

Second Quarter and First Half Year Report 2008

Pivotal phase III trial with Alpharadin commenced

Algeta achieved a major milestone with the start of a pivotal phase III trial in hormone-refractory prostate cancer (HRPC) patients. HRPC is both an under-treated and poorly treated form of cancer. Approximately 90,000 men in Europe and the USA die from HRPC each year. Around 85% of men with HRPC have bone metastases, which can cause intractable pain, fractures, hypercalcaemia and spinal cord compression as well as reduced life expectancy. There is therefore an urgent need for an effective, bone-targeted treatment for prostate cancer that prolongs life while also maintaining quality of life.

The two leading products targeting HRPC and skeletal metastases, still with significant room for treatment improvement, are Taxotere and the bisphosphonate Zometa. These products alone account for global annual sales of approximately USD 2 billion, representing a significant market opportunity for Algeta given the promising safety and efficacy evidence generated for Alpharadin in clinical trials to date.

The rapid advancement of Alpharadin towards the market is Algeta's key focus. A main step in its development is the pivotal phase III clinical study of Alpharadin in HRPC that has metastasized to the skeleton. The ALSYMPCA (ALpharadin in SYMptomatic Prostate CAncer) study is a double-blind, controlled trial enrolling symptomatic HRPC patients who will be randomized to receive Alpharadin plus best standard of care or placebo plus best standard of care. Approximately 750 patients are expected to be enrolled at more than 125 medical centers in Europe, Asia, South America and Canada.

The primary efficacy endpoint of the trial is overall survival. Secondary endpoints include time to occurrence of specified disease-related events, and time to progression of certain key biomarkers indicative of disease status, including blood levels of serum prostate-specific antigen (PSA) and total alkaline phosphatase (ALP). In addition, the trial will monitor and evaluate both the acute and long-term safety profiles of Alpharadin treatment as well as its impact on patient quality of life.

The Coordinating Investigator for the ALSYMPCA study is Dr. Christopher Parker, a leading clinical oncologist and specialist in prostate cancer, based at the Institute of Cancer Research and the Royal Marsden Hospital in the UK.

A section of Algeta's website has been developed to inform patients and their physicians about the trial and participating clinical centers.

US clinical trial underway

In February, Algeta received FDA approval in the USA of an Investigational New Drug (IND) application for Alpharadin. The company is currently preparing to begin its first US clinical trial (BC1-08) at the Memorial-Sloan Kettering Cancer Center in New York, one of the leading US cancer hospitals. The study will be a phase I pharmacokinetics, biodistribution and dosimetry study with Alpharadin in HRPC patients and will further expand upon the information obtained in the BC1-05 study. The first patients enrolled in August.

In addition, Algeta plans to start discussions with FDA during 2008 to agree the design of a program for further clinical development of Alpharadin.

Further supportive clinical and preclinical data generated

Algeta continues to conduct further clinical and preclinical studies with Alpharadin. The results announced in the second quarter continue to confirm or supplement the growing base of information regarding Alpharadin's safety and efficacy.

In June, detailed data from the BC1-05 biodistribution and dosimetry study was presented in the 55th Annual Meeting of the Society of Nuclear Medicine in New Orleans, by Dr. Cecilia Hindorf on behalf of the Royal Marsden Hospital. The presentation, entitled "*A biodistribution and dosimetry study of therapeutic ²²³Ra-chloride (Alpharadin) in patients with osteoblastic skeletal metastases secondary to hormone refractory prostate cancer,*" highlighted confirmatory findings that Alpharadin is rapidly taken up in the bone, where it exerts its therapeutic effects on skeletal metastases.

The data also showed that the Alpharadin which is not taken up by the bone is rapidly excreted from the body, mainly via faeces. There was no specific uptake in normal organs such as the kidneys or the liver resulting in very low absorbed doses to these organs. The patients received two intravenous injections of Alpharadin at a therapeutic dose of 100 kBq/kg six weeks apart, and the results were similar after both injections. The results confirm the safety and benign side-effect profile of Alpharadin.

Algeta also presented major preclinical findings showing that Alpharadin can kill cells that are resistant to conventional chemotherapeutic agents as well as cells that are quiescent, i.e. non-cycling cells that are also resistant to cytotoxic drugs. The results from this preclinical research were presented in a poster at the American Association for Cancer Research (AACR) Annual meeting in San Diego, USA in April 2008. The research also provides greater understanding of the mechanism of action by which alpha particles from radium-223 in Alpharadin kill cancer cells by examining their effect on cell survival and cell cycle arrest in different types of tumor cells. The findings from this research are important because most cancers will become resistant to chemotherapy, and this resistance is the main reason for further progression of the disease.

In addition, Alpharadin's cell-killing effect was shown to be dose-rate independent, meaning that even low doses will significantly affect cell survival over time. Finally, there does not appear to be any cell cycle phase where cells are resistant to alpha particle radiation from Alpharadin.

In June, Algeta completed the study BC1-03, designed to explore a dose response relationship of the palliative effect of a single dose of Alpharadin. The company is conducting the final analysis of the data.

People

In June, Øystein Soug took up his position as Chief Financial Officer. Øystein joins Algeta from the Norwegian Orkla group where he most recently served as CFO of Sladco (Orkla Foods in Russia).

At 30 June 2008, Algeta had 35 employees compared to 29 at the end of 2007 and 25 one year ago.

Annual General Meeting

Algeta held its annual general meeting in May. A new board was elected, but this has not been approved by The Register of Business Enterprises due to deputy board member gender requirements. Consequently, by the end of the second quarter, Algeta operates with the board elected in December 2007.

Financial Review

The Group's operating expenses for the second quarter 2008 amounted to NOK 56 million compared to NOK 38 million in the first quarter this year and NOK 19 million second quarter last year. Operating expenses for the first half year were NOK 94 million, versus NOK 39 last year. The recent increase was due to Alpharadin's phase III start-up costs.

For the second quarter 2008, the Group's net loss amounted to NOK 53 million, compared to NOK 16 million in the second quarter of 2007. The Group's net loss for the first half year was NOK 87 million, versus NOK 34 million first half of last year.

Net cash flow from operations totaled NOK -45 million in the second quarter of 2008 compared to NOK -24 million in the first quarter and NOK -27 million one year ago. The cash flow from operations was NOK -69 million in the first half year, versus NOK -27 million last year

The Group had liquid funds in total of NOK 210 million at the end of the quarter, compared to NOK 256 last quarter and 316 one year ago. The funds are invested in bank deposits and money market funds.

The company has no financial debt.

The total number of outstanding shares as of 30 June 2008 was 16,511,608. The total number of granted share options as of 30 June was 825,667, vested and unvested.

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.

Future prospects

Clinical trials such as ALSYMPCA tend to have high start-up costs. Algeta's costs in the third quarter will remain on the same general level as in the second quarter. In subsequent quarters, Algeta's cost level is expected to decrease slightly compared to the second quarter of 2008.

Primary Risk Factors

The development of pharmaceuticals carries significant risk. Failure may occur at any stage during development due to safety or clinical efficacy issues. It cannot be predicted with certainty if or when Algeta will be able to submit an application to the regulatory authorities in the relevant markets. There is a possibility that none of the programs in the pipeline will succeed. During the next period, Algeta may obtain clinical results that reduces Alpharadin's probability of success.

It can further not be assured that Algeta will receive marketing and regulatory approvals necessary to commercialise the final products. Regulatory approvals may be denied, delayed or limited.

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of Algeta's assets, liabilities, financial position and results for the period. We also confirm that, to the best of our knowledge, the review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, 13 August 2008

The Board of Directors of Algeta ASA

ALGETA ASA – Second Quarter Accounts 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

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

3 months ending 30.06			6 months ending 30.06		
2008	2007		2008	2007	2007
					01.01 - 31.12
7 131	5 503	Payroll and related costs	16 271	11 204	27 000
492	281	Ordinary depreciation	919	541	1 255
48 355	13 393	Other expenses	76 621	26 893	60 428
55 978	19 176	Total operating expenses	93 811	38 638	88 683
(55 978)	(19 176)	Operating profit/loss(-)	(93 811)	(38 638)	(88 683)
3 454	3 408	Finance income	6 588	4 365	11 512
(60)	(0)	Finance costs	(120)	(0)	(60)
3 394	3 408	Net financial income/(loss)	6 468	4 365	11 452
(52 584)	(15 768)	Loss before taxes	(87 343)	(34 273)	(77 231)
0	0	Income tax expense	0	0	0
(52 584)	(15 768)	Loss for the period	(87 343)	(34 273)	(77 231)
(3,19)	(0,96)	Basic earnings per share	(5,29)	(3,21)	(5.67)
(3,19)	(0,96)	Diluted earnings per share	(5,29)	(3,21)	(5.67)

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CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in NOK 1,000)

	2008	2007	2007
	30.06.	30.06.	31.12
ASSETS			
Non-current assets			
Property, plant and equipment	7 077	3 733	6 104
Total non-current assets	7 077	3 733	6 104
Current assets			
Other receivables	13 256	3 849	5 071
Cash & cash equivalents	210 314	316 003	281 255
Total current assets	223 570	319 853	286 326
TOTAL ASSETS	230 647	323 585	292 430
EQUITY AND LIABILITIES			
Equity			
Share capital	8 256	8 253	8 253
Additional paid-in-capital	466 879	464 635	464 620
Accumulated losses	(294 347)	(164 044)	(207 003)
Shareholders' equity	180 788	308 844	265 870
Current liabilities			
Trade and other payables	49 859	14 741	26 560
Total current liabilities	49 859	14 741	26 560
TOTAL EQUITY AND LIABILITIES	230 647	323 585	292 430

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1,000)

3 months ending 30.06			6 months ending 30.06		2007 01.01 - 31.12
2008	2007		2008	2007	
232 228	321 408	Equity at beginning of period	265 870	80 307	80 307
0	0	Share issuance preference shares	0	25 000	25 000
88	818	Share issuance, employees	88	818	818
0	176	Share issuance, public offering	0	250 000	250 000
0	1 617	Share price stabilisation profit	0	1 617	1 616
0	(593)	Offering costs	0	(16 765)	(17 572)
1 057	1 187	Share-based compensation	2 174	2 141	2 932
(52 585)	(15 768)	Net profit/loss(-) for the period	(87 344)	(34 273)	(77 231)
180 788	308 844	Equity at end of period	180 788	308 844	265 870

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(All amounts in NOK 1,000)

3 months ending 30.06			6 months ending 30.06		2007 01.01 - 31.12
2008	2007		2008	2007	
(52 584)	(15 768)	Profit/loss(-) before tax	(87 343)	(34 273)	(77 231)
0	0	Interest paid	0	0	0
7 458	(10 743)	Other operational items	18 154	7 215	19 317
(45 127)	(26 512)	Net cash flow from operations	(69 190)	(27 058)	(57 914)
(965)	(667)	Cash flow from investments	(1 838)	(2 211)	(5 297)
88	2 017	Cash flow from capital transactions	88	260 668	259 861
(46 004)	(25 162)	Net change in cash during the period	(70 940)	231 399	196 650
256 318	341 164	Cash & cash equivalents at beginning of period	281 254	84 604	84 604
210 314	316 003	Cash & cash equivalents at end of period	210 314	316 003	281 254

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Note to the Interim Financial Statements ending at 30 June 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.

Note 2 - Share Options

	Number of options	Weighted average exercise price (in NOK)
Outstanding on 1 January 2008	824 000	29.67
Granted first quarter	0	0
Granted second quarter	60 000	23.00
Exercised during second quarter	-5 000	18.00
Forfeited during the period	-53 333	25.06
Outstanding at 30 June 2008	825 667	29.56

Note 3 – Share capital

	Ordinary Shares
Ordinary shares at 1 January 2008	16 506 608
Share issuance, employees	5 000
At 30 June 2008	16 511 608