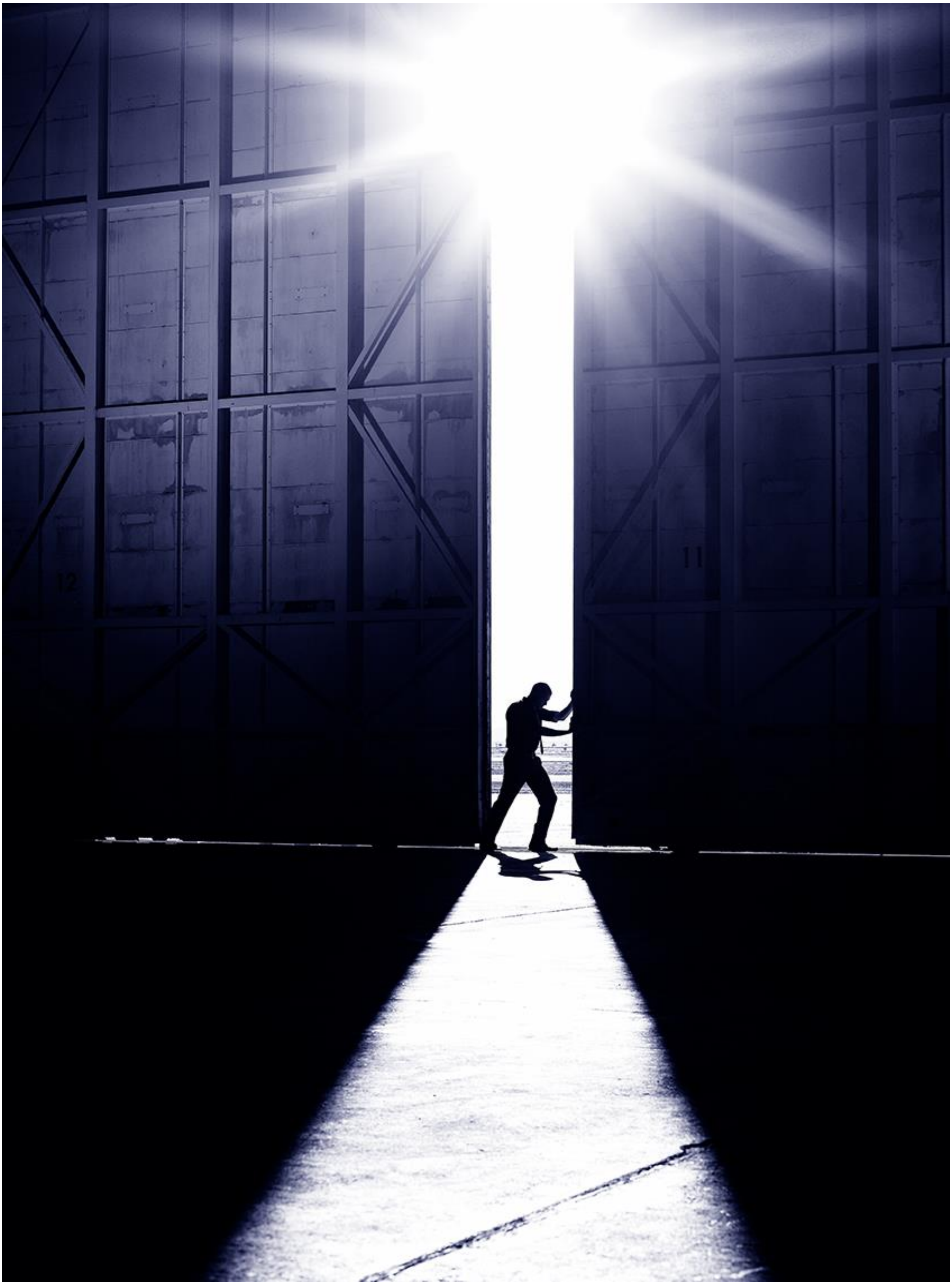
Fourth Quarter and Full Year Report 2013



The oncology company with global vision

www.algeta.com

Fourth Quarter and Full Year Report 2013

This report includes an operational review and the financial results for the three-month period ending 31 December 2013 as well as key events and financials for the full year 2013

Algeta is a company focused on developing, manufacturing and marketing novel targeted therapies for patients with cancer. The Company is headquartered in Oslo, Norway, and has a US subsidiary, Algeta US, LLC (Algeta US), based in Cambridge, MA performing commercial marketing operations in the US.

Algeta's lead product Xofigo® injection (radium Ra 223 dichloride, radium-223; previously called Alpharadin) is an alpha particle-emitting pharmaceutical with an anti-tumor effect on bone metastases.

Xofigo solution for injection is approved in Europe for the treatment of adults with castration-resistant prostate cancer, symptomatic bone metastases and no known visceral metastases. Xofigo is approved in the US for the treatment of patients with castration-resistant prostate cancer, symptomatic bone metastases and no known visceral metastatic disease.

In September 2009, Algeta signed an agreement with Bayer for the development and commercialization of Xofigo. Under the terms of this agreement, Bayer will develop, apply for health authority approvals worldwide and commercialize Xofigo globally. Algeta is eligible for royalties and milestones based on Bayer's sales of Xofigo outside the US, and Algeta US is co-promoting Xofigo with Bayer in the US.

Algeta is also evaluating the potential of Targeted Thorium Conjugates (TTCs), which are based on conjugating the alpha-emitter thorium-227 to targeting molecules, as a basis of a potential future pipeline of tumor-targeting alpha-pharmaceutical candidates.

In December 2013, the Board of Directors of Algeta ASA announced that it had unanimously recommended the voluntary cash offer (the "Offer") of NOK 362 per share from Bayer to acquire the entire issued share capital of Algeta.

Financial Highlights	**4th Quarter**		**January - December**	
	2013	**2012**	**2013**	**2012**
Consolidated revenue (NOKm)	65	440	635	627
Consolidated EBITDA (NOKm)[1]	(103)	314	33	244
Cash at end of Period (NOKm)	1,367	369	1,367	369

As recognized by Bayer	**4th Quarter**		**January - December**	
	2013	**2012**	**2013**	**2012**
Net sales of Xofigo in US (USDm)	38	0	55	0
Net sales of Xofigo in US (NOKm)[2]	230	0	332	0

[1] *EBITDA consists of Earnings before tax, interest, depreciation and amortization*
[2] *See Note 4. Net sales from co-promotion activities.*

OPERATIONAL REVIEW

The launch of Xofigo in the US has established excellent momentum, with initial sales exceeding expectations.

Bayer Offer to Acquire Algeta

As announced on 19 December 2013, the Board of Directors of Algeta ASA has unanimously recommended the voluntary cash offer from Bayer to acquire the entire issued share capital of Algeta.

The Offer is at NOK 362 per Algeta share, in cash, valuing the total share capital of Algeta at approximately NOK 17.6 billion (USD 2.9 billion) on a fully diluted basis. Pre-acceptance of the Offer, on certain terms and conditions, has been given by HealthCap IV, Algeta's largest shareholder.

The Offer price represents a 37% premium to Algeta’s closing share price on 25 November 2013 and a 48% premium to the three-month volume weighted average stock price on 25 November 2013, the last trading day prior to the announcement of Bayer’s preliminary acquisition proposal.

Complete details of the Offer were distributed to Algeta shareholders on 20 January 2014. Bayer expects to close the transaction during the first quarter of 2014.

Xofigo in the US

Algeta reached a major milestone in May 2013 when Xofigo (radium Ra 223 dichloride) received marketing authorization in the US following Priority Review by the FDA.

Algeta and Bayer co-promote Xofigo in the US, and the companies have worked closely together to develop the product’s launch strategy and tactical plans. To execute the US launch, and in conjunction with Bayer, Algeta has established a commercial operation in the US providing all necessary functions nationwide.

Algeta is the exclusive manufacturer of Xofigo for Bayer worldwide and produces the product at the Institute for Energy Technology (IFE) in Kjeller, near Oslo.

Xofigo in Europe and Rest of the World

Bayer has exclusive rights to commercialize Xofigo outside the US, and pays Algeta tiered, double-digit royalties on sales of Xofigo in such territories.

On 15 November 2013, Algeta announced that Bayer had received marketing authorization from the European Commission for Xofigo to treat CRPC patients with bone metastases. The marketing authorization provides approval for the commercialization of Xofigo in all 28 countries of the EU. Further national approvals have been reached in additional countries outside the US and European Union, including Norway.

Publication of ALSYMPCA

The clinical data on which Xofigo was approved in the US and Europe, and which also forms the basis of regulatory submissions in other territories, were published in the 18 July 2013 issue of the New England Journal of Medicine. The data were derived from Algeta’s pivotal phase III ALSYMPCA (ALpharadin in SYMptomatic Prostate Cancer) trial of radium-223 in CRPC patients with symptomatic bone metastases.

Xofigo Life-Cycle Management

Bayer has further outlined its initial life-cycle management plans for Xofigo, which are designed to expand its role in the treatment of CRPC and in other cancer types. These include studies in earlier settings of prostate cancer, including combination studies, repeated dosing and higher dose studies, as well as exploratory studies in other tumor types such as breast cancer and osteosarcoma. These trials are summarized below, and for selected studies additional details are available to view via www.clinicaltrials.gov:

- Phase III trial of Xofigo in combination with abiraterone in chemo-naïve CRPC patients with asymptomatic or mildly symptomatic bone metastases
- Phase II trial assessing short and long-term safety of Xofigo re-treatment in CRPC patients
- Phase II trial of CRPC patients assessing both a higher dose (80kBq/kg) and a longer duration (x12 injections) of Xofigo treatment against the standard regimen of 50kBq/kg for up to 6 injections
- Phase II trial of Xofigo in combination with either abiraterone or enzalutamide in CRPC patients
- Phase II trial of Xofigo in combination with docetaxel chemotherapy in CRPC patients
- Phase II study of Xofigo in CRPC patients in the Asia-Pacific region
- Phase II study of Xofigo in CRPC patients in Japan
- Phase II combination study of Xofigo in patients with metastatic breast cancer
- Phase I/II study of Xofigo in patients with osteosarcoma

Under the terms of the 2009 license and development agreement, Bayer is responsible for, and will fund, the life-cycle management development of Xofigo across all indications.

Targeted Thorium Conjugates – New Horizons for Alpha-pharmaceuticals

Algeta’s second alpha-pharmaceutical technology platform is designed to conjugate thorium-227 to tumor-targeting molecules to create a pipeline of novel cancer therapeutics, known as Targeted Thorium Conjugates (or TTCs). Algeta has assembled a suite of proprietary technologies and antibodies through in-house development and from in-licensing activities to facilitate the conjugation of thorium-227 to targeting molecules to explore new product opportunities.

Algeta has preclinical TTC development programs underway in a range of cancer indications, and remains on track to generate a first clinical candidate from the TTC platform towards the end of 2014.

USD 120m Fundraising

Algeta raised USD 120m in a Convertible Bond offering in September 2013. Together with milestone receipts from Bayer of approximately EUR 100m, Algeta exited 2013 with a significantly strengthened balance sheet.

Management and Board Update

In November 2013, Brian Adams was promoted to General Counsel and member of the Executive Management team of Algeta. Mr Adams joined Algeta in 2012, having spent six years as in-house counsel for Genzyme Corporation and AVEO Oncology and in private practice prior to those roles.

In August 2013, Dr Andreas Menrad was appointed Chief Scientific Officer and member of the Executive Management team. Dr Menrad brings more than 20 years of experience in the pharmaceutical and biotech industry to Algeta.

Also in August, Jan Børge Jakobsen was promoted to Senior Vice President, Operations and joined the Executive Management team. His primary responsibility is commercial production but he will also oversee aspects of clinical production as well as supply and technology development.

At the Company's Annual General Meeting in April 2013, Hilde Furberg and Paolo Pucci were elected as Non-Executive members of its Board of Directors, replacing Ingrid Wiik and Joseph Anderson who stepped down with the sincere gratitude of the Company.

FINANCIAL REVIEW

Income Statement

Total reported revenue for the fourth quarter 2013 amounted to NOK 65m. Revenue (see Note 3) included NOK 39m as cost sharing revenue from Bayer for R&D services, including cost of goods for clinical trials, and NOK 26m as revenue from Bayer for commercial goods sold. Total reported revenue for the fourth quarter 2013 also included NOK 0.1m in royalties from initial sales of Xofigo by Bayer in markets outside the US. In the fourth quarter 2012, revenue amounted to NOK 440m (of which NOK 376m was a milestone payment, NOK 27m was amortization of the Bayer signing fee and NOK 37m was cost sharing revenue for R&D services).

As detailed in Note 4, the fourth quarter 2013 was the second full quarter of Xofigo net sales in the US market, but the first quarter of profitability from the co-promotion. Net Xofigo sales in the US rose to NOK 230m (USD 38m). Total costs from co-promotion activities in the US amounted to NOK 157m in the period and the total result of co-promotion activities in the US was a profit of NOK 73m. Consequently, Algeta's recognized share of the net result of US co-promotion activity for the fourth quarter 2013 amounted to a profit of NOK 36m. To ease cross-period comparisons in 2013, this amount has been recorded as a negative expense for the fourth quarter 2013. In the fourth quarter 2012, there were no sales of Xofigo and Algeta's recognized share of the net result of US co-promotion activity was an expense of NOK 28m.

Commercial manufacturing costs represents the outsourced and raw material costs of producing Xofigo for the commercial market. The cost amounted to NOK 23m in the fourth quarter 2013. In the fourth quarter 2012, there were no sales of Xofigo and therefore no commercial manufacturing costs.

The Group's core operating expenses[3] for the fourth quarter 2013 amounted to NOK 187m compared with NOK 99m in the fourth quarter 2012. The increase was driven by increases in payroll and general and administrative expenses.

- Payroll and related expenses increased from NOK 51m in the fourth quarter last year to NOK 101m in the fourth quarter this year. Of the increase, NOK 29m was related to higher stock options expenses and related payroll tax and NOK 7m was related to an increase in the number of employees.
- General and administrative expenses increased by NOK 22m from NOK 14m in the fourth quarter last year to NOK 36m in the current period. The majority of this increase was related to increased payments to third party advisors and consultants.

At the end of the fourth quarter 2013, the total number of employees in the Group was 182 (of which 80 were based outside of Norway), compared to 105 (of which 26 were based outside Norway) at the end of the same period last year.

Other gains and losses for the fourth quarter 2013 showed a gain of NOK 17m versus a loss of NOK 6m for the same period last year, primarily driven by EUR and USD exchange rates vs NOK.

In the fourth quarter 2013, Algeta recorded a finance expense of NOK 249m. This was primarily driven by a change in the fair

[3] Defined as the sum of external R&D expenses, payroll and related costs, depreciation, and general and administrative expenses. Core operating expenses do not include costs from co-promotion activities.

value of the conversion rights of the Convertible Bond as a result of the share price increase in the quarter.

The Group's income statement shows a net loss of NOK 336m for the fourth quarter 2013, compared to a net profit of NOK 308m in the fourth quarter 2012.

For the full year 2013, revenue amounted to NOK 635m (of which NOK 54m deferred signing fee, NOK 376m milestone payments, NOK 156m cost sharing and NOK 47m revenue from goods sold) versus NOK 627m for 2012 (NOK 108m deferred signing fee, NOK 395m milestone payments and NOK 123m cost sharing).

For the full year 2013, net Xofigo sales in the US amounted to NOK 332m (USD 55m), and Algeta's recognized share of the net result of US co-promotion activity amounted to a loss of NOK 94m. As such, this result was recorded as an expense. Algeta's recognized share of the net result of US co-promotion activity for the full year 2012 amounted to a loss of NOK 72m.

The Group's core operating expenses for the year amounted to NOK 549m compared with NOK 316m in 2012, driven by increases in external R&D expenses, payroll and general and administrative expenses.

External R&D expenses increased from NOK 105m in 2012 to NOK 169m in 2013, primarily because of increases in product supply for clinical trials.

Payroll and related expenses increased by NOK 122m (from NOK 159m last year to NOK 281m this year). The increase was primarily driven by more employees (NOK 25m), field force bonuses (NOK 27m) and by higher stock options expenses and related payroll tax (NOK 69m).

General and administrative expenses increased from NOK 48m in 2012 to NOK 82m in 2013, reflecting an increasingly international nature of the Algeta business as well as increased operational activities.

Other gains and losses for the full year 2013 showed a gain of NOK 77m against a loss of NOK 11m in the same period last year, primarily driven by EUR and USD exchange rates vs NOK.

Financial Position and Cash Flow

Property, plant and equipment (PPE) decreased from NOK 217m at the end of 2012 to NOK 177m at the end of the fourth quarter 2013. This decrease is largely explained by the initiation of depreciation of Xofigo manufacturing equipment as well as accelerated depreciation of hardware related to raw material procurement.

Net cash at the end of the fourth quarter of 2013 was NOK 1,367m, compared to NOK 369m at the end of the full year 2012. This increase was driven by the receipt of two milestone payments from Bayer and the net proceeds of the convertible bond offering.

- In December 2012 the first complete submission of a dossier seeking marketing approval for radium-223 triggered a EUR 50m (NOK 366m) milestone payment to Algeta from Bayer. The payment was received in the first quarter 2013.
- In May 2013 the first commercial sale of a dose of Xofigo triggered a EUR 50m (NOK 376m) milestone payment to Algeta from Bayer. This milestone payment was received during the third quarter of 2013.
- In September 2013 Algeta offered a USD 120m convertible bond, the net proceeds of which amounted to NOK 690m.

The number of outstanding shares as of 31 December 2013 was 43.9 million. The total number of outstanding share options as of 31 December 2013 was 3.3 million and the estimated potential dilution resulting from the convertible bond amounts to between 2.3 million and 3.0 million shares.

RISK AND UNCERTAINTY[4]

To manage the risk inherent in the industry, and to comply with international and national regulations, Algeta has implemented a process to identify, analyze and address the main risks facing the Group. This internal Risk Working Group is led by an external Chairman.

With positive phase III data from the interim analysis of radium-223 in June 2011 and the updated analysis announced in February 2012, the clinical risk profile of Algeta's main asset radium-223 has been reduced. In addition, radium-223 (as Xofigo injection) has been approved and launched in both the US and European markets. However, the development of pharmaceuticals still carries significant risk. Failure may occur at any stage during development and commercialization due to safety, clinical efficacy and other potential issues. The commercial success of Xofigo, once approved in a territory, cannot be predicted with certainty and nor can if or when further applications to regulatory authorities in relevant markets will be submitted. Furthermore, there is no assurance that Algeta and Bayer will continue to receive marketing and regulatory approvals necessary to commercialize or produce radium-223 or other products. Regulatory approvals may be denied, delayed, limited or revoked.

Algeta has access to sufficient raw material (actinium-227) to execute the Company's near-term business plans. If demand for radium-223 and / or thorium-227 should surpass current forecasts, there will be a requirement for access to additional actinium-227 sooner than is currently planned. In addition to the risk of a shortage of actinium-227, Algeta may face the risk of short or longer-term interrupted supply of radium-223

[4] *Pursuant to Section 5-6 of the Norwegian Securities Trading Act*

related to clinical, commercial distribution and / or other use from the IFE manufacturing plant.

The production and commercialization of radium-223 requires highly skilled and specialized employees at different levels in the organization and employee retention can be a source of risk. For example, employees might be approached by other companies in the pharmaceutical sector offering more money, a promotion or both.

Algeta receives the majority of its income in EUR. Payments by Algeta mainly occur in EUR and NOK, but also GBP and USD. Algeta endeavors to minimize currency risk by matching its currency positions with its forecasted future payments.

Algeta is not aware of any significant increases in the uncertainties and risks compared to the description of risks in the 2012 Annual Report.

Significant related party transactions

During the fourth quarter and full year 2013, there were no related party transactions with significant impact on the group's financial position or results for the period.

In April 2013 the AGM authorized the Board of Algeta to issue up to 4.75m shares under the Employee Option Program. See Note 7 for option grants in the period.

Xofigo® is a registered trademark of Bayer

Algeta Group – Accounts for fourth quarter and full year 2013

Condensed consolidated income statement

		4th quarter		Full year	
(Amounts in NOK thousands except per share data)	Note	2013	2012	2013	2012
Revenue	3	65 168	439 929	634 827	627 387
Revenue/(expenses) from co-promotion activities	4	36 326	(28 110)	(94 235)	(72 036)
Commercial manufacturing costs		(23 436)	-	(42 473)	-
External R&D expenses	5	(44 231)	(33 363)	(168 595)	(105 081)
Payroll and related costs	6,17	(101 166)	(50 764)	(280 768)	(158 660)
General and administrative expenses	8	(35 549)	(13 610)	(81 953)	(47 844)
Depreciation and impairment	11,12	(6 419)	(931)	(17 902)	(4 039)
Other income		5 378	1 915	12 035	8 410
Other gains/(losses) - net	9	16 786	(5 758)	77 089	(11 317)
Finance expenses	10	(249 337)	-	(255 872)	-
Profit/(loss) before income tax		**(336 481)**	**309 309**	**(217 847)**	**236 821**
Income tax expense		142	(1 447)	(1 651)	(1 447)
Profit/(loss) for the period		**(336 339)**	**307 862**	**(219 498)**	**235 374**
Profit/(loss) attributable to:					
Equity holders of the company		**(336 339)**	**307 862**	**(219 498)**	**235 374**
Earnings per share					
- basic NOK	16	(7.67)	7.24	(5.06)	5.57
- fully diluted NOK	16	(7.67)	7.10	(5.06)	5.47

All amounts arise from continuing operations.

Condensed consolidated statement of comprehensive income

		4th quarter		Full year	
(Amounts in NOK thousands)	Note	2013	2012	2013	2012
Profit/(loss) for the period		(336 339)	307 862	(219 498)	235 374
Items that will not be reclassified to profit or loss		-	-	-	-
Items that may be reclassified to profit or loss:					
- Exchange differences arising from the translation of foreign operations		224	16	732	404
Total comprehensive income/(loss) for the period		**(336 115)**	**307 878**	**(218 766)**	**235 779**
Attributable to:					
Equity holders of the company		(336 115)	307 878	(218 766)	235 779

Consolidated statement of financial position

(Amounts in NOK thousands)	Note	As at 2013	2012
ASSETS			
Property, plant, and equipment	11	177 494	216 950
Intangible assets	12	41 783	16 473
Total non-current assets		**219 277**	**233 423**
Inventories		119 767	-
Trade and other receivables		255 532	472 494
Derivative financial instruments	15	-	-
Cash and cash equivalents		1 367 105	368 636
Total current assets		**1 742 405**	**841 130**
TOTAL ASSETS		**1 961 681**	**1 074 553**
EQUITY AND LIABILITIES			
Share capital	13	21 962	21 264
Additional paid-in-capital		1 280 166	1 092 629
Accumulated losses		(534 805)	(315 307)
Translation differences		1 136	404
Total equity		**768 460**	**798 990**
Convertible loan	14	620 042	-
Conversion rights	14	318 910	-
Deferred income	3	-	481
Provisions for other liabilities and charges		2 413	2 413
Total non-current liabilities		**941 365**	**2 894**
Trade and other payables		250 724	201 944
Current income tax liabilities		427	1 447
Derivative financial instruments	15	-	3 138
Deferred income	3	705	66 140
Total current liabilities		**251 856**	**272 669**
Total liabilities		**1 193 222**	**275 563**
TOTAL EQUITY AND LIABILITIES		**1 961 681**	**1 074 553**

Condensed consolidated statement of changes in equity

(Amounts in NOK thousands)	Note	Share capital– ordinary shares	Additional paid in capital	Accumulated losses	Transalation differences	Total
Balance at 1 January 2012		**20 232**	**766 830**	**(550 682)**		**236 380**
Profit for the period				235 374		235 374
Exchange differences arising from the translation of foreign operations					404	404
Total comprehensive income for the period				235 374	404	235 779
Share issuance, private placement	13	1 000	285 000			286 000
Share issuance, repair offering	13	27	7 635			7 661
Transaction cost, private placement	13		(23 312)			(23 312)
Share issuance, employee share options	13	5	493			498
Share-based compensation	6,7		55 984			55 984
Balance at 31 December 2013		**21 264**	**1 092 629**	**(315 307)**	**404**	**798 990**
Balance at 1 January 2013		**21 264**	**1 092 629**	**(315 307)**	**404**	**798 990**
Loss for the period				(219 498)		(219 498)
Exchange differences arising from the translation of foreign operations					732	732
Total comprehensive income for the period				(219 498)	732	(218 766)
Share issuance, employee share options	13	699	104 056			104 755
Share-based compensation	6,7		83 481			83 481
Balance at 31 December 2013		**21 962**	**1 280 166**	**(534 805)**	**1 136**	**768 460**

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	4th quarter 2013	4th quarter 2012	January-December 2013	January-December 2012
Profit/(loss) before income tax		(336 481)	309 309	(217 847)	236 821
Depreciation and impairment		6 419	931	17 902	4 039
Share-based compensation	6,7	22 351	16 218	83 481	55 984
Interest income		(5 378)	(1 915)	(12 035)	(8 410)
Interest received		9 530	5 532	12 035	8 410
Income tax paid		325	-	(2 731)	-
Interest expense	10	10 970	-	13 088	-
Interest paid		-	-	-	-
Exchange gain/(loss) on convertible loan	14	5 706	-	15 549	-
Fair value gains/losses on derivative financial instruments	14	232 661	15 203	225 038	14 756
Other non-cash gains/(losses)		(16 786)	2 253	(74 892)	8 260
Deferred income	3	(423)	(28 726)	(65 916)	(102 467)
Inventories		(33 074)	-	(51 449)	-
Trade and other receivables		(71 755)	(390 577)	247 048	(377 732)
Trade and other payables		64 674	30 453	42 727	29 585
Net cash from/(used) in operating activities		**(111 261)**	**(41 318)**	**231 997**	**(130 755)**
Purchases of property, plant, and equipment (PPE)		(12 971)	(26 268)	(57 584)	(82 659)
Purchases of intangible assets		(4 146)	12 854	(24 606)	(145)
Net cash received/(paid) in investing activities		**(17 117)**	**(13 414)**	**(82 190)**	**(82 804)**
Proceeds from convertibe loan	14	-	-	690 469	-
Proceeds from issuance of shares	13	-	-	-	270 350
Proceeds from exercise of options	7,13	16 929	69	104 755	498
Net cash generated from financing activities		**16 929**	**69**	**795 224**	**270 848**
Net increase/(decrease) in cash and cash equivalents		(111 449)	(54 662)	945 031	57 289
Exchange gain/(loss) on cash and cash equivalents		13 505	(2 239)	53 438	(5 512)
Cash and cash equivalents at beginning of period		1 465 049	425 539	368 636	316 860
Cash and cash equivalents at end of period		**1 367 105**	**368 636**	**1 367 105**	**368 636**

Notes to the consolidated financial statements

NOTE 1 – GENERAL ACCOUNTING PRINCIPLES

General information

Algeta (the Company) and its subsidiaries (together the Group) are focused on developing novel targeted therapies for patients with cancer.

The Company is a public limited liability company incorporated and domiciled in Norway and listed on the Oslo Stock Exchange in Norway. The address of its registered office is Kjelsåsveien 172A, Oslo.

Basis of preparation

The consolidated financial information for the fourth quarter of 2013 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative financial instruments) as fair value through profit and loss.

The Group issued a convertible bond in 2013. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Convertible bonds are recognized as a liability, and, when issued, are separated into two components which are classified as interest-bearing debt and a derivative instrument (conversion rights). Changes in fair value of the derivative instrument are recognized in the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2 Important accounting estimates and discretionary assessments.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 10, "Consolidated financial statements," builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new assessed standard has not any material impact on the Group's consolidated financial statements.

IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The new assessed standard has not any material impact on the Group's consolidated financial statements, but will have an impact on the note information presented in the quarterly report. See note 15 Fair value of financial instruments.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that have had material impact on the Group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted:

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

This consolidated financial statements incorporates the financial statements of the Company and the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. Subsidiaries are de-consolidated from the date that control ceases.

The consolidated accounts for the Group include Algeta ASA, Algeta Innovations AS, Algeta UK Limited, Algeta Solutions AS, and Algeta US, LLC, all 100 percent owned subsidiaries. Algeta Solutions AS is the parent company of Algeta US, LLC which is the company responsible for performing commercial marketing operations in the US.

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company. When preparing the consolidated accounts, intra-group transactions and balances, along with unrealized gains or losses on transactions between group units, are eliminated.

Changes in presentation in income statement and statement of financial position

One item in the statement of financial position has been reclassified in third quarter 2013 as compared to the third quarter 2012 and full year 2012. In the third quarter 2013 NOK 20.4m related to system software is reclassified from `Property, plant and equipment to `Intangible assets`, and for the comparative periods third quarter 2012 and full year 2012 NOK 12.9m and NOK 14.5m has been reclassified from `Property, plant and equipment to `Intangible assets` accordingly.

NOTE 2 – IMPORTANT ACCOUNTING ESTIMATES AND DISCRETIONARY ASSESSMENTS

Critical accounting estimates and judgments
Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Bayer Offer to Acquire Algeta

As announced on 19 December 2013, the Board of Directors of Algeta ASA has unanimously recommended the voluntary cash offer from Bayer to acquire the entire issued share capital of Algeta. The offer price is NOK 362 per share.

Consultancy fees with contingent settlement conditions
Algeta has entered into consultancy agreements with third party consultants. If Bayer succeeds to acquire the entire issued share capital of Algeta, Algeta has an obligation to pay for services totaling NOK 159m. Management's assessment is that the consultants have not delivered all critical services under the service agreement as of 31 December 2013. Consequently the agreement and the services delivered do not constitute a financial liability. The potential payment is contingent on events that may or may not occur in the future, and consequently Algeta has not recognized any provision as of 31 December 2013.

Convertible bond and conversion right accounted for as a financial derivative at fair value
In September 2013, Algeta issued a convertible bond. The fair value of the conversion right was separated from the initial fair value of the bond. The initial fair value of the conversion right and direct and incremental costs related to the issue of the bond are to be amortized over the loan term using the effective interest method. Algeta has recognized NOK 13m as interest for the convertible bond in the profit and loss statement for 2013 assuming settlement of the loan in September 2018.

The convertible bond has a change of control clause giving the bondholders the right to convert the bond to ordinary shares if one person or group of persons acting together acquires more than 50 per cent of the votes that may ordinarily be cast in a general meeting of shareholders of Algeta. If management had used 4 March 2014 as the expected settlement date of the bond loan, Algeta would have recognized NOK 78m, an increase of NOK 65m, as interest expense for the convertible bond in the profit and loss statement for 2013.

The conversion right is classified as a financial instrument measured at fair value with changes in fair value through profit and loss. The fair value of the conversion right (NOK 319m) has been recognized as a liability as of 31 December 2013.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the measurement of the conversion rights at 31.12.2013 observable market transactions from third parties are used.

Revenue and expenses from Co-promotion activities

In April 2012, Algeta announced that it had exercised its option to co-promote radium 223 (now Xofigo) with Bayer in the US. Consistent with the collaboration agreement, the Company and Bayer share equally in the profits or losses of Xofigo, if any, in the US. Outside of the United States, the terms of the collaboration agreement continue to govern.

Under the co-promotion agreement, Bayer recognizes all sales of Xofigo in US to third parties. Profit/loss from the co-promotion agreement is derived by calculating net sales of Xofigo to third-party customers and deducting the cost of goods sold, distribution costs, marketing costs (including without limitation, advertising and education expenses, selling and promotion expenses, marketing personnel expenses and Bayer marketing services expenses) and allocable overhead expenses. Algeta will recognize 50 percent of the profits or losses of commercializing Xofigo in this territory as revenue and expenses from co-promotion activities.

Algeta's portion of the shared co-promotion result will be presented net as an expense or revenue depending on the financial result for the period.

Algeta's expenses related to co-promotion activities are allocated from the line items Payroll and related costs and General and administrative expenses to the line item Revenue/Expenses from co-promotion activities. See Note 6 Payroll and related costs and Note 8 General and administrative expenses.

Intangible fixed assets

As of 31 December 2013 the Group has not recognized any intangible assets related to the R&D activities in the Group. According to management assessment the R&D activities in the Group do not meet the criteria for feasibility set in IAS 38 for recognizing internally generated intangible assets. In 2013 R&D activities has been expensed. See Note 5 External research and development expenses.

Estimated value of share-based payments

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The estimated turnover rate for unvested share options is five percent for all share option plans. See Note 7 Share-based compensation.

Deferred tax

The Group cannot render probable future taxable income large enough to justify recognizing a deferred tax asset in the balance sheet. However, this assumption must be continually assessed and changes could lead to a significant asset being recognized in the future. This assumption requires significant management judgment.

NOTE 3 – REVENUE

In September 2009 Algeta signed a license and development agreement with Bayer Pharma AG. Following Algeta's decision to exercise its co-promotion option, the maximum total milestone payments available to Algeta from the Bayer agreement (including the signing fee and already recognized milestones of EUR 152m) amounts to EUR 516m.

Algeta received an up-front payment of NOK 369m (EUR 42.5m) and this revenue was recognized over the period of 4.5 years which was the time Algeta expected to complete its service obligations under this arrangement, i.e. to launch. With the positive interim analysis, the launch timeline has been advanced. The change of estimate was implemented in June 2011. The residual of the until-then unrecognized up-front payment (NOK 225m) is recognized as income over 25 months, starting June 2011. With the commercialization of radium-223 in the second quarter 2013, this amortization is now complete.

According to the agreement with Bayer Pharma AG the Group is also entitled to revenue from co-promotion activities, royalties, milestones and cost sharing for R&D services.

Algeta achieved two milestones in 2012 for the manufacture and supply of radium-223. These milestones triggered a NOK 20m (EUR 2.6m) payment in first quarter 2012 and a NOK 9m (EUR 1.25m) milestone payment in fourth quarter from Bayer Pharma AG.

In December 2012, Algeta and Bayer submitted applications seeking marketing authorization to the European Medicines Agency (EMA) and the US Food and Drug Administration (FDA) for radium-223 for the treatment of CRPC patients with bone metastases. The first of these submissions triggered a NOK 366m (EUR 50m) milestone payment from Bayer to Algeta.

On 30 May 2013, Algeta announced that Xofigo had been launched in the US and that the first sale had been made, triggering a NOK 376m (EUR 50m) milestone payment to Algeta from Bayer under the terms of the agreement between the two companies signed in 2009. Algeta US LLC and Bayer Healthcare are co-promoting Xofigo in the US.

The table below sets forth information relating to milestone payments and other payments and cost sharing under our agreement with Bayer for the periods indicated.

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Up-front payment [1)]	-	27 053	54 105	108 211
Cost sharing/R&D services	38 959	36 999	156 142	122 982
Goods sold	26 098	-	47 340	-
Milestone payments	-	375 672	376 425	395 447
Royalty revenue	110	-	110	-
Other revenue	-	205	705	747
Total operating revenue	**65 168**	**439 929**	**634 827**	**627 387**

1) The total up-front payment of NOK 369 million (EUR 42.5 million) was initially recognized over 4.5 years during the period from September 2009 until 31 May 2011. From June 2011 the residual portion of this up-front payment was recognized over 25 months. With the commercialization of radium 223 in the second quarter 2013, this amortization is now complete. Total deferred income at 31 December 2013 and 31 December 2012 is NOK 1 million and NOK 67 million of which remaining deferred income related to up-front payment amount to NOK 0 million and NOK 54 million, respectively.

NOTE 4 – REVENUE AND EXPENSES FROM CO-PROMOTION ACTIVITIES

In April 2012, Algeta announced that it had exercised its option to co-promote radium 223 (now Xofigo) with Bayer in the US. This means that Algeta will recognize 50 percent of the profits and losses of commercializing Xofigo in this territory.

The fourth quarter 2013 was the second full quarter of Xofigo net sales in the US market, but the first quarter of profitability from the co-promotion. Net Xofigo sales in the US rose to NOK 230m (USD 38m). Total costs from co-promotion activities amounted to NOK157m in the period and the total result of co-promotion activities was a profit of NOK 73m. Consequently, Algeta's recognized share of the net result of US co-promotion activity for the fourth quarter 2013 amounted to a profit of NOK 36m. To ease cross-period comparisons in 2013, this amount has been recorded as a negative expense for the fourth quarter 2013. In the fourth quarter 2012, there were no sales of Xofigo and Algeta's recognized share of the net result of US co-promotion activity was an expense of NOK 28m.

Revenue and expenses from co-promotion activities are calculated as follows:

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Net sales from co-promotion activities	229 679	-	332 157	-
Costs from co-promotion activities	(157 026)	(56 221)	(520 628)	(144 071)
Total result from co-promotion activities	72 653	(56 221)	(188 470)	(144 071)
Algeta's share of result from co-promotion activities	**36 326**	**(28 110)**	**(94 235)**	**(72 036)**

NOTE 5 – EXTERNAL RESEARCH AND DEVELOPMENT EXPENSES

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Clinical R&D	8 695	8 700	55 326	45 693
Cost of goods - clinical studies	17 424	3 486	51 750	9 044
Laboratory and Preclinical R&D	15 057	7 853	42 536	20 312
Production and quality	5 521	12 929	17 459	30 660
Patent expenses	595	1 291	2 586	3 088
Other	1 010	968	8 630	3 568
Government grants	(4 071)	(1 864)	(9 693)	(7 284)
External research and development expenses	**44 231**	**33 363**	**168 595**	**105 081**

Government grants:
Norwegian government grants have been approved for qualifying research and development expenditures under the program called SkatteFUNN. Under the program in 2013, the government reimburses research and development expenditures incurred on a pre-approved project limited to a total per project of NOK 2.0m. In 2012 the Group recognized a cost reduction of NOK 2.8m related to the grant. Two new projects were approved in 2013. The Group recognized a cost reduction of NOK 3.3m for the full year 2013.

In 2011 the Group (Algeta Innovations AS) was awarded a grant from the Research Council of Norway through the BIA program to develop Targeted Thorium Conjugates (TTCs), novel tumor-targeted alpha-pharmaceuticals based on thorium-227. According to the grant Algeta may receive up to NOK 10.5m over a period of 3 years (until June 2014) if approved qualifying research and development expenditures are incurred up to the project limit. The Group recognized a cost reduction of NOK 4.7m for the full year 2013 and NOK 3.7m for the same period in 2012.

In 2012 the Group (Algeta Innovations AS) was awarded a second grant from the Research Council of Norway. This grant is also part of the BIA program and will fund work to further elucidate the structure of thorium-chelator complexes and the composition of thorium solutions. According to the grant Algeta may receive up to NOK 3.2m over a period of 4 years. The Group recognized a cost reduction of NOK 1.2m for the full year 2013 and NOK 0.4m for the same period in 2012.

In 2013 the Group (Algeta Innovations AS) recognized NOK 0.6m under the Nærings-ph.d. programme and NOK 0.4m for the same period in 2012. According to the grant Algeta may receive up to NOK 2.0m over a period of 3 years, until 2014.

NOTE 6 – PAYROLL AND RELATED COSTS

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Salaries	67 871	29 829	198 231	84 994
Salary expenses related to co-promotion activities - see note 4	(26 425)	(4 369)	(85 813)	(9 990)
Capitalized working hours	(1 321)	48	(5 928)	(4 201)
Employer's national insurance contributions	32 845	6 616	73 288	24 936
Share-based compensation [1)]	22 351	16 218	83 481	55 984
Pension expenses - defined contribution plan	2 191	1 365	8 044	4 477
Other	3 653	1 057	9 465	2 460
Total salaries and other personell expenses	**101 166**	**50 764**	**280 768**	**158 660**

[1)] Share-based compensation has no cash effect.

NOTE 7 – SHARE-BASED COMPENSATION

At the Annual General Meeting in April 2013 the board of Algeta was authorized to issue up to 4,750,000 share options to employees, board members, and consultants. The options generally vest over a period from one to four years and expire seven years after the grant date. In general, the exercise price for the options is set at the fair value of the shares at grant date.

The following table shows the changes in outstanding options in 2013 and 2012:

	2013 Full year		2012 Full year	
	Number of options	Weighted average exercise price (in NOK)	Number of options	Weighted average exercise price (in NOK)
Outstanding on 1 January	3 373 697	109.74	1 887 951	81.11
Granted during the period 1)	1 403 250	198.94	1 495 500	145.54
Forfeited during the period	(90 111)	139.05	-	-
Exercised during the period 2)	(1 397 734)	74.99	(9 754)	56.33
Outstanding at the end of the period	**3 289 102**	**161.76**	**3 373 697**	**109.74**

1) Out of the total of 1403 250 granted options for shares during 2013, 631000 share options were granted to Executive management of the Group and 772 250 to other employees. Out of the total of 1495 500 granted options for shares during 2012, 941000 share options were granted to management and 554 500 to other employees. See table 1 and 2 for details.

2) Out of 1397 734 share options exercised during 2013, 1109 015 share options were exercised by the Board of Directors and executive management of the Group. Out of 9 754 share options exercised during 2012, no share options were exercised by the Board of Directors or executive management of the Group. See table 1 and 2 for details.

Table 1

Outstanding, exercised and granted options for shares to Executive management of the Group:

		2013			2012		
Name	Title	Granted Jan.-Dec.	Exercised Jan.-Dec.	Outstanding 31. Dec.	Granted Full year	Exercised Full year	Outstanding 31 Dec.
Andreas Menrad	Chief Scientific Officer	60 000	-	60 000	-	-	-
Andrew Kay	President & CEO	85 000	(275 000)	385 000	100 000	-	575 000
Alan S. Cuthbertson	SVP Preclinical R&D 1)	-	(25 000)	75 000	100 000	-	100 000
Brian Adams	General Counsel	10 000	-	25 000	15 000	-	15 000
Gillies O'Bryan-Tear	Chief Medical Officer	60 000	(163 019)	140 731	50 000	-	243 750
Jan Børge Jacobsen	SVP Operations 2)	40 000	(15 753)	58 497	20 000	-	34 250
Jeffrey Albers	President Algeta US	45 000	(50 000)	195 000	200 000	-	200 000
Kari Dyvik	SVP Executive Advisor	45 000	(107 087)	131 875	50 000	-	193 962
Lars Abrahmsén	SVP Preclinical R&D 1)	-	(82 696)	134 608	50 000	-	150 000
Michael Booth	SVP Comm. & Corp.Affairs	45 000	(35 000)	160 000	50 000	-	150 000
Ragnhild Løberg	SVP Quality & Regulatory	45 000	(94 587)	144 375	50 000	-	193 962
Roger C. Harrison	Chief Business Officer	45 000	(73 542)	117 193	50 000	-	145 735
Thomas Ramdahl	EVP & Chief Oper. Officer	50 000	(70 106)	168 231	100 000	-	188 337
Øystein Soug	Chief Financial Officer	45 000	(70 003)	130 625	50 000	-	155 628
Total options for shares to Executive management of the Group		**575 000**	**(1 061 793)**	**1 926 135**	**885 000**	**-**	**2 345 624**

1) Lars Abrahmsén was part of the Executive management group until 31 Octobber 2012 and Alan S. Cuthbertson entered the Executive management group 1 November 2012. 67,304 share options for Lars Abrahmsén were forfeited in 2013.

2) Jan Børge Jacobsen was appointed SVP Operations in third quarter 2013 and Brian Adams as General Counsel joined the executive managment team in November 2013.

Table 2

Outstanding, exercised and granted options for shares to the Board of directors of the Group:

		2013			2012		
Name	Title	Granted Full year	Exercised 31 Dec.	Outstanding 31 Dec.	Granted Full year	Exercised 31 Dec.	Outstanding 31 Dec.
Hilde Furberg	Board member	8 000	-	8 000	-	-	-
Hilde Steineger	Board member	8 000	-	25 611	8 000	-	17 611
Ingrid Wiik	Board member	-	(17 611)	-	8 000	-	17 611
John Berriman	Dep. Chairman	8 000	-	44 000	8 000	-	36 000
Joseph Anderson	Board member	-	(17 611)	-	8 000	-	17 611
Judith Hemberger	Board member	8 000	-	24 561	8 000	-	16 561
Kapil Dhingra	Board member	8 000	-	24 000	8 000	-	16 000
Paolo Pucci	Board member	8 000	-	8 000	-	-	-
Stein H. Annexstad	Chairman	8 000	(12 000)	8 000	8 000	-	12 000
Total options for shares to the Board of directors of the Group		**56 000**	**(47 222)**	**142 172**	**56 000**	**-**	**133 394**

NOTE 8 – GENERAL AND ADMINISTRATIVE EXPENSES

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Consultancy, advisors' expenses and IR	22 151	7 791	40 554	25 528
Travel expenses	8 263	2 805	27 638	9 476
Facilities expenses	2 199	1 561	7 453	4 836
IT services and IT-related accessories	3 533	1 224	9 602	4 457
Conferences and training	1 843	379	3 704	1 105
Other	3 788	1 993	15 544	6 760
Expenses from co-promotion activities - see note 4	(6 227)	(2 144)	(22 543)	(4 318)
Total gen. and adm.expenses	**35 549**	**13 610**	**81 953**	**47 844**

NOTE 9 – OTHER GAINS/(LOSSES) - NET

		4th quarter		Full year	
(Amounts in NOK thousands)	Note	2013	2012	2013	2012
Currency gains/(losses) on					
Cash and cash equivalents		13 505	(2 239)	52 103	(5 512)
Other operating items		3 281	(14)	22 789	(2 748)
Fair values gains/(losses) on					
Foreign exchange forward contracts		-	(3 504)	2 198	(3 057)
Total other gains/(losses) - net		**16 786**	**(5 758)**	**77 089**	**(11 317)**

NOTE 10 – FINANCIAL EXPENSES

	4th quarter		January-December	
(Amounts in NOK thousands)	2013	2012	2013	2012
Change in fair value of conversion rights	232 661	-	227 236	-
Accrued interest cost - Convertible Loan	6 183	-	7 389	-
Amortized interest costs - Convertible Loan	4 788	-	5 699	-
Currency loss - Convertible Loan	5 706	-	15 549	-
Total financial expenses	**249 337**	**-**	**255 872**	**-**

NOTE 11 – PROPERTY, PLANT, AND EQUIPMENT

	Full year	
(Amounts in NOK thousands)	2013	2012
Manufacturing facility	153 734	149 166
Furniture, fittings and equipment	20 314	66 103
Computer equipment	3 446	1 681
Total carrying amount at end of period	**177 494**	**216 950**

Depreciation of tangible assets in fourth quarter 2013 is NOK 40.4m. Of this amount NOK 35.0m relates to a change in inventory, hence the line item 'Inventories' in the Statement of financial position has increased with the same amount.
Depreciation of tangible assets in the full year 2013 is NOK 83.8m. Of this amount NOK 68.3m relates to a change in inventory, hence the line item 'Inventories' in the Statement of financial position has increased with the same amount.

NOTE 12 – INTANGIBLE ASSETS

	Full year	
(Amounts in NOK thousands)	2013	2012
Patents and licenses	17 181	1 924
Development costs	24 602	14 550
Total carrying amount at end of period	**41 783**	**16 473**

NOTE 13 – SHARE CAPITAL

The following table shows the changes in number of outstanding shares:

	4th quarter		Full year	
	2013	2012	2013	2012
Total authorized ordinary shares at beginning of period	43 803 996	42 526 193	42 527 251	40 463 921
Share issuance – private placement	-	-	-	2 000 000
Share issuance – repair offering	-	-	-	53 576
Share issuance – employee share options	120 989	1 059	1 397 734	9 754
Total authorized ordinary shares at end of period	**43 924 985**	**42 527 251**	**43 924 985**	**42 527 251**

The par value of one ordinary share is NOK 0.50 in both 2013 and 2012. All issued shares are fully paid.

NOTE 14 - CONVERTIBLE BONDS

Algeta raised USD 120m in a Convertible Bond offering in September 2013, due September 2018. Settlement took place on 12 September 2013 and the bonds are unlisted.

The senior and unsecured Bonds will be convertible into ordinary shares of the Company. The Bonds will have an annual coupon of 3.375% payable semi-annually, and an initial conversion price of USD 52.4989, representing a conversion premium of 32.5% above the reference price of USD 39.6218 (based on the volume weighted average price of the Shares on the Oslo Stock Exchange between launch and pricing of NOK 240.4252, and an exchange rate of USD:NOK 6.0680).

The Bonds will be issued at 100% of their principal amount and, unless previously redeemed, converted or purchased and cancelled, will be redeemed by the Company at 100% of their principal amount on 12 September 2018.

The Company will have the option to redeem for cash any outstanding Bonds at 100% of their principal amount together with accrued interest on or after 11 October 2016, if the value of the Shares (converted into USD) underlying a Bond in the principal amount of USD 200,000 shall have exceeded USD 260,000 (i.e. a 30% increase over the conversion price) for a specified period, or at any time at 100% of their principal amount together with accrued interest if less than 15% of the Bonds originally issued remain outstanding.

The carrying amount of the convertible loan and the conversion right component of the convertible bond are classified as non-current liabilities in the statement of financial position. All profit and loss elements related to the convertible bonds, are included in the specification of financial items in Note 9 Financial income and Note 10 Financial expenses.

The convertible bond recognized in the statement of financial position is calculated as follows:

Convertible bond:

Inception point	Full year	
(Amounts in NOK thousands)	2013	2012
Proceeds from issue of convertible bonds	709 300	-
Transaction costs	(18 832)	-
Net proceeds from convertible bonds	**690 469**	-
Amount classified as Conversion rights	91 675	-
Amount classified as Convertible Loan	598 794	-

Convertible loan:

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Convertible loan at beginning of period	609 548	-	598 794	-
Amortized interest	4 788	-	5 699	-
Currency effects	5 706	-	15 549	-
Value of convertible loan at 31 December 2013	**620 042**	**-**	**620 042**	**-**

Conversion rights:

	4th quarter		Full year	
(Amounts in NOK thousands)	2013	2012	2013	2012
Value of conversion right at beginning of period	86 250	-	91 675	-
Change in fair value of conversion rights	232 661	-	227 236	-
Value of conversion right at 31 December 2013	**318 910**	**-**	**318 910**	**-**

See note 2–Important accounting estimates and discretionary assessments and 15–Fair value if instruments for further information of the fair value calculations.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash equivalents, trade receivable, trade payables, and trade derivatives approximates fair value due to the short period of time to maturity.

	31 December 2013	
(Amounts in NOK thousands)	Carrying amounts	Fair value
Loans and receivables	216 840	216 840
Trade derivatives	-	-
Cash and cash equivalents	1 367 105	1 367 105
Total financial assets	**1 583 945**	**1 583 945**
Financial liabilities at amortized cost	194 177	194 177
Convertible loan	620 042	730 548
Conversion rights	318 910	318 910
Total financial liabilities	**1 133 129**	**1 243 635**

The Group analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At the end of year 2013 and end of year 2012 there were no financial assets to measure.

The fair value of the debt liability component was calculated using a market interest rate for an equivalent, non-convertible bond. The residual amount was the fair value of the conversion liability component at initial recognition. The conversion liability components are measured at fair value in accordance with IFRS 13. The measurement is categorised into Level 2 in the fair value hierarchy. The valuations are performed using observable market transactions from third parties.

The Group's liabilities that are measured at fair value at 31 December 2013 are conversion rights of NOK 318.9m, valuated at level 2. At end of year 2012 the Group measured trading derivatives to be NOK 3.1m valuated at level 2.

NOTE 16 – EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary shareholders of the parent is based on the following data:

	4th quarter		January-December	
(Amounts in NOK thousands)	2013	2012	2013	2012
Earnings				
Profit/(loss) for the period attributable to equity holders of the Company	(336 339)	307 862	(219 498)	235 374
Profit/(loss) for the period attributable to ordinary equity holders of the Company	**(336 339)**	**307 862**	**(219 498)**	**235 374**
Numbers of shares				
Weighted average number of ordinary shares outstanding	43 869 751	42 526 723	43 343 141	42 232 304
Weighted average number of ordinary shares outstanding, fully diluted	43 869 751	43 375 703	43 343 141	43 061 949
Earnings per share, basic	(7.67)	7.24	(5.06)	5.57
Earnings per share, fully diluted	(7.67)	7.10	(5.06)	5.47

According to IFRS 2 ordinary shares issuable upon exercise of options are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not

assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share. Hence, basic earnings per share and fully diluted earnings per share will be equal when the group has loss for the period.

The number of potentially dilutive instruments that were not included in calculation of diluted earnings per share since their effect would be anti-dilutive for the periods presented was:

	4th quarter		January-December	
(Numbers of instruments)	2013	2012	2013	2012
Employee options	3 289 102	-	3 289 102	-

NOTE 17 - NUMBER OF EMPLOYEES/FULL TIME POSITIONS

For all employees and directors in the Group:

	4th quarter		January-December	
	2013	2012	2013	2012
Number of employees as at end of period	182	105	182	105
- of which number of employees abroad	80	26	80	26
Number of employees calculated on a full-time basis as at end of period	182	105	182	105
- of which number of employees calculated on full-time basis abroad	80	26	80	26

FORWARD LOOKING STATEMENTS

This report includes certain forward-looking information and statements. Such forward-looking information and statements are based on the current expectations, estimates and projections of the Company or assumptions based on the information available to the Company. Such forward-looking information and statements reflect current views with respect to future events and are subject to risks, uncertainties and assumptions. The Company cannot give any assurance to the correctness of such information and statements. These forward-looking information and statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as "aim", "anticipate", "expect", "estimate", "plan", "milestone", "believe", or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Offer, conditions relating to the Offer and expected timing of the Offer, including the expected timing of closing, statements regarding or which make assumptions in respect of the development of Xofigo and Algeta's other products, the commercialization of Xofigo and the results of ongoing clinical trials.. By their nature, forward-looking information and statements involve risk and uncertainty, and several factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by the forward-looking information and statements in this report, including, among others, risks or uncertainties associated with the success of future clinical trials, collaborations with other companies in the development of targeting molecules and other strategic transactions, growth management, general economic and business conditions and the pricing environment, the impact of competition, our ability to protect our intellectual property, our ability to successfully commercialize Xofigo and our other products, manufacturing capacity, the policies and actions of governmental and regulatory authorities, changes in domestic and foreign laws and regulations, changes in competition and pricing environments, fluctuations in currency exchange rates and interest rates, satisfaction of conditions to the Offer and investor participation in the Offer and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. Any forward-looking information or statements in this report speak only as of the date they are made. Except as required by the Oslo Stock Exchange rules or applicable law, the Company does not intend, and expressly disclaims any obligation or undertaking, to update or correct the information included in this report, including forward-looking information and statements, to reflect changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any statement in this report is based.