

First Quarter Report 2009

Momentum building following successful NOK 250 million fundraising and positive FDA meeting for Alpharadin development

Algeta achieved a number of important milestones during the first quarter of 2009. These events, detailed below, provided the Company with a solid platform from which to advance the clinical development of its lead cancer therapeutic, Alpharadin, towards confirming its potential as an effective targeted treatment for bone metastases in patients with advanced prostate cancer.

Confidence in the clinical prospects for and prospective blockbuster commercial potential of Alpharadin have been increased by these events and also by the results of a comprehensive phase II clinical program with Alpharadin, which concluded in 2008 and demonstrated strong evidence that it can extend patient survival, significantly enhance patient quality of life and, importantly, it has a placebo-like side effect profile.

These results suggest Alpharadin may be an important addition to cancer treatment regimes when bone metastases are diagnosed in patients suffering advanced cancer, such as prostate, breast, lung or kidney. The results also suggest blockbuster potential.

The main events of the first quarter were:

- Successful end-of-phase II meeting for Alpharadin with US Food and Drug Administration (FDA) in January, which has enabled Algeta to commence activities for the enrolment of US patients into its global ALSYMPCA¹ phase III trial during 2009
- NOK 250 million (approx. USD 37 million) raised in a private placement and repair offering²
- Andrew Kay joined Algeta as President and CEO in January following his appointment in December 2008.

Operational review

ALSYMPCA phase III clinical trial to include USA

In January, Algeta had a very positive 'end-of-phase II' meeting³ with FDA to review clinical results of Algeta's comprehensive phase II program with Alpharadin as a new targeted treatment for bone metastases in patients with hormone-refractory prostate cancer (HRPC) and also to discuss the phase III ALSYMPCA study.

The outcome of this successful meeting has enabled Algeta to commence activities for the enrolment of US patients into its global ALSYMPCA phase III trial during 2009. The first patient to be treated in the US is expected in the second half of 2009.

¹ ALpharadin in SYMptomatic Prostate CAncer

² The share increase resulting from the repair offering took place in April 2009

³ The purpose of an 'end-of-phase II' meeting is to determine the safety of proceeding to Phase III, to evaluate and the adequacy of current studies and plans to assess safety and effectiveness, and to identify any additional information necessary to support a marketing application for the uses under investigation.

After showing significantly increased survival in the phase II program, Algeta initiated the phase III ALSYMPCA trial in June 2008 with the first patient receiving treatment during that month.

Algeta aims to recruit approximately 750 HRPC patients with bone metastases to more than 140 centers in 20 countries on four continents. As of the beginning of May 2009, 93 centers in 16 countries were on line and recruitment of patients to the ALSYMPCA trial is progressing according to plan.

The ALSYMPCA study is a double-blind, randomized, controlled trial that enrolls symptomatic HRPC patients who will be randomized to receive Alpharadin plus best standard of care or placebo plus best standard of care.

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. In addition, the trial monitors and evaluates both safety profile of Alpharadin treatment as well as its impact on quality of life. The Co-ordinating 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 Sutton, UK.

Successful Fundraising to Support ALSYMPCA and Further Development of Alpharadin

In March 2009, Algeta concluded a successful private placement and offering raising a total of NOK 250 million (approx. USD 37 million⁴) through the sale of 22.7 million new shares at NOK 11 per share. The placement was subscribed by existing shareholders as well as selected new institutional and professional investors, and was led by Abingworth LLP, an international investment group dedicated exclusively to the life sciences and healthcare sectors.

Algeta intends to use these new funds to part-finance ALSYMPCA and also to support trials to validate both potential label extensions for Alpharadin in metastatic prostate cancer and the use of Alpharadin in treating skeletal metastases in breast cancer patients.

In parallel, Algeta is pursuing advanced discussions with a range of partnering candidates for Alpharadin, ranging from big pharma to specialized pharma and biotech. Algeta aims to retain sales and marketing rights in selected key geographies.

Algeta believes that Alpharadin has the potential to become a first-choice treatment for bone metastases arising from multiple major cancer types including breast, lung and kidney, in addition to prostate cancer. This belief is based on Alpharadin's unique mode of action and remarkable benign safety profile. Alpharadin is based on the alpha emitter radium-223 and is a next-generation, targeted cancer therapeutic (an "alpha-pharmaceutical"). Based on its chemical similarity to calcium, Alpharadin acts as a calcium-mimic and specifically targets and accumulates at sites of tumor-induced bone growth. At these sites, Alpharadin's potent, localized 'alpha' activity kills cancer cells leaving healthy surrounding tissue unharmed.

Efficacy plus benign side-effect profile suggest that Alpharadin has a strong profile for use alone or in combination with current cancer therapies (e.g. bisphosphonates, docetaxel, opioids) and therefore has the potential to transform the treatment of bone metastases, a large unmet medical need.

⁴ At exchange rate USD 1.00 = NOK 6.77

Building a Pipeline of Tumor-targeted Alpha-pharmaceuticals

Beyond Alphasaradin, Algeta intends to leverage its world-leading expertise and intellectual property to build a pipeline of unique, tumor-targeted alpha-pharmaceuticals. Algeta's most advanced program is aimed at linking alpha-emitting radionuclides to cancer-seeking antibodies. The TH-1 program, as it is known, continues to make progress. Proof-of-principle studies (at the Norwegian Radium Hospital) have shown that a thorium-227-antibody conjugate binds specifically to breast cancer tumors in mice, and confirms former positive results treating lymphoma. The technology covering the attachment of an alpha emitter to an antibody has been streamlined and improved in order to be able to be scaled-up in the future. Work is continuing on two feasibility studies with outside partners.

People

In January 2009, Andrew Kay joined Algeta as President and CEO having been appointed in December 2008. Mr. Kay joined Algeta from Renovo plc (LSE: RNVO) where he was Executive Director, Commercial. He brings more than 25 years of commercial experience in the pharmaceutical sector, where he has managed the licensing and launch of several successful new oncology drugs that have grown to become blockbuster products. At Renovo, he played a crucial role in successfully securing the company's licensing agreement in 2007 with Shire plc to develop and commercialize Juvista, Renovo's lead drug for the prevention and reduction of scarring following surgery.

Dr. Thomas Ramdahl, formerly President and CEO, will continue as Executive Vice President and Chief Technology Officer.

As noted in the third quarter 2008 statement, Dr. Peter Harris resigned as Chief Medical Officer to take up a senior management position in the European arm of the US biotech company Genzyme. Dr. Harris continued as CMO until 1 March 2009 after which Dr. Gillies O'Bryan-Tear became Acting CMO and will continue in this role until a permanent replacement is identified and in place. Dr. O'Bryan-Tear has more than 20 years' experience in clinical development, including oncology, and is the former Vice President of Global Clinical R&D at GlaxoSmithKline Biologicals and former medical director in the UK and Northern Europe for Bristol-Myers Squibb. In addition, Dr. O'Bryan-Tear has been a consultant to Algeta on the clinical development of Alphasaradin since 2004.

Following the successful fundraising during the first quarter, Dr. Joe Anderson, a Partner at Abingworth, and Dr. Shahzad Malik, General Partner at Advent Venture Partners, were elected to the board of Algeta. Patrick Lee resigned from the board in February.

At 31 March 2009, Algeta had 34 employees compared to 32 employees at the end of the first quarter 2008.

Financial review

Profit and loss

The Group's operating expenses for the first quarter 2009 amounted to NOK 41 million compared with NOK 38 million in the first quarter 2008. The increase is due to higher R&D costs as Alphasaradin entered phase III clinical trial during 2008. The Group's income statement shows a net loss of NOK 40 million for the first quarter 2009 compared with NOK 35 million for the first quarter 2008.

Cash flow and Balance sheet

Net cash flow from operations totaled NOK -36 million in the first quarter 2009 versus NOK -27 million in the first quarter 2008. As of 31 March 2009, the Group had liquid funds in total of NOK 327 million, which are invested in bank deposits and money marked funds. The Group had no debt except current liabilities totaling NOK 55 million.

Private placement

As mentioned above, Algeta's financial position was strengthened during the first quarter 2009 when it raised NOK 250 million (approx. USD 37 million) in gross proceeds from a successful private placement and subsequent repair offering of 22.7 million new shares at NOK 11 per share.

Extraordinary General Meeting

Algeta held an extraordinary general meeting (EGM) in March to approve the private placement and subsequent repair offering. Prior to the EGM, board member Patrick Lee resigned from the board. At the EGM, Shahzad Malik of Advent Venture Partners and Joe Anderson of Abingworth were elected to the board.

Future prospects

Development and approval of a new drug requires significant capital and time. With the ongoing phase III program, it is expected that Algeta's costs level for 2009 and 2010 will be higher than that of 2008.

Further results from Algeta's ongoing research and development will be presented at appropriate scientific meetings during the year.

Oslo, 15 May 2008

The Board of Directors of Algeta ASA

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Preliminary and unaudited

Consolidated income statement

	2009	2008	2008
<i>(Amounts in NOK thousands except per share data)</i>	01.01-31.03	01.01-31.03	01.01-31.12
Operating income			
Other income	58	-	63
Total income	58	-	63
Payroll and related costs	9 403	9 140	32 809
Ordinary depreciation	494	427	1 851
Other expenses	31 148	28 266	150 916
Total operating expenses	41 045	37 833	185 576
Operating profit/(loss)	(40 986)	(37 833)	(185 513)
Financial income	1 558	3 134	12 229
Financial expenses	201	60	266
Net financial income/(loss)	1 356	3 074	11 963
Loss before income tax	(39 630)	(34 759)	(173 550)
Income tax expense	-	-	-
Loss for the period	(39 630)	(34 759)	(173 550)
Earnings per share			
- basic and diluted NOK	(1,68)	(3,80)	(10,51)

Comprehensive income statement according to IAS 1 ¹⁾

	2009	2008	2008
<i>(Amounts in NOK thousands)</i>	01.01-31.03	01.01-31.03	01.01-31.12
Loss for the period	(39 630)	(34 759)	(173 550)
Comprehensive loss for the period	(39 630)	(34 759)	(173 550)

1) In accordance with the revised IAS 1 as from 1 January 2009. See note 1 Accounting principles.

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Preliminary and unaudited

Consolidated balance sheet

	2009	2008	2008
<i>(Amounts in NOK thousands)</i>	31.03	31.03	31.12
ASSETS			
Non-current assets			
Property, plant and equipment	6 797	6 549	6 518
Total non-current assets	6 797	6 549	6 518
Current assets			
Other receivables	6 219	11 769	7 174
Cash & cash equivalents	326 779	256 318	132 932
Total current assets	332 998	268 087	140 106
TOTAL ASSETS	339 795	274 636	146 624
EQUITY AND LIABILITIES			
Equity			
Share capital	19 406	8 253	8 256
Additional paid-in-capital	685 687	465 737	467 439
Accumulated losses	(420 183)	(241 762)	(380 553)
Total equity	284 910	232 228	95 142
Liabilities			
Current liabilities			
Trade and other payables	54 885	42 408	51 482
Total current liabilities	54 885	42 408	51 482
TOTAL EQUITY AND LIABILITIES	339 795	274 636	146 624

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Preliminary and unaudited

Consolidated statement of changes in equity

<i>(Amounts in NOK thousands)</i>	Share capital – common shares	Additional paid in capital	Retained losses	Total
At 31st December 2007	8 253	464 620	(207 003)	265 870
Comprehensive income for the period			(34 759)	(34 759)
Share compensation expense		1 117		1 117
At 31st March 2008	8 253	465 737	(241 762)	232 228
At 31st December 2008	8 256	467 439	(380 553)	95 142
Comprehensive income for the period			(39 630)	(39 630)
Share issuance - private placement	11 150	234 150		245 300
Transaction costs		(16 602)		(16 602)
Share-based compensation		700		700
At 31st March 2009	19 406	685 687	(420 183)	284 910

Consolidated cash flow statement

<i>(Amounts in NOK thousands)</i>	2009	2008	2008
	31.03	31.03	31.12
Profit/(loss) before income tax	(39 630)	(34 759)	(173 550)
Depreciation	494	427	1 851
Share-based compensation	700	1 117	2 734
Interest received	(1 558)	(3 245)	(11 986)
<i>Changes in assets and liabilities:</i>			
Other receivables	955	(6 697)	(2 102)
Trade and other payables	3 403	15 849	24 921
Net cash used in operating activities	(35 636)	(27 309)	(158 132)
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	(773)	(873)	(2 265)
Interest received	1 558	3 245	11 986
Net cash received in investing activities	785	2 372	9 721
Cash flow from financing activities			
Proceeds from issuance of shares	228 698	-	88
Net cash generated from financing activities	228 698	-	88
Net increase/(decrease) in cash and cash equivalents	193 847	(24 936)	(148 323)
Cash and cash equivalents at beginning of year	132 932	281 255	281 255
Cash and cash equivalents at end of period	326 779	256 318	132 932

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Preliminary and unaudited

Note 1 - ACCOUNTING PRINCIPLES

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 2008 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

New or amended standards which have an impact on the accounts of the Algeta Group as from 1 January 2009 are described below.

IAS 1 – Presentation of Financial Statements (revised)

The Group has applied the revised IAS 1 with effect from 1 January 2009. According to the revised standard, the statement of changes in equity shall only show details on transactions with owners. Other transactions recognised directly in equity should be presented on a separate line in the statement of changes in equity. In the income statement, these transactions should be shown in a statement of comprehensive income according to IAS 1 under the income statement. Algeta Group has no changes in equity beside transactions with owners, hence no transactions to show in the Comprehensive Income Statement.

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-BASED COMPENSATION

At the Annual General meeting in 2008 the Board of Directors was authorized to issue up to 1,592,580 share options to employees, Board members, and consultants.

The options generally vest over a period from 1 to 4 years and expire 7 years after the grant date. In general, the exercise price for the options is set at the fair value of the shares at the grant date.

The following table shows the changes in outstanding options in the three-month period ended 31 March 2009:

	2009	
	Number of options	Weighted average exercise price (in NOK)
Outstanding on 1 January	1 353 222	19.33
Granted during the period	-	-
Forfeited during the period	177 222	32.53
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at 31 March	1 176 000	17.34

Note 3 – PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended 31 March 2009; the Group invested NOK 0.8 million in property, plant and equipment, primarily equipment for research purposes.

Note 4 – SHARE CAPITAL

The following table shows the changes in number of outstanding shares in the three-month period ended 31 March 2009:

	2009
	Ordinary shares
Ordinary shares at 1 January	16 511 608
Share issuance - private placement	22 300 000
Ordinary shares at 31 March	38 811 608

In February 2009 Algeta had a highly successful Private Placement. The Private Placement took place through a book-building process and was managed by ABG Sundal Collier and DnB NOR Markets. The Private Placement was directed towards existing shareholders as well as selected new institutional and professional investors, and was led by Abingworth LLP, an international investment group dedicated exclusively to the life sciences and healthcare sectors.

The Private Placement raised NOK 245 million for Algeta with 22.3 million new shares at a price of NOK 11 per share. The Private Placement was approved by shareholders at EGM on 4 March 2009.

The subsequent repair offering was finalized in April 2009, consisted of 0.4 million new shares at NOK 11 per share and raised NOK 5 million. At 11 May there were 39,235,291 shares and 1 176 000 options outstanding in the Group.