

Report for Second Quarter and First Half 2009

This report includes an operational review and financial results for the three-month and six-month periods ending 30 June 2009.

Algeta continues to make excellent progress with Alpharadin, a potential blockbuster for the treatment of bone metastases

The successful fundraising and a positive end-of-phase II meeting¹ with the US FDA on Alpharadin in the first quarter of 2009 has given Algeta an excellent foundation from which to further progress its on-going ALSYMPCA² phase III trial with Alpharadin in the US and the rest of the world.

Alpharadin (radium-223) is a novel alpha-pharmaceutical and Algeta's lead cancer therapeutic in a global phase III clinical trial (ALSYMPCA) designed to confirm its efficacy and safety as a targeted treatment for bone metastases in patients with advanced, hormone-refractory prostate cancer (HRPC).

The second quarter of 2009 has seen the Company focus on patient recruitment at the increasing number of centers participating around the world. To date more than 100 trial centers have been activated. Recruitment for the trial remains on schedule and the targeted 750 patients with bone metastases as a result of HRPC are all expected to be included by the second half of 2010.

The Company has also been making preparations in the US to begin the enrolment of patients into the pivotal trial at US clinical centers, with the aim of randomizing the first patient by the end of 2009.

In parallel with the ALSYMPCA study, Algeta is working to build the most appropriate commercial platform for Alpharadin, ahead of the product's planned launch. The Company is currently advancing several encouraging partnering opportunities.

Confidence in the clinical prospects and commercial potential of Alpharadin has been increased by the events of the first half of 2009. These have built on the very positive phase II clinical program that concluded in 2008. This program provided strong evidence that Alpharadin (1) can extend patient survival, (2) enhances patient quality of life, and (3) has a benign 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 and potentially also breast, lung or kidney.

OPERATIONAL REVIEW

Patient recruitment into ALSYMPCA trial

Algeta is currently focused on enrolling suitable cancer patients with bone metastases into the on-going ALSYMPCA phase III clinical trial. Algeta initiated the ALSYMPCA trial in June 2008 with the first patient receiving treatment during that month. The study aims

¹ The purpose of an 'end-of-phase II' meeting is to determine the safety of proceeding to Phase III, to evaluate 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.

²ALpharadin in SYMptomatic Prostate CAncer

to enrol approximately 750 HRPC patients with bone metastases to around 140 centers in 20 countries on four continents. As at the end of July 2009, more than 100 centers were on-line and recruitment of patients to the ALSYMPCA trial is progressing according to plan.

Patient recruitment into ALSYMPCA is expected to benefit from the opening of new trial sites in USA in the second half of 2009 and in 2010. This follows a positive end-of-phase II meeting with FDA, at which the clinical results of Algeta's comprehensive phase II program with Alpharadin were reviewed and the ALSYMPCA study protocol was discussed. The first patient to be randomized into the trial in USA is expected in 2009.

The ALSYMPCA study is a double-blind, randomized, controlled phase III clinical trial that enrolls HRPC patients whose cancer has spread to the bones, who will be randomized to receive Alpharadin plus best standard of care or placebo plus best standard of care. As is common practise in cancer trials, an independent safety monitoring committee is in place to assess and confirm the on-going safety profile of Alpharadin. To date, no safety issues with the trial have been reported and its continuation has been recommended by the committee.

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.

Successful fundraising to support ALSYMPCA and further development of Alpharadin

In March 2009, Algeta concluded a successful private placement and repair offering raising a total of NOK 250 million (approx. USD 37 million) through the sale of 22.7 million new shares³ at NOK 11 per share. The placement was oversubscribed and existing shareholders as well as selected new institutional and professional investors, led by the international life sciences investor Abingworth LLP, participated.

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 bone metastases in breast cancer patients.

In parallel to ALSYMPCA, Algeta is pursuing discussions with a range of partnering candidates for Alpharadin, ranging from big pharma to specialized pharma and biotech. The various deal structures under discussion are expected to provide Algeta with additional cash upfront, further development milestones, cost-sharing of further development activities and allow the Company to retain sales and marketing rights in selected key geographies.

Algeta believes that Alpharadin could be developed to become a first-choice treatment for bone metastases arising from multiple major cancer types, including potentially breast, lung and kidney, in addition to prostate cancer. This belief is based on Alpharadin's novel 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 comparatively unharmed.

³ The share increase resulting from the repair offering took place in April 2009.

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

Exciting research highlights potential of alpha-pharmaceutical platform to generate further innovative targeted cancer therapies

Algeta continues to leverage its world-leading expertise and intellectual property to develop a pipeline of unique, tumor-targeted alpha-pharmaceuticals with the potential to specifically seek and destroy cancer cells while minimizing damage to surrounding healthy tissues. Algeta's most advanced program aims to demonstrate that the alpha-emitting radionuclide thorium-227 (^{227}Th) can be linked to clinically validated cancer-seeking antibodies that target a range of soft tissue tumors.

In June, a series of scientific papers demonstrating the targeted and localized anticancer potential of ^{227}Th linked to trastuzumab (Herceptin®)⁴ and to rituximab (Rituxan®)⁵ were presented at the Society for Nuclear Medicine 2009 meeting in Toronto, Canada.

These antibodies respectively target the cell-surface proteins HER-2 (present on certain breast cancer tumors) and CD20 (present on certain lymphoma cells). Both antibodies have been huge commercial successes.

This was the first time that the targeted cancer cell-killing effect of ^{227}Th -trastuzumab has been presented and proved the viability of this alpha-pharmaceutical as a novel treatment for breast cancer. Trastuzumab targets tumor cells presenting the HER-2 receptor, and tumors in approximately 25% of breast cancer patients carry this marker.

Other presentations at the meeting provided further evidence of the targeted therapeutic effect and safety of ^{227}Th -rituximab as a new alpha-pharmaceutical for treating non-Hodgkin's lymphoma. Algeta and its academic collaborators have previously published data on the potential of ^{227}Th -rituximab to target and kill lymphoma cells in the leading medical journal *Blood* (Dahle, J. *et al.* 2007). The new presented findings support the further development of novel alpha-pharmaceuticals in this indication.

These exciting findings were presented by scientists from the Norwegian Radium Hospital and other leading Norwegian research institutes, who generated the data in collaboration with Algeta.

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.

People

Dr. Gillies O'Bryan-Tear was appointed Chief Medical Officer on 24 July bringing more than 20 years' experience in senior roles managing and advising on the clinical development and registration of new drugs and vaccines. He has extensive development and clinical knowledge in oncology and has developed and successfully launched major oncology products. He has worked both as an independent consultant to and in-house for a number of leading biotechnology and pharmaceutical companies. He is the former Vice President of Global Clinical R&D at GlaxoSmithKline Biologicals, spent two years as

⁴ Herceptin® is a registered trademark of Roche

⁵ Rituxan® is a registered trademark of Genentech/Biogen Idec

Interim Medical Director for Genzyme UK, and was previously medical director in the UK and Northern Europe for Bristol-Myers Squibb.

Dr. O'Bryan-Tear has been Acting CMO for Algeta since March 2009 and has been a consultant to the Company on the clinical development of Alpharadin since 2004. He is a UK-trained physician who earned his M.D. at the Universities of Cambridge and London, and has an MBA from Cranfield School of Management. In addition, he is an advisor to Advent Venture Partners.

In January 2009, Andrew Kay joined Algeta as President and CEO. 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, including senior roles at Novartis and AstraZeneca, where he has managed the licensing and launch of several successful new oncology drugs that have grown to become blockbuster products.

Dr. Thomas Ramdahl, formerly President and CEO, continues in Algeta as Executive Vice President and Chief Technology Officer.

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 30 June 2009, Algeta had 34 employees compared to 35 employees at the end of the first half 2008.

Financial review

Profit and loss

The Group's operating expenses for the second quarter 2009 amounted to NOK 45 million and NOK 86 million for the first six months of the year, compared with NOK 56 million in the second quarter 2008 and NOK 94 million for the half year 2008. Operating expenditure remains in line with forecasts with R&D costs relating to the ALSYMPCA phase III study continuing to be the major operating cost.

The Group's income statement shows a net loss of NOK 41 million for the second quarter 2009 compared with a net loss of NOK 53 million for the same period in 2008. The Group's net loss for the first half year was NOK 81 million, versus a net loss of NOK 87 million in the first half of last year.

Cash flow and Balance sheet

Net cash flow from operations totalled NOK -43 million in the second quarter 2009 versus NOK -49 million in the second quarter 2008. The cash flow from operations was NOK -78 million in the first half year 2009, compared to NOK -76 million the same period in 2008.

As of 30 June 2009, the Group had liquid funds in total of NOK 293 million, which are invested in bank deposits and money market funds. The Group had no debt except current liabilities totalling NOK 53 million.

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.

Primary risk factors (pursuant to Section 5-6 of the Securities Trading Act)

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

To manage the risk inherent in the industry, and to comply with international and national regulations, Algeta has implemented an annual process to identify, analyze and tackle the main risk factors facing the Group.

Algeta executes a large share of its payments in EUR and from 1st July 2009 the Group has chosen to partially hedge its exposure to EUR.

For more information about the Group's risk factors, reference is made to the listing Prospectus as of March 2009 chapter 1 (page 10) and chapter 2 (page 12-16).

Significant related party transactions

In May 2009 the AGM authorized the Board of Algeta to issue 3 million new shares to employees under the Employee Option Program and a total of 270.000 options for shares were distributed to key management of the Group. See note 2 for detailed information.

Future prospects

Development and approval of a new drug requires significant capital and time. With the ongoing ALSYMPCA phase III program, it is expected that Algeta's costs level for 2009 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, 13 August 2009
The Board of Directors and Chief Executive Officer
Algeta ASA

Stein H. Annexstad
Chairman of the Board

John Berriman
Deputy Chairman

Shahzad Malik
Board Member

Joe Anderson
Board Member

Inga M. Ulstein Loen
Board Member

Per Samuelsson
Board Member

Hilde H. Steineger
Board Member

Ingrid Wiik
Board Member

Andrew Kay
President and CEO

Algeta Group - Second quarter and first half report 2009

Preliminary and unaudited

Condensed consolidated income statement

	2nd quarter	2nd quarter	1st half	1st half	Full year
<i>(Amounts in NOK thousands except per share data)</i>	2009	2008 [█]	2009 [█]	2008 [█]	2008
Operating income					
Other income	22	-	80	-	63
Total income	22	-	80	-	63
Payroll and related costs	10 119	7 131	19 522	16 271	32 809
Ordinary depreciation	495	492	989	919	1 851
Other expenses	34 111	48 355	65 259	76 621	150 916
Total operating expenses	44 725	55 978	85 769	93 811	185 576
Operating profit/(loss)	(44 703)	(55 978)	(85 689)	(93 811)	(185 513)
Financial income	3 682	3 454	5 240	6 588	12 229
Financial expenses	139	60	341	120	266
Net financial income/(loss)	3 543	3 394	4 899	6 468	11 963
Loss before income tax	(41 160)	(52 584)	(80 790)	(87 343)	(173 550)
Income tax expense	-	-	-	-	-
Loss for the period	(41 160)	(52 584)	(80 790)	(87 343)	(173 550)
Earnings per share					
- basic and diluted NOK	(1,05)	(3,19)	(2,72)	(5,29)	(10,51)

Condensed consolidated statement of comprehensive income ¹⁾

	2nd quarter	2nd quarter	1st half	1st half	Full year
<i>(Amounts in NOK thousands)</i>	2009	2008 [█]	2009 [█]	2008 [█]	2008
Loss for the period	(41 160)	(52 584)	(80 790)	(87 343)	(173 550)
Comprehensive loss for the period	(41 160)	(52 584)	(80 790)	(87 343)	(173 550)

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

Algeta Group - Second quarter and first half report 2009

Preliminary and unaudited

Condensed consolidated statement of financial position

<i>(Amounts in NOK thousands)</i>	30 June 2009	30 June 2008	31 Dec. 2008
ASSETS			
Non-current assets			
Property, plant and equipment	6 547	7 077	6 518
Total non-current assets	6 547	7 077	6 518
Current assets			
Other receivables	4 007	13 256	7 174
Cash & cash equivalents	293 194	210 314	132 932
Total current assets	297 201	223 570	140 106
TOTAL ASSETS	303 748	230 647	146 624
EQUITY AND LIABILITIES			
Equity			
Share capital	19 665	8 256	8 256
Additional paid-in-capital	692 332	466 879	467 439
Accumulated losses	(461 343)	(294 347)	(380 553)
Total equity	250 654	180 788	95 142
Liabilities			
Current liabilities			
Trade and other payables	53 094	49 859	51 482
Total current liabilities	53 094	49 859	51 482
TOTAL EQUITY AND LIABILITIES	303 748	230 647	146 624

Oslo, 13 August 2009

The Board of Directors and Chief Executive Officer
Algeta ASA

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Ingrid Wiik
Board Member

Andrew Kay
President and CEO

Algeta Group - Second quarter and first half report 2009

Preliminary and unaudited

Condensed consolidated statement of changes in equity

<i>(Amounts in NOK thousands)</i>	Share capital – ordinary shares	Additional paid in capital	Retained losses	Total
At 31 December 2007	8 253	464 620	-207 003	265 870
Comprehensive loss for the period			(87 343)	(87 343)
Share-based compensation		2 174		2 174
Share issuance, employees	3	85		88
At 30 June 2008	8 256	466 878	(294 346)	180 788
At 31 December 2008	8 256	467 439	(380 553)	95 142
Comprehensive loss for the period			(80 790)	(80 790)
Share issuance - private placement	11 150	234 150		245 300
Share issuance - repair offering	212	4 449		4 661
Transaction cost - private placement/repair offering		(16 684)		(16 684)
Share issuance, employees	47	1 163		1 210
Share-based compensation		1 815		1 815
At 30 June 2009	19 665	692 332	(461 343)	250 654

Condensed consolidated statement of cash flow

<i>(Amounts in NOK thousands)</i>	2nd quarter 2009	2nd quarter 2008 [†]	1st half 2009 [†]	1st half 2008 [†]	Full year 2008
Profit/(loss) before income tax	(41 160)	(52 584)	(80 790)	(87 343)	(173 550)
Depreciation	495	492	989	919	1 851
Share-based compensation	1 115	1 057	1 815	2 174	2 734
Interest received	(3 682)	(3 452)	(5 240)	(6 697)	(11 986)
<i>Changes in assets and liabilities:</i>					
Other receivables	2 212	(1 488)	3 167	(8 185)	(2 102)
Trade and other payables	(1 790)	7 450	1 612	23 299	24 921
Net cash used in operating activities	(42 811)	(48 525)	(78 447)	(75 834)	(158 132)
Cash flow from investing activities					
Purchases of property, plant and equipment (PPE)	(245)	(1 019)	(1 018)	(1 892) [†]	(2 265)
Interest received	3 682	3 452	5 240	6 697	11 986
Net cash received in investing activities	3 437	2 433	4 222	4 805	9 721
Cash flow from financing activities					
Proceeds from issuance of shares	4 579	-	233 277	-	-
Proceeds from exercise of options	1 210	88	1 210	88	88
Net cash generated from financing activities	5 789	88	234 487	88	88
Net increase/(decrease) in cash and cash equivalents	(33 585)	(46 004)	160 262	(70 941)	(148 323)
Cash and cash equivalents at beginning of period	326 779	256 318	132 932	281 255	281 255
Cash and cash equivalents at end of period	293 194	210 314	293 194	210 314	132 932

Algeta Group - Second quarter and first half report 2009

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 recognized 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 judgment 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 May 2009 the Board of Directors was authorized to issue up to 3,000,000 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 half-year period ended 30 June 2009:

	2009	
	Number of options	Weighted average exercise price
Outstanding on 1 January	1 353 222	19,33
Granted during the period ¹⁾	367 500	20,86
Terminated during the period	137 510	33,70
Exercised during the period ²⁾	94 800	17,50
Expired during the period	39 712	28,46
Outstanding at 30 June	1 448 700	18,53

1) Granted options for shares to key management of the Group during first half 2009:

Name	Title	Granted	Outstanding
		1st half 2009	30.06.2009
Thomas Ramdahl	CTO	80 000	150 200
Øystein Soug	CFO	50 000	110 000
Roger C. Harrison	CBO	40 000	110 000
Ragnhild M. Løberg	VP Quality & Reg.	50 000	80 000
Kari Dyvik	VP Operations	50 000	80 000
Total		270 000	530 200

2) Thomas Ramdahl, CTO and a primary insider of Algeta ASA, has exercised 89,800 options in the company, corresponding to 89,800 shares at the strike price of NOK 12.50.

Note 3 – PROPERTY, PLANT AND EQUIPMENT

During the second quarter and half-year period ended 30 June 2009; the Group invested NOK 0.2 million and NOK 1,0 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 half-year period ended 30 June 2009:

	2009 Ordinary shares
Ordinary shares at 1 January	16 511 608
Share issuance - private placement	22 300 000
Share issuance - repair offering	423 683
Share issuance - employees	94 800
Ordinary shares at 30 June	39 330 091

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 fundraising raised NOK 245 million for Algeta through the private placement of 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.

A subsequent repair offering to existing shareholders who did not participate in the private placement was open until 24 March. The fundraising raised NOK 4,7 million for Algeta through the repair offering of 423 683 new shares at a price of NOK 11 per share. The repair offering was approved by shareholders at EGM on 4 March 2009.

Statement pursuant to Section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the Group and the company for the period 1 January through 30 June 2009 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 13 August 2009

The Board of Directors of Algeta ASA

Stein H. Annexstad
Chairman of the Board

John Berriman
Deputy Chairman

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Board Member

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Board Member

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