oasmia

May 2011-April 2012

Annual Report

Oasmia Pharmaceutical AB (publ)

Table of contents

The year in brief

The biggest thing that happened in the past year was that we presented preliminary data for our Phase III trial in ovarian cancer treatment using Paclical. The results showed that Paclical is at least as effective as Taxol. These results will form the basis for our regulatory strategy in the EU and several other countries.

Paccal Vet has received MUMS-designation by the FDA for two new indications, squamous cell carcinoma and mammary tumors. Oasmia had previously obtained MUMS-designation for mastocytoma. These three MUMS-designations will help facilitate the future launch of Paccal Vet in the U.S. and will broaden their scope.

On the ownership side, Oasmia has a new major shareholder, Bengt Ågerup, through his company Nexttobe AB. We look forward to having Nexttobe as a long term shareholder who, through his great expertise in the pharmaceutical industry, is a great asset to Oasmia.

With regard to partnerships, we have signed an agreement with Medison Pharma for the marketing rights to Paclical in Israel and Turkey and have since ended our cooperation with Orion. The completed cooperation with Orion in Paccal Vet was pursuant to purely commercial factors. Currently, we are in discussions with several companies regarding license and distribution of several product candidates in various markets.

Unfortunately, we were forced to withdraw our application for marketing approval for Paccal Vet from the EMA due to their concern about the risk/benefit ratio. Prior to the EMA's position, an article on our Phase III clinical trial was published in a highly respected veterinary journal that explained that veterinarians believe that Paccal Vet could be a greatly beneficial treatment option. We are now working on a smaller study to gather supplemental data, and will submit a new application to the EMA.

Oasmia is presently approaching a commercial phase and next year will be very important for the company. New encounters are constantly abounded and many exciting challenges lie ahead.

Julian Aleksov
CEO

Quarterly data

The Group

TSEK (unless otherwise indicated)		Q 1 May-Jul	Q 2 Aug-Oct	Q 3 Nov-Jan	Q 4 Feb-Apr	Full year May-Apr
Net sales	2011/12	891	-	-	-	891
	2010/11	42	-	64	-	106
Capitalized development cost	2011/12	20 084	14 336	14 529	14 332	63 282
	2010/11	20 017	18 896	26 846	20 291	86 049
Operating expenses	2011/12	-36 385	-27 721	-31 910	-33 798	-129 813
	2010/11	-31 302	-34 801	-42 477	-42 200	-150 778
Operating income	2011/12	-15 368	-13 384	-17 365	-19 419	-65 536
	2010/11	-11 216	-15 832	-15 542	-21 764	-64 353
Income after tax	2011/12	-15 260	-13 435	-17 238	-19 737	-65 670
	2010/11	-12 090	-16 729	-15 628	-21 513	-65 960
Earnings per share, SEK*	2011/12	-0,29	-0,26	-0,30	-0,34	-1,20
	2010/11	-0,31	-0,44	-0,33	-0,41	-1,50
Weighted average number of shares,	2011/12	52 079	52 135	57 241	57 241	54 660
in thousands*	2010/11	38 403	38 403	47 620	52 079	44 061
Equity per share, SEK*	2011/12	5,36	5,43	5,12	4,78	4,78
	2010/11	3,38	2,94	6,06	5,65	5,65
Equity/assets ratio, %	2011/12	91	91	91	78	78
	2010/11	67	52	93	92	92
Net liability	2011/12	-20 112	-41 696	-4 930	30 769	30 769
	2010/11	41 428	74 209	-91 041	-51 895	-51 895
Debt/equity ratio, %	2011/12	-	-	-	11	11
	2010/11	32	66	-	-	-
Number of employees at the end	2011/12	70	78	80	77	77
of the period	2010/11	69	70	72	68	68

* Recalculation of historical values has been made with respect to capitalization issue elements in the rights issue carried out in the third quarter of 2010/11.

.

Five-year highlights

The Group

TSEK (unless stated otherwise)	2011/12	2010/11	2009/10	2008/09	2007/08
Net sales	891	106	30 741	79 357	71 158
Capitalized development costs	63 282	86 049	80 643	36 057	9 675
Operating expenses	-129 813	-150 778	-126 345	-122 794	-85 754
Operating income	-65 536	-64 353	-14 961	-7 156	-4 855
Income after tax	-65 670	-65 960	-17 054	-7 105	-5 067
Earnings per share, SEK*	-1,20	-1,50	-0,47	-0,21	-0,15
Weighted average number of shares, in thousands*	54 660	44 061	36 550	34 376	33 526
Equity per share, SEK*	4,78	5,65	3,69	1,78	1,89
Equity/asset ratio, %	78	92	79	63	74
Net liability	30 769	-51 895	9 467	25 844	4 109
Debt/equity ratio, %	11	-	7	42	6
Number of employees at the end of the period	77	68	64	55	40

* Recalculation of historical values has been made with respect to capitalization issue elements in the rights issue carried out in the second quarter
of 2009/10 and the third quarter of 2010/11.

The share

The Oasmia share is listed on NSADAQ OMX Stockholm and Frankfurt Stock Exchange.

Share price development

All figures regard the fiscal year May 1, 2011- April 30, 2012)
In Stockholm, the highest price paid during the year was SEK15.70 (August, 12011) and the lowest price paid was SEK 6.75 (March, 30 2012). The company's year-end market value was MSEK 446.

Short name

NASDAQ OMX Stockholm	OASM
Frankfurt Stock Exchange	OMAX

Share capital

The total number of shares is 57 240 631. Each share has a quota value of SEK 0,10 and share capital amounts to SEK 5 724 063,10. Pursuant to the Articles of Association, the share capital must amount to no less than SEK 3 350 000 and no more than SEK13 400 000, distributed over no less than 33 500 000 shares and no more than 134 000 000 shares.

Share capital development

Year	Event	Quota value	Increase in the number of shares	Increase in the share capital	Total number of shares	Total share capital (SEK)
1988	Foundation	100,00	500	50 000,00	500	50 000,00
1999	New share issue[1]	100,00	500	50 000,00	1 000	100 000,00
1999	Split	0,10	999 000	-	1 000 000	100 000,00
1999	New share issue[1]	0,10	30 000 000	3 000 000,00	31 000 000	3 100 000,00
2006	New share issue[1]	0,10	851 310	85 131,00	31 851 310	3 185 131,00
2007	New share issue[1]	0,10	1 523 690	152 369,00	33 375 000	3 337 500,00
2008	New share issue[1]	0,10	125 000	12 500,00	33 500 000	3 350 000,00
2009	Preferential rights issue	0,10	2 392 858	239 285,80	35 892 858	3 589 285,80
2009	New share issue[2]	0,10	1 720 000	172 000,00	37 612 858	3 761 285,80
2010	Preferential rights issue	0,10	14 466 483	1 446 648,30	52 079 341	5 207 934,10
2011	New share issue[2]	0,10	5 161 290	516 129	57 240 631	5 724 063,10

[1] Private placement for Alceco International S.A. (formerly Oasmia S.A.)
[2] Private placement to a limited group of investors.

Our technology

Nanotechnology

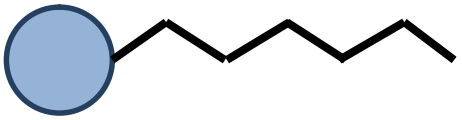
Nanotechnology concerns the science and engineering of atoms and molecules. It is the manipulation and use of materials so small, that nothing can be designed smaller. In terms of size, materials in the nanoscale are between 0.1 and 100 nanometers. A nanometer (nm) is one billionth (10^{-9}) of a meter. Most atoms are between 0.1 and 0.2 nanometers wide, DNA-strands are two nanometers wide, red blood cells have a diameter of about 7 000 nanometers and a hair is 80 000 nanometers wide.

Nanotechnology in medicine

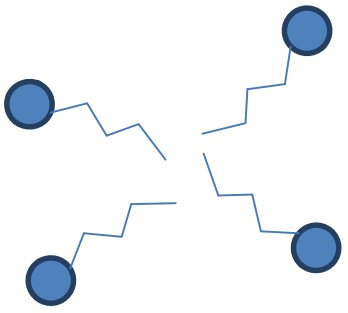
Most biological processes occur at the nanoscale. Material at this level may have completely different physical and chemical properties when compared with larger particles of the same material. Scientists are using these unique properties to create new materials and technologies.

Surfactants

A surfactant gives a product the ability to remove dirt from surfaces such as skin, fabrics, etc. A surfactant has a hydrophilic (water soluble) head that attracts water molecules and a hydrophobic (lipid soluble) tail that repels waters while simultaneously dissolving dirt and oil.



Hydrophilic head Hydrophobic tail

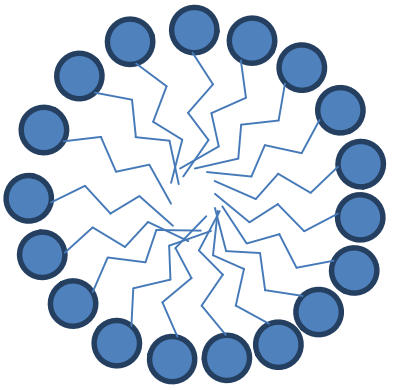


Surfactants

When the surfactant molecules dissolve in water they form the aggregates called micelles. The hydrophobic tails are contained in the micelle center in order to minimize their contact with water.

Surfactants play an important role in the modern pharmaceutical industry when used in various pharmaceutical formulations to control hydration, stability and Bio-availability. It is used primarily for the development of so-called “drug delivery” systems.

It is estimated that 40% of all small molecules that have the potential to become new drug candidates are fat-soluble. Full development of the therapeutic potential of these molecules depends on their solubility in non-toxic biocompatible and/or biodegradeable formulations which protect the molecules during transport and release.



Micelle

In the search for a new “drug delivery” system for chemotherapeutic drugs, Oasmia has developed the non-toxic, biocompatible and biodegradable surfactant, XR-17. The surfactant XR-17 is capable of forming nanometer-sized micelles (nanoparticles), together with various anti-cancer drugs in aqueous solutions which can be used for intravenous infusion.
By using XR-17, the solubility of the hydrophobic (poorly soluble) compounds in aqueous solutions can be dramatically improved. The surfactant enclosing the drug molecules in the nanoparticles is in the range of 20-60 nm. The micelles have minimal toxicity when linked to the surfactant and exhibit a great capacity to contain compounds. The ability to contain both hydrophobic and hydrophilic molecules also makes it possible to generate new therapeutic strategies. XR-17, can therefore be combined with a variety of drugs because of its great advantage of having the ability to provide water solutions to substances that are normally poorly soluble.

All Oasmia product candidates are based on the nanotechnology of XR-17.

Product candidates

Paclical

Paclical is a formulation of XR-17, which makes paclitaxel water soluble. The normal treatment uses a solution called Ringer-Acetate which is designed to not interfere with the body’s fluid balance. Paclitaxel is one of the most widely used anti-cancer agents, and is the standard treatment of a variety of cancers, including lung cancer, breast cancer and ovarian cancer. Paclical consists of a lyophilized powder that dissolves in the normal infusion. The formulation has a milder side effect profile compared to conventional paclitaxel and can therefore be given in higher doses and has a significantly shorter infusion time. Furthermore, Paclical requires no premedication to avoid hypersensitivity reactions. Paclical does not contain any biological material.

Paclical Facts
Components: XR-17, paclitaxel, Ringer-Acetat.
Micelle size: 25 nanometers
Does: 250 mg/m^2
Infusion time: 1 hour

Doxophos

Doxophos is a formulation of XR-17, and Doxorubicin. Doxorubicin has been used in cancer treatment since the 1950s. It is a high effective anti-cancer agent but can cause strong and serious side effects. The most serious is congestive heart failure due to excessive cumulative doses. By creating a nanoparticle solution of doxorubicin and XR-17, these side effects are reduced and doxorubicin can be given in higher dose.

Docecal

Docecal is a formulation of XR-17 and docetaxel. Docetaxel is new development of paclitaxel and has been widely used in the treatment of prostate cancer. Treatments with docecal are limited, because docecal requires an excipient that is associated with severe side effects. The patent on docetaxel has recently expired and no extensive generics market has had time to establish.

Paccal Vet

Paccal Vet is chemically identical to Paclical, however the dosage and equipment has been tailored to dogs. In veterinary medicine there are no known medicines similar to Paccal Vet, but veterinarians are currently using medicines for humans and adapting the dosages for use with animals. Paclitaxel has not previously been administered to dogs due to very strong side effects.

Paccal Vet facts
Components: XR-17, paclitaxel, Ringer-Acetat
Micelle size: 25 nanometers
Dose: 150 mg/m^2
Infusion time: Varies depending on breed and size

Doxophos Vet

Doxophos Vet is chemically identical to Doxophos, but has been adapted for the treatment of dogs. Dogs treated with doxorubicin intended for humans show similar side effects that humans do. A pilot study has shown that Doxophos can reduce these side effects. The most striking result was that no accumulation of doxorubin was found to be present in the heart. Oasmia is carrying out a study to determine the maximum tolerated dose of Doxphos Vet.

Clinical Development

Background

Clinical studies are required for the approval of any drug. These studies examine the efficacy as well as the side effects of a drug into in order to develop a complete picture of the drug candidate. They are divided different phases, from I to III, according to specific scopes and purposes. The Phase I study examines how well the drug candidate is tolerated by the patient. The Phase II study evaluates the safety and efficacy of the drug when it is used to treat a specific indication (disease). In the case of cancer treatment, it is about the specific type of cancer. The results of the Phase II study usually form the basis for design of the Phase III study. Phase III studies include a much larger number of patients than Phase II studies in order to statistically ensure the efficacy and safety. The pharmaceutical candidate under investigation is often compared to the current standard treatment in cancer treatment, and the purpose is to investigate whether the candidate is better or equal to current standard treatment. The latter option is applicable if the candidate has another substantial clinical benefit when compared to the existing standard treatment. These studies tend to be double blinded , i.e. neither the patient nor the physician is aware of which drug is being used. The purpose is to eliminate sources of errors which could affect the results. If the Phase III results are positive, these are used as the basis for an application for market approval.

Oasmia cooperates with various contract research companies to manage the clinical trials. The coordination of all clinical trials takes place in the department of clinical trials at Oasmia. The department is also responsible for managing the reporting of adverse reactions to authorities.

Recent studies

Paclical®

There is currently an ongoing Phase III study to investigate the efficacy and safety of Paclical® for the treatment of ovarian cancer. The study compares Paclical® with the renowned cancer drug Taxol™. Both preparations are administered in combination with carboplatin, as the standard treatment for ovarian cancer is Taxol in combination with carboplatin. An interim analysis of 400 patients showed that Paclical was at least as effective as Taxol™. The enrolment of the predetermined 650 patients is complete and currently the number of patients required for obtaining survival data is being investigated. The study was conducted at 80 clinics throughout Europe.

Paccal® Vet

Plans are underway for a smaller study to generate additional data that can be used to assess the risks and benefits of the EMA's recommendation.

Doxophos® Vet

During the year, Oasmia conducted a study to establish the appropriate dose of Doxophos Vet®. The dogs are initially administered 25 mg/m2, and if the dose is well tolerated the dogs are then (or subsequently) administered a dose of 30 mg/m2. If this dosage is well tolerated the study will proceed to study the maximum allowable dose of 35mg/m2. When the sufficient amount of dogs has displayed adverse effects, the dose increase is terminated and the dose level below is then used in continued clinical trials.

Market

Cancer in humans

Cancer is a very serious and widespread disease. According to the WHO, about 7.6 million people died of cancer in 2008 and this number is expected to increase in the upcoming years. In particular, it is the increased life expectancy worldwide which contributes most to the increase in cancer rates. The global cancer market generates revenues of 33 billion dollars and is expected to see an average growth of 5.7% annually by 2017 (GBI Research, 2011).

Ovarian cancer

Cancer of the ovaries or fallopian tubes is a very serious disease that often leads to death if it is detected too late and metastases have formed. The symptoms are vague, which makes the disease difficult to diagnose. Often, it is discovered too late. In 2009, there were 780 reported cases in Sweden (Cancerfonden, 2010).

The global market for ovarian cancer treatment was $551 million in 2010, but has an expected growth of 13.6% by 2017 (GBI Research, 2011). The largest regional market is in the United States, where the market was $366 million in 2010.

Veterinary medicine

The overall market for veterinary products amounted to about $3 billion in 2008. A growing number of households are acquiring pets. The largest market for households with dogs is in the U.S, where the number of dog households has increased from 37% in 1998 to 39% in 2008. (Northcoast Research, 2009). Households are becoming more and more inclined to spend money on their pets. Since 2001, the average increase of expenditure was 3-4% per year.

Cancer in animals

Cancer in animals is similar to cancer in humans. The risk increases with age. Some cancers are more common in certain species, for example, lymphoma is the most prevalent cancer in dogs. Concerning treatment of cancer, the principal part of the market consists of products intended for humans where the treatment has been adapted for animals. This makes it difficult to make an accurate assessment of the overall market and to predict its growth. Among veterinarians, there is a strong interest in pursuing new methods of treatments.

Mastocytoma

Mastocytoma is a type of skin cancer that arises when so-called mast cells start dividing uncontrollably. The normal treatment for mastocytoma is by surgery, but in many cases a tumor can be inoperable. Chemotherapy must be used in these instances. Today, there are two registered products for the treatment of mastocytoma, Masivet and Palladia. These two products inhibit a specific protein (tyrosine kinase) and require lifelong treatment in order to keep the disease at bay. If the disease cannot be treated, it leads to death. Many dogs are put down before this, however.

Market drivers

Human

Positive

- Great need for improved treatments for patients.
- Quickly expanding market for targeting treatments for new tumor types, where there is a major need.
- Improved diagnosis, which means that cancer is discovered earlier, which increases the number of patients.

Negatives

- The patent has expired for several best-selling drugs. This opens up the market for generic preparations and constitutes a significant threat for the large manufacturers.
- Over 80 molecules are expected to be launched in upcoming years, which will increase competition.
- Major changes are expected in the health and medical care systems in the USA and EU-5.

Veterinary

Positive

- The number of pets in growing at the same pace as the population in the USA and Europe.
- An increasing number of older pets are receiving veterinary treatment.
- Increased knowledge on the part of pet owners as regards treatment alternatives and increased willingness to treat.
- Increased access to oncology specialist and increased willingness on the part of veterinarians to provide a referral to a specialist.

Negative

- Pet owners have a negative perception of cancer treatment for animals.
- Access to cytostatics for human use.
- Extensive treatments associated with high costs.
- Undeveloped market- more education is needed.

Development

With the 2005 launch of Abraxane, the market for nanoparticle-based cancer drugs has opened up. The success of Abraxane has shown that there is great interest in the development of such formulations. Many promising candidates outside of conventional chemotherapy have failed to demonstrate a clinical benefit over existing medicines and have led to the somewhat slowed development of new cancer drugs.

Trends

With the new technologies that are being introduced, treatments are become more targeted and able to utilize a variety of techniques. Treatments are becoming more individualized. These individual combination treatments cover a broad spectrum of chemotherapy and form the basis to be supplemented by different types of new cancer drugs. Some predictions expect that generic drugs will represent a smaller share of the market in 2017, after new products have gained market share.

The company

Business

Oasmia's business concept focuses on developing novel formulations of well-established cytostatics that have better properties, a milder side-effect profile and a broader area of use than existing alternatives.

Examples of existing cytostatics are pharmaceuticals based on paclitaxel, docetaxel, doxorubicin, gemcitabine or carboplatin. For some time the market for cytostatics has been dominated by a small number of large pharmaceutical companies. During their period of market exclusivity, the previously patented products enjoyed sales of several billion USD or EUR. The patents for a number of drugs have now expired and generic copies have claimed a large percentage of sales.

Oasmia assesses that there is considerable scope for novel formulations of existing cytostatics. Novel formulations have the potential for administration in higher doses with the same and/or improved side-effect profiles. The company believes that physicians who are presented with this type of therapy alternative will extensively choose this alternative.

Strategy

Oasmia operates in both the veterinary medicine and the human medicine fields, providing synergy effects in several areas. For example, it generates additional revenue opportunities and reduces financial risks.

The synergy effects within clinical development occur primarily at an early stage. One step in the development of human products is to conduct studies on animals in order to investigate the safety of the product candidate. Such animal studies can serve as the basis for approval in veterinary medicine, while data from the studies can be used as the basis for studies on humans. Furthermore, genetic similarities between humans and dogs can be used to predict the effect and safety of the new pharmaceutical.

Synergy effects also occur in production. Oasmia can ensure that the production process is the same for both areas (provided that the substance is the same). This means that the same production facility and equipment can be used, which provides scale benefits. In addition, the same production documentation can be used for applications in both veterinary and human medicine.

One effect of working with well-known substances is that the company may use the extensive documentation already available on these compounds. This documentation includes methods of analysis, description of the metabolism and breakdown products, environmental impact, regulations for handling and other regulatory documentation. For Oasmia, this means that the development time can be shortened.

Business model

Oasmia's business model is based on running projects under its own auspices up until the time of registration, and then licensing out sales and marketing rights to regional or multinational partners for sales-based royalties and milestone payments. Large-scale commercial production is handled by contract manufacturers.

This model entails that Oasmia does not intend to establish any marketing and sales organization. Such functions are instead handled by company partners. Agreements with contract manufacturers entail that Oasmia has free access to high-quality facilities that have undergone many official inspections and fulfill all requirements. This enables Oasmia to focus on the core business, in other words pharmaceutical development.

The point in time when licensing and distribution agreements are concluded with business partners depends primarily on the development stage of the product candidate and the market situation.

When it comes to choice of partner, the following criteria are particularly important:

- Market knowledge
- Company size
- Willingness to invest

Oasmia's model for profitability is based on gross royalties from licensees, own control over product costs, and ensuring that the resulting net royalty is sufficiently high. The company seeks to achieve gross royalties of about 40% of the licensee's net sales, while product costs should not exceed 15%. This must generate a net royalty of at least 25%. The existing agreements are in line with these conditions.

Organization

In order to operate in the pharmaceutical which is highly knowledge-intensive, the company has hired highly competent employees. A vast majority of the employees have graduated from college or university, and many of these have a PhD. Further, many employees also have specialist skills in areas such as pre-clinical and clinical development, regulatory affairs, chemical methods development, etc

Production

Oasmia is licensed by the EMA to produce Paclical®, Paccal® Vet, Doxophos® and Doxophos ® Vet in their own production facilities for clinical trials. The company also has a collaboration agreement with Baxter Oncology for contract manufacturing of Paclical ® and Paccal ® Vet.

During the year, Oasmia made further improvements to its own production facility in order to be able to conduct its initial commercial production.

Production technique and methods are being transferred to Baxter where the commercial manufacturing will take place.

Final labeling, packing and distribution to licensees will be carried out at the company's own premises. The agreement with Baxter can be expanded to include additional product candidates in Oasmia's product portfolio.

During the product candidates' development phase, Oasmia will handle production for clinical trials in its own production facility in Uppsala, such as is happening with Doxophos Vet®

Board of Directors

Joel Citron born in 1962. Chairman since autumn 2011. CEO of New York-based Tenth Avenue Holdings. 2002-2009 Chairman of Oxigene Inc. 2002-2008 CEO of Jovian Holdings. 1998-2001 Vice-Chairman and CEO of Mastec Inc. Before that 16 years in various senior positions in investment and operating companies in Europe and the U.S. Has a MA in Economics and a Bachelor in Business Administration from the University of Southern California.
Shareholding: -

Jan Lundberg Born in 1946. Member since autumn 2011. Has extensive experience in business, now from the wholly-owned company Rekonstructa AB, which includes real estate ownership and management, equity trading, equity participation in companies and a number of commitments from external customers. Has operated through his own business since 1985. 1972-1985 employee of Salén & Wicander AB. CEO since 1977. Has a MSc in Mechanics as well as Industrial Economics and Management at KTH in Stockholm.
Shareholding: 53 500 through company.

Martin Nicklasson born in 1955. Member since autumn 2011. Chairman of the Board in Orexo AB and Farma Holding AS and Member of the Board in Pozen Inc, Biocrine AB Denator AB among others. CEO of Swedish Orphan Biovitrum 2007-2010. Different management positions in AstraZeneca 1991-2007. Recently responsible for global marketing and business development at AstraZeneca and CEO of AstraZeneca Sweden AB. Became responsible for Astra Hässle in 1996. Between 1989-1991 Head of research and development in KABI. Is a certified pharmacist and since 1982 Pharmacy Doctor at Uppsala University. Is since 1985 also Associate Professor at Uppsala University's Faculty of Pharmacy.
Shareholding: -

Horst Domdey born in 1951. Member since autumn 2011. Has extensive experience in biochemistry and molecular biology. President and CEO of Bio-M AG and Bio-M GmbH, as well as Chairman of the Munich Biotech Cluster. Co-founder of MediGene AG and Switch Biotech AG. Has previously held various positions at, for instance, Max-Planck-Institut für Biochemie, the Swiss Institute for Experimental Cancer Research (ISREC), University of California and California Institute of Technology. Has also worked as Associate Professor in biochemistry at the Ludwig Maximilians University of Munich.
Shareholding: -

Bo Cederstrand born in 1939 Member of the Board since 2000. Chairman of the Board 2000-2011. About 40 years' experience as CEO and partner in a number of small and mid-sized businesses, mainly within trade. Extensive experience in international trade and production. Has been very active within trade branch associations. Deputy Member of the Board for the last 5 years in Fruges AB and has been Member of the Board in the Arken store.
Shareholding: 126 000 and 29 028 685 through company.

Julian Aleksov born in 1965. Member of the Board since 1999. CEO of Oasmia and one of the founders of the company. Has extensive experience in coordination of research projects and strategic development of global intangible assets. Also Chairman of the Board in Oasmia Animal Health AB and Oasmia Global Supplies AB.
Shareholding: 148 650 and 29 028 685 through company.

Management

Julian Aleksov

Chief Executive Officer

Born in 1965. Member of the Board since 1999. CEO of Oasmia and one of the founders of the company.

Has extensive experience in coordination of research projects and strategic development of global intangible assets. Also Chairman of the Board in Oasmia Animal Health AB and Oasmia Global Supplies AB.
Shareholding: 148 650 and 29 028 685 through company.

Weine Nejdemo

Chief Financial Officer

Born in 1948.
Employed since 2009.

Extensive international experience at the corporate management level within life science. Has also worked as management consultant within other business branches such as IT and manufacturing.
Shareholding 15 000 and 14 834 through company.

Hans Sundin

Executive Vice President

Born in 1945.
Employed since 2008.

Over 30 years' experience of leading positions in the pharmaceutical industry: primarily within manufacture, quality assurance and project management, for example establishment of new producing units.
Shareholding: 8 500

Annette Ljungmark

Head of Accounting and Human Resources

Born in 1950.
Employed since 2005.

Has previously worked in the pharmaceutical industry with establishing monthly and annual reports, finance analyses, VAT, pensions and personnel issues.

Shareholding: 5 000

Auditors

Ernst & Young AB

Stationsgatan 12
Box 1448
75 144 Uppsala

Tel +46 (0)18-19 42 00
Fax +46(0)18-19 42 50

Principal auditor:
Björn Ohlsson
Born 1960
Authorized Public accountant and member of FAR SRS

Administration report

General information

The Group comprises the parent company Oasmia Pharmaceutical AB and its subsidiaries Oasmia Animal Health AB and Oasmia Global Supplies AB. The parent company is developing a new generation of drugs in human and veterinary oncology. Both subsidiaries are mainly inactive.

Products

Oasmia's product candidates are in various stages of preclinical and clinical development. Two of the product candidates are in the late clinical stage and one is in the final stage. Oasmia is currently making great efforts to get the product candidates to their respective markets as soon as practicable.

Human Health

Within Human Health, Oasmia develops three drug candidates, which are novel formulations of existing cytostatics used for the treatment of cancer. These drugs have improved safety and/or efficacy, which lead to an improved quality of life for the patient.

Paclical®

Paclical is a novel formulation of the well-known substance paclitaxel, which is frequently used in the treatment of cancer

The Phase III study of Paclical® reached an enrollment of 650 patients in September 2011. Based on this study, Oasmia has since been compiling the documentation for applications of market authorizations to authorities in Russia, the EU, Israel and Turkey. In August 2011, Oasmia announced the results of an interim analysis comprising 400 patients in the Phase III study of Paclical® for treatment of ovarian cancer.
The results met the clinical criteria required by the EMA for submitting an application for market approval for Paclical®.

In august 2011 Oasmia and Orion ended its cooperation regarding Paclical® and all rights were returned to Oasmia.

In May 2011, a license and distribution agreement was signed with Medison Pharma for Paclical® in Israel and Turkey.

Paclical® is designated as an orphan drug by the pharmaceutical authorities EMA (EU) and FDA (USA) for an indication in ovarian cancer. Orphan drug status is granted for minor indications and entails seven (USA) and ten (EU) years market exclusivity respectively on the indication, after a market approval is granted.

Doxophos®

Doxophos® is a novel patented formulation of doxorubicin, one of the most effective and frequently used substances for treatment of cancer. Currently, doxorubicin is used for treatment of about 20 different types of cancer. Oasmia has performed pre-clinical studies with Doxophos® and preparations are being made to start a clinical Phase I study.

Docecal®

Docecal® is a new patented formulation of docetaxel (Taxotere®). Oasmia intends to focus on the same indications as Taxotere®, i.e. breast cancer, prostate cancer and non-small cell lung cancer. Oasmia has performed pre-clinical studies with Docecal® and preparations are underway to begin a clinical Phase I study.

Animal Health

Oasmia has two product candidates in development within Animal Health for treatment of the two most common cancers in dogs.

Paccal® Vet

Paccal® Vet is a novel formulation of the well-known substance paclitaxel.

In March 2012, Oasmia reported that the company intends to complement its application of registration with the EMA of Paccal® Vet for treatment of mastocytoma (a type of skin cancer) in dogs. Oasmia will consider the concern EMA had regarding the risk/benefit-ratio.

Formal procedure demands that the previous filing is withdrawn, and resubmitted with further complementary data. Oasmia is currently planning a smaller study to provide this data, and has also requested scientific counsel from the EMA to support the study design.

Oasmia's application of market approval for Paccal® Vet for treatment of mastocytoma in dogs is currently being processed by the FDA and Oasmia is now awaiting information from the authority.

It has been Oasmia's ambition to increase the indications for Paccal® Vet in the USA to more than just mastocytoma, and this has been successful:

In January 2012, Paccal® Vet was granted MUMS-designation (see below) by the FDA for the indication mammary carcinoma.

In June 2011, Paccal® Vet was granted MUMS-designation by the FDA for the indication squamous cell carcinoma, a type of skin cancer.

Paccal® Vet has previously been granted MUMS-designation by the FDA for the indication mastocytoma.

MUMS (minor use/minor species) is granted by the FDA for either a small area of use within a common species such as dogs, or for treatment of a less common species. The most interesting aspect of MUMS is the eligibility to apply for conditional approval with seven years market exclusivity.

Doxophos® Vet

Doxophos® Vet is intended for treatment of lymphoma, the most common cancer indication in dogs. Oasmia is currently conducting a Phase I study for this product candidate comprising 15 dogs.

The Company

Ongoing extension of patent protection

In March 2012, Oasmia reported that the patent protection for the company technology, which comprises all important world markets, has been extended to the end of 2028 by submission and approval of new patent applications made by Oasmia

Change of subsidiary names

In March, the names of two dormant subsidiaries were changed into Oasmia Animal Health AB and Oasmia Global Supplies AB.

Loans

In February 2012, Oasmia raised a MSEK 25 loan from Nexttobe AB, the second largest shareholder in the company. The interest rate is 5 %. At the same time, a reduction of the credit facility from Alceco, the largest shareholder in the company, was made from MSEK 40 to MSEK 25. When used, the interest rate is 5%.

Private Placement

In October 2011, a private placement was made to a limited number of investors. The share issue provided the company with MSEK 48 before issue expenses. The largest block, MSEK 30, was subscribed by the company Nexttobe AB.

In connection to the share issue, Nexttobe AB also acquired shares from Oasmia's largest owner Alceco and thereby became the second largest shareholder in Oasmia with about 10 % of the shares and votes. Alceco held about 46 % of the shares and votes after the share issue and sales.

Financial information

Net sales

Net sales for the fiscal year amounted to TSEK 891 (106) and consisted of licensing revenue received upon signing of the agreement with Medison Pharma.

Capitalized Development Cost

Capitalized development costs consist of the company's investments in clinical Phase III trials. Capitalization means that such costs are capitalized as an intangible asset. They amounted to TSEK 63 282 (86 049) for the year and only included Paclical®. This reduction, compared to the same period in the previous year, is due to that no capitalization was made for Paccal Vet® this year and that the costs for Paclical® were reduced compared to the previous year.

Operating Expenses

The total operating expenses excluding depreciation and impairment amounted to TSEK 124 751 (145 970). This is a decrease of 15 % and is attributable to the fact that expenses for Paccal® Vet in Phase III had all but ended at the start of the year and that expenses for Paclical® in Phase III are no longer increasing.

Of these operating expenses about half, 51 % (59), concerned the company product candidates in Phase III, which were capitalized as Capitalized development cost. The share of capitalized operating expenses is decreasing successively, which has a negative effect on the company income.

The number of employees was 77 (68) at the end of the year.

Income for the year

Net income for the year was TSEK –65 670 (-65 960). The business activities of the Group have not been affected by seasonal variations or cyclic effects.

Financial position

The consolidated liquid assets at the end of the year amounted to TSEK 2 028 (51 895) and Equity amounted to TSEK 273 474 (294 171). The year-end equity/asset ratio was 78 % (92) and the debt/equity ratio 11 % (0).

On April 30, the company had available credits totaling TSEK 30 000, where TSEK 7 797 had been utilized.

In addition, the company had raised a TSEK 25 000 loan from Nexttobe and has an unutilized SEDA-agreement (standby equity distribution agreement) amounting to TSEK 75 000.

Cash flow and Capital expenditures

Cash flow from operating activities for the year amounted to TSEK -52 439 (-57 598).

Capital expenditures for the year amounted to TSEK 76 090 (98 663).

Investments in intangible assets amounted to TSEK 73 176 (88 342), consisting of capitalized development costs totaling TSEK 63 282 and patents and other intangible assets totaling TSEK 9 894.

Investments in tangible assets amounted to TSEK 2 914 (10 321), which are related to product development. The reason that investments were considerably higher in the previous year is that the production facility in Uppsala then underwent a large upgrade.

Financing

Financing at the beginning of the period was performed by use of liquid assets. In October, a private placement provided the company with TSEK 44 973 after issue expenses. In the final quarter the business activities were financed by loans and utilization of credits.

The parent company

The parent company net sales for the year amounted to TSEK 891 (106) and net income before tax totaled TSEK -65 823 (-65 998). The parent company's liquid assets at the end of the year totaled TSEK 2 020 (51 884).

Key ratios and other information

For definitions see Note 33

	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Number of shares at the close of the period (in thousands), before and after dilution*	57 241	52 079
Weighted average number of shares (in thousands) before and after dilution*	54 660	44 061
Earnings per share, before and after dilution, SEK*	-1,20	-1,50
Equity per share, SEK*	4,78	5,65
Equity/Asset, %	78	92
Net liability, TSEK	30 769	-51 895
Debt/Equity, %	11	0
Return on total assets, %	neg	neg
Return on equity, %	neg	neg
Number of employees at year end	77	68

* Recalculation of historical values has been made with respect to capitalization issue elements in the preferential rights share issue carried out in the third quarter 2010/11.

The Oasmia share

At the close of the financial year, Oasmia's share capital amounted to SEK 5 724 063,10 distributed over 57 240 631 shares with a par value of SEK 0,10 per share Each share carries one vote and all shares entail equal rights to a share of the company's assets and results. There are no limits to the shares' negotiability, voting rights, or entitlement to attend the Annual General Meeting. The company is not part of any agreement that becomes effective, is modified or terminated if control of the company changes as a consequence of a public takeover bid.

Oasmia has no knowledge of agreements between shareholders that could limit the right to transfer the shares. Furthermore, there are no provisions in the Articles of Association concerning the appointment and dismissal of members of the Board of Directors, or agreements between the company and members of the Board of Directors, or employees, that entitle them to receive compensation if they resign from their positions, are given notice of termination without reasonable grounds, or their employment is terminated as a consequence of a public takeover bid.

As of April 30th, 2012 the number of shareholders was approximately 2 900, which was a decrease of about 100 shareholders one year before. The principal owner in terms of voting was Alceco International S.A. with 46,27% of the votes and shares, followed by Nexttobe AB with 10,10 %. The ten largest owners together held 72,63% of the total number of votes and shares.

Legal Issues

Oasmia is not currently, and has not during the past financial year, been involved in any legal disputes of significance to the company's standing. The Board of Directors is not aware of any circumstances which could lead to legal proceedings, or which could significantly affect the company's standing.

Environmental activities

Oasmia's business activities consist of research, development and production at the facility in Uppsala, where large quantities of chemicals are handled. The activities are subject to registration in accordance with regulation (1998:899) on environmentally hazardous activities and protection of health. The Environmental Office of Uppsala Municipality has made the assessment that there are no objections to the activities, subject to the condition that the activities are conducted in accordance with the information disclosed in the registration.

The impact of the company's activities on the wider environment is minimal. Chemicals and solvents used in the activities do not seep into the surroundings from ventilation systems or via sewage. The ventilation in the building laboratories is not connected to the general ventilation plant. The processes are closed to a high degree and residual chemicals and solvents are managed by Kemstationen, Uppsala Vatten & Avfall AB for final destruction and recycling.

The company fulfills the environmental requirements made and seeks to conduct its activities in a way which benefits sustainable development within the environmental area. In addition to complying with the norms, guidelines and regulations which govern the work, the company does its utmost to continuously improve the business by, for example, offering internal training within quality and the environment.

Employees

The average number of employees throughout the financial year was 71 (66). Of these, 37 (37) were women and 34 (29) men. The number of employees at the end of the year was 77 (68). Salaries and remuneration amounted to TSEK 31 827 (28 936). For more information see Note 11.

Guidelines for remuneration to senior executives

Guidelines for the establishment of salaries and other remuneration for senior executives were adopted at the 2011 Annual General Meeting. They are disclosed below.

Salaries and other benefits

The remuneration of the CEO and other senior executives shall comprise a fixed salary.

Term of notice and severance pay

If notice is given by the company, the term of notice for the CEO will be no more than 24 months. If notice is given by the CEO, the term of notice shall be no more than six months.

For other senior executives, the term of notice shall normally be six months if notice is given by the company, and three months if notice is given by the executive. No special severance pay shall be given.)

Incentive program

Decisions on possible share and share-price related incentive programs directed at senior executives shall be made at the Annual General Meeting.

Remuneration committee

The Board of Directors has not established a remuneration committee. The Board is confident that it can fulfill the duties which normally would be performed by a remuneration committee. The detailed principles for salaries concerning the CEO and other senior executives shall be stated in a policy established by the Board.

Deviation in specific cases

The Board of Directors has the right to deviate from these guidelines if there are special circumstances in a specific case. If such a deviation is made, information about the case, and the reason for the deviation, must be presented at the next Annual General Meeting.

Additional information concerning the Board of Directors and Management

At the Annual General Meeting the Board and CEO were discharged from liability for fiscal year 2010/2011. The Annual General Meeting resolved that the Board shall be comprised of six members, without deputies.

Proposals for the Annual General Meeting

The Board's complete proposals for the 2012 Annual General Meeting will be submitted in combination with the notice.

Dividend

The Board does not intend to propose a dividend for fiscal year 2011/2012.

Guidelines for remuneration to senior executives

The Board of Directors proposes the following guidelines that are intended to apply as of the 2012 Annual General Meeting until the 2013 Annual General Meeting:

Pay and other benefits

Remuneration to the President and other people in the company management shall consist of fixed salary. The President shall also be entitled to private health insurance and pension allocations.

Period of notice and severance pay

In the event of termination on the part of the company, the period of notice for the President shall be no more than 24 months. In the event of termination on the part of the President, the period of notice shall be no more than six months. For other people in the company management, the period of notice shall normally be six months if the termination is on the initiative of the company, and three months if the termination is on the initiative of the post holder. No special severance pay shall be paid.

Incentive programs

A decision regarding any shares and share price-related incentive programs aimed at people in the company management shall be made by the General Meeting.

Policy

The more detailed principles for salary payment for the President and other people in the company management shall be found in a policy established by the Board.

Deviation in individual cases

The Board shall be entitled to deviate from these guidelines if there are special grounds in an individual case. If such a deviation is made, information on this and the reason for the deviation shall be reported at the next Annual General Meeting.

Events after the close of the financial year

Oasmia and Orion jointly end Paccal® Vet agreement. Oasmia is finalizing an agreement with another party.

Oasmia Pharmaceutical AB and Orion Corporation jointly agreed to end the agreement regarding distribution of Paccal® Vet. The territory included most countries in Europe. Pursuant to this, Oasmia pays Orion EUR 2 million as a repurchase of all rights.

Oasmia is finalizing an agreement with a major international pharmaceutical company regarding distribution rights for the territories in the world where Oasmia does not currently have a partner, including all countries in Europe. Existing partners, and their respective licensed territories, are Abbott Laboratories in USA/Canada and Nippon Zenyaku in Japan. This agreement has an expanded scope including the product candidates Paccal Vet and Doxophos® Vet.

Nexttobe AB expands its commitment to Oasmia through a MSEK 65 loan.

In May 2012 Nexttobe AB expanded its commitment in Oasmia by an additional loan of MSEK 65. The interest rate is 5 %. Nexttobe is the second largest shareholder and Oasmia had previously raised a MSEK 25 loan from them which makes the total borrowing from Nexttobe to Oasmia MSEK 90.

Risks

Oasmia's activities are subject to a number of factors that can be influenced by the company minimally, or not at all. The risks entailed by Oasmia's activities can be divided into financial and operational risks. The financial risks, and how they are handled, are described in more detail in Note 3. The key operational risks are described below. The outcome of these risks can influence the timing of the company's establishment in different markets, and its rate of expansion, income, result and financial position.

Product Development

Oasmia develops pharmaceuticals, which is associated with high risk. A large number of conditions and regulations entail that there is a significant risk of failure.

For product development that is nevertheless successful there is always the risk that complexity entails delays and additional costs. Below, stages of product development are presented where such risk is significant

The development of a pharmaceutical requires preclinical and clinical studies. The result of a study may be less favorable and lead to the discontinuation or reconsideration and supplementing, of the study. Patients must be recruited for clinical studies via clinics and hospitals and various pharmaceutical companies compete for access to these patients. It is common for recruited patients to withdraw, requiring them to be replaced with other patients. Both of these factors can entail that a study takes longer and is more expensive than anticipated.

Oasmia enters into agreements with suppliers of patient recruitment services, and it cannot be excluded that such agreements are terminated and are difficult to replace. This can lead to delays

There is a risk that patients that participate in clinical trials, or in other ways come into contact with Oasmia's products, may experience serious side effects. The consequence can be that further clinical studies must be performed, which could prolong product development. Another consequence which cannot be ruled out is that Oasmia could be sued by patients who have experienced side-effect or by their relatives.

In order for a pharmaceutical to be marketed and sold, a market approval from the pharmaceutical authority concerned is required in the respective territory. An application for market approval includes extensive documentation. The pharmaceutical authorities have a lot of freedom concerning processing times. They may ask for supplementary information or present questions for the company to answer. This processing entails that the dates by which approval may be achieved are subject to considerable uncertainty. It cannot be excluded that an application must be supplemented with further information, with the related additional time and costs. It also cannot be ruled out that approval is not granted at all.

Intellectual Property Rights

Oasmia believes its patents have adequate protection on essential markets. It cannot be guaranteed, however, that continued product development will lead to patentable products, that current or future patent applications will lead to patents, or that approved patents are enough to protect Oasmia's rights.
It cannot be excluded that patents exist whose protection supersedes Oasmia's patent protection. If this is the case, the holder of such a superseding patent can potentially prevent Oasmia's exploitation of the relevant products, in spite of Oasmia's own patent protection. If Oasmia, within the framework of its research, were to use substances or procedures which are patented or are the object of a patent submission by another party, the holder of these rights may seek legal action against Oasmia.

There is also the risk that competitors infringe on Oasmia's patent rights and that disputes may arise. As it can never be said with certitude that a patent is valid, it is hard to predict the outcome of judicial processes concerning patents. The costs for such processes are often considerable

Relations with the Authorities

Oasmia's business activities are dependent on permissions from authorities. There is a risk that necessary permits cannot be obtained without extensive investigations or costly adjustments of the business. In the event that critical permits are recalled, Oasmia may be forced to discontinue its activities.

Competitors and prices

There are players in the market targeted by Oasmia more can be entering. As a new player Oasmia will face competitors that have the advantages of established products and marketing channels. This makes it difficult to predict how quickly Oasmia's pharmaceutical candidates can become established after market approval has been acquired. There is also uncertainty concerning an adequate price level for Oasmia's product candidates compared to competing products in the market.

Untested veterinary market

The market for cancer drugs for dogs is new and untested. It is thus difficult to estimate the extent and speed at which cancer drugs will be accepted by veterinarians.

Remuneration from third party

Many pharmaceuticals sales depend on the ability of the end customer to obtain reimbursement from a paying third party such as the public sector or private insurance companies. Changes in such third party policies and their ability to affect the prices and demand for pharmaceuticals may affect Oasmia either negatively or positively.

Cooperation

Oasmia's business model includes collaboration with pharmaceutical companies on commercialization and sale of products. Oasmia's growth is thereby highly dependent on the establishment of such collaboration and on the partner's success in penetrating markets. If important collaborations cannot be established, or are terminated or do not function satisfactorily, this can have a negative impact on Oasmia's ongoing development. A customary term of such agreements is that the product's market price is determined by
Oasmia's partners and not by Oasmia.

Onerous contract provision

The licensing and distribution agreements concluded by Oasmia contain certain onerous provisions. They mainly concern repayment of parts of or the entirety of milestone payments received if Oasmia does not successfully apply for and obtain market approval within the time agreed with licensees.

Non-sustainable revenue sources

Oasmia's business model includes licensing and distribution agreements which entail milestone payments. These payments fall unevenly over time and result in fluctuations in sales and earnings. Milestone payments are unsustainable revenues, so in the longer term Oasmia is dependent on the successful commercialization and market introduction of its pharmaceutical candidates.

Production

Oasmia's own production facility allows production up to pilot scale of both development substances and finished products. Full-scale manufacture is carried out by contract manufacturers. Technology transfer entails a risk of the spreading and copying of concepts, methods and processes attributable to Oasmia's products. If the technology proves to be more difficult to scale up than anticipated, this may delay full-scale production and affect the launch dates. In connection with up scaling, validation of the full-scale production must be performed and documentation submitted to the relevant authorities. These authorities must approve the products at the manufacturer chosen by Oasmia. If the documentation is not complete, there is a risk that the product launch is delayed. Oasmia has not yet started production at the contract manufacturer's site. Therefore, there is a degree of uncertainty concerning manufacturing costs and thereby the profitability of the company's products.

Dependence on few products

A large part of Oasmia's estimated asset value is attributed to the development, market approval and commercialization of Paccal® Vet and Paclical®. This dependence entails the risk of a negative impact if the development and commercialization of these two product candidates does not proceed as planned.

Key personnel and recruitment

Oasmia is a highly dependent on some key employees. If Oasmia were to lose any of its key personnel, this might delay or interrupt a research program or development, or the licensing or commercialization of product candidates. Oasmia is dependent on qualified staff and expects to continue to expand in coming years. There is a risk that Oasmia will not be able to recruit all the qualified employees needed.

Corporate governance report

This Administration Report does not contain a corporate governance report. Oasmia has instead, pursuant to Section 8, Chapter 6 of the Annual Accounts Act, chosen to establish a corporate governance report separate from the annual report. The corporate governance report is reviewed by the company's auditors and is available at the Oasmia website, www.oasmia.com

Financial Statements

Consolidated Income Statement

TSEK	Note	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Net Sales	5	891	106
Capitalized development cost	6	63 282	86 049
Other operating income	7	104	269
Raw materials, consumables	8	-10 127	-16 120
Other external expenses	9,10	-73 481	-92 479
Employee benefit expenses	11	-41 144	-37 370
Depreciation/amortization and impairment	12,13	-5 062	-4 674
Other operating expenses	13	-	-133
Operating income	14,15	-65 536	-64 353
Financial income		363	484
Financial expenses		-497	-2 097
Financial items, net	14,16	-135	-1 613
Income before taxes		-65 670	-65 967
Taxes	17	-	7
Income for the period		-65 670	-65 960
Income for the period attributable to:			
Equity holders of the Parent Company		-65 670	-65 960
Non-controlling interest		-	-
Earnings per share, before and after dilution, SEK	18	-1,20	-1,50

Consolidated Statement of Comprehensive Income

TSEK	Note	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Income for the period		-65 670	-65 960
Comprehensive income for the period		-65 670	-65 960
Comprehensive income for the period attributable to:			
Equity holder of the Parent Company		-65 670	-65 960
Non-controlling interest		-	-
Comprehensive earnings per share, before and after dilution, SEK		-1,20	-1,50

Consolidated Statement of Financial Position

TSEK	Note	2012-04-30	2011-04-30
ASSETS			
Non-current assets			
Property, plant and equipment	12	25 988	27 243
Capitalized development cost	6	290 191	226 909
Other intangible assets	13	27 400	9 276
Financial assets		2	2
Total non-current assets		343 581	263 430
Current assets			
Inventories	8	290	-
Other current receivables	21	1 747	2 141
Prepaid expenses and accrued income	20	2 161	2 853
Liquid assets	22	2 028	51 895
Total current assets		6 227	56 889
Total Assets		349 807	320 319
Equity			
Equity attributable to equity holders in the Parent Company			
Share capital	23	5 724	5 208
Other capital provided		457 832	413 375
Retained earnings		-190 082	-124 411
Total		273 474	294 171
Non-controlling interest		-	-
Total equity		273 474	294 171
Liabilities			
Non-current liabilities			
Deferred tax liabilities	24	16 264	15 373
Total non-current liabilities		16 264	15 373
Current liabilities			
Liabilities to credit institutions	26	3 197	-
Short-term borrowings	27	29 600	-
Trade payables		10 281	3 831
Other current liabilities	28	10 811	1 399
Accrued expenses and prepaid income	29	6 180	5 545
Total current liabilities		60 069	10 775
Total liabilities		76 334	26 148
TOTAL EQUITY AND LIABILITIES		349 807	320 319
Contingent liabilities	30		
Pledged assets	30		

Consolidated Statement of Changes in Equity

		Attributable to equity holders in the Parent Company				
TSEK	Note	Share capital	Other paid-up capital	Retained earnings	Non-controlling interest	Total equity
Opening balances as of May 1, 2010		3 761	196 493	-58 509	57	141 803
Comprehensive income for the year		-	-	-65 960	-	-65 960
Acquired non-controlling interest		-	-	57	-57	0
New share issue	23	1 447	237 250	-	-	238 697
Issue expenses		-	-20 369	-	-	-20 369
Closing balance as of April 30, 2011		5 208	413 375	-124 411	0	294 171
Opening balance as of May 1, 2011		5 208	413 375	-124 411	0	294 171
Comprehensive income for the year		-	-	-65 670	-	-65 670
New share issue	23	516	47 484	-	-	48 000
Issue expenses		-	-3 027	-	-	-3 027
Closing balance as of April 30, 2012		5 724	457 832	-190 082	0	273 474

Consolidated Cash Flow Statement

TSEK	Note	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Operating activities			
Operating income before financial items		-65 536	-64 353
Depreciation and amortization	12,13	5 062	4 650
Impairment of inventory	8	-	94
Disposals of intangible assets	13	-	133
Interest received	16	363	484
Interest paid	16	-497	-1 392
Cash flow from operating activities before working capital changes		-60 609	-60 385
Change in working capital			
Change in inventories	8	-290	-
Changes in trade receivables	20	-	60
Changes in other current receivables	20,21	1 085	-445
Change in trade payables		6 450	1 756
Change in other current liabilities	28,29	924	1 415
Cash flow from operating activities		-52 439	-57 598
Investing activities			
Investments in intangible assets	6,13	-73 176	-88 342
Investments in property, plant and equipment	12	-2 914	-10 321
Cash flow from investing activities		-76 090	-98 663
Financing activities			
Increase in liabilities to credit institutions	26	3 197	-
Decrease in liabilities to credit institutions	26	-	-4 289
Increase in long-term liabilities	24	891	-
New share issues	23	48 000	168 697
Issues expenses	23	-3 027	-20 369
New loans	27	29 600	58 745
Cash flow from financing activities		78 662	202 784
Cash flow for the period		-49 867	46 523
Cash and cash equivalent at the beginning of the period		51 895	5 372
Cash and cash equivalents at the end of the period	22	2 028	51 895

Parent Company Income Statement

TSEK	Note	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Net Sales	5	891	106
Capitalized development cost	6	63 282	86 049
Other operating income	7	104	245
Raw Materials and consumables		-10 124	-16 080
Other external expenses	9,10	-73 323	-92 271
Employee benefit expenses	11	-41 144	-37 370
Depreciation/amortization and impairment of property, Plant, equipment and intangible assets	12,13	-4 987	-4 486
Operating income		-65 300	-63 806
Result from participations in Group companies	32	-390	-578
Other interest costs and similar costs	14,16	362	483
Interest costs and similar costs	14,16	-495	-2 097
Financial items, net		-523	-2 192
Income before taxes		-65 823	-65 998
Taxes	17	-	-
Income for the period		-65 823	-65 998

Parent Company Statement of Comprehensive Income

TSEK	Note	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Income for the period		-65 823	-65 998
Comprehensive income for the period		-65 823	-65 998

Parent Company Balance sheet

TSEK	Note	2012-04-30	2011-04-30
ASSETS			
Non-current assets			
Intangible Assets			
Capitalized development cost	6	290 191	226 909
Concessions, patents, licenses, trademarks and similar rights	13	27 378	9 180
Property, plant and equipment			
Equipment, tools, fixtures and fittings	12	24 149	27 243
Construction in progress and advances for tangible assets	12	1 839	-
Financial assets			
Participation in Group companies	32	110	110
Receivables from Group companies		-	5
Other securities held as non-current assets		1	1
Total non-current assets		343 668	263 448
Current Assets			
Inventories			
Raw materials and consumables	8	290	-
		290	0
Current receivables			
Receivables from Group companies	31	55	89
Other current receivables	21	1 746	2 140
Prepaid expenses and accrued income	20	2 084	2 748
		3 885	4 977
Cash and bank balances	22	2 020	51 884
Total current assets		6 195	56 861
TOTAL ASSETS		349 863	320 309
EQUITY AND LIABILITIY			
Equity			
Restricted equity			
Share capital	23	5 724	5 208
Statutory reserve		4 620	4 620
		10 344	9 828
Non-restricted equity			
Share premium reserve		457 832	413 375
Retained earnings		-129 028	-63 030
Income for the period		-65 823	-65 998
		262 981	284 347
Total equity		273 325	294 175
Non-current liabilities			
Other non-current liabilities	24	16 264	15 373
Total non-current liabilities		16 264	15 373
Current liabilities			
Short-term borrowings	27	29 600	-
Trade payables		10 281	3 818
Liabilities to credit institutions	26	3 197	-
Liabilities to Group companies	31	205	-
Other current liabilities	28	10 811	1 399
Accrued interest and prepaid income	29	6 180	5 545
Total current liabilities		60 274	10 761
TOTAL EQUITY AND LIABILITIES		349 863	320 309
Contingent liabilities and pledged assets			
Contingent liabilities	30	-	-
Pledged assets	30	8 000	8 000

Parent Company and changes in equity

		Restricted equity			
TSEK	Note	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance as of May 1, 2010		3 761	4 620	133 464	141 845
New share issues	23	1 447	-	237 250	238 697
Issue expenses		-	-	-20 369	-20 369
Income for the period		-	-	-65 998	-65 998
Closing balance as of April 30, 2011		5 208	4 620	284 347	294 175
Opening balance as of May 1, 2011		5 208	4 620	284 347	294 175
New share issue	23	516	-	47 484	48 000
Issue expenses		-	-	-3 027	-3 027
Income for the period		-	-	-65 823	-65 823
Closing balance as of April 30, 2012		5 724	4 620	262 981	273 325

Parent Company Cash Flow Statement

TSEK	Note	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Operating expenses			
Operating income before financial items		-65 300	-63 806
Depreciation/amortization	12,13	4 987	4 486
Impairment of inventory	8	-	94
Interest received	16	362	483
Interest paid	16	-495	-1 392
Cash flow from operating activities before working capital changes		-60 446	-60 135
Changes in working capital			
Changes in inventories	8	-290	-
Changes in trade receivables	20	-	60
Changes in other current receivables	20,21,31	917	-645
Changes in trade payables		6 463	1 750
Changes in other current liabilities	28,29,31	919	1 415
Cash flow from operating activities		-52 437	-57 555
Investing activities			
Investments in intangible assets	6,13	-73 176	-88 342
Investments in property, plant and equipment	12	-2 914	-10 321
Investments in financial assets		-	-1
Cash flow from investing activities		-76 090	-98 664
Financing activities			
Increase in liabilities to credit institutions	26	3 197	-
Decrease in liabilities to credit institutions	26	-	-4 289
Increase in long-term liabilities	24	891	-
New share issues	23	48 000	168 697
Issue expenses	23	-3 027	-20 369
New loans	27	29 600	58 745
Cash flow from financing activities		78 662	202 784
Cash flow for the period		-49 865	46 565
Cash and cash equivalents at the beginning of the period		51 884	5 320
Cash and cash equivalents at the end of the period	22	2 020	51 884

Notes to the financial statements

Note 1 General information

Oasmia Pharmaceutical AB (the Parent Company in the Oasmia Group) is a limited liability company seated and registered in Stockholm, Sweden. The company's address is Vallongatan 1, Uppsala where the Parent Company's office, research and production facility is situated. The company is listed on NASDAQ OMX Stockholm and Frankfurt Stock Exchange. The Group's operations are described in the Report, pp. 24-31. The Annual Report for Oasmia Pharmaceutical AB for the fiscal year, ending on April 30, 2012, was approved for publication by the Board of Directors on August 23, 2012. The Income statements and Balance Sheets of the Group and the Parent Company will be presented for adoption by the Annual General Meeting on September 24, 2012.

Note 2 Accounting policies

The most important accounting policies applied when these consolidated accounts were established are described below.

Basis for the presentation of the reports

The Consolidated Accounts are presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) such as they have been adopted by the EU. Furthermore, the recommendation RFR 1, Supplementary accounting regulations for Groups, issued by the Swedish Financial Reporting Board, has been applied.

The Parent Company applies the same accounting policies as the Group, except in the cases disclosed below in the section "Parent Company accounting policies". The deviations between the policies applied by the Parent Company and the Group respectively are a result of limitations to the opportunities to apply IFRS in the Parent Company with respect to the Annual Reports Act and Safeguard legislation and in some cases tax reasons.

The presentation of reports in accordance with IFRS requires the utilization of important estimations for accounting purposes. Furthermore, it is required that the management makes certain assessments on the application of the Group accounting policies. Areas which require several estimations, are complex or for which assumptions and estimations are of significant importance for the consolidated Accounts, are disclosed in Note 4.

The Group's accounting

Revised accounting policies

New policies 2011/12

IAS 24 (amendment) Related party disclosures
The standard has been applied since the fiscal year began on May 1, 2011. The re-drafted standard simplifies the disclosure requirement for publicly owned companies and amends and clarifies the definition of related party. This application has not caused any change in Oasmia´s related parties.

IFRIC 19 Extinguishing financial liabilities with equity instruments
The interpretation has been applied since the beginning of the fiscal year on May 1, 2011. The interpretation clarifies the recognition of the renegotiation of loan terms so that all or part of the loan is repaid from issued shares. The shares must be assessed at fair value and the difference between fair value and the book value of the loan must be recognized in the income statement. If the fair value of the shares cannot be reliably calculated it must instead be calculated to reflect the fair value of the loan. Oasmia is not currently affected by IFRIC 19.

None of the other standards and interpretations that are, for the first time, required for the fiscal year that began May 1, 2011 have had a significant impact on the consolidated financial statements.

New IFRS and interpretations applicable to the fiscal year 2012/13 or later

IFRS 7 (amendment) Financial instruments
The amendment has not yet been adopted by the EU. Applied to the financial year beginning on July 1, 2011 or later. Earlier application is permitted. Further quantitative and qualitative information must be provided on the derecognition of financial assets from the balance sheet. If a transfer of assets does not result in full derecognition this must be disclosed. If the company retains an exposure in the derecognized asset the company must disclose this.

IFRS 9 Financial instruments
The standard has not yet been adopted by the EU. IFRS 9 is intended to replace IAS 39 Financial instruments beginning in 2013 at the latest. The elements of IFRS 9 published so far concern the classification and assessment of financial instruments, whereby today's four categories are replaced by the two categories "accrued acquisition value" and "fair value". Early application of the published elements is permitted. Oasmia intends to apply the new standard no later than the fiscal year beginning on May 1, 2015.

Subsidiaries

Subsidiaries are companies where the Group has the right to design financial and operative strategies in a way which is customary for a shareholding equivalent to more than half of the votes. Subsidiaries are included in the Consolidated Accounts as from the day on which the

controlling interest is transferred to the Group. They are excluded from the Consolidated Accounts as from the day on which the controlling interest ended.

The acquisition method is applied to the recognition of the Group's acquisitions of subsidiaries. Acquisitions made before 2010/11 are recognized in accordance with the previous acquisition method. As from the 2010/11 financial year the Group applies the revised IFRS 3 Business combinations, as one of the amendments is that acquisition-related costs are carried as costs instead of being included in acquisition value.

Identifiable acquired assets and liabilities in an operational acquisition are initially assessed at fair value on the date of acquisition. For each acquisition the Group determines how far a non-controlling interest in the acquired company is recognized at fair value, or at the holding's proportional share of the net assets of the acquired company. The excess, as the difference between the acquisition value and the fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities, is recognized as goodwill. If the acquisition value is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognized directly in the income statement.

Eliminations are made for intra-Group transactions and balance-sheet items, and for unrealized gains on intra-Group transactions.

Non-controlling interest
For the 2010/11 financial year transactions with minority shareholders are treated as transactions with third parties. From the 2010/11 financial year the Group treats transactions with holders of non-controlling interests as transactions with the Group's shareholders. On the acquisition of non-controlling interests, the difference between the acquisition cost and the actual acquired share of the recognized value of the subsidiary's net assets is carried to equity.

Segment reporting
An operating segment is a part of a company that conducts business activities from which revenues can be generated and costs can be incurred, and for which independent financial information is available. Furthermore, the operating results of the segment are reviewed on a regular basis by the company's chief executive officer as the basis for the decision on allocation of resources to the segment and the evaluation of its result. The Group management has identified the chief executive officer as the decision maker. The Group currently has only one segment and therefore does not include segment information in the accounts. Disclosures according to IFRS 8 Operating Segments p32-34 provided in Note 5.

Translation of foreign currency
The Group companies use SEK as their functional currency and reporting currency. Transactions in foreign currency are translated to the functional currency according to the exchange rates on the transaction date. Translation profits or losses arising from payments for such transactions and from translation of monetary assets and liabilities in foreign currency at the exchange rates on the closing date are recognized to operations. Currency gains and losses arising from the translation of bank accounts in foreign currencies are recognized under Net financial items.

Property, plant and equipment
Property, plant and equipment is recognized at acquisition cost, with deductions for depreciation. The acquisition cost includes expenses directly attributable to the acquisition of the asset.

Additional expenses are added to the carrying amount of the asset or are recognized as a separate asset, depending on what is most suitable, only when it is probable that the future economic benefits connected with the asset will prove beneficial to the Group and the acquisition cost of the asset can be measured in a reliable way. The carrying amount of the replaced part will be removed from the Balance Sheet. All other types of repairs and maintenance are recognized as expenses in the Income Statement in the period in which they arise.

Property, plant and equipment which is acquired by conditional sale is recognized at acquisition cost, i.e. the total discounted amount of all future payments. A liability is recognized at the same time concerning the purchase sum not yet paid. The liability is initially valued at its fair value and thereafter at amortized cost with application of the effective interest method. The liability is divided into a non-current part and a current part and recognized in the item Borrowings.

The Group applies component depreciation, which means that every part of an asset related to property, plant and equipment with a significant acquisition cost in relation to the total acquisition cost of the asset, is depreciated separately. Component depreciation is mostly applied to the Group's production equipment.

Assets are depreciated on a straight-line basis in order to distribute their acquisition cost on the calculated residual value over the calculated utilization period, as follows:

- Vehicles 3 years
- Inventories 5 years
- Production equipment 12-15 years
- Improvement expenses for third party's property 20 years

The residual values and utilization period of the assets are reviewed at every balance-sheet date and are adjusted as required. A carrying amount of an asset is immediately depreciated to its recoverable amount if the carrying amount exceeds its estimated recoverable amount.
Profits and losses from disposals are established by a comparison between the sales revenue and the carrying amount and are recognized in Other operating income or Other operating expenses.

Intangible assets
Capitalized development costs
Expenditures for research are written off immediately. Development costs which are attributable to production and tests of novel or improved products, are capitalized to the extent that they are expected to generate future economic benefits. Depreciation is made on a straight-line basis over the period that the expected benefits are expected to generate earnings for the company, which is from the date that commercial sale to final customers is commenced. The utilization period for such capitalized development costs is estimated to be at most 10 years.

Pharmaceuticals in development pass through two stages, the preclinical stage and the clinical stage. In the preclinical stage, pharmaceutical candidates are selected from possible future pharmaceuticals. The priorities which govern the selection are demand and profitability. Furthermore, the production process for the novel pharmaceutical to a test version and studies of the pharmaceutical for specificity, efficacy and safety are included. The work in this phase is concluded with submission of an IND (Investigative New Drug) application to the authorities in order to obtain permission to test the pharmaceutical on humans. When an application has been approved, the process continues in the clinical stage. This stage can be divided into four phases: in Phase I, the pharmaceutical is tested on healthy volunteers; in Phase II, the pharmaceutical is tested on a group of people with the disease the pharmaceutical is intended to treat; and in Phase III, the pharmaceutical is tested on a larger group of patients whereby both efficacy and safety and studied. Corresponding methods are used for pharmaceuticals for veterinary use. After market launch of the final product, rare side-effects are studied in Phase IV.

The company has adopted the principle of capitalizing development costs in Phase III for two pharmaceutical candidates for which all conditions for capitalization have been fulfilled. Other development costs are written off as they arise. Development costs previously written off are not carried forward as assets in later periods.

Other intangible assets
Oasmia has repurchased licensing and distribution rights from a previous licensee, which is recognized as an intangible asset. There was no depreciation. At each balance sheet date, the Group assesses whether or not the reclassification of current assets is warranted.

The Group capitalizes fees to authorities for patents and sales rights to the extent they are expected to generate future economic benefits. They are recognized at acquisition cost, reduced by the accumulated amortizations. Amortization is performed on a straight-line basis in order to distribute the cost over the estimated utilization period. The amortization periods applied are as follows:

- Patents 20 years
- Sales rights 5 years

The capitalized patent expenses comprise registration costs such as initial expenses for e.g. authorities and legal fees. Sales rights comprise fees to authorities for the right to sell parallel-imported pharmaceuticals.

Inventories
The inventory is recognized at the lowest of acquisition cost and net realizable value. The acquisition cost is established by using the first in, first out method (FIFO). The acquisition cost consists of purchase costs and costs of own work. The net realizable value is the estimated sales price in the operating activities, with deductions for applicable variable sales expenses.

Impairment of non-financial assets
The capitalized development costs which are not yet current are not depreciated, but are instead evaluated annually for any impairment needs. The Group performs an estimation of the expected utilization period of the assets at every financial statement. If there are indications of that an asset's value has diminished, the Group establishes the recoverable amount of the asset. This amount is the highest net realizable value of the asset, with deductions for sales costs and its value in use. The asset is depreciated by the amount by which the carrying amount of the asset exceeds the recoverable amount. In order to establish the impairment need, the assets are grouped into cash generating units, which is the smallest group of assets that enables positive cash flows that are essentially independent of the cash flow from other assets or groups of assets. The Group presently has no assets with indeterminable utilization periods.

Financial instruments
The Group's financial instruments comprise trade receivables, derivative instruments, other current receivables, certain accrued income, liquid assets, borrowing, liabilities to credit institutions, trade payables, other current liabilities and certain accrued expenses. With the exception of derivative instruments, all Oasmia's financial instruments are recognized at acquisition cost with the addition of transaction costs. The classification of the items in the balance sheet is disclosed in note 19.

Trade receivables
Trade receivables are initially recognized at fair value and thereafter at amortized cost with application of the effective interest method, reduced by any impairment provision. A provision for impairment of trade receivables is made when there is objective evidence that the Group will not be able to receive all amounts which are due according to the initial terms of the claims. Significant financial difficulties of the debtor, a risk that the debtor will become bankrupt or undergo a financial reconstruction, and cancelled or delayed payments (more than 30 days overdue) are considered to be indicators that there is need to write down a trade receivable. The size of the provision is determined by the difference between the carrying amount of the asset and the present value of future estimated cash flow, discounted at the original effective interest rate. The recognized value of the asset is reduced by the utilization of a depreciation account and the loss is recognized in the income statement in the item Other external expenses. When a trade receivable cannot be collected, it is written off against the depreciation account for trade receivables. Recycling of amounts previously written off is credited to Other operating income in the income statement.

Liquid assets
Liquid assets include cash and bank balances. Utilized credit facilities are recognized as Liabilities to credit institutions in the balance sheet.

Borrowings
Borrowings are initially recognized at fair value, net after transaction costs. Borrowings are thereafter recognized at accrued acquisition value and any difference between the amount received (net after transaction costs) and the repaid amount is recognized in the income statement, distributed over the term of the loan, by applying the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone payment of the liability for at least 12 months after the balance-sheet date. The Group has a credit line from the principal owner Aleco International S.A. The utilized part of this is recognized as a current liability.

Trade payables
Trade payables are initially recognized at fair value and thereafter at accrued acquisition value by applying the effective interest rate method.

Impairment of financial assets

The value of financial assets is reviewed as of every reporting date. If there are indications that an asset has depreciated in value, the recoverable amount is tested. The recoverable amount for assets belonging to the category "Loan receivables and trade receivables", which are recognized at the amortised acquisition costs, is calculated as the present value of future cash flow, discounted at the effective interest rate which applied with the asset was recognized for the first time. Assets with a short term to maturity are not discounted. An impairment write-down will affect the income statement.

Share capital
Common stock is classified as equity. Transaction costs which can be attributed directly to new share issues or options are recognized, net after tax, in equity as a deduction of the issue payment.

Deferred income tax
Deferred taxes are recognized according to the balance sheet method, on temporary differences which arise between the taxation value of assets and liabilities and their carrying amounts in the consolidated accounts. The deferred tax is not recognized if it arises as a result of a transaction which comprises the first recognition of an asset or liability which is not an business combination and which, at the time of the transaction, does not affect the recognized or fiscal result. Deferred income tax is calculated by applying tax rates (and tax laws) which have been decided or announced as of the balance-sheet date and which are expected to apply when the deferred tax asset concerned is realized or the deferred tax liability is paid.

Deferred tax assets are recognized to the extent that there are convincing reasons that a future fiscal surplus will be available, against which the temporary differences can be used.

Remuneration to employees
Current remuneration
Current remuneration to employees is calculated without discounting and is recognized as an expense when the services concerned services are obtained.

Pension obligations
The Group companies have no pension obligations.

Severance pay
Severance pay is awarded when notice is given to an employee by the Group before normal pension date, or when an employee accepts voluntary resignation in exchange for such payments. The Group recognizes severance pay when it is obliged either to give notice to the employee according to a detailed formal plan without the possibility of recall, or to pay remuneration when notice is given as a result of an offer made to encourage voluntary resignation. Benefits which are due more than 12 months after the balance-sheet date are discounted to the present value.

Revenue recognition
Revenues comprise the fair value of what is received or will be received for sold goods and services in the activities of the Group. Revenue is recognized without value added tax, and after elimination of inter-Group sales. The Group recognizes revenue when the amount can be measured in a reliable way, it is likely that future economic benefits will accrue to the company and certain criteria have been fulfilled for each of the business activities of the Group described below.

a) Sales of self-developed pharmaceuticals
The Parent Company Oasmia Pharmaceutical AB conducts sales of pharmaceuticals before they are registered. It is called compassionate use, but consists of delivery and invoicing of products according to a price list. Delivery and invoicing is performed at the same time and the revenue is recognized at this time. Sales of pharmaceuticals before they are registered can occur in the following two cases. In the first case, the buyer is a hospital pharmacy or veterinary clinic where our clinical trials are conducted. In the second case the buyer is a clinic which has decided to test a pharmaceutical (in cancer treatment) which is not yet approved, because the registered pharmaceuticals have not performed well.

(b) License revenue
The Parent Company signs licensing and distribution agreement with other companies for the rights to market and sell Oasmia's pharmaceutical candidates in different world regions. Licensing and distribution agreements contain milestone payments and royalties from sales. As a rule, milestone payments are recognized as revenue when licensing has been agreed and other criteria according to agreements have been fulfilled by Oasmia. However, each item will be assessed individually with regard to any factor of uncertainty that can entail a risk of repayment in full or in part, if a current license agreement may include such a clause. When such factors of uncertainty have been eliminated the amount is recognized as intact.
Royalties are hereafter recognized as revenue in step with recognized sales.

Leasing
Leasing whereby a significant part of the risks and benefits of ownership is retained by the lessor is classified as operational leasing. Payments made during the lease term (after deduction of any incentives from the lessor) are carried as an expense in the income statement on a straight-line basis over the term of the lease. The company has no financial leasing

Dividends
Dividends to the Parent Company's shareholders are recognized as liabilities in the Group's financial statements in the period when the dividend is approved by the Parent Company's shareholders.

Cash flow
Cash flow statements are established in accordance with the indirect method.

Parent Company accounting policies

The Parent Company's accounts are presented in accordance with the Annual Accounts Act (1995:1554) and the recommendation RFR 2 Accounting for legal entities, issued by the Swedish Financial Reporting Board. RFR 2 states that in the annual report for the legal entity the Parent Company shall apply all IFRS and announcements adopted by the EU as far as possible within the framework of the Annual Accounts Act, and with regard to the connection between accounting and taxation. The recommendation lists which exceptions and additions are to be made from IFRS.

The differences between the accounting policies of the Group and the Parent Company are described below. In accordance with p. 3 of RFR 2 concerning IAS 39, the company has chosen not to apply the Annual Accounts Act chapter 4, 14§ sections a-e, which allows for an estimation of certain financial instruments at fair values. The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements.

Changes in accounting principles 2011/12

Group contributions and shareholder contributions
The council for financial reporting has withdrawn UFR 2 Group contributions and shareholder contributions. Group and shareholder contributions are RFR 2. This change has no impact on the financial statements.

Classification and presentation forms
The Parent Company uses the terms Balance Sheet, Changes in Equity and Cash Flow Analysis for the reports that in the Consolidated Accounts are named the Report on Financial Position, Report on Changes in Equity, and Report on Cash Flows.
The form of presentation of the Parent Company's income statement and balance sheet is based on the table presented in the Annual Accounts Act, which entails differences compared to the Consolidated Report, as the presentations based on IAS 1, Presentation of Financial Statements, are mainly applicable to the classification of equity and the naming of certain items.

Revenues
Dividends
Dividend revenue is recognized when the right to receive payment is judged to be safe.

Participation in group companies and shareholder contribution for legal entities
Shareholder contributions are accounted for as equity by the recipient and as an increase of participations in group companies by the suppler. Group contributions from parent company to a subsidiary is accounted for as an increase of participations in group companies by the parent or, depending on the relation between accounting and taxation, in the income statement. Group contributions from subsidiary tp parent is accounted for as a financial revenue in the parent company.

Note 3 Financial risk management

The Group is exposed to various financial risks. In the Group´s finance policy, continuous identification and management of these risks are included. The Group is also exposed to operational risks, which is more closely described in the Administration Report, pages 25-27

The key financial risks are:

- Financing and liquidity risks
- Capital risk
- Currency risk
- Price risk
- Interest rate risk
- Credit and counterparty risks

Below the extent of the Group's exposure to these risks and how the risks are managed are described.

Financing and liquidity risk
Financing risk is the risk that financing of Oasmia's capital requirement and refinancing of utilized credit facilities become difficult, impossible or more expensive. Liquidity risks concern situations where liquid assets may not be sufficient for the operations that the company has planned. The Group is exposed to these risks because the current business activities have a very fluctuating cash flow, from operations and from investments. The Group manages these risks via a continuous high activity level within the areas of financing via equity, agreements on credit lines and licensing. Short term liquidity is secured by a liquidity reserve, the unutilized part of confirmed credit lines, and the unutilized part of standby equity distribution agreements (SEDA).

The table below depicts the utilized credit amounts with the Bank as of the balance-sheet date (TSEK)

	2012-04-30			2011-04-30		
Counter party Bank	Credit limit	Utilized amount	Liquidity reserve	Credit limit	Utilized amount	Liquidity reserve
	5 000	3 197	1 803	5 000	0	5 000

The table below depicts the financial liabilities of the Group, divided after the time remaining from the balance-sheet date to the agreed due date (TSEK).

As of April 30, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	3 197	-	-	-
Trade payables and other borrowings[1]	27 272	-	-	-
Borrowings	29 600	-	-	-

As of April 30, 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Trade payables and other borrowings[1]	10 775	-	-	-

[1] Trade payables and other liabilities consist of Trade payables, Other current liabilities and Accrued expenses and prepaid income.
[2] Borrowings consisted of loans from Nexttobe AB and credit utilized by Oasmia's principal owner (note 27).

The Group recognizes Other non-current liabilities of TSEK 16 264 (15 373), which consists of prepaid income attributable to two licensing and distribution agreements. TSEK 15 373 may be reimbursed if Oasmia does not receive market registration for Paccal® Vet in USA/Canada before May 1, 2014 and TSEK 891 may be reimbursed if Oasmia does not receive marketing approval for Paclical® in EU before the end of 2015 (note 24).

Capital risk
Capital risk is connected to situations where the capital structure is different to what is optimal. With an optimal structure, the cost of capital is kept at low level and a return can be generated to shareholders. The Group is exposed to such risk because of a very fluctuating cash flow. The capital structure can be judged from the debt/equity ratio. The debt/equity ratio as of April 30, 2012 was 11 % (0).

The table below shows the Group's debt/equity ratio (definitions, note 33) on the closing date.

	2012-04-30	2011-04-30
Total borrowing [1]	32 797	0
Deducted liquid assets	-2 028	-51 895
Net liability	30 769	-51 895
Total equity	273 474	294 171
Debt/equity ratio	11%	0%

[1]Containing the balance sheet items short-term and long-term borrowing and liabilities to credit institutions.

Currency risk
Currency risks arise when future business transactions or recognized assets or liabilities are expressed in a currency which is not the functional currency of the company, which is SEK. The Group makes current payments in EUR, USD and CZK, but only very few payments have been received in these currencies during the last two financial years. Currency risks are handled by limiting the number of trading currencies and seeking to minimise the net exposure in each currency as far as possible. Both of these situations can be affected by Oasmia's choice of contract currency with business partners. There is no regular forward hedging as the currency exposure is dominated by the purchased product development services, which are very irregular and difficult to plan.

Price risk
Price risks consist of changes in purchase prices from suppliers for the raw materials used to produce pharmaceuticals. By far the majority of these raw materials are purchased in the currencies EUR, USD and CZK, so that the underlying prices can vary. Oasmia usually has several alternative suppliers of these raw materials to choose between and uses the opportunities to exert price pressure that are available in the current competitive situation.

Interest rate risk
Interest rate risk is connected to changes in market rates that have an influence on the Group´s net financials. The Group has an interest rate risk on utilising credit facilities where the utilized amount is exposed to variable interest rates. The Group does not continuously utilize such credit facilities, and does so only for relatively small amounts. If the variable interest rates had been 1,0 percent higher/lower with all other variables constant, net income would as of April 30, 2012 would have been TSEK 32 (0) lower/higher, as a result of recalculated utilized bank credits. The credit facility available to Oasmia from Alceco International S.A carries a fixed interest rate of 5% on utilization, and therefore does not entail any interest rate risk. The Group does not have any significant interest-bearing assets so that there is no such interest rate risk.

Credit and counterparty risks
Credit and counterparty risks are connected to the risk of loss if a counterparty does not fulfil its obligations Group revenues are received from only a few customer and partners, where sales are mainly to Poteet in Sweden and license revenues are received from a few corporations selected by Oasmia. These counterparties have good credit ratings, so that the credit and counterparty risks are assessed to be very low.

Note 4 Important estimates and assessments for accounting purposes

Estimates and assessments are continuously reviewed and based on historical experience and other factors, including expectations of future events which are considered reasonable in the current circumstances.

Important estimates and assessments for accounting purposes
The Group makes estimates and assessments about the future. The resulting estimates for accounting purposes will be definition seldom correspond to the actual result. The estimates and assessments that entail a considerable risk of significant adjustments in the carrying amounts for assets and liabilities in the next financial year are listed below.

(a) Impairment test for intangible assets
The capitalized development costs for the financial year amounted to TSEK 63 282 (86 049). The company annually performs an assessment of whether there is a need for impairment of the capitalized development cost. Oasmia has made the judgment that there is no need for impairment since registration of the two pharmaceutical candidates that are capitalized lies within the foreseeable future, and the expected future profits motivate the value of the assets. If these products are not approved, or the probability of approval is diminished, the capitalized expenditures would be carried as expenses. As of April 30, 2012 the capitalized expenditures amounted to 106 % (77) of the equity at the same time.

The Group annually evaluates whether a need for impairment exists for all intangible assets, in accordance with the accounting policies described in note 2.

(b) Licensing revenues
The Parent Company enters into licensing and distribution agreements with other companies. Such agreements include certain milestone payments with a risk of repayment, depending on success in product development and registration. The Parent Company continuously evaluates whether such conditions have changed, been eliminated or been realized, in accordance with the accounting principles described in note 2.

(c) Taxes
The Group companies have so far shown negative fiscal results as significant fiscal deficits exist in the Group. There are presently no convincing reasons that fiscal surpluses will exist in the future to defend a capitalization of the deficits. Accumulated fiscal deficits in the group are described in note 25.

Important judgments when applying the company's accounting policies
The Group capitalizes development costs for two pharmaceutical candidates for which the Group assesses that all criteria for capitalization are fulfilled. If the Group should make the judgment that all capitalization criteria are no longer fulfilled, these assets would be written off against the Group profit.

The Group capitalizes expenditures for patents and sales rights because they are expected to generate future economic benefits. If the Group should make the judgment that they will no longer generate future economic benefits, these assets would be written off against the Group's profit. The Group has repurchased a licensing and distribution rights from a previous licensee in order to sell them to another licensee. The original transaction has shown that these rights had a market value which was significantly higher than that of Oasmia's repurchase. If it turns out that the market value is lower than the carrying amount, the difference will be written off. Licensing and distribution rights are recognized as an intangible asset. At each closing date, the Group assesses whether the reclassification of current assets should occur. This will be done when all criteria for classifying the rights as being for sale, are met.

Note 5 Net sales per revenue category

At present the Group has just one segment why no segment information is disclosed. Group information is disclosed below.

Sources of revenue

	The Group		The Parent Company	
	2011-05-01	2010-05-01	2011-05-01	2010-05-01
TSEK	-2012-04-30	-2011-04-30	-2012-04-30	-2011-04-30
License revenues	891	-	891	-
Net sales of pharmaceuticals	-	106	-	106
Total	891	106	891	106

The Group is headquartered in Sweden. Revenue from external customers in Sweden amounted to 0 TSEK (106). Revenue from external customers in other countries amounted to 891 TSEK (-) and concerned the licensing revenue from an individual customer.

Current assets located in Sweden amounted to 341 892 TSEK (263 430) and assets located in other counties amounted to 1 689 TSEK (-).

Note 6 Capitalized development costs

Total for the Group and Parent Company

	2011-05-01 - 2012-04-30		
TSEK	Paclical®	Paccal® Vet	Total
Opening balance acquisition value	145 858	81 051	226 909
Capitalized expenditures for the year	63 282	0	63 282
Closing balance accumulated acquisition value	209 140	81 051	290 191
Opening balance accumulated depreciation	-	-	0
Depreciation for the year	-	-	0
Closing balance accumulated depreciation	0	0	0
Closing balance carrying amounts	209 140	81 051	290 191

Research and development costs which are not capitalized amounted to TSEK 38 748 (35 105)

	2010-05-01 - 2011-04-30		
TSEK	Paclical®	Paccal® Vet	Total
Opening balance acquisition value	76 227	64 633	140 860
Capitalized expenditures for the year	69 631	16 418	86 049
Closing balance accumulated acquisition value	145 858	81 051	226 909
Opening balance accumulated depreciation	-	-	0
Depreciation for the year	-	-	0
Closing balance accumulated depreciation	0	0	0
Closing balance carrying amounts	145 858	81 051	226 909

Note 7 Other operating income

	The Group		The Parent Company	
TSEK	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
State support (new start jobs)	110	245	110	245
Exchange rate losses on trade receivables	-6	-	-6	-
Deleted prescribed debt	-	24	-	-
Total	104	269	104	245

Note 8 Inventories

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Acquisition value				
Raw materials	290	-	290	-
Total	290	0	290	0

There have been no inventory expenses nor have there been write-offs of inventory during the year (last year 94 thousand was written off).

Note 9 Remuneration to auditors

	The Group		The Parent Company	
TSEK	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Ernst & Young AB				
Auditing	325	370	325	370
Audit activities in addition to auditing	75	158	75	158
Tax consulting	4	-	4	-
Other services	3	-	3	-
Total	407	528	407	528

Audit concerns reviews of the Annual Report, accounting records, and the management by the Board of Directors and CEO, and other tasks that the company's auditors are required to undertake. Audit activities in addition to auditing include review of interim reports and quality assurance services in connection with share issues and stock-exchange prospectus.

Note 10 Leasing

The Group has no financial leasing agreements, but has operational leasing agreements that primarily consist of leases for facilities. There are no variable fees. The future minimum lease payments for operational leases are as follows (TSEK).

Fiscal year	Operational leasing
2012/2013	4 275
2013/2014	4 775
2014/2015	4 775
2015/2016	4 775
2016/2017	4 775
Total	23 375

Leasing costs (minimum lease payments) were TSEK 4 229 (3 887) for the fiscal year.

Note 11 Employees and remuneration

	The Group		The Parent Company	
	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Average number of employees per gender:				
Women	37	37	37	37
Men	34	29	34	29
Total	71	66	71	66
Salaries and remuneration amounted to (TSEK)				
Board of Directors	864	220	864	220
CEO and other senior executives	3 303	2 967	3 303	2 967
Other employees	27 660	25 749	27 660	25 749
Total salaries and remuneration	31 827	28 936	31 827	28 936
Social security contributions by law and agreement	9 141	8 467	9 141	8 467
Total salaries, remuneration and social security	40 968	37 403	40 968	37 403

Salaries and remuneration to the Board of Directors and other senior executives

TSEK	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Chief Executive Officer Julian Aleksov	1 111	837
Chairman of the Board Björn Björnsson [1]	49	33
Member, Bo Cederstrand	150	63
Member, Peter Ström [2]	50	63
Member, Claes Piehl [2]	50	63
Chairman of the Board Joel Citron [3]	125	-
Member, Jan Lundberg [4]	151	-
Member, Martin Nicklasson [4]	164	-
Member, Horst Domdey [4]	125	-
Other senior executives (3 persons)	2 192	2 131
Total	4 167	3 188

[1] Resigned from his position as member and Chairman of the Board September 30, 2011
[2] Resigned from position September 30, 2011
[3] Elected as member and Chairman of the Board September 30, 2011
[4] Was elected Member September 30, 2011

Senior executive's benefits

Board of Directors and Board committees
Remuneration of the Chairman of the Board of Directors and Board members is adopted by the Annual General Meeting. There is no remuneration for participation in the nomination committee. Remuneration to Björn Björnsson is invoiced through a wholly owned Björn Björnsson company, Konsult AB; Joel Citron invoiced through wholly-owned company, Miankoma Partners; Jan Lundberg invoiced through wholly-owned company Rekonstructa AB; Martin Nicklasson invoiced through wholly-owned company Nicklasson Life Science AB in accordance with

policy generated from the Annual General meeting and by special arrangement with Oasmia Pharmaceutical AB. Except what is described in Transactions with senior management in note 31, no other remuneration such as salary, pension premium or other benefits have been paid.
Chief Executive Officer
Remuneration of the CEO consists of a fixed salary. The remuneration is reviewed annually on April 1. If a termination notice is given by the employer, a 24 month term of notice applies. If a termination notice is given by the CEO, the term of notice is 6 months.

Terms of employment for other senior executives
Remuneration to other senior executives consists of a fixed salary and statutory pension and insurance benefits. The salaries are reviewed annually as of April

Gender profile of the corporate management

	2012-04-30		2011-04-30	
	Number on closing date	Of whom men	Number on closing date	Of whom men
The Group				
Members of the Board of Directors	6	6	5	5
CEO and other Senior executives	4	3	4	3
The Parent Company				
Members of the Board of Directors	6	6	5	5
CEO and other senior executives	4	3	4	3

Health care and medical care
The Group has an agreement with a corporate healthcare provider for regular health assessment of all staff. There are no other health benefits for the employees in addition to this.

Note 12 Property, plant and equipment

Property, plant and equipment consists of vehicles, equipment, production equipment and leasehold improvements

	The Group 2011-05-01 - 2012-04-30					
TSEK	Vehicles	Equipment	Production plant	Leasehold improvements	Advanced payments for machinery and equipment	Total
Opening balance acquisition value	148	17 695	16 613	8 112	-	42 567
Capital expenditures for the year	-	1 001	-	73	1 839	2 914
Closing balance accumulated acquisition value	148	18 696	16 613	8 185	1 839	45 481
Opening balance accumulated depreciation	-148	-8 127	-5 785	-1 265	-	-15 325
Depreciation for the year	-	-2 796	-982	-390	-	-4 168
Closing balance accumulated depreciation	-148	-10 924	-6 766	-1 655	0	-19 493
Closing balance carrying amounts	0	7 772	9 846	6 530	1 839	25 988

	The Group 2010-05-01 - 2011-04-30					
TSEK	Vehicles	Equipment	Production plant	Leasehold improvements	Advanced payments for machinery and equipment	Total
Opening balance acquisition value	148	11 019	16 613	4 466	-	32 246
Capital expenditures for the year	-	6 676	-	3 645	-	10 321
Closing balance accumulated acquisition value	148	17 695	16 613	8 112	0	42 567
Opening balance accumulated depreciation	-148	-5 659	-4 801	-973	-	-11 582
Depreciation for the year	-	-2 468	-984	-292	-	-3 743
Closing balance accumulated depreciation	-148	-8 127	-5 785	-1 265	0	-15 325
Closing balance carrying amounts	0	9 568	10 828	6 847	0	27 243

The Parent Company 2011-05-01 - 2012-04-30

TSEK	Vehicles	Equipment	Production plant	Leasehold improvements	Advanced payments for machinery and equipment	Total
Opening balance acquisition value	148	17 695	16 613	8 112	-	42 567
Capital expenditures for the year	-	1 001	-	73	1 839	2 914
Closing balance accumulated acquisition value	148	18 696	16 613	8 185	1 839	45 481
Opening balance accumulated depreciation	-148	-8 127	-5 785	-1 265	-	-15 325
Depreciation for the year	-	-2 796	-982	-390	-	-4 168
Closing balance accumulated depreciation	-148	-10 924	-6 766	-1 655	0	-19 493
Closing balance carrying amounts	0	7 772	9 846	6 530	1 839	25 988

Parent company 2010-05-01 - 2011-04-30

TSEK	Vehicles	Equipment	Production plant	Leasehold improvements	Advanced payments for machinery and equipment	Total
Opening balance acquisition value	148	11 019	16 613	4 466	-	32 246
Capital expenditures for the year	-	6 676	-	3 645	-	10 321
Closing balance accumulated acquisition value	148	17 695	16 613	8 112	0	42 567
Opening balance accumulated depreciation	-148	-5 659	-4 801	-973	-	-11 582
Depreciation for the year	-	-2 468	-984	-292	-	-3 743
Closing balance accumulated depreciation	-148	-8 127	-5 785	-1 265	0	-15 325
Closing balance carrying amounts	0	9 568	10 828	6 847	0	27 243

Note 13 Other intangible assets

Other intangible assets consist of costs for patents, marketing rights, self-owned licensing and distributions rights, and sales rights.

	The Group		The Parent Company	
TSEK	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Opening balance acquisition value	17 048	14 974	16 060	13 768
Capitalized expenditures for the year	19 018	2 292	19 018	2 292
Disposals	-120	-218	-	-
Closing balance accumulated acquisition value	35 946	17 048	35 078	16 060
Opening balance accumulated depreciation	-7 772	-6 926	-6 880	-6 137
Depreciation for the year	-893	-931	-819	-743
Disposals	120	85	-	-
Closing balance accumulated depreciation	-8 546	-7 772	-7 699	-6 880
Closing balance carrying amounts	27 400	9 276	27 378	9 180

Note 14 Currency differences - net

Currency differences are recognized in the income statement as follows:

	The Group		The Parent Company	
TSEK	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30	2011-05-01 -2012-04-30	2010-05-01 -2011-04-30
Other operating income	-6	-	-6	-
Raw materials, consumables and goods for resale	-258	129	-258	130
Financial items, net	27	14	27	15
Total	-237	144	-237	144

Note 15 Operating income

Operating income for the fiscal year 2011-05-01 – 2012-04-30 was TSEK -65 536 (TSEK -64 353). Of the Group's recognized expenses of TSEK 129 813 (150 778), TSEK 63 282 (86 049) was reported as capitalized development costs.

Note 16 Financial income and expenses

	The Group		The Parent Company	
	2011-05-01	2010-05-01	2011-05-01	2010-05-01
TSEK	-2012-04-30	-2011-04-30	-2012-04-30	-2011-04-30
Financial revenues:				
Interest revenues in bank accounts	331	464	331	463
Currency differences in bank accounts	32	20	32	20
Total	363	484	362	483
Financial expenses:				
Interest expenses on utilized credits and other interest expenses	-492	-2 091	-491	-2 091
Currency differences for bank accounts	-5	-6	-5	-6
Total	-497	-2 097	-495	-2 097

Not 17 Taxes

All Group companies have their fiscal domicile in Sweden, where the tax rate for the 2011/12 fiscal year is 26,3 % (26,3 %). The income tax on Group earnings before tax is shown in the table below:

	The Group		The Parent Company	
	2011-05-01	2010-05-01	2011-05-01	2010-05-01
TSEK	-2012-04-30	-2011-04-30	-2012-04-30	-2011-04-30
Income before taxes	-65 670	-65 967	-65 823	-65 998
Non-taxable revenues	-1	-1	-1	-
Non-deductible expenses	141	134	141	134
Write-down of participation in Group companies	-	-	390	578
Income tax according to current tax rates in Sweden	-17 234	-17 314	-17 172	-17 170
Taxable deficits for which no deferred tax is recognized*	17 234	17 314	17 172	17 170
Tax expenses	0	0	0	0

*The Group's accumulated deficit is reported in Note 25

Note 18 Earnings per share

Earnings per share are calculated by dividing the profit attributable to equity holders in the Parent Company by a weighted number of ordinary shares outstanding during the period. Earnings per share are calculated before and after dilution, since there are no potential ordinary shares outstanding that would lead to a dilution effect.

	The Group	
	2011-05-01	2010-05-01
	-2012-04-30	-2011-04-30
Earnings contributable to equity holders in the Parent Company (TSEK)	-65 670	-65 960
Weighted average number of ordinary shares outstanding (thousands)*	54 660	44 061
Earnings per share (SEK per share)*	-1,20	-1,50

* Recalculation of historical values has been made with respect to capitalization issue elements in the rights issues carried out in the third quarter of 2010/11.

Note 19 Financial instruments by category

The accounting policies for financial instruments have been applied to the items below:

The Group April 30, 2012

TSEK	Loans and trade receivables	Other financial liabilities	Total
Financial assets			
Other current receivables	2 141	-	2 141
Accrued income	23	-	23
Liquid assets	2 028	-	2 028
Total financial assets	4 191	0	4 191
Financial liabilities			
Borrowing	-	29 600	29 600
Liabilities to credit institutions	-	3 197	3 197
Trade payables	-	10 281	10 281
Other current liabilities	-	10 811	10 811
Accrued expenses and prepaid income	-	6 180	6 180
Total financial liabilities	0	60 069	60 069

The Group April 30, 2011

TSEK	Loans and trade receivables	Other financial liabilities	Total
Financial assets			
Other current receivables	2 141	-	2 141
Accrued income	131	-	131
Liquid assets	51 895	-	51 895
Total financial assets	54 168	0	54 168
Financial liabilities			
Trade payables	-	3 831	3 831
Other current liabilities	-	1 399	1 399
Accrued expenses and prepaid income	-	5 545	5 545
Total financial liabilities	0	10 775	10 775

Note 20 Trade receivables, Prepaid expenses and accrued income

The book value of trade receivables represents the fair value, since no reservations have been necessary for uncertain trade receivables

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Trade receivables	-	-	-	-
Prepaid expenses and accrued income	2 161	2 853	2 084	2 748
Total	2 161	2 853	2 084	2 748

Prepaid expenses and accrued income consist of the following:

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Prepaid rent	690	670	690	670
Prepaid leasing fees	11	73	11	73
Prepaid insurance premiums	296	100	296	100
Other prepaid expenses	1 143	1 879	1 066	1 774
Accrued interest income	23	131	23	131
Total	2 161	2 853	2 084	2 748

Note 21 Other current receivables

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Tax account	32	26	31	26
VAT receivable	1 694	2 102	1 694	2 101
Receivable on supplier	-	6	-	6
Receivable on employer	21	7	21	7
Summa	1 747	2 141	1 746	2 140

Note 22 Liquid assets

Liquid assets consist of bank balances.

Note 23 Share capital

Specifications of changes in equity are presented in this report for the Group and the Parent Company, after their respective statements of financial position. The total number of shares as of 2012-04-30 was 57 240 631 type A (52 079 341 as of 2011-04-30) with a quota value of SEK 0,10 per share. All issued shares are fully paid for. The development in the number of shares since 2010-05-01 is shown below.

	Number of shares	Share capital (SEK)
UB 2010-04-30	37 612 858	3 761 286
2010 Rights issue	14 466 483	1 446 648
UB 2011-04-30	52 079 341	5 207 934
2011 Directed new issue*	5 161 290	516 129
UB 2012-04-30	57 240 631	5 724 063

* Restricted to a small number of institutional players and other major investors

.

Note 24 Other non-current liabilities

The Group and the Parent Company recognize Other non-current liabilities of TSEK 16 264 (15 373) which consists of prepaid income derived from two licensing and distribution agreements. The first agreement was signed in July 2009 with Abbott Laboratories regarding Paccal® Vet in USA and Canada. Under the agreement, 2 MUSD, equivalent to TSEK 15 373, of the 5 MUSD obtained as a milestone payment would be recovered if Oasmia did not receive marketing approval for Paccal® Vet in USA and Canada before May 1, 2014. The second agreement was signed in May 2011 with Medison Pharma Ltd. regarding Paclical® in Israel and Turkey. Under the agreement, tEUR100, equivalent to TSEK 891, of the tEUR 200 obtained in a first milestone payment, would be recovered if Oasmia did not receive marketing approval for Paclical® in the EU by the end of 2015.

Not 25 Deferred taxes

The Group has accumulated losses for tax purposes as of April 30, 2012 amounting to TSEK 228 336 (162 806). These are not subject to limitations in time and are deductible against future gains. Of the total losses carried forward for the Group, TSEK 17 881 (17 881) prohibited to be utilized via Group contributions. This prohibition will lapse as from the 2014 tax return. There are currently no arguments convincing enough that there will be future profits for tax purposes to justify the capitalization of tax losses carried forward as an asset. Accumulated losses for tax purposes carried forward in the Parent Company amounted to TSEK 218 900 (153 607) as of April 30, 2012.

Note 26 Liabilities to credit institutions

Approved credit facilities amount to TSEK 5 000 (5 000) in the Group and the Parent Company.
Utilized credits are described in the table below.

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Bank overdrafts	3 197	-	3 197	-
Total	3 197	0	3 197	0

Not 27 Borrowing

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Short term				
Utilized credit	4 600	-	4 600	-
Loan	25 000	-	25 000	-
Total	29 600	0	29 600	0

Utilized credit consists of the utilized portion of the credit provided by Aleco International SA (note 31). The interest rate on the utilized amount is 5 %. The loan relates to loans obtained from Nexttobe AB that are subject to a 5% interest rate.

Note 28 Other current liabilities

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Employee withholding taxes and social security	1 688	1 399	1 688	1 399
Repurchase of licensing and distribution rights	9 123	-	9 123	-
Total	10 811	1 399	10 811	1 399

Note 29 Accrued expenses and prepaid income

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Accrued vacation pay	4 475	3 878	4 475	3 878
Accrued social security contributions	1 406	1 219	1 406	1 219
Accrued interest expenses	298	-	298	-
Other items	-	448	-	448
Total	6 180	5 545	6 180	5 545

Note 30 Contingent liabilities and pledged assets

Contingent liabilities
The Group and the Parent Company had no contingent liabilities during the period.

Pledged assets
The Parent Company is subject to a mortgage charge of TSEK 8 000 (8 000), to a bank as security for an overdraft facility of TSEK 5 000 (5 000) and as the limit for a foreign currency derivative of TSEK 3 000 (3 000).

	The Group		The Parent Company	
TSEK	2012-04-30	2011-04-30	2012-04-30	2011-04-30
Mortgage charge	8 000	8 000	8 000	8 000
Total	8 000	8 000	8 000	8 000

Note 31 Transactions with related parties

Group Companies
The Group comprises the parent company Oasmia and its subsidiaries Oasmia Global Supplies Ltd (formerly Qdoxx Pharma AB) and Oasmia Animal Health Ltd (formerly GlucoGene Pharma AB). The subsidiaries are under the controlling influence of the parent company and are regarded as related parties. The Parent Company's holding of shares in subsidiaries appears in Note 32.

Intercompany sales
Over the past two fiscal years there have been no sales between the Parent Company and its subsidiaries.

Transactions with senior management
With regard to salaries and allowances of Board members and senior executives, see Note 11.

Financial loan transactions with related parties
The principal owner Aleco International S.A. has made a credit facility of MSEK 25 (40) available to Oasmia. The credit facility is valid until December 2012, and is renewed automatically for 12 months, unless terminated by one party at the latest 3 months before expiry. The interest on utilized credit is 5 %. As of April 30, 2012 Oasmia has utilized TSEK 4 600 (-) of this credit facility.

During the financial year, Oasmia has contributed working capital and group contribution to the subsidiaries Oasmia Global Supplies AB and Oasmia Animal Health AB. The Parent Company's debt from the subsidiary Oasmia Global Supplies AB amounted to TSEK 55 (89) as of the closing date. Oasmia's debt to the subsidiary Oasmia Animal Health AB amounted to TSEK 205 as of the closing date (in the previous year Oasmia had a debt of around SEK 5 000 to Oasmia Animal Health AB).

Group contributions from Oasmia to Oasmia Supplies AB
In fiscal year 2011/2012 group contributions totaled TSEK 175 (390). See Note 32.

Group contributions from Oasmia to Oasmia Animal Health AB
In the fiscal year 2011/2012 group contributions totaled TSEK 215 (-). See Note 32.

Other transactions with related parties
Ardenia Investment LTD is the owner and proprietor of the patents which form the basis for the activities of the Parent Company. By an agreement between Ardenia and Oasmia, closed in 2001, the rights to these patents have been transferred to Oasmia. Oasmia has no commitments towards Ardenia.

Note 32 Participants in Group Companies

The Parent Company	Swed. org. no.	Domicile	Owner-ship %	Votes %	Book value 2012-04-30	Book value 2011-04-30
Oasmia Global Supplies AB	556609-0154	Uppsala	100	100	100	100
Oasmia Animal Health AB	556519-8818	Uppsala	100	100	10	10
Total					110	110

	The Parent Company	
TSEK	2012-04-30	2011-04-30
Opening balance acquisition value	110	298
Acquisition of participation	-	0
Group contribution	390	390
Closing balance accumulated acquisition value	500	688
Amortization	-390	-578
Closing balance carrying amounts	110	110

During the financial year, amortization of shares in subsidiary Oasmia Global Supplies Ltd corresponded to TSEK 175 (390) and amortization of shares in subsidiary Oasmia Animal Health corresponded to TSEK 215 (188). The purpose of the Group's contributions this year was to cover losses of the subsidiary. The impairment losses are recognized in the consolidated income statement under the heading, Income from shares in group companies.

Note 33 Definitions

Earnings per share: Income for the period attributable to the equity holders of the Parent Company divided by the weighted average number of shares, before and after dilution, in the period.

Equity per share: Equity as a ratio of the number of shares at the end of the period.

Equity/asset ratio: Equity as a ratio of total assets.

Net liability: Total borrowing (comprising the balance sheet items Short-term and Long-term borrowings and Liabilities to credit institutions) with deduction of liquid funds.

Debt/equity ratio: Net liability as a ratio of equity.

Return on total equity: Income before interest expenses pertaining to the average balance sheet total.

Return of equity: Income before tax as a ratio of average equity.

Proposal for allocation of non-restricted equity

The following non-restricted equity is available for distribution by the Annual General Meeting:

Share premium reserve	SEK 457 831 705
Retained earnings	SEK-129 027 586
Income for the period	SEK -65 823 485
Total	SEK 262 980 634

The Board of Directors proposes that the 2012 Annual General Meeting adopts a resolution to dispose of the above amounts as follows:

Carry forward of SEK 262 980 634

Signing of the annual report

The Board of Directors and Chief Executive Officer ensure that the Consolidated Accounts have been presented in accordance with international financial reporting standards, IFRS, as they have been adopted by the EU, and give a true and fair view of the financial position and result of the Group. The Annual Report is presented in accordance with generally accepted accounting principles and gives a true and fair view of the financial position and result of the Parent Company. The Administration Report for the Group and Parent Company gives a true and fair view of the development in the Group and Parent Company's activities, position and result, and describes significant risks and uncertainty factors to which the Parent Company and the companies that are part of the Group are subject.

Income Statements and Balance Sheets will be presented for adoption by the Annual General Meeting on September 24, 2012.

Uppsala, August 23, 2012

Joel Citron, Chairman

Martin Nicklasson, Board member

Jan Lundberg, Board member

Horst Domdey, Board member

Bo Cederstrand, Board member

Julian Aleksov, Board member and CEO

Our audit report was submitted on August 23, 2012
Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

Auditor´s report

To the annual meeting of the shareholders of Oasmia Pharmaceutical AB, corporate identity number 556332-6676

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Oasmia Pharmaceutical AB for the financial year 2011-05-01 - 2012-04-30. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18-50.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 April 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Oasmia Pharmaceutical AB for the financial year 2011-05-01 - 2012-04-30.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Uppsala the 23rd of August 2012

Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

Annual General Meeting 2012

The Annual General Meeting of Oasmia Pharmaceutical AB will be held on September 24, 2012 at 2pm in Oasmia's offices at office building Skeppet, Vallongatan 1, Uppsala.

Registration

Shareholders wishing to participate in the Annual General Meeting must:

- be entered in the share register administered by Euroclear Sweden as of September 18, 2012.
- notify the company of attendance no later than September 20, 2012, specifying the number of assistants.

Notification of attendance

Notification can be made:

- via e-mail to info@oasmia.com
- via post to Oasmia Pharmaceutical AB, Vallongatan 1, 752 28 Uppsala
- via fax at +46 18-51 08 73
- via the company's website: www.oasmia.com

When providing notification of attendance, the shareholder must specify name, social security or company registration number, address, phone number and number of shares. The data received will be processed and used only for the Annual General Meeting 2012.

Participants who use a proxy should send the proxy to the above address before the meeting. Proxy forms are available from Oasmia.

Shares held in trust

In order to be entitled to participate in the Annual General Meeting, shareholders who have their shares held in trust must request that their own name be temporarily entered into the share register. The registration must be implemented by September 18, 2011.

Dividend

The Board of Directors does not intend to propose a dividend for the fiscal year 2011/2012

Contact information

Oasmia Pharmaceutical AB

Organization number: 556332-6676

Vallongatan 1
752 28 Uppsala
Sweden

Tel +46 18-50 54 40
Fax +46 18-51 08 73

info@oasmia.com

www.oasmia.com

History

1990

Private research project about the ageing of the cell is initiated

1999

Oasmia Pharmaceutical AB is founded

2004

Clinical trials with Paclical® begin

2005

Clinical trials with Paccal® Vet begin
The company is listed on the NGM Nordic

2006

Parallel import in Qdoxx Pharma is initiated

Oasmia obtains SME status from EMEA

EMEA grants Paclical® Orphan Drug designation for treatment of ovarian cancer in the EU

2007

Oasmia changes stock list from NGM Nordic to NGM Equity

A license and distribution agreement is signed with Orion Corporation, Finland, concerning Paclical® in the Nordic countries

2008

Clinical Phase III trials with Paccal® Vet and Paclical® commence

Oasmia expands the cooperation with Orion Corporation concerning Paccal® to include all of Europe

2009

A distribution agreement is signed with Abbott Laboratories, U.S., concerning Paccal® Vet in the U.S. and Canada

FDA grants Paclical® Orphan Drug designation for treatment of ovarian cancer in the U.S.

2010

A license agreement is signed with Nippon Zenyaku Kogyo Co. Ltd for Paccal® Vet in Japan

Oasmia changes stock list from NGM Equity to Nasdaq OMX Stockholm

A SEDA-agreement of MSEK 75 is signed with YA Global Master SPV Ltd., U.S

A clinical study shows good tolerance for Doxophos® Vet

Oasmia submits the registration dossier for Paccal® Vet to EMA (for the EU) and FDA (for the U.S.)

2011

Oasmia is listed on the Frankfurt Stock Exchange

An agreement is signed with Baxter Oncology GmbH for large scale manufacturing

Results from the interim analysis shows that Paclical® meets the clinical requirement of equal efficacy as Taxol®

Dictionary

Anthracylines	A type of antibiotics derived from certain fungi. Several anthracyclines are used as cytostatics in cancer treatment.
Cytostatics	Cytotoxins, drugs against tumor disease.
Cytotoxins	Toxic to cells.
EMA	European Medical Agency, Europeiska läkemedelsverket.
EU-5	France, Germany, Italy, Spain, United Kingdom.
Excipient	Platform, carrier molecule.
Pharmacokinetics	The study of the distribution and metabolism over time of a drug or other substance in the body..
FDA	Food and Drug Administration. The US drug regulator.
Hydrophilic	Water soluble.
Hydrophobic	Insoluble in water.
Incidence	Number of diagnosed cases of disease in one year.
Infusion	A route of administering a drug in liquid form. Infusion is often intravenous, i.e. the drug is administered into a vein.
Carboplatin	Chemotherapeutic substance containing the precious metal platinum. Acts as alkylating agent.
Clinical phase	Tests of a drug candidate in humans (in a veterinary context, in animals).
Clinical phase I	During clinical development of a drug the drug is tested in humans for the first time in phase I. The efficacy and safety of the drug is studied in a limited group (25-100 people) of healthy volunteers. The compounds for treatment of cancer that Oasmia is working on constitute an important exception. These candidates are also tested on volunteers but on a patient group that has the disease concerned.
Clinical phase II	A developed study in patients (50-300 people) with the disease against which the intended drug will be used. Study of efficacy and safety.
Clinical phase III	The final phase comprises a larger patient group (300-3.000 people) and the aim is to verify the efficacy and safety and identify any previously observed side effects.
Clinical phase IV	After the market launch the finished drug is monitored with respect mainly to rare side effect symptoms.
Chemotherapy	Treatment of cancer using cytostatics (cytotoxins).
Malignant melanoma	A serious and metastasizing form of skin cancer.

Mastocytoma	A form of skin cancer.
Micelle	Spherical structures with the ability to form aggregates.
Microtubules	Tubular structures in the cytoplasm, are part of the cell skeleton and give it its shape.
MUMS	Minor Uses/Minor species. FDA-designation that provides an incentive to develop drug candidates intended to treat rare diseases or diseases in a limited number of species.
Nanometer	One billionth of a meter. Similar in size to molecules and molecular structures.
Nanoparticle	A particle whose size is measured in nanometers, 10^{-9} m.
NSCLC	Non-small cell lung carcinoma.
Oncology	The branch of science dealing with tumor diseases
Paclitaxel	The first taxane to be isolated from a yew tree. One of the most common cytostatics used today.
Pre-clinical phase	Selection of drug candidates. The selected candidate is tested with respect to specificity, efficacy and safety.
Premedication	Prophylactic treatment with certain drugs before and/or during the main treatment against a disease. This is done because the side effect of the main treatment would otherwise be too drastic.
Retinoid	An acid similar to vitamin A.
SME	Small and Medium Enterprises
Surfactant	Molecule consisting of one polar water soluble component and one non-polar lipid-soluble component.
Taxane	A group of chemicals originally derived from a yew tree. The group is one of the most commonly used compounds against tumor diseases today.
Toxic	Poisonous.
WHO	World Health Organization, the UN agency for global health.