in the phase II results, as well as on the basis of other preclinical and clinical studies that Algeta so far has conducted, the Company has begun preparations for a phase III pivotal clinical trial.

During the quarter the BC1-05 biodistribution and dosimetry study was fully enrolled in the UK. This study will give further insight of the absorbed doses to relevant tissues following intravenous injection of 100 kBq/kg of Alpharadin in patients with skeletal metastases from HRPC. The initial data from the study demonstrate that calculated absorbed doses to normal tissues, including the kidneys, are very low and unlikely to be a limiting factor in this patient population. Detailed data from the study will be presented in an oral presentation at the 55<sup>th</sup> Annual Meeting of the Society of Nuclear Medicine in New Orleans, 14-18 June 2008.

To supplement the data already available for Alpharadin, Algeta is performing additional clinical phase I and II studies in HRPC. An Investigational New Drug (IND) application was cleared by the US Food & Drug Administration (FDA) in February 2008 and Algeta plans to initiate a phase I pharmacokinetics, biodistribution and dosimetry study with Alpharadin in HRPC patients at a leading US cancer center in the near future. This US trial will further expand upon the information obtained in the BC 1-05 study. In addition, Algeta plans to start discussions with FDA in the near future to agree the design of the further clinical development program for Alpharadin.

Patient enrolment has been completed for all ongoing clinical phase II trials, and data from these studies are expected to become available during second and third quarters of 2008. Preclinical studies are underway to study the effect of using Alpharadin in combination with other therapeutics used in treatment of patients with HRPC. Furthermore, preclinical studies in order to document the detailed cell-killing effect of Alpharadin on cells are also ongoing, and Algeta presented results from this research in a poster at the American Association for Cancer Research (AACR) Annual meeting in San Diego, USA in April 2008.

Algeta continues to prepare study protocols for phase I/II studies for Alpharadin to be given in combination with docetaxel in HRPC and as a possible therapeutic for breast cancer patients with bone metastases. In this work, Algeta is engaging key opinion leaders extensively in order to get relevant input relating to clinical practice. The Board is pleased to note that the activity related to the planning of these studies has received positive and enthusiastic responses in many countries including the US.

## **Continuing to build a pipeline based on alpha emitter technologies**

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 and in the process of being developed with third parties for combining their receptor targeted products with Algeta's alpha-emitter technology.

At 31 March 2008, Algeta had 32 employees compared to 25 employees by the end of March 2007 and 29 employees at the end of 2007.

## **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 first quarter 2008 amounted to NOK 37.8 million compared with NOK 19.5 million in the first quarter 2007. Operating expenses amounted to NOK 88.7 million for the full year 2007. The increase is due primarily to the costs associated with preparations for the phase III program for Alpharadin.

For the first quarter 2008, the Group's net loss amounted to NOK 34.8 million, compared to NOK 18.5 million in the first quarter in 2007. The Group's net loss for the full year 2007 was NOK 77.2 million

The total number of outstanding shares as of 31 March 2008 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 -24.1 million in the first quarter of 2008 compared to NOK -0.5 million in the first quarter of 2007. Net cash flow from operations totaled NOK 57.9 million for 2007.

The Group had liquid funds in total of NOK 256.3 million as at 31 March 2008 compared to NOK 341.2 million as at 31 March 2007. The liquid funds by the end of 2007 was 281.3 million. The funds are invested in bank deposits and money market funds.

The Company has no debt except current liabilities totaling NOK 42.8 million.

## **Future prospects**

Development of a new drug requires significant capital and time to complete its development and secure approval from regulatory authorities. The Company's expenses will increase significantly going forward as the phase III program for Alpharadin in HRPC starts.

Algeta and Alpharadin are registered trademarks of Algeta ASA.

**Oslo, 15 May 2008**

**The Board of Directors of Algeta ASA**

# ALGETA ASA – First Quarter Accounts 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

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

	3 months ending		
	2008	2007	2007
	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
Other income	0	0	0
Payroll and related costs	9 140	5 702	27 000
Ordinary depreciation	427	260	1 255
Other expenses	28 266	13 500	60 428
<b>Total operating expenses</b>	<b>37 833</b>	<b>19 462</b>	<b>88 683</b>
<b>Operating profit/loss(-)</b>	<b>(37 833)</b>	<b>(19 462)</b>	<b>(88 683)</b>
Finance income	3 134	957	11 512
Finance costs	(60)	0	(60)
<b>Net financial income/(loss)</b>	<b>3 074</b>	<b>957</b>	<b>11 452</b>
<b>Loss before taxes</b>	<b>(34 759)</b>	<b>(18 504)</b>	<b>(77 231)</b>
Income tax expense	0	0	0
<b>Loss for the period</b>	<b>(34 759)</b>	<b>(18 504)</b>	<b>(77 231)</b>
Basic earnings per share	(2,11)	(3,80)	(5,67)
Diluted earnings per share	(2,11)	(3,80)	(5,67)

## ALGETA ASA – First Quarter Accounts 2008

### CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in NOK 1,000)

	2008	2007	2007
	31.03.	31.03.	31.12
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6 549	3 347	6 104
Financial fixed assets			
<b>Total non-current assets</b>	<b>6 549</b>	<b>3 347</b>	<b>6 104</b>
<b>Current assets</b>			
Other receivables	11 769	5 013	5 071
Cash & cash equivalents	256 318	341 165	281 255
<b>Total current assets</b>	<b>268 087</b>	<b>346 178</b>	<b>286 326</b>
<b>TOTAL ASSETS</b>	<b>274 636</b>	<b>349 525</b>	<b>292 430</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8 253	8 232	8 253
Additional paid-in-capital	465 737	461 452	464 620
Accumulated losses	(241 762)	(148 276)	(207 003)
<b>Shareholders' equity</b>	<b>232 228</b>	<b>321 408</b>	<b>265 870</b>
<b>Current liabilities</b>			
Trade and other payables	42 408	28 116	26 560
<b>Total current liabilities</b>	<b>42 408</b>	<b>28 116</b>	<b>26 560</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>274 636</b>	<b>349 525</b>	<b>292 430</b>

## ALGETA ASA – First Quarter Accounts 2008

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1,000)

	3 months ending		
	2008	2007	2007
	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
<b>Equity at beginning of period</b>	<b>265 870</b>	<b>80 307</b>	<b>80 307</b>
Share issuance preference shares		25 000	25 000
Share issuance, employees		0	818
Share issuance, public offering		249 824	250 000
Share price stabilisation profit		0	1 616
Offering costs		(16 172)	(17 572)
Share-based compensation	1 117	953	2 932
Net profit/loss(-) for the period	(34 759)	(18 504)	(77 231)
<b>Equity at end of period</b>	<b>232 228</b>	<b>321 408</b>	<b>265 870</b>

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(All amounts in NOK 1,000)

	3 months ending		
	2008	2007	2007
	01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
Profit/loss(-) before tax	(34 759)	(18 504)	(77 231)
Interest paid		0	0
Other operational items	10 696	17 958	19 317
<b>Net cash flow from operations</b>	<b>(24 063)</b>	<b>(546)</b>	<b>(57 914)</b>
Cash flow from investments	(873)	(1 544)	(5 297)
Cash flow from capital transactions		258 651	259 861
<b>Net change in cash during the period</b>	<b>(24 936)</b>	<b>256 561</b>	<b>196 650</b>
Cash & cash equivalents at beginning of period	281 254	84 604	84 604
<b>Cash &amp; cash equivalents at end of period</b>	<b>256 318</b>	<b>341 164</b>	<b>281 254</b>

# **ALGETA ASA – First Quarter Accounts 2008**

## **Note to the Interim Financial Statements ending at 31 March 2008.**

### **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 2007 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.