oasmia

Oasmia Pharmaceutical

Annual Report

2008-05-01 – 2009-04-30

TABLE OF CONTENTS

The company in brief

Oasmia develops novel formulations of existing pharmaceutical ingredients focusing on human and veterinary oncology. The strategic direction of the company towards improvement of the properties of pharmaceutical substances which widens their therapeutic area conveys in addition to a prolonged life cycle, an improved research and development economy and lowers the business related risks. In-house research in nanotechnology forms the basis for the company's product development. Oasmia has two pharmaceutical candidates in clinical Phase III: Paclical® and Paccal® Vet. These are estimated to obtain market authorization in the fall of 2010 and 2011 respectively. In addition to the move in oncology, the company research pipeline contains a number of promising candidates within infection, asthma and neurology, although in a very early development stage.

The main office in Uppsala and the operating activities are conducted there. Oasmia employs 55 people in total. The number of shareholders were as of May 15, 2009, 1 472. Matching of the nominee shares was not made on April 30, 2009.

Business Activities
The business activities are conducted in three companies:

- The Parent company Oasmia Pharmaceutical AB – a pharmaceutical company within human and veterinary medicine.
- The subsidiary Qdoxx Pharma AB – a company whose main business is parallel import and sales of pharmaceuticals on the Swedish market.[1]
- The subsidiary GlucoGene Pharma AB – a company devoted to development of xylosides for cancer treatment.[2]

Business idea
The main business idea is to develop and market pharmaceuticals which improve the effect of the treatment of severe diseases within oncology, asthma and neurology.

Strategy
Oasmia's research and development strategy is centered on extending the life-cycle of existing pharmaceuticals by developing novel formulations which improves the properties of the pharmaceutical and/or widens its area of use. The efforts are focused on oncology and priority is given to certain products and indications. The in-house developed platform XR-17, which is combined with known and well-established active substances, shortens lead times and lowers the development risk, which in turn lowers expenses. All development of synthesis methods and pharmaceutical formulations is performed with the intention to create robust and scalable processes in order to ensure functionality. Oasmia's production strategy for large-scale manufacturing involves the use of contract manufacturers. Future value is created through collaboration agreements with larger international or regional pharmaceutical companies for further development and commercialization. With this strategy, the partners will stand for launch, marketing and sales of Oasmia's pharmaceutical candidates when they are registered.

The year in brief	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Net sales, TSEK	79 357	71 158
Capitalized development cost, TSEK	36 057	9 675
Operating income, TSEK	-7 156	-4 855
Income for the period, TSEK	-7 105	-5 067
Earnings per share, TSEK	-0,21	-0,16
Equity/assets ratio, %	63	74
Debt/Equity ratio, %	42	6
Number of employees at the end of the period	55	40

[1] Qdoxx Pharma does not import any pharmaceuticals because the weakened Swedish crown has severely worsened the conditions for this business activity.
[2] För närvarande är verksamheten i princip vilande. Dock pågår vissa prekliniska studier vid Lunds Universitet. Presently, most of the business is suspended. However, some preclinical studies are performed at Lund University.

Focus 2008/09

In the year, Oasmia Pharmaceutical has successfully focused on the following areas:

- Bringing the pharmaceutical candidates Paccal® Vet and Paclical® closer to a market authorization by conducing clinical Phase III trials.
- Establishing cooperation agreements with larger international or regional pharmaceutical companies for marketing and sales of the company's products
- Scaling up production processes in the in-house facilities from laboratory to pilot scale
- Establishing third party contacts for large scale commercial production
- Further development of Quality systems for R&D and manufacturing
- Preparing the next innovative project for clinical Phase I/II
- Development of the next innovative projects for clinical Phase I/II.

Key events in the period

Oasmia Human Health

In April 2009, FDA granted Oasmia Orphan Drug designation for Paclical® on the indication ovarian cancer. This designation entails market exclusivity for seven years on the indication and will begin when the pharmaceutical is registered, which means that Paclical® will be protected from direct generic competition during the period. In addition, FDA usually assists with technical and financial support to facilitate and advance the final development of the product.

In January 2009, Oasmia submitted the final report for the Phase I/II study with Paclical® to regulatory authorities. The study, performed on patients with so called solid tumors, comprised establishment of dose level, pharmacokinetic investigations and assessment of safety.

The Phase III study investigating the effect of the pharmaceutical candidate Paclical® for treatment of ovarian cancer has continued in the period. Agreements have been closed in 17 countries, and in September 2008 an investigator's meeting was held in Uppsala where specialists from clinics in these countries participated. Paclical® is compared to the well-known pharmaceutical Taxol® in the study.

Oasmia Animal Health

In April 2009, FDA granted Oasmia MUMS-designation (Minor Uses and Minor Species) for Paccal® Vet for the indication mastocytoma Grade II and III in dogs not previously treated with the exception of corticosteroids. MUMS-designation entails a permission to apply for conditional approval to market Paccal® Vet after the safety has been assessed. With a conditional approval, Oasmia can market Paccal® Vet for five years while the remaining effect data is collected. Furthermore, Paccal® Vet will hold market exclusivity for seven years starting on the date of registration following the MUMS-designation.

Oasmia changed product name from Paclical® Vet to Paccal® Vet in January 2009. The purpose is to use the same name globally.

Two clinical studies with Paccal® Vet on dogs have been concluded. In a Phase I/II included 33 dogs with different types of tumors, for example mammary tumors and skin tumors, a response rate of 74 % was reported. In the following Phase III study performed on dogs with a common type of skin cancer called mastocytoma (grade II and III), a response rate of 70 % was observed. No unexpected side effects were reported in any of the studies. The study reports were submitted in January 2009.

Oasmia is currently conducting a clinical study on mast cell tumors in dogs. The study investigates how the dogs respond to treatment with Paccal® Vet compared to CCNU (Lomustine). The FDA has committed to process Oasmia's registration application with Expedited Review, which results in a more rapid approval process. The Expedited Review status was obtained in January 2009.

In the end of June 2008, Oasmia expanded the license and distribution agreement with Orion Corporation for the product Paccal® Vet closed in March 2008. The expanded agreement concerns most of Europe. In total, the license revenues from Orion Corporation are estimated to 10 million EURO. In addition, Oasmia will receive royalties on sales in the region. Orion obtains the sales and marketing rights for the product in Europe.

Extraordinary General Meeting

The Extraordinary General Meeting on January 30, 2009, adopted the resolution of the Board of Directors concerning guidelines for establishment of remuneration to the Chief Executive Officer and other senior managers. The guidelines refer to the period from the Annual General Meeting 2008 to the Annual General Meeting 2009. The guidelines can be viewed in their entirety at www.oasmia.com.

Market maker and financial advisor

In December 2008 Oasmia appointed E. Öhman J:or Fondkommission AB as market maker for Oasmia's share, which is listed on NGM Equity. The market maker commitment commenced on December 1, 2008 and primarily concerns trade on NGM Equtiy and, in case a list transfer to NASDAQ OMX occurs in the agreement term, trade on NASDAQ OMX. Oasmia has also appointed Öhman as financial advisor in connection to the transfer to NASDAQ OMX and a collaboration concerning capital market activities has started.

Oasmia changes market place

The stock exchange list change process from NGM Equity to NASDAQ OMX, which was started in the fall of 2008, has intensified in the spring of 2009. The reason for the change is that Oasmia considers NASDAQ OMX to be a more suitable marketplace for the company shares, to increase the interest in the company, reach an increased liquidity, create a more effective price-setting of the share and attract new categories of shareholders.

Annual General Meeting 2008

The Annual General Meeting on September 11, 2008 made a resolution to adopt the proposal of the Board of Directors for a private placement. After the completion in October 2008 the share capital increased with SEK 12 500 to SEK 3 350 000 in total and the number of shares increased with 125 000 to 33 500 000 in total. A communiqué from the Annual General Meeting 2008 is available at the company website.

EVENTS AFTER CLOSING DAY

License agreement for the North American veterinary market

In July 2009 Oasmia announced that a distribution agreement had been closed with Abbott Laboratories for Paccal® Vet for the US and Canadian veterinary market. The agreement concerns the marketing and distribution rights for the pharmaceutical candidate Paccal® Vet in the USA and Canada. Oasmia can, in accordance with the terms in the agreement, receive milestone payments of 19 MUSD in total where 5 MUSD were received in July 2009. In addition, Oasmia will receive royalties on all sales. Oasmia will be responsible for clinical development, production and registration of the product and Abbott for the launch in the region.

On-going new share issues

A resolution was made at an Extraordinary General Meeting held on July 8, 2009 to adopt the Board's proposal of new share issue with deviation from shareholders' preferential rights. At the same Meeting, a resolution was made to adopt the Board's proposal of new share issue with preferential rights for the company shareholders. The main purpose of the new share issues is to strengthen the company Balance Sheet and thereby secure the company's clinical Phase III studies with Paclical® within human medicine and Paccal® Vet within veterinary medicine and preclinical studies of other pharmaceutical candidates in the Oasmia product portfolio. The purpose is also to secure the company's future commercial production.

New share issue with preferential rights for current shareholders

The new share issue comprises at most 2 392 858 shares. The shareholder preferential rights entail that fourteen (14) current shares give the right to subscribe for one (1) new share. A fully subscribed new share issue will provide the company with MSEK 60 in issue payment, before deductions for issue expenses. The subscription period expired on August 24, 2009. The preferential rights issue is covered to 70,2 % by the principal owner of the company. Oasmia S.A., by a commitment of share subscription and payment by offset of an existing claim and issue price paid in cash. The principal owner's shareholding is divided into two blocks of shares, and the subscription commitment was allocated to MSEK 12,6 and MSEK 29,4 per block. The subscription rights for the subscription commitment of MSEK 12,6 was sold on the market by a mistake from the principal owner's bank. The principal owner did not own the subscription rights at the expiration of the subscription period on August 24, 2009, and could not fulfill the subscription commitment. The principal owner has reported subscription of shares to a price of MSEK 12,6 without preferential rights in the share issue in addition to the subscription of MSEK 29,4 which was made with preferential rights.

New share issue with deviation from shareholders' preferential rights

The Board of Directors are planning a new share issue with deviation from shareholders' preferential rights. Only a limited number of investors and institutions are eligible for subscription. The motive for deviation from deviation from shareholders' preferential rights is that the company wishes to attract new, larger and more long-term investors.

Credit facility

The principal owner Oasmia S.A. has decided to provide Oasmia with a credit facility of MSEK 30,0. It is available for 12 months as of August 25, 2009.

Business activities

Oasmia Pharmaceutical AB (publ) is a pharmaceutical company utilizing the latest concepts in bio-organic chemistry. The main business idea is to improve the treatment of severe diseases focusing on oncology. The principal business activity is development of novel formulations of existing drugs and thereby improve, and create new, therapeutic opportunities. Focus lies on human and veterinary oncology where the company possesses a strong product portfolio.

During 2008/2009 Oasmia has grown both in terms of turnover and in strength. The company has closed the biggest agreement in terms of value in the company's history with Orion Corporation for the sales rights to the pharmaceutical candidate Paccal® Vet in Europe. Oasmia has previously closed an agreement in the Nordic Countries for the sales rights to the product candidate Paclical®.

Oasmia has initiated a process to change stock listing from NGM Equity to NASDAQ OMX. The company wishes to create better opportunities for shareholders and other investors to trade with the company's share. In connection to this process and to further stimulate trade, Oasmia has appointed Öhman J:or Fondkommission AB as market maker and financial advisor.

Risk management

Development of pharmaceuticals is demanding and the need to prioritize is therefore great. Oasmia has chosen to focus its business to oncology and conduct few, but well chosen projects. In order to achieve the greatest success the company has elected to out-license marketing and sales rights for its products and has not established such an organization. For information about risks, see section *"Risk Management"* in the *Administration Report.*

Partners

Marketing and sales rights for the Product Paclical® in the Nordic countries and the rights for Paclical® Vet in Europe have been licensed to Orion Corporation, Finland. Orion is a company with a well-established sales and marketing organization in Europe. The closed agreement has provided Oasmia with EUR 6 million in total. In accordance with the terms in the agreement, potential milestone payment for Oasmia amounts to EUR 8 million with additional royalties on all sales.

Oasmia's partner on the North American veterinary market is as of July 2009, Abbott Laboratories, USA. The multi-year agreement closed with Abbott states that Abbott will be responsible for the launch of Paccal® Vet in the USA and Canada. Abbott is one of the larger pharmaceutical companies in the world and has a solid sales organization and long tradition in the North American market. The agreement can provide Oasmia with $19 million in milestone payments where $5 million were received in July 2009. In addition, Oasmia will receive royalties on all sales.

Research and production

Oasmia has permission from the EMEA to manufacture Paclical® and Paccal® Vet in laboratory scale for clinical trials in the in-house production facility. The manufacture has been scaled up in the year in order to be transferred to the pilot scale facility the company built in Uppsala. The company has applied for manufacturing approval for clinical trials in these facilities at the Swedish MPA. The permission was obtained on July 10, 2009. Oasmia does not intend to invest in facilities for large-scale manufacture of its products. Collaborations with leading third-party manufacturers in Europe have been initiated to ensure that substances and finished product will be available for delivery to the market when the products are registered in the EU and in the USA. Management and quality systems have previously been adapted for the requirements of Research and Development. A new expansion phase has started, focusing on obtaining market authorization for Paclical® and Paccal® Vet. The company has grown in size and competence in order to manage this. A person has been employed with a supervisory role over long-term product supplies, production and quality. Further strengthening of this area is on-going.

Oasmia in April, 2009

At the closing day, Oasmia employed 55 people, where 22 were active within production, quality control, quality assurance and 12 within clinical development. The other employees worked within administration, IT and company management. The production department has focused on increasing the manufacture of pharmaceuticals for clinical trials, as the needs of the company has increased. The department for clinical development has mainly worked with the two clinical Phase III studies currently conducted by the company. Regulatory Affairs has worked on obtaining necessary permits from authorities and has also successfully applied for various benefits, such as shortened audit times with different regulatory agencies. The department for research and development has further studied the properties of the company's nanotechnology

platform and investigated potential new areas for the company technology.

Today
The focus for Oasmia's research and development activity is continued development of the nanotechnology behind the current company products; especially by novel formulations improve the properties of existing pharmaceutical substances. This in combination with a high degree of competence enables the company to maintain high quality research and development with small resources.

The company continues to conduct clinical studies on the prioritized pharmaceutical candidates Paclical® and Paccal® Vet. The most important studies for the company is the extensive international Phase III studies which will form the basis for future registration applications. The company is preparing clinical studies for other products and indications.

Market

Human Medicine

The cancer incidence in Europe was about 3.2 million in 2006, an increase of 300 000 from 2004.[3] In Sweden, as well as in Europe, the increase of cancer cases depends on an ageing population.[4] This number is expected to increase to about 407 million people, corresponding 9.5 % of the global population in 2020.[5]

The global oncology market sales amounted to about $57 billion in 2006, where about $36 billion within pharmaceuticals. The oncology market is expected to grow at an average rate of 11 % annually, which is about twice as fast as the rest of the pharmaceutical sector, and amount to about $92 billion in 2011. The growth is estimated mainly be attributable to an increased cancer incidence, increased treatment costs and more treatment options. In 2006, cytostatics represented about 50%, corresponding to $18 billion of the global sales within the segment pharmaceuticals.[6]

The market for taxanes, which contains the company principal product, amounted to about $2,08 billion in the USA, EU-5[7] and Japan in 2005. The market is expected to grow with about 4.8% annually to 2010 and then amount to $2,63 billion.[8] It is estimated that sales of taxane based pharmaceuticals for the indication ovarian cancer amounted to $238 million in 2005, which is estimated to decrease to $192 million in 2015 as a consequence of generic drugs taking a larger market share and reducing the average price level. The overwhelming majority of all treatments with cytostatics for ovarian cancer is performed with paclitaxel, since it is the only approved taxane for this indication.[9]

Veterinary medicine

There are in total about 140 million dogs in the USA, EU and Japan today.[10] The number of dogs and cats is growing considerably faster then the number of inhabitants in these countries. Another fact is that these animals are growing older, which increases the cancer risk. About 40 to 50 percent of the dogs older than eight years will be affected by cancer. In the USA alone, there are about 300 000 – 500 000 dogs where treatment with cytostatics is an option.[11] Oasmia estimates that Paccal® Vet will have a global market potential within three to five years of between $500 to $700 million[12].

The market for cancer treatment of cancer in dogs is still relatively unexploited as there are only one registered cytostatic on the market, Palladia™ (a Pfizer product) for treatment of mastocytoma. It was regisetered by the FDA in June 2009.

---

3 Cancerfondsrapporten, 2007, Cancerfonden.
4 Cancer i siffror 2009, Socialstyrelsen och Cancerfonden; Cancerfondsrapporten 2009, Cancerfonden.
5 U.S. Census Bureau.
6 Up or out in oncology, Bionest Partners, 2:nd edition, 2007; American Cancer Society, 2008
7 EU-5 are the countries France, Germany, Great Britain, Spain and Italy
8 Taxanes, Oncos Study Nr 8, Decision Resources Inc, 2007.
9 Taxanes, Oncos Study Nr 8, Decision Resources Inc, 2007.
10 Tuft University E-news, Nick Dodman 2009.
11 Market potential based on published cancer incidence (Withrow S J and D M Vail (Eds) Small Animal Clinical Oncology, 4th ed, 2007, Saunders Elsevier, Missouri, US.) and on the company's own market analysis
12 The estimation is based on information from discussions with pharmaceutical companies, the cancer incidence in dogs and an average price for cancer treatment of dogs with surgery or other alternative treatment amounting to between $4 000 and $4 500 today. The estimation includes spill-over effects, that the pharmaceutical is used for treatment of other indications.

Oasmia - Clinical development

In the year, the departments Human Health and Animal Health has continued to work with the company's clinical development program. The task is to develop novel pharmaceuticals where there are medicinal needs, focusing on effect, safety and an improved quality of life. Oasmia intends to follow the path of developing pharmaceuticals for cancer treatment both within human and animal health.

Background

Cancer is a common disease both in humans and in dogs. In humans, cancer in the lung, the stomach, the ovaries, the urinal tract, the lymphatic system, the prostate, the pancreas and the blood (leukemia) are common forms of cancer. Tumors in breast glands, digestive system and lymphatic system are common forms of cancer also in dogs, but tumors can also be found in testicles and connective tissues. The most common type of cancer in dogs is skin cancer.

The available treatments are used for different stages of the disease and both humans and dogs are treated with surgery, chemotherapy and radiation therapy. There are no chemotherapeutic pharmaceuticals designed for dogs today, so they are treated with pharmaceuticals intended for humans. Researchers are developing other methods for cancer treatment such as immunotherapy, which is intended for humans.

The most desirable scenario is to remove the tumor with a surgical incision, but in most cases it is difficult since the tumor has spread to surrounding tissues and other organs.

Ovarian cancer

Ovarian cancer is a form of cancer in man displaying a high mortality rate and in contrast to other forms of cancer; the number of cases does not seem to decrease but stays constant or even increases. Ovarian cancer is not discovered until it is too late for surgical treatment, and metastases have already formed. The most common treatment is often a taxane, for instance Taxol® in combination with a platinum based drug, such as cisplatin.

Mastocytoma

Mastocytoma is a kind of skin cancer originating in the mast cells in the skin, which constitutes about 20% of all malignant skin tumors in dogs. As in humans, the disease makes its debut when the individual is older (for dogs, about 8 years), but puppies can also be affected. Both male and female dogs are affected in the same degree. Some breeds are more likely to be affected by mastocytoma than others, for instance Boxers, Bulldogs, Boston terriers, Labrador retrievers and Beagles.

The mast cells are normal constituents in the connective tissues in the body and exist in organs such as skin, lung, stomach and liver. The cells fill an important function in the immune system and contains among other things histamine.

Paclical® and Paccal® Vet

The active substance in Taxol® is paclitaxel, a very common and effective substance within cancer treatment. The same active substance is used in the pharmaceutical candidates Paclical® and Paccal® Vet, Oasmia's novel micellar formulation of paclitaxel.

Thet core of Oasmia's investment in research and development is the long term investments in nanotechnology. Oasmia develops semi-synthetic derivatives of retinoids and unsaturated fatty acids. The novel platform (excipient) will also in the future be the starting point for development of new pharmaceuticals with acceptable side-effects, few hypersensitivity reactions and short infusion times leading to an improved quality of life during treatment.

The Animal Health candidate officially changed name to Paccal® Vet in the period.

Paclical® – the year in review

One of the bigger events of the year was that Paclical® was designated as an Orphan Drug by the FDA, the American Food and Drug Administration. Oasmia is now in very favorable position both in Europe and the USA, since the European Medicines Agency, EMEA, previously designated Paclical® as an Orphan Drug in Europe.

Clinical studies

The first patient in the on-going international Phase III study on ovarian cancer received her first treatment in February, 2009 and the recruitment has continued in the period.

Centers in 16 countries participate in the study and a major part of 2008 was dedicated to planning and preparing the study. An investigator's meeting with principally all of the investigators was part of the preparations. The meeting was held in September 2008 in Uppsala and there the investigators were trained in study specific procedures and they were given a chance to discuss the study with each other, Oasmia staff and invited experts. Some centers were added during the planning and in April 2009 another, smaller meeting for Nordic investigators was held. The meeting was held at Arlanda for practical reasons.

Participating investigators have shown a great interest in the study and in Paclical®. All are using paclitaxel, often dissolved in Cremophor® EL, to treat their patients, and despite that the effect is reasonably good, the side-effects are very troublesome for the patient and require preventive medication, and additional medication after treatment with paclitaxel. To be able to treat ovarian cancer with a higher dose paclitaxel, without exposing the patient to severe side-effects, is viewed as a great advantage among oncologists.

In order for a cytostatic to have any effect, it has to be taken up by the body. The resulting effect is partly positive, the tumor shrinks, and in part negative because healthy cells are destroyed which causes side-effects. If a pharmaceutical does not cause any negative effects, it is easy to believe that it is not taken up by the body as well as a pharmaceutical with more severe side-effects. Oasmia is currently conducting a pharmacokinetic study to show that if you administer Paclical® or Taxol with the same dose, same speed and with the same premedication, the amount of free paclitaxel in the blood is the same. The study is conducted in four centers in Sweden and the results will be reported in the fall.

Upcoming events

In the latter half of 2009, focus will be on the international Phase III study with Paclical® on the indication ovarian cancer. Oasmia will also investigate new indications suitable for Paclical®. Paclitaxel is the first choice treatment for a number of different types of cancer and Paclical® has the advantage that it can be given in a higher dose than many of the drugs currently on the market. Despite that paclitaxel is not the first choice for treatment of malignant melanoma, Oasmia is planning a study on that indication. The drugs currently available have a poor effect and there are many opportunities for Paclical® to be established as a viable treatment.

Paccal® Vet – the year in review

One of the bigger events in the year was that Paccal® Vet was given Expedited Review Status by the FDA, the American Food and Drug Administration.

Paclical® Vet or Paccal® Vet
In the year, Paclical® Vet changed name to Paccal® Vet. The name will be used around the world.

Expedited review status
Expedited Review Status is reserved for certain products considered to have an important therapeutic benefit. For the most part, drugs used for life-threatening or severely debilitating diseases obtains this status. Expedited Review Status will shorten the FDA audit times by half, which means that the review time before a market authorization is given shortens from 180 to 90 days. This will enable the product to reach the market faster and dogs with cancer will get access to Paccal® Vet earlier.

MUMS (Minor Uses and Minor Species)
FDA has granted Paccal® Vet MUMS-status. This means that Paccal® Vet can obtain a market authorization based on the safety of the product, so called conditional approval. This approval will enable Paccal® Vet to be marketed for five years while efficacy data is collected and submitted to the FDA for review.

Clinical studies
Two clincial studies has been completed in the year. The first was a Phase I/II study where treatment with Paccal® Vet was investigated on many different types of tumors. One result of the study was that Paccal® Vet appeared to be a candidate for treatment of mastocytoma. The other study was a Phase III study on mastocytoma conducted in Sweden and in Europe. The results from this study are currently being processed. Mastocytoma is also the indication in the on-going Phase III study now half way to completion. In total are 29 clinics participating; 9 in Europe and 20 in the USA. Paccal® Vet is compared to CCNU/CeeNu, a cancer drug for dogs on the American market with the active ingredient lomustine. The study is double-blind, i.e. the treatment is unknown to both patient and veterinarian. This means that results cannot be reported until all patients have undergone complete treatment. The study is estimated to be completed at the end of the year.

Upcoming activities

Focus for the latter half of 2009 will be the international Phase III study with Paccal® Vet and completing the recruitment of patients and process the results.

Within Animal Health, there are other formulations entering clinical phase in the coming year. Next in line is Doxophos® Vet, a formulation of doxorubicin in XR-17. A study of increasing dosages in order to establish the optimal dose is planned. In treatments with cytostatics, it is important to use a high dose while at the same time consider the side-effects which occur.

Oasmia's product portfolio

The company's early research on the ageing and death of the cell forms the basis for the development platform of novel pharmaceuticals. The first candidates are Paclical® and Paccal® Vet, where the substance paclitaxel has been made water-soluble by nanotechnology. The company has developed a new and unique excipient, XR-17, which is designed to form nanometer-sized micelles around the active substance.

The excipient XR-17

The majority of the pharmaceuticals used for treatment of tumors have limited therapeutic uses. The ideal scenario is that the concentration of the pharmaceutical is therapeutically available during the desirable period and is then quickly eliminated from the body. A prolonged infusion time has generally led to good efficacy and acceptable side-effects. In spite of this, the main drawbacks of long infusion times (sometimes up to 72 hours) are that they are uncomfortable, mostly for the patient. Therefore, much effort has been put into drug delivery systems designed to imitate long infusion periods guaranteeing a slow release of the active ingredient from different sources. Very small particles can be used as such sources.

It has been determined that nanosized structures or particles selectively accumulate in tumor tissue (passive targeting), and at the same time improving the effect of the formulation. Oasmia has developed the excipient XR-17 with these properties in mind. XR-17 is based on a new class of semi-synthetic retinoids which encapsulate already well-known active substances. The resulting nanoparticles of a specific size are judged to improve the effect of the active substance and at the same time reduce the side-effect profile for the patient. This nanotechnology opens up new therapeutic methods within oncology. All pharmaceutical candidates in the company product portfolio are all based on XR-17. X-17 is protected by patents on a multitude of markets and patents are pending on a number of other markets.

Present taxane treatments

Oasmia has initially chosen to develop taxane based pharmaceuticals with paclitaxel as the active ingredient. Paclitaxel is approved for a number of indications, including tumors in the ovaries, breast, lungs and head- and neck. It has also a well-documented effect and safety profile and is used by oncologists around the world. Paclitaxel is nearly insoluble in water. It exists both as generic pharmaceuticals and in the brand Taxol (Bristol-Myers Squibb) whose market exclusivity has expired. In Taxol®, paclitaxel is dissolved in ethanol and Cremophor EL® (polyoxyl castor oil) to manage the poor water solubility. Ethanol and the excipient Cremophor EL® is linked to low tolerance and severe side-effects (for example severe allergic reactions) in patients. By necessity, long infusion times and premedication with high doses of corticosteroids and antihistamines is used to reduce the effects.

HUMAN MEDICINE

In addition to Paclical®, there are three more promising product candidates which all are based on the same excipient as Paclical®, with other active ingredients in the company product portfolio. The substances part of Oasmia's product portfolio is used in about 80 percent of all treatments with cytostatics in the world. In preclinical studies, where the products are tested in laboratory experiments and in animals, the candidates have shown very promising results. A future scenario is that pharmaceuticals and treatments which are target specific is combined with classic cytostatics to achieve an optimal effect.

Paclical®
Paclical is a novel formulation of the well-known taxane paclitaxel. Paclitaxel has been made water soluble due to the nanoparticular excipient XR-17 developed by the company, which improves the side-effect profile and makes premedication obsolete.

At the moment, an international randomized Phase III study in 16 countries is conducted to investigate the effect and safety in humans with ovarian cancer. In a randomized Phase III study, the pharmaceutical is tested on a large group of patients carrying the disease and the patients are randomly selected for the test group or control group. Paclical® is compared to a standard treatment presently available on the market. The study is expected to be completed in the first half of 2010. Immediately after the completion of the study, the registration process with the European Medicines Agency (EMEA) and the US Food and Drug Administration (FDA) will begin with the goal of obtaining a market authorization 2011 and 2012.

The FDA has granted Oasmia Orphan Drug designation in the USA for Paclical® on the indication ovarian cancer. Orphan Drug designation is granted for pharmaceutical candidates treating diseases where less that 200 000 are affected annually. The Orphan Drug designation entails market exclusivity for seven years on the indication as of the date the drug is registered, which means that Paclical® is protected from direct generic competition during the period. FDA additionally offers scientific and financial support to facilitate and expedite the final development of the product. Further Phase III studies with Paclical® are planned for the indication malignant melanoma and lung cancer (NSCLC). These studies are expected to begin during 2009 and 2010 respectively.

Docecal®
Docecal® is a new formulation of the well-known taxane docetaxel which is structurally similar to paclitaxel. Docecal® is expected to have the same benefits as Paclical®, based on the properties of the excipient XR-17. The Docecal® formulation consists of nanoparticles about 15-20 nm in size and are designed to utilize the therapeutic potential optimally. A Phase I/II study in humans is planned to begin in 2010. The purpose of the Phase I/II study is to investigate the drug on a smaller group of patients with prostate cancer where the optimal dose is established and the safety studied. If the results of this study are in line with the company's expectations, a Phase III study will begin to investigate the effect and safety on a larger group of patients and bring the pharmaceutical candidate closer to a commercial phase. As soon as the Phase III study is completed, the registration process will be initiated with the EMEA in Europe and the FDA in the USA with the goal of obtaining a market authorization in 2013.

Doxophos®
Doxopohos is a novel formulation of doxorubicin, one of the most effective and common active substances for treatment of cancer. Presently, doxorubicin is used for treatment of 20 different forms of cancer. In spite of the efficacy of the drug, doxorubicin has a relatively narrow therapeutic window because of a number of severe side-effects which limits its use. The most severe is chronic heart failure. Side-effects can continue for months and in some cases years after completed treatment. Oasmia's formulation with the excipient XR-17 is expected to have good potential to reduce the side-effect profile of doxorubicin. Doxorubicin is encapsulated in nanoparticles with a size of 30-40 nm in Doxophos®, thereby optimizing the therapeutic potential and the use of doxorubicin within cancer treatment can be broadened. A Phase I/II study in humans is planned to begin in 2010. The purpose of the Phase I/II study is to study the drug on a smaller group of patients with breast cancer to determine dose and study safety. If the results of this study are promising, a Phase III study will begin to document effect and safety for a larger group of patients. If the Phase III study goes well, the registration process will begin with the EMEA in Europe and the FDA in the USA with the goal of obtaining a market authorization in 2014.

Carbomexx®
Carbomexx is based on a new active substance in combination with XR-17. For the first time, an alkylating substance has been used in combination with nanoparticle technology and thereby new therapeutic options have been created for patients and physicians. Alkylating substances such as carboplatin, cisplatin and oxaliplatin is a very important group of cytostatics and is presently used for a host of cancer indications. A Phase I/II study in humans is planned to begin in 2011. The purpose of the Phase I/II study is to investigate the

pharmaceutical candidate on a smaller group of patients who requires a combination therapy, and then establish dose and document safety. If the results are considered promising, a Phase III study will begin to investigate effect and safety on a larger group of patients. Provided that the results are good, Carbomexx® is estimated to be registered in the USA and Europe by 2015 at the earliest.

Development status

For an overview of indications, development phase and expected market registration date, see the tables below. The time for planned studies depends on if the current on-going studies meet the company's expectations. In addition, the company's development plan depends on the milestone payments stated in the closed license and distribution agreements and other additional such agreements for other indications, geographical markets and other pharmaceutical candidates.

Indication and development status

Product candidate	Active substance	Indication	Clinical phase[1]	Time (tentative)	Stage
Paclical®	Paklitaxel	Solid tumors	I/II	2007	Reported
Paclical®	Paklitaxel	Ovarialcancer	III	2008	On-going
Paclical®	Paklitaxel	Malignt melanom	III	2009	Planned
Paclical®	Paklitaxel	NSCLC	III	2010	Planned
Doxophos®	Doxorubicin	Bröstcancer	I/II	2010	Planning
Docecal®	Docetaxel	Prostatacancer	I/II	2010	Planning
Carbomexx®	Karboplatin	Kombinationsterapi	I/II	2011	Planning

[1]*The Phase I nad Phase II study is combined in studies on cytostatics. The reason is that the patient group in Phase I studies usually consist of healthy individuals and it is not deemed ethical when the active substance is a cytostatic.*

Development phase and expected initial market authorization

Product candidate	Pre clinical	Phase I	Phase II	Phase III	Expected registration
Paclical®					2011
Docecal®					2013
Doxophos®					2014
Carbomexx®					2015

VETERINARY MEDICINE

Oasmia's product portfolio contains four pharmaceuticals: Paccal® Vet, Docecal Vet, Carbomexx Vet and Doxophos® Vet. Of these, Paccal® Vet has come furthest in development and are now in clincal Phase III. The interest among Oasmia's partners and potential licensees has increased as a result of the preclinical studies performed with these products. The market volume for Doxophos® Vet for treatment of lymphoma is estimated to be comparable to the market for Paccal® Vet despite that the number of patients is smaller. The reason is that lymphoma treatment is longer than treatment for mastocytoma, which means that a larger amount of cytostatic is given and thus the volume per patient is larger.

Paccal® Vet

Paccal® Vet for the indication mastocytoma, is the first product candidate for veterinary medicine based on the excipient XR-17. The active ingredient in Paccal® Vet is the well-known cytotoxic paclitaxel belonging to the group taxanes.

Paclitaxel have insofar been impossible to administer to companion animals (especially dogs) because of the side-effects caused by the excipient Cremophor EL® (included in for instance Taxol). The practically insoluble substance paclitaxel have now been made water-soluble by the novel excipient XR-17 and can be administered in common (well tolerated) infusion solutions. This means that no premedication is necessary and that the dose can be increased. In previous studies in dogs with different tumor diseases, Taxol® has caused severe allergic reactions in 65 percent of the dogs, despite that they had been given extensive premedication with antihistamines and corticosteroids, and that the infusion rate been very slow (about 6 hours). Only 20 percent of the dogs showed a slight reduction of the tumor size and 12 percent of the dogs died due to the medication.[13]

Dogs can be treated with paclitaxel in higher doses, without premedciation, and with absence of allergic reactions with Paccal® Vet. Meanwhile, the tumor response has been exceptionally high, (around 70 percent) in diseases which have no successful treatment today. No dogs have died because of medication and the side-effects have been in most cases a predictable and passing reduction in white blood cell count, which is common in all treatments with cytostatics. The infusion time has been as short as 15-30 minutes, and the dog could the dog leave the clinic immediately after. Oasmia is for the moment conducting an extensive international Phase III study investigating the efficacy of Paccal® Vet on mastocytoma in dogs. Some of the largest cancer clinics in the USA are participating. The study is estimated to be completed in 2009.

Mastocytoma is one of the most common forms of tumors in the dog. In 60 percent of the cases, it is very dangerous and has a high risk of spreading (metastase), which could lead to treatment with cytostatics. So far, no product has shown any convincing results on this tumor. Paccal® Vet has in previous studies shown a unique effect on these tumors and has potential to be a very sought after treatment in veterinary oncology.

In April 2009, Oasmia was granted MUMS status by the FDA for Paccal® Vet regarding the indication mastocytoma Grade II and III in dogs refractory from other treatment except corticosteroids. The basis for FDA:s decision is information from Oasmia about the scientific foundation and development plan for Paccal® Vet. MUMS status entails:

- Oasmia has permission to apply for conditional approval to market Paccal® Vet after the safety has been documented. A conditional approval would mean that Oasmia can market Paccal® Vet for five years while the missing data is collected.
- Paccal® Vet will have seven years market exclusivity as of the date of registration, that is, the product will be protected from direct generic competition from drugs administered in the same way an contains the same active substance (paclitaxel) on the indication mastocytoma.

Provided that the clinical studies are favorable, Paccal® Vet is estimated to be authorized for the market in the USA and Europe in 2010.

[13] *Poirier VJ, Hershey AE, Burgess KE, Phillips B, Turek MM, Forrest LJ, Beaver L, Vail DM. J Vet Intern Med. 2004 Mar-Apr;18(2):219-22.*

Doxophos® Vet
Doxophos® Vet is a novel formulation of doxorubicin, a very effective and well-used substance for treatment of various forms of cancer within veterinary medicine. Doxorubicin is an anthracycline and has several tumor killing properties. The substance binds to DNA and blocks the protein synthesis, forms free radicals which cause string ruptures in DNA and destruction of cellular membranes. Doxorubicin also inhibits the enzyme group topoisomerases. It can therefore be used for treatment of all types of tumors treatable with cytostatics. Above all, dioxorubicin is used for treatment of malignant lymphoma and leukemia, but also sarcomas and different malignant carcinomas. Unfourtenately, one limiting factor is that doxorubicin causes the incurable and fatal heart disease cardiomyopathia, if a high cumulative dose is administered. As the efficacy of cytostatics are directly proportional to the dose administered, a formulation which reduced the side-effects but with maintained efficacy would probably mean that all use of doxorubicin was concentrated to the new substance. Doxophos Vet has shown a higher tolerance than common doxorubicin in pre-clinical studies, and the company suggests that this is attributable to the excipient XR-17 which forms nanoparticles, about 30-40 nm in size. Studies on dogs with cancer are planned to start in 2009 with Doxophos Vet, as the most common cancer in dogs, malignant lymphoma, has shown an unique sensitivity towards doxorubicin, there is hope that Doxophos Vet will improve the quality of life, tumor response and survival for many dogs with cancer. Cats are more sensitive to doxorubicin, both with respect to heart problems and damage to the kidneys, compared to dogs. There is an equally great need to switch the old formulation to a more effective and less toxic cytostatic.

A Phase I/II study is planned to start in 2009. The purpose of the study is to investigate the pharmaceutical on a smaller group of patients with many different types of tumors and establish dose and document safety. If the results are promising, a Phase III study will be launched on malignant lymphoma to investigate effect and safety on a larger group of patients. Directly after completed Phase III study, the registration process will commence with the authorities in Europe (EMEA) and in the USA (FDA) with the projected market authorization in 2013.

Docecal® Vet
Docecal Vet is a new formulation of the well-known substance docetaxel, which is chemically similar to the taxane paclitaxel has virtually the same mechanism of action. Docetaxel has had a limited use within veterinary medicine so far, but because of the promising properties of Paccal® Vet, there is great potential for Docecal® Vet. Reduced toxicity and the formation of nanoparticles by the unique excipient XR-17 can be used more effectively. A Phase I/II study on dogs is planned to start in 2010. The purpose is to study the effect and safety of the pharmaceutical on a small group of patients with various types of tumors. If the results are promising, a Phase III study will start on a specific type of tumor to investigate efficacy and safety in a larger group of patients. Directly after the study is completed, the registration process with begin in Europe (EMEA) and in the USA (FDA) with an expected market authorization in 2013.

Carbomexx® Vet
Carbomexx® Vet is the first formulation containing platinum based on nanotechnology. This substance is also based on XR-17 and aims to improve the therapeutic benefits for DNA-binding substances such as carboplatin, oxaliplatin and cisplatin. All of these compounds are a part of a very important group of cytostatics and are used today for treatment of a variety of different cancer indications, where they cause ruptures in DNA strings, terminated protein synthesis and cell death. Carboplatin is an improvement of the older substance cisplatin. Cisplatin causes fatal kidney damage in dogs and cats if a massive diuresis treatment is made together with the cytotoxin. Carboplatin causes less side-effects and can be given without simultaneous natural salt infusion. Carbomexx® Vet has the potential to be the most used pharmaceutical for treatment of skeletal cancer (osteosarcoma) in dogs over cisplatin and carboplatin used today. Osteosarcoma is a very common in big breeds and leads without cytotoxic treatment combined with surgery to death within three months from most often lung metastases. Carboplatin is also used for treatment of other complicated tumors in dogs such as bladder cancer and invasive adenocarcinomas. A Phase I/II study in dogs is planned to start in 2012. The purpose of the Phase I/II study is to study the pharmaceutical on a smaller group of patients with a number of different types of tumors to establish the optimal dose and study safety. If the results are promising, a Phase III study will be launched, most likely on osteosarcoma to investigate effect and safety on a larger group of patients. Directly after concluded Phase III study will the registration process begin with the authority EMEA in Europe and FDA in the USA with a projected sales authorization in 2015.

Development status

Dates for planned studies depends on that on-going studies develop in line with the company's expectations. In addition, the development plan of the company relies on milestone payments in accordance with closed license and distribution agreements and the possible addition of more such agreements for other indications, geographical markets and other pharmaceutical candidates.

Indication and development status

Product candidate	Active substance	Indication	Clinical Phase[1]	Period (tentative)	Stage
Paccal® Vet	Paclitaxel	Solid tumors	I/II	2007	*Reported*
Paccal® Vet	Paclitaxel	Mastocytoma	III:1	2007	*Reported*
Paccal® Vet	Paclitaxel	Mastocytoma	III:2	2008	*On-going*
Doxophos® Vet	Doxorubicin	Lymphoma	I/II	2009	*Planned*
Docecal® Vet	Docetaxel	Mammary tumor	I/II	2010	*Planning*
Carbomexx® Vet	Carboplatin	Osteosarcoma	I/II	2012	*Planning*

[1] *In order to comply with the American Pharmaceutical authorities' requirements on scope regarding patient groups, two clinical studies on Paccal® Vet are conducted. Phase I and II studies are combined.*

Development phase and expected registration

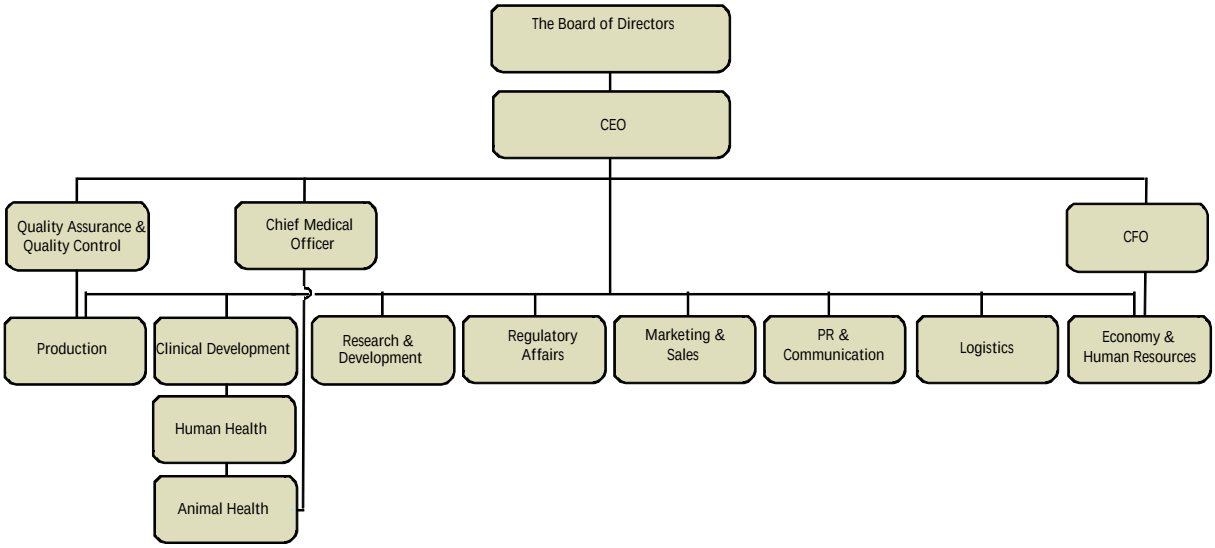
Product candidate	Pre-clinical Phase	Clinical Phase I	Clinical Phase II	Clinical Phase III	Expected registration
Paccal® Vet					2010
Doxophos® Vet					2011
Docecal® Vet					2012
Carbomexx® Vet					2013

Organization and employees

The company employed 55 people at the end of the fiscal year. Reinforcements have been made mostly within Regulatory Affairs and in Quality Control. The company has employed a CFO and a new management group has been established. Furthermore, Henrik von Euler has been employed as Chief Medical Officer for Animal Health.

The Board of Directors, Management and Auditors

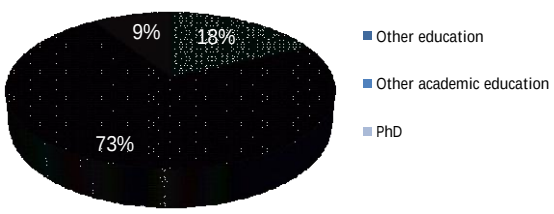
The Board of Directors consists of the following persons: Bo Cederstrand (chairman of the Board), Claes Piehl (member), Peter Ström (member) and Julian Aleksov (member and Chief Executive Officer). The management group consists of Julian Aleksov (CEO), Hans Sundin (Executive Vice President Operations), Weine Nejdemo (CFO) and Annette Ljungmark (Human Resources and Economy). The company's auditors are Ernst & Young AB with certified Auditor Björn Ohlsson (member of FAR SRS) as Head Auditor.



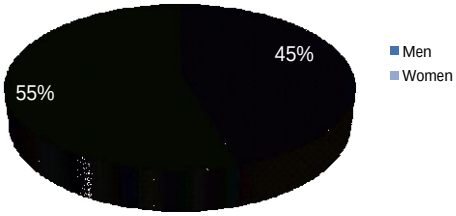
Number of Employees by Department

CEO	1
Production	22
Clinical Development	7
Research and Development	6
Regulatory Affairs	5
Marketing and Sales	1
PR & Communication	2
Logistics	4
Economy and Human Resources	7
Total	55

Education level



Gender distribution



The share

Oasmia's shares are issued in one series, denominated series A. Oasmia's Articles of Association contains a record day provision and the company shares are connected to Euroclear Sweden AB ("Euroclear", previously VPC AB), which means that Euroclear manages the company share register. The shareholders do not receive any physical share certificates, and transactions with the shares are made electronically by registration in the Euroclear system by authorized banks and other securities companies. All shares are denominated in SEK.

The shares are regulated by the Companies Act (2005:551) and the shareholders' rights can only be changed in accordance with this law. One share entitles to one vote at the Annual General Meeting. Shareholders have the right to vote to the full extent of owned shares without any restrictions.

All shares enable the same rights to the company's assets and profits and can freely be transferred. Shareholders have in accordance with the Companies Act (2005:551) preferential rights to share subscription in new share issues, subscription options, and convertibles, but these preferential rights can be bypassed after a resolution at a General Meeting. The shares in Oasmia are not subject to compulsory offers, redemption rights, or purchase obligation. No public offers have been made with respect to the company shares in the current or previous fiscal year.

Share capital

Oasmia's share capital amounts as of April 30, 2009 to SEK 3 350 000 distributed over 33 500 000 fully paid shares with a quota value of SEK 0,10 per share. According to the Articles of Association, the share capital must amount to at least SEK 3 350 000 and at most SEK 13 400 000 distributed over at least 33 500 000 shares and at most 134 000 000 shares.

Share information in brief

Share capital	3 350 000 SEK
Number of shares	33 500 000
Block of shares*	100 shares
ISIN-code	SE0000722365
Trade designation	OASM A
Share currency	SEK
Share quota value	0,10 SEK

[1] *Only concerns trade on NGM Equity*

Development of the share capital

Year	Event	Quota value	Increase in the number of shares	Increase in share capital (SEK)	Total number of shares	Total share capital
1988	Formation of the company	100,00	500	50 000	500	50 000
1999	New share issue[1]	100,00	500	50 000	1 000	100 000
1999	New share issue[1]	0,10	30 999 000	3 000 000	31 000 000	3 100 000
2006	New share issue[1]	0,10	851 310	85 131	31 851 310	3 185 131
2007	New share issue[1]	0,10	1 523 690	152 369	33 375 000	3 337 500
2008	New share issue[1]	0,10	125 000	12 500	33 500 000	3 350 000

[1] *Private placement for Oasmia S.A.*

Owners

Oasmia is owned to 71 percent by the holding company Oasmia S.A., seated in Luxembourg. Oasmia S.A. is owned and equally controlled by Oasmia's founders Bo Cederstrand, Julian Aleksov and Oleg Strelchenok. Oasmia S.A. has no business activity, just financial management. Oasmia had as of May 15, 1 472 shareholders, where the ten largest are listed below. Matching of the nominee shares was not performed on April 30, 2009.

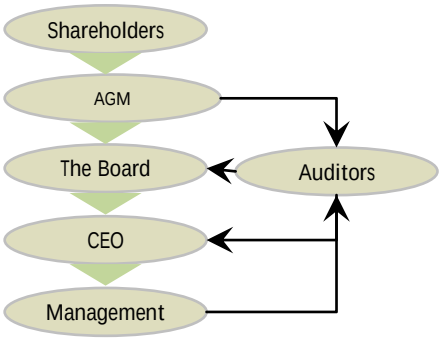
The ten largest shareholders on May 15, 2009

Owner	Number of shares	Capital share and votes
Oasmia S.A.	23 823 754	71,1%
Svenska Handelsbanken S.A.	895 900	2,7%
SIX SIS AG	450 769	1,3%
SEB Private Bank S.A.	335 611	1,0%
Försäkringsaktiebolaget Avanza Pension	315 901	0,9%
T-Jarlen	274 000	0,8%
Pictet & Cie	259 700	0,8%
HSBC Private Bank (Suisse) S.A.	225 600	0,7%
Banque Carnegie Luxembourg S.A.	194 440	0,6%
Svenska Handelshuset i Stockholm AB	176 500	0,5%
Övriga aktieägare	6 547 825	19,5%
Total	33 500 000	100,0%

Corporate Governance report

Introduction

Oasmia Pharmaceutical AB (publ) with VAT no SE556332-667601, ("the company") was formed in accordance with Swedish law on April 15 1988 and was registered with the Swedish Companies Registration Office on September 22, 1988. Oasmia Pharmaceutical is the parent company in the Oasmia group. The company owns 100 percent of the subsidiary Qdoxx Pharma AB. Qdoxx Pharma AB is a company specialized in parallel import focusing on pharmaceuticals for the Swedish market. Oasmia also owns 51 % of the shares in GlucoGene Pharma AB, a research and development company focusing on the use of xylosides for treatment of cancer specializing in brain tumors. The parent company contains management and financial administration which are responsible for business development, strategy, production and subsidiary management. The parent company's business activity comprises research and development of pharmaceuticals and licensing of market rights. Furthermore, the parent company owns and manages the intangible assets of the Group. Governance, management and internal control is distributed between the shareholders (Annual General Meeting), The Board of Directors, the CEO and the company management in accordance with current legislation, the Articles of Association and the internal instructions adopted by the Oasmia Board. In addition, the company auditors are responsible for the external control of the company.



Swedish code for Corporate Governance

All companies listed on NGM Equity or NASDAQ OMX Stockholm AB must apply Swedish code for Corporate Governance ("the Code") as of July 1, 2008. The code supplements the external regulations affecting Corporate Governance, most importantly the Companies Act, Accounting regulations and the current listing agreement. The Board decided at a meeting held on May 23, 2008 that the code will be implemented in the fiscal year 2008/2009. The code is not yet applied in its entirety, since some regulations in the Code requires resolutions from an Annual General Meeting (which will be held in September). The rules concerning the work of the Board of Directors have been prioritized. The company has chosen to make the following exceptions to the Code: (i) the company has not established a remuneration committee (Rule 9.1). The Board judges that it can itself fulfill the obligations of a remuneration committee, because of its size. (ii) The criteria for appointment of an election committee cannot be adapted to fulfill the Code's independence requirements (Rule 2.3). The company may revise these criteria in connection to the next Annual General Meeting. (iii) The company has not published the names of the members of the nomination committee within the time frame stated by the Code (Rule 2.5). The reason is that proposed members have not given notice in time.

Shareholders

The company shares have been listed on NGM Equity since September 18, 2007. Oasmia's shares are issued in one series, denominated series A. The Articles of Association in Oasmia contains a record day provision and the company shares are connected to Euroclear Sweden AB ("Euroclear", previously VPC AB), which means that Euroclear administers the company share register. All shares are denominated in SEK. The shares are regulated by the Companies Act (2005:551) and the shareholders' rights can only be changed in accordance with the regulations in the law. Every share entitles one vote at the Annual General Meeting. Shareholders may vote to the full extent of their shares without any restrictions in voting rights. All shares entitle to the same share of the company assets and profits and can be transferred freely. Shareholders have in accordance with the Companies Act (2005: 551) preferential rights to new share issues, subscription options and convertible debt instruments, but these preferential rights can be circumvented after a

resolution from an Annual General Meeting. As of April 30, 2009, the number of shareholders' amounted to 352. The principal owner was Oasmia S.A. with about 71 % of the votes, followed by Handelsbanken S.A. (about 2.7%). The ten largest owners held about 80% of the total number of shares. For further information about the owner structures, se page 23 in the Annual Report.

Annual General Meeting

The company's principal body is the Annual General Meeting, where the shareholders' influence in the company is practiced. Shareholders' who are registered in the share register kept by Euroclear Sweden AB (previously VPC AB) on the record day and have given notice in accordance with the Articles of Association, have the right to participate at the Annual General Meeting, in person or through representatives. Notice of Annual General Meeting is made by publication on the company website, www.oasmia.com. Annual General Meeting must be held within six months from the end of the fiscal year. Matters addressed at the meeting are for instance election of Board members, and in some cases, Auditors, criteria for selection of members to the nomination committee, and discharge from liability for the Board and CEO for the fiscal year. Resolutions are also made regarding establishment of financial reports, distribution of earnings, remuneration for the Board and other senior managers and other important matters which requires a resolution from the Meeting. Commonly, resolutions are made with simple majority, but the Companies Act states other resolution criteria in some matters.

Annual General Meeting 2008

On September 11, 2008, The Annual General Meeting in Oasmia was held in the company offices in Uppsala. The Board of Directors gave an account of their work in the year. The CEO informed the Meeting of the development and position of the Group and commented on the financial accounts for the fiscal year 2007/2008. The Meeting established the Annual Report and the Consolidated accounts for the fiscal year 2007/2008, made a resolution of distribution of the company earnings and discharged the Board and CEO of liability. Claes Piehl, Julian Aleksov, Peter Ström and Bo Cederstrand were re-elected as members of the Board. The Meeting made a resolution that the remuneration for Board members not employed by the company shall amount to TSEK 5 for every Board meeting the member participates in. Furthermore, the Boards proposal for Auditors was adopted. Ernst & Young AB with principal Auditor Björn Ohlsson were elected as Auditors until the Annual General Meeting 2012. Remuneration for the Auditors was decided to be paid according to billing. The Meeting made a resolution to adopt the Board's proposal of private placement. The Board proposed a new share issue, with deviation from shareholders' preferential rights, of 125 000 shares to a total issue amount of SEK 3 500 000. The Meeting also adopted the Board's proposal of authorization for a new share issue. The Board was authorized to make one or more new share issues as long as the issues does not exceed three million shares, until the Annual General Meeting. In addition, the criteria for the nomination committee were established, in accordance with the Board's proposal. The minutes from the Meeting are available at the company website, www.oasmia.com.

Extraordinary General Meeting 2009

At an Extraordinary General Meeting held on January 30, 2009, guidelines for establishment of salary and other remuneration to the Chief Executive Officer and other senior managers. The guidelines will apply from the Annual General Meeting 2008 until the Annual General Meeting 2009. For more information, se page 27 below. The minutes from the Extraordinary General Meeting are available at the company website, www.oasmia.com.

Nomination committee

The main objective for the nomination committee is to suggest candidates for election as members and chairman of the Board and the remuneration for these. The nomination committee also makes suggestions for committee remunerations and provision for external auditor. The nomination committee's proposal is published in connection to the notice of Annual General Meeting at the latest. The mandate of the nomination committee ends when the composition of the next nomination committee is made public. Criteria for the election of a nomination committee were established at the Annual General Meeting 2008. They were; one member shall represent the major shareholders, one member shall be independent of the major shareholders and independent of the company management and Board, one member shall be the chairman of the Board. The composition of the nomination committee was not established as of 2009-04-30.

Auditors

According to the Articles of Association, the company shall have one or two external auditors. Ernst & Young AB with principal auditor Björn Ohlsson, was elected as auditors at the Annual General Meeting 2008 for a time that ends at the

Annual General Meeting 2012. A change of auditors since the previous review was performed by Öhrlings PriceWaterhouseCoopers AB. The external audit of the company accounts and of the management of the Board and CEO is performed in accordance with good review customs in Sweden. The principal auditor participates at least at one Board meeting per year and looks over the audit of the year and discusses with the Board without the presence of the CEO.

Review and audit of financial statements and Annual Report are made in May – July. The interim report for the period May – January are reviewed by the Auditors. In the fiscal year 2008/2009, the Interim Report for the period May – January was also been reviewed by the Auditors. For information about remuneration to the Auditors, please see note 9 in the Annual Report.

The Board of Directors

Tasks for the Board

The Board is elected by the Annual General Meeting and has the overall task to manage the company affairs for the shareholders. The Board must comply with the Companies Act, the Articles of Association and the internal regulations and makes continuous estimations of the company's financial position and evaluates the operative management. The Board appoints the CEO and makes decisions of significant alterations to the company organization and business. The Board also supervises the internal control of the finances, and ensures that the financial information in the company's financial statements is correct.

The composition and independence of the Board

According to the Articles of Association, the Board of Directors shall consist of at least three and at most eight members, with at most three deputies. The members of the Board are elected at the Annual General Meeting for a period which ends at the next Annual General Meeting. Bo Cederstrand, Peter Ström, Claes Piehl and Julian Aleksov were elected as members of the Board at the Annual General Meeting 2008. All members except Julian Aleksov are independent with respect to the company, and the company management. All members, except CEO Julian Aleksov and chairman Bo Cederstrand, are independent with respect to Oasmia's principal owner, that is, the owner which holds more than ten percent of the total numbers of shares and votes in the company. The assessment of the Board member's independence is performed with consideration to the listing requirements of NGM and NASDAQ OMX and with consideration to the criteria in the Swedish Code of Corporate Governance.

The work of the Board

In accordance with the Companies Act, Oasmia's board has established a written instruction for its work. The current instruction, and the connected CEO-instruction and reporting instruction, was adopted at a Board meeting held on December 10, 2008, and regulates the distribution of work between the Board and CEO. The instruction further regulates the distribution of work between the members of the Board, when Board meetings are held (at least four times a year) and how the work is distributed between the Board and the audit committee. The CEO instruction contains restrictions in investment and acquisition decisions. The reporting instruction, which complements the Board's own instruction, regulates the continuous information from the CEO to the Board and the external information from the Board.

Chairman of the Board

The Chairman of the Board closely tracks the development of the company together with the CEO, and is responsible for supplying continuous information to the other members to ensure that their obligations are fulfilled. In addition, the chairman directs the Board's work and certifies that the decisions of the Board are carried out. The chairman ensures that the work of the Board is annually reviewed and that the nomination committee is informed of the results of the review. The chairman is responsible for the establishment of a Corporate Governance report and an internal overview of the financial control and reporting and how it has functioned in the fiscal year. The chairman Bo Cederstrand is not part of the group management.

The Board's work in the fiscal year

In the fiscal year, the Board has convened on four occasions. The Board has at these occasions mainly addressed matters related to the continued financing of the group business activities, negotiations for new partner agreements, adaptations to the Code and actions related to the listing on NASDAQ OMX, and has had thorough overviews of the liquidity budget and development costs/ Phase III studies. All members have been present at all meetings.

Committees

The Board of Directors in Oasmia decided on September 11, 2008 to establish an Audit Committee. The Audit Committee is constituted by Bo Cederstrand (chairman), Claes Piehl and Peter Ström. The Audit Committee is a commission body

for the Board and is responsible for preparation for the Board's quality assurance of the company's internal guidance and control of financial reports, risk management and risk control, compliance, other internal guidance and control, and issues which the Board delegates to the Audit Committee. The Audit Committee's responsibilities and tasks are described in a special instruction.

No Audit Committee meetings have been held during the fiscal year 2008/2009.

Remuneration to the Board and senior managers
The Board of Directors in Oasmia has made the judgment that a separate remuneration committee is presently not necessary. The Board considers itself capable of performing the duties of a remuneration committee. At a Board meeting held on September 11, 2008, the Board established remuneration policies and guidelines for remuneration to senior managers. The company shall offer sufficient terms in order to attract, educate and keep skilled senior managers. The company regularly acquires and evaluates information on remuneration levels for related business branches and markets. The remuneration shall be based on factors such as position, competence, experience and performance. Remuneration in cash shall be constituted by a fixed salary. A resolution was made at the Annual General Meeting 2008 that a member of the Board not employed by the company shall receive remuneration amounting to TSEK 5 for every meeting the member participates in. All Board members have renounced this right as of a Board meeting held on July 20, 2009.

At an Extraordinary General Meeting held on January 30, 2009, the Board's proposal of guidelines for establishment of salaries and other remuneration to the Chief Executive Officer and other senior managers. The guidelines concerns the time from the Annual General Meeting 2008 to the Annual General Meeting 2009. Remuneration to the CEO and other senior managers shall be constituted by a fixed salary. No other remuneration or other benefits shall be made and no pension provisions shall be paid. If notice is given from the company, the term of notice shall be at most 24 months. If notice is given from the CEO, the notice term shall be at most six months. For other senior managers, the term of notice shall be six months if notice is given from the company and three months if notice is given from the manager. No severance pay shall be given. Decisions on share and share price related incentive programs for senior managers shall be made by the Annual General Meeting. The Board shall have the right to deviate from these guidelines if there are specific reasons in an individual case. If such a deviation is made, an account of the reasons for this shall be given at the next Annual General Meeting. The company has followed the guidelines in the fiscal year 2008/2009.

Company management
General
The company management of Oasmia consists as of February 1, 2009 of CEO Julian Aleksov, Executive Vice President Operations Hans Sundin, CFO Weine Nejdemo and Head of Accounting and Human Resources Annette Ljungmark. The company management holds regular meetings where the business activities are evaluated. The control of the group is performed by for instance financial reports from the subsidiaries and continuous contact with the subsidiary management.

CEO and Director of the Group
CEO Julian Aleksov leads the business activities in accordance with guidelines from the Board and established procedures. The CEO is responsible for the current administration of the company and ensures that the Board receives correct information and reliable basis for decisions. Furthermore, the CEO holds the chair at Board meetings and keeps the Board and the chairman informed about the financial position and development of the group. Julian Aleksov has held the position as CEO since 2000.

Description of internal control

General

According to the revised Code, applicable as of July 1, 2008, the Boars must provide an annual account of the most important elements of the company control and risk management for the financial reports. The Board annually reviews the need for an internal audit function. After the review, the Board decided that the current size of the company and exposure to risks does not warrant a separate internal audit function. The following description has not been reviewed by the company Auditors.

Control environment

The Board of Directors has established an Audit committee, with the main task of supporting the Board's supervision of the accounting and reporting functions and ensuring the quality of these reports and processes.

The task of the Audit committee is supervisory. The responsibility for maintaining an effective control environment and the current risk management process and internal control for the financial reports is delegated to the CEO. Managers on different levels in the company have this responsibility for their respective areas. Responsibilities and mandates are defined in the CEO instruction, procedures for authorization rights, manuals, other policies, routines and codes. The Board establishes the more important policies concerning information/communication, financing and risk management and code of conduct. The group management establishes other policies and instructions and managers issues guidelines and supervises the application of all policies and instructions. The accounting and reporting instructions are established in and Economy Handbook available to all economy personnel. Together with laws and other external regulations, the organizational structure and internal regulations constitute the control environment.

Estimation of Risks

The purpose of the risk estimation is to identify areas of high risk in the business and evaluate the controls necessary to manage these risks. Balance and income items based on estimations or are generated by complex processes are more exposed to error risks than other items.

Controls

The controls aims to prevent discover and correct errors and deviations. Controls are built into the company processes for payments, accounting and financial reporting and includes among other things authorization and approval routines, reconciliations, earnings analyses, segregation of duties and controls built into IT-systems.

Information and communication

The company shall provide correct, relevant and reliable information and at the same time to all shareholders, the capital market, the society and media. Information which is judged to affect the price of the company share (share price affecting information) is published in such a way that it quickly and in a non-discriminative manner reaches the public. Publication is performed by a press release transmitted at the same time to the stock market, public news agencies and papers. At the same time, the same information is published on the company website. Oasmia is primarily represented by the CEO. The CEO has delegated a certain degree of responsibility to the Head of PR & Communication. The CEO, Executive Vice President Operations and Head of PR & Communication may, as representatives of the company, provide information about matters related to the company business. Furthermore, the CEO may express himself in financial issues.

The company applies silent periods, which starts three weeks before publication of annual and interim reports. If share price affecting information is leaked, the stock market shall be informed immediately and a press release with the corresponding information shall be issued. The information from the company is regulated by an information policy aiming to ensure good quality of both internal and external information. The policy shall also simplify the implementation of applicable laws, regulations and agreements. Special guidelines are established in the company insider policy and log book instruction for management of insider information.

The Board of Directors, management and Auditors

THE BOARD OF DIRECTORS

The Board of Directors in Oasmia presently consists of four members, including the chairman. No Board assignments differ from what is stated in the Companies Act (2005:551). The table below displays the name, year of birth, year of appointment to the Board and position and the respective stock holdings in the company for the current Board members.

Bo Cederstrand

Born in 1939. Chairman since 2000 and one of the founders of the company. Cederstrand has for almost 40 years been CEO and partner in a number of smaller and middle-sized companies, mostly within trade and has extensive experience in international business. Cederstrand also has experience in production and has been very active in trade branch related activities. Bo Cederstrand is deputy to the Board in Fruges AB. For the last five years, Bo has been a member of the Board in Arken Hemdjurshandlarna AB. Bo Cederstrand has a connection to the major shareholders, but is independent with respect to the company and the company management.

Peter Ström

Born in 1952. Member since 2006. Peter Ström has a background as Vice President in IMS Health, Northern and Central Europé, the Middle East and Africa and has worked at KabiVitrum, Kabi Pharmacia and Pharmacia Upjohn, as Head of International, England, and VP Europe. Peter Ström has for the last five years been member of the Board in Active Biotech AB (ongoing), chairman in Peridoc AB, member of the Board in Comtax AB (ongoing), member of the Board in P.U.L.S. AB and member of the Board in Lidds AB (ongoing). Peter Ström is independent with respect to the major shareholder, the company and the company management. Peter Ström is an Economist.

Claes Piehl

Born in 1950. Member of the Board since 2005. Claes Piehl has extensive knowledge in finance and capital markets and today works as an active investor in smaller companies and is also member of the Board in Alfaros AB. In the last five years, Claes Piehl has been active as a management consultant for PA Management Consulting and Indevo and has worked as a CEO for Alfred Berg UK Ltd, Alfred Berg Norge AS and Orkla Securities Ltd. Claes Piehl is independent with respect to the major shareholders, the company and the company management.

Julian Aleksov

Born in 1956. Member of the Board since 1999 and CEO of Oasmia. Julian Aleksov is one of the founders of Oasmia and has extensive experience in coordinating research projects, strategic development in bio-organic chemistry and strategic development of global intellectual properties. Julian is also chairman of the Board in Qdoxx Pharma AB. Julian has a connection to the major shareholders the company and the company management.

Name	Year of Birth	Election year	Position	Number of shares in Oasmia
Bo Cederstrand	1939	2000	Chairman	126 000 [1]
Peter Ström	1952	2006	Member	166 961
Claes Piehl	1950	2005	Member	134 250
Julian Aleksov	1965	1999	Member and CEO	148 500[2]

[1]Concerns private ownership. In addition to private ownership, Bo Cederstrand also has an indirect ownership of 7 992 218 shares in Oasmia S.A.
[2] Concerns private ownership. In addition to the private ownership, Julian Aleksov has an indirect ownership of 7 882 218 shares in Oasmia S.A.

MANAGEMENT

The management group in Oasmia consists of four persons. The table below displays the name, year of birth, year of employment and position and their respective stock holdings in the company.

Julian Aleksov
Chief Executive Officer
See information about the Board above.

Hans Sundin
Executive Vice President Operations
Born in 1945. Employed by Oasmia since 2008. Hans Sundin as more than 30 years experience in pharmaceutical manufacturing, quality control, project management and a long international experience in the business, by holding management positions in Swedish pharmaceutical companies. Hans Sundin worked at Pharmacia, Kabi Pharmacia and Pharmacia Upjohn and Pharmadule Emtunga AB. Hans Sundin as in the last five years owned a management consultant company, Loxia Consultion AB, where he still is sole owner. Through the company he has worked as CEO for Vitamex Production AB, a company in the Midelfart Sonesson-group. Hans Sundin has also been manager for Business development in Pharmadule Emtunga AB and Board member in Pharmadule Development. Hans has previously worked as a consultant in Oasmia.

Annette Ljungmark
Head of Accounting and Human Resources
Born in 1950. Annette Ljungmark has previously worked within the pharmaceutical industry with establishment of monthly and yearly financial statements, financial analyses, VAT, pensions and Human Resources. Employed as Head of Accounting and Human Resources at Oasmia since 2005.

Weine Nejdemo
Chief Financial Officer
Born in 1948. Employed since 2009[14]. Weine Nejdemo has been Chief Financial Officer, CEO and member of the Board in a number of different life science companies, such as Pharmacia, Pharmacia Diagnostics, Allergon, Scanditronix, Medisan, AlphaHelix and the county council Sörmland. Weine Nejdemo has worked since 1997 as a management consultant in Blackberry Management, a self-owned company, mostly within life-science, for both suppliers and customers, but also within other branches such as IT, telecom, manufacturing etc. and has thereby extensive experience of management. Weine Nejdemo is a member of the Board in Blackberry Management AB. Weine is also active as a consultant in the firm Weine, Economy consultant. In addition to the employment at Oasmia, Weine is active as a consultant at Österby Marine AB. In the last five years, Weine Nejdemo has been member of the Board in AlphaHelix Molecular Diagnostics AB (publ) and as a consultant in Blackberry Management AB and as CFO for Hemocue AB.

Name	Year of Birth	Position	Employment year	Number of shares in Oasmia
Julian Aleksov	1965	*CEO*	1999	148 500[1]
Hans Sundin	1945	*Executive Vice President Operations*	2008	1 000
Weine Nejdemo	1948	*CFO*	2009	10 000[2]
Annette Ljungmark	1950	*Head of Accounting and Human Resources*	2005	-

[1]Concerns private ownership. In addition to private ownership, Julian Aleksov has an indirect ownership of 7 992 218 shares in Oasmia S.A.
[2]Through a company

[14] Weine Nejdemo is employed as a Chief Financial Officer for Oasmia at 60%.

Auditors
Ernst & Young AB
Portalgatan 2 B
Box 23036, 750 23 Uppsala
Tfn +46 18 19 42 00
Fax +46 18 19 42 50

Principal auditor:
Björn Ohlsson
Uppsala, born in 1960
Authrized Public accountant and member of FAR SRS

The company
Oasmia Pharmaceutical AB
Vallongatan 1
SE-752 28 Uppsala
Sweden
Tel +46 18 50 54 40
Fax +46 18 51 08 73
info@oasmia.com
www.oasmia.com

Administration report

BUSINESS ACTIVITIES DURING THE YEAR

Oasmia Human Health

The Phase III study for investigating the efficacy of treatment of ovarian cancer with the pharmaceutical candidate Paclical® continued in the year. In January 2009, the final report of the results of a Phase I/II study with Paclical® was submitted to the regulatory authorities. In April 2009, Oasmia was granted Orphan Drug designation by the FDA for Paclical® concerning ovarian cancer.

Oasmia Animal Health

The license and distribution agreement with Orion Corporation was expanded in June 2008 for the product Paccal® Vet to include the most part of Europe. Oasmia was granted MUMS status (Minor Uses and Minor Species) for Paccal® Vet concerning the indication mastocytoma Grade II and III in dogs refractory from treatment except corticosteroids.

FINANCIAL INFORMATION

Net sales

Net sales increased with 12% to TSEK 79 357 (71 158). The increase was attributable to increased license revenues and increased sales of parallel imported pharmaceuticals. The increased license revenues, TSEK 30 347 (25 703), was a result of a new agreement with Orion within veterinary medicine.

Capitalized development costs

Capitalized development costs consist of investments in clinical trials in Phase III. The studies are in an intense phase and increased in the fiscal year to TSEK 36 057 (9 675).

Development expenditures

Development expenditures not capitalized amounted in the year to TSEK 17 731 (30 769) and are part of Other external expenses.

Employee benefit expenses

The set-up of a strong workforce for the company's future business activities has continued in the year. Due to further recruitment of personnel the employee benefit expenses increased in the fiscal year to TSEK 25 658 (17 530).

Income for the period

Income for the period amounted to TSEK -7 105 (-5 067) which was somewhat less compared to previous year, as a result of investments made in clinical trials, recruitment of personnel and a negative development within parallel import.

The group business activity has not been affected by seasonal variations or cyclic effects.

Earnings per share

Earnings per share, before and after dilution, amounted to SEK -0.21 (-0.16).

Cash flow

Cash flow from operating activities amounted to TSEK 14 276 (-2 770). The improvement was attributable to an inventory reduction within parallel import.

Capital expenditures

Investments in intangible assets amounted to TSEK 36 495 (10 901) and were constituted by capitalized development costs. Investments in property, plant and equipment amounted to TSEK 3 014 (1 700) and were mainly constituted by manufacturing equipment.

Financial position
Equity for the group amounted at the end of the fiscal year to TSEK 61 207 (64 812). The liquid assets of the group amounted at the end of the fiscal year to TSEK 988 (10 379). Liabilities to credit institutions and borrowings amounted to TSEK 26 832 (14 488), where the increase was attributable to new loans from the principal owner Oasmia S.A. The new loans amounted to TSEK 16 543 (3 500) in total. At the end of the financial year, the equity/assets ratio was 63% (74) and the Debt/equity ratio was 42% (6).

The Board judges that the expected license revenues, share issues and credit facilities are enough for the planned business activities.

SEGMENT DEVELOPMENT
The revenues for the segment Development increased to TSEK 67 672 (35 953) and the operating income was improved to TSEK -3 543 (-4 510).

The revenues for the segment parallel import increased to TSEK 48 466 (45 426), but the operating income decreased to TSEK -3 613 (-345). The business margins diminished as a result of a decreased value of SEK compared to EUR in the fall of 2008.

THE PARENT COMPANY
The net sales for the parent company amounted to TSEK 30 890 (26 246). Capitalized development costs amounted to TSEK 36 057 (9 675). Income for the period amounted to TSEK -8 134 (-4 356). The decreased income was attributable to the company's investments in clinical trials and recruitment of personnel. The parent company liquid assets at the end of the fiscal year amounted to TSEK 975 (10 352). For information of employees, salaries and remuneration, see note 11.

KEY RATIOS

	2008/09 May-April	2007/08 May-April
Number of shares at the close of the period (in thousands), before and after dilution	33 500	33 375
Average number of shares (in thousands) before and after dilution	33 440	32 613
Earnings per share in SEK, before and after dilution	-0,21	-0,16
Equity per share, SEK	1,82	1,94
Equity/assets ratio, %	63	74
Net liability, TSEK	25 844	4 109
Debt/Equity ratio, %	42	6
Return on total assets, %	-6	-5
Return on equity, %	-11	-8
Number of employees at the end of the period	55	40

For definitions, see Note 32

OTHER INFORMATION

The Oasmia share

The share capital in Oasmia at the end of the fiscal year amounted to TSEK 3 350 distributed over 33 500 000 A series shares with a quota value of SEK 0,10 per share. Every share entitles to one vote and all shares have the same rights to the company assets and income. There are no limitations in transfers, voting rights or in the right to participate at the Annual General Meeting. There are no agreements that will come into effect, be changed or be terminated if control of the company is changed as a result of a public buy offer. Oasmia has no knowledge of agreements between shareholders which could limit the right to transfer shares. Furthermore, there are no statements in the Articles of Association of appointment or dismissal of Board members or agreements between companies and Board members or employees which demand severance if they give notice, are given notice without just cause or if their employment is terminated as a result of a public buy offer for shares in the company.

On April 30, 2009, the two largest shareholders were Oasmia S.A with 71,1% of the votes and Svenska Handelsbanken with 2,7% of the votes.

Legal issues

Oasmia is not, and has not been involved in any legal dispute in the fiscal year. There are no circumstances known to the Board, which could lead to legal action of could affect the position of the company in a significant way.

Environmental activities

Oasmia's business activities include research, development and manufacture at the facility in Uppsala, where large quantities of chemicals are managed. The company fulfills all environmental requirements and aims to continue the business to support sustainable development within the environmental area. In addition to comply with the standards, guidelines and laws which regulates the process, the company does its utmost to continuously improve the activities, for instance by internal education within quality and environment.

Employees

The average number of employees in the financial year was 49 (37). Of these 22 (15) were men and 27 (22) women. The number of employees at the end of the year was 55 (40). Salaries and remunerations amounted to TSEK 19 920 (13 103). For more information, see Note 11.

Guidelines for remuneration to senior managers

Guidelines for remuneration to senior managers are disclosed in the Corporate Governance report.

PROPOSALS FOR THE ANNUAL GENERAL MEETING 2009

The complete proposal from the Board will be disclosed in connection to the notice.

Dividends

The Board does not intend to propose any dividends for the fiscal year 2008/2010.

Guidelines for remuneration to the CEO and other senior managers

The Board proposes that the Annual General Meeting 2009 makes a resolution to approve the current policies for remuneration and other employment terms for the CEO and the senior managers shall apply until the Annual General Meeting 2010. The policies shall be applied to employment agreements signed after the Annual General Meeting 2009 and apply to revisions of current employment agreements made until the Annual General Meeting 2010. Remuneration for the management is established by the Board.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

License agreement for the North American veterinary market

In July 2009, Oasmia signed a distribution agreement with Abbott Laboratories for Paccal® Vet in USA and Canada. Oasmia may, in accordance with the terms in the agreement, receive milestone payments of at most $19 million, where $5 million were received in July 2009. In addition, Oasmia will receive royalties on all sales. Oasmia will be responsible for clinical development, production and registration of the product and Abbott for the launch in the region.

On-going new share issues

At an Extraordinary General Meeting on July 8, 2009, the Meeting made a resolution to adopt the Board's proposal of new share issue with deviation from shareholders' preferential rights. At the same meeting, a resolution was made to adopt the Boards proposal of new share issue with preferential rights for the company shareholders.

New share issue with shareholders' preferential rights

The new share issue comprises at most 2 392 858 shares. The preferential rights for the Oasmia shareholders entails that fourteen (14) current shares gives the right to subscribe to one (1) new share. A fully subscribed share issue will provide with about SEK 60 million in issue payment, before deductions for issue costs. The subscription period ended on August 24, 2009.

New share issue with deviation from shareholders' preferential rights

The Board is planning a new share issue with deviation from shareholders' preferential rights. Eligible for subscription are a limited number of investors and institutions. The motivation for deviation from shareholders' preferential rights is that the company wishes to tie new, large and more long-term investors.

Credit facility

The principal owner Oasmia S.A. has decided to provide Oasmia with a credit facility amounting to MSEK 30 million. It is available for 12 months as of August 25, 2009.

RISK MANAGEMENT

All business activities are connected with risks. By creating awareness of the risks involved in the business can these be limited, controlled and managed at the same time as business opportunities can be utilized to increase the revenues.

The risks in Oasmia's business activities can mainly be divided into operational risks and financial risks. Financial risk management of those are more closely described in note 3. The operational risks are described below. They are mainly constituted by risks connected to the business branch where Oasmia is active and risks specific for the company.

Business related risks

Research and development

The company is conduction studies in both clinical and pre-clinical phase for a number of different pharmaceutical candidates. The results of every such study can be unpredictable and unwanted and therefore are the related costs to the company uncertain. Furthermore, unpredictable study results can lead to a reevaluation of concepts and studies. This could cause delayed launches or cancelled registrations of the company's pharmaceutical candidates, which in turn would affect the company's intended growth rate, results and financial position negatively.

Patient recruitment
Oasmia has closed agreements with a number of different suppliers of services for clinical trials at clinics and hospitals in several different countries, including Belgium, Sweden, Germany, Hungary and the USA. An important term of these agreements is the recruitment of patients for the clinical trials. The extent of the recruitment has a relatively large impact on the speed of and the timeframe for the clinical trials. If one or more of these suppliers cancel the agreements and if these cannot be replaced by agreements with other suppliers, this might lead to delays in the clinical trials and thus the registration of the company pharmaceutical candidates. A delay might in turn lead to increased costs and that expected revenues are further pushed into the future with a negative effect on the company results and financial position.

Production
The company's own production facility allows for manufacture up to pilot scale of both developmental compounds and final product. Full scale manufacture will be made by contract manufacturers. Scale-up and transfer of technology has already begun. Techniques used by the company are industrial standard both for compounds and final product, even if they are connected with special knowledge developed internally in the company. If it turns out that the technology is more difficult so scale up than predicted, it can delay full scale production and affect launch dates with a negative effect on the company results and financial position. In connection to scale-up, documentation must be submitted to authorities in Europe, USA and Japan. These authorities must approve the products at the manufacturer selected by the company. If the documentation is not complete, there is a risk that the launch of the product is delayed.

Side-effects
Since the company's main business is development of pharmaceuticals, there is a risk that patients participating in clinical studies involving the company's products or in other ways come into contact with the company's products are affect by serious side-effects. The consequence of such potential side-effects may be that further clinical safety studies must be performed, which would affect the confidence in the company, delay launch and thereby affect the company revenues, result and financial position. Other consequences which cannot be ruled out are that the company may be sued by patients affected by side-effects.

Competition
There is sharp competition within the pharmaceutical industry with many available and upcoming products. For Oasmia, the market for taxane based cancer treatment in human medicine is especially important where several established brands and generic drugs can affect the success of the company pharmaceutical candidates and thereby the Company's expected turnover and result negatively.

The competition makes it difficult to predict the rate, and the volume Oasmia's pharmaceutical candidates can reach at their respective markets (indication and geography) after the market approval. Furthermore, the price levels for the Oasmia product candidates compared to competing product on the market are very uncertain. This uncertainty in the market prerequisites and the competition means that there is a risk for erroneous investment decisions whereby the company's expected sales, result and financial position can be affected negatively.

Remuneration from third party
Some of Oasmia's products is expected be bought by, or convey the right for the final customer to receive remuneration, from paying third party such as public sector or private insurance companies. Changes in third party policies and ability to affect prices and demand for pharmaceuticals may affect the Company's expected sales, result and financial position.

Uncertain market
The market for cytostatic based pharmaceuticals for dogs is uncertain since only a few approved and registered products are currently available on the market. It is therefore difficult to estimate the acceptance such a pharmaceutical may receive from veterinarians. Therefore, estimations of market size are associated with great uncertainty, and likewise with estimation of growth for Oasmia's pharmaceutical candidates in this market.

Patents and intellectual property disputes

Oasmia makes the judgment that the company has a solid patent protection on the markets which the company estimates to be relevant, i.e. Europe, the USA and Japan. However, it cannot be guaranteed that the future product development of the company leads to patentable products, or that present or future patent applications leads to patents, and that approved patents are enough to protect Oasmia's rights.

Furthermore, existence of earlier patents, with such a broad protection that it will affect the company's patent protection, cannot be ruled out. If such a patent exists, the holder may prevent the exploitation of the concerned products by the company, despite the company's own patent protection of these. If Oasmia within the frame of its research uses compounds or procedures which are patented or have a patent pending by other party, the holder of these rights may take legal action toward the company.

There is a risk that competitors may infringe on Oasmia's patent rights and that disputes may arise. It is never possible to fully predict if a patent is valid and therefore it is difficult to predict the outcome of legal processes concerning patents. The costs for such processes are often considerable, and can affect the company's result and financial position negatively.

Relations with authorities
Oasmia's business is dependent on permits from different authorities, both Swedish and foreign. There is a risk that necessary permits cannot be obtained without extensive investigations or costly adaptations of the business activities. If critical permits are revoked, the company may be forced to discontinue its business.

Company related risks
Collaborations
Oasmia's strategy for further development and commercialization of its product candidates is based on co-operation agreements with larger international or regional pharmaceutical companies. Oasmia's growth is thereby dependent on establishment of such co-operations. Presently, the company has entered into an important co-operation with Orion Corporation concerning Paclical® in the Nordic Countries and Paccal® Vet in the greater part of Europe. If important agreement s cannot be established, are cancelled or are proceeding unsatisfactorily, this could affect the company's future development, growth and financial position negatively.

Burdensome agreement terms
The license and distribution agreements closed with Orion Corporation ("Orion") contains some burdensome terms which could affect the company's growth and financial position negatively. According to the agreements, the company may become liable to repay previous received payments and be forced to issue payments to Orion if the company does not apply for marketing authorizations in accordance with the attached schedules and if Orion chooses to cancel the agreements on this basis. Orion has the right to cancel the agreements on several terms, among others if marketing authorizations have not been obtained in accordance with the attached schedules, if a marketing authorization has been revoked after approval or of it is not commercially possible for Orion to fulfill the agreements. The agreements also contain a clause of normalized damages if the company does not deliver correct products in time. The normalized damages is however limited to ten percent of the value of the delayed products. Furthermore, Orion are entitled to royalties amounting to five percent of the net sales of Paccal® Vet in the region if the company cancels the exclusivity in the agreement because Orion has not upheld its agreed purchased levels.

Sales through partners and profitability
Oasmia's business model is based on sales of products through larger international or regional pharmaceutical companies with which co-operation agreements have been closed or is expected to be closed, (see Collaborations above). A common principle and term in such agreements is that the price of the product on the marked is set by Oasmia's partners. Furthermore, the sales of Oasmia's products, and thus the company's revenues, are dependent on the extent of how these partners exploit and penetrate the markets. Oasmia's business model is also based on that large scale manufacturing of the company's products is carried out by contract manufacturers with an efficient production (se Production above). At the time of publication of this report, Oasmia had not closed any production agreements as the commercial terms for such agreements still is not clear and thereby known. Therefore, there is an uncertainty in the future profitability the company can reach by sales of the company's pharmaceutical candidates after the company has obtained marketing authorizations. There is thus a risk that the estimated revenues of the company is overestimated and that the company's expected costs are underestimated.

Non-reliable revenue sources
Oasmia's business and revenue model is based on license and distribution agreements with so called milestone payments. Such milestone payments are expected to be the most dominant revenue source until Oasmia has obtained a market authorization for one or several of its pharmaceutical candidates and a few years thereafter. Even if milestone payments is expected to constitute a significant an important revenue source in the short term, they do not constitute a long term reliable income and Oasmia is therefore dependent on a successful establishment of its pharmaceutical candidates on the market. There is therefore a risk that the company net sales and result can vary greatly from one period to the next.

Key personnel
Oasmia is dependent on qualified employees in order to conduct high quality research. Since Oasmia is expected to expand heavily in the coming years, there is a relatively considerable need for recruitments within the production and regulator affairs departments. There is a risk that the company will not be able to recruit enough qualified personnel or not be able to recruit them at acceptable terms. There is therefore a risk that a lack of or difficulty in recruitment will affect the company's further expansion rate and growth negatively.

Employee agreements and intangible assets
The employee agreements for the Key persons in the company does not contain any terms stating that the inventions and/or other intangible rights of the Key persons shall belong to the company. Nor do they contain any restrictions for the key persons to work for other companies after notice has been given. This fact is a risk which could affect the company negatively if any of the key persons in the company decides to leave the company with an interest to start up or engage in competing business.

Influence
Oasmia owns 51 percent of GlucoGene Pharma AB and therefore not make decisions which requires qualified majority without the consent of the other owners. The other shareholders are five persons.

PROPOSAL FOR APPROPRIATION OF PROFITS

The profits below are available to the Annual General Meeting:

Profit brought forward	SEK62 759 428
Income for the year	SEK - 8 133 875
Total	SEK 54 625 553

The Board of Directors proposes that the profits are allocated such as SEK 54 625 553 are brought forward.

Consolidated Income Statement

TSEK	Note	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Net sales	5	79 357	71 158
Capitalized development cost	6	36 057	9 675
Other operating income	7	224	65
Raw materials, consumables and goods for resale	8	-56 591	-45 310
Other external expenses	9,10	-37 349	-20 187
Employee benefit expenses	11	-25 658	-17 530
Depreciation/amortization and impairment	12,13	-3 187	-2 727
Other operating expenses	13	-9	-
Operating income	14,15	-7 156	-4 855
Financial income		1 464	462
Financial expenses		-1 414	-674
Financial items, net	14,16	50	-212
Income before taxes		-7 106	-5 067
Taxes	17	0	0
Income for the year		-7 105	-5 067
Attributable to:			
Equity holders of the Parent company		-7 095	-5 057
Minority shareholding		-10	-9
Earnings per share,			
Calculated on income attributable to:			
Equity holders in the Parent company in the year			
Before dilution, SEK	18	-0,21	-0,16
After dilution, SEK	18	-0,21	-0,16

Consolidated Balance Sheet

TSEK	Note	2009-04-30	2008-04-30
ASSETS			
Non-current assets			
Property, plant and equipment	12	19 858	19 180
Capitalized development cost	6	60 216	24 159
Other intangible assets	13	7 862	8 284
Financial assets		2	-
Total Non-current assets		87 939	51 624
Current assets			
Inventories	8	2 776	19 121
Trade receivables	19	2 337	4 059
Derivative instruments		231	-
Other current receivables	20	1 085	772
Prepaid expenses and accrued income	19	1 743	1 717
Liquid assets	21	988	10 379
Total Current assets		9 161	36 048
TOTAL ASSETS		97 099	87 672
EQUITY			
Equity and reserves attributed to equity holders in the Parent Company			
Share capital	22	3 350	3 338
Other capital provided		99 254	95 767
Retained earnings		-41 493	-34 389
Total		61 111	64 715
Minority shareholding		95	97
Total Equity		61 207	64 812
LIABILITIES			
Non-current liabilities			
Long-term borrowings	23	-	6 433
Other non-current liabilities		24	
Deferred tax liabilities	24	7	8
Total Non-current liabilities		31	6 441
Current liabilities			
Liabilities to credit institutions	25	7 356	5 241
Short-term borrowings	23	19 476	2 814
Trade payables		3 025	3 933
Other current liabilities	26	1 538	2 153
Prepaid expenses and accrued income	27	4 465	2 277
Total Current liabilities		35 861	16 418
Total Liabilities		35 892	22 859
TOTAL EQUITY AND LIABILITIES		97 099	87 672
Contingent liabilities	29		
Pledged assets	29		

Consolidated statement of changes to shareholders' Equity

		Attributable to Equity holders in Parent company				
TSEK	Note	Share capital	Other paid-up capital	Retained earnings	Minority shareholding	Total share-holders' equity
Opening balance as of May 1, 2007		3 185	95 919	-29 331	106	69 879
Income for the year		-	-	-5 057	-9	-5 067
Total overall accounted revenues and costs		0	0	-5 057	-9	-5 067
Shareholders' contribution refunded		-	-61 100	-	-	-61 100
New share issue		152	60 948	-	-	61 100
Total transactions with shareholders		152	-152	0	0	0
Closing balance as of April 30, 2008		3 338	95 767	-34 389	97	64 812
Opening balance as of May 1, 2008		3 338	95 767	-34 389	97	64 812
Income for the year		-	-	-7 095	-10	-7 105
Total overall accounted revenues and costs		0	0	-7 095	-10	-7 105
Shareholders' contribution received		-	3 500	-	-	3 500
Shareholders' contribution refunded		-	-3 500	-	-	-3 500
New share issue		13	3 488	-	-	3 500
Change in Minority shareholding		-	-	-9	9	0
Total transactions with shareholders	30	13	3 488	-9	9	3 500
Closing balance as of April 30, 20009		3 350	99 254	-41 493	95	61 207

Consolidated Cash flow Statement

TSEK	Note	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Operating activities			
Operating income		-7 156	-4 855
Depreciation/amortization	12,13	3 187	2 727
Impairment of inventory	8	461	0
Disposals of intangible assets	13	9	0
Interest received	16	1 233	462
Interest paid	16	-1 414	-674
Cash flow from operating activities before working capital changes		-3 679	-2 340
Change in working capital			
Change in inventories	8	15 884	-803
Change in trade receivables	19	1 722	347
Change in other current receivables	19,20	-339	-302
Change in trade payables		-908	-631
Change in other current liabilities	26,27	1 596	959
Cash flow from current operations		14 276	-2 770
Investing activities			
Investments in intangible fixed assets	6,13	-36 495	-10 901
Investments in property, plant and equipment	12	-3 014	-1 700
Investments in financial assets		-2	-
Cash flow from investing activities		-39 511	-12 601
Financing activities			
Increase in liabilities to credit institutions	25	2 115	2 779
New loans	23	16 543	3 500
Repayment of loans	23	-2 814	-2 699
Cash flow from financing activities		15 845	3 580
Cash flow for the period		-9 390	-11 791
Cash and cash equivalents at the beginning of the period		10 379	22 170
Cash and cash equivalents at the end of the period	21	988	10 379

Parent Company Income statement

TSEK	Note	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Net sales		30 890	26 246
Capitalized development cost	6	36 057	9 675
Other operating income	7	724	31
Raw materials, consumables and goods for resale		-6 098	-1 241
Other external expenses	9,10	-36 474	-19 188
Employee benefit expenses	11	-25 658	-17 510
Depreciation/amortization and impairment of property, plant, equipment and intangible assets	12,13	-2 960	-2 505
Operating income		-3 519	-4 492
Income from participations in Group companies	28	-5 000	-
Other interest revenues and similar revenues	14,16	1 227	460
Interest cost and similar costs	14,16	-842	-324
Financial items, net		-4 615	136
Income after financial items		-8 134	-4 356
Taxes	17	-	-
Income for the year		-8 134	-4 356

Parent Company Balance Sheet

TSEK	Note	2009-04-30	2008-04-30
ASSETS			
Non-current assets			
Intangible fixed assets			
Capitalized development cost	6	60 216	24 159
Concessions, patents, licenses, trademarks and similar rights	13	7 151	7 386
Property, plant and equipment			
Equipment, tools, fixtures and fittings	12	19 858	19 180
Financial assets			
Participations in group companies	28	2 118	2 118
Other securities held as non-current assets		1	-
Total Non-current assets		89 344	52 843
Current assets			
Inventories			
Raw materials and consumables	8	85	37
		85	37
Current receivables			
Trade receivables	19	101	-
Receivables from group companies	30	-	14 825
Other current receivables	20	1 052	713
Prepaid expenses and accrued income	19	1 536	1 373
		2 689	16 910
Cash and bank balances	21	975	10 352
Total current assets		3 750	27 300
TOTAL ASSETS		93 094	80 143
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	22	3 350	3 338
Statutory reserve		4 620	4 620
		7 970	7 958
Non-restricted equity			
Share premium reserve		99 254	95 767
Retained earnings		-36 495	-32 139
Income for the year		-8 134	-4 356
		54 626	59 272
Total equity		62 596	67 229
Non-current liabilities			
Long-term borrowings	23	-	6 433
Total non-current liabilities		0	6 433
Current liabilities			
Short term borrowings	23	19 476	2 814
Trade payables		1 697	650
Liabilities to group companies	30	3 808	-
Other current liabilities	26	1 059	740
Accrued expenses and prepaid income	27	4 458	2 277
Total Current liabilities		30 498	6 481
TOTAL EQUITY AND LIABILITIES		93 094	80 143
Contingent liabilities and pledged assets			
Contingent liabilities	29	8 000	8 000
Pledged assets	29	1 500	-

Change in shareholders' equity –Parent Company

TSEK	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance as of May 1, 2007	3 185	4 620	63 780	71 585
Shareholders' contribution refunded	-	-	-61 100	-61 100
New share issue	152	-	60 948	61 100
Income for the year	-	-	-4 356	-4 356
Closing balance as of April 30, 2008	3 338	4 620	59 272	67 229
Opening balance as of May 1, 2008	3 338	4 620	59 272	67 229
Shareholders' contribution received	-	-	3 500	3 500
Shareholders' contribution refunded	-	-	-3 500	-3 500
New share issue	13	-	3 488	3 500
Income for the year	-	-	-8 134	-8 134
Closing balance as of April 30, 2009	3 350	4 620	54 626	62 596

Parent Company Cash flow Statement

TSEK	Note	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Operating activities			
Operating income before financial items		-3 519	-4 492
Depreciation/amortization	12,13	2 960	2 505
Interest received	16	1 227	460
Interest paid	16	-842	-324
Cash flow from operating activities before working capital changes		-173	-1 851
Change in working capital			
Change in inventories	8	-47	-
Change in trade receivables	19	-101	93
Change in other current receivables	19,20,30	13 130	2 628
Change in trade payables		1 047	-7
Change in other current liabilities	26,27	2 500	1 003
Cash flow from current operations		16 355	1 867
Investing activities			
Investments in intangible fixed assets	6,13	-36 446	-10 896
Investments in property, plant and equipment	12	-3 014	-1 700
Investments in financial assets		-1	-
Cash flow from investing activities		-39 461	-12 596
Financing activities			
New loans	23	16 543	3 500
Repayment of loans	23	-2 814	-2 699
Cash flow from financing activities		13 729	801
Cash flow for the year		-9 377	-9 927
Cash and cash equivalents at the beginning of the period		10 352	20 280
Cash and cash equivalents at the end of the period	21	975	10 352

Notes for the Consolidated accounts

Note 1 General information

Principal owner of the Group Parent Company Oasmia Pharmaceutical AB (The Parent Company) is Oasmia S.A., seated in Luxembourg, with 72% of the votes. The Parent Company and the subsidiary (together named The Group) develops novel, patented formulations of existing pharmaceutical with focus on human and veterinary oncology. Oasmia also conducts research within infection, asthma and neurologic diseases. The Parent Company's office, research and production facility is situated in Uppsala. The Group is conducting sales of parallel imported pharmaceutical in Sweden through the subsidiary Qdoxx Pharma AB. The Parent Company is a limited company seated and registered in Stockholm, Sweden. The Company address is Vallongatan 1, Uppsala where the Company's office, research and production facility is situated. The Parent Company is listed on NGM Equity. The Consolidated accounts for Oasmia Pharmaceutical AB for the fiscal year ending on April 30, 2009 has been approved for publication by the Board on August 28, 2009 and will be presented to the Annual General Meeting on September 25, 2009.

Note 2 Accounting policies

The Group

The most important accounting policies applied when these Consolidated accounts were established are described below. These principles have been applied for the last four fiscal years.

Basis for the establishment of the reports

The Consolidated accounts have been established 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 1.1 Complementary accounting regulations for Groups issued by the Swedish Financial Reporting Board have been applied.
The Parent Company applies the same accounting policies as the Group, except in those cases disclosed below in the section "Parent Company accounting policies". The differences between the Parent Company and The Group policies are a result of limitations in the possibilities to apply IFRS in the Parent Company with respect to the Annual Reports act and Safeguard legislation and in some cases tax reasons.

The establishment of reports in accordance with IFRS demands utilization of some important estimations for accounting purposes. Furthermore, it is required that the management makes some judgments of the application of the Group accounting policies. Areas which demand several estimations, are complex or where assumptions and estimations are of significant importance for the Consolidated accounts are disclosed in note 4.

Revised accounting policies

New policies 2008/09

In this Annual Report, comparative figures in Cash flow statements are adjusted so that no cash flow affecting items are accounted for in the financing activities. Changes in liabilities to credit institutions are accounted for on a separate line in the financing activities in this financial report. In the Annual Report for the fiscal year 2007/2008 this line was incorporated into the line Change in other current liabilities in Cash flow from operation activities. Accumulated deficit deductions in note 17 have been adjusted.

New IFRS and interpretations with application 2009 or later

IFRS 8 Operative segments

The standard must be applied as of January 1, 2009 and applies to the fiscal year started as of this date. The standard concerns the division of the Company business into different segments. According to the standard, the Company shall begin with the structure of the internal reporting and create reportable segments modeled after this structure. It is the Group's opinion that this standard does not include any changes compared to the present segment reporting in addition to the information given.

IAS 1 IAS 1 (Revision), Presentation of financial statements

The standard shall be applied as of January 1, 2009. The revision includes most importantly changes in the format and the terms in the financial statements. The future format of the Group's financial statements will thus be affected by the application of this standard. The judgment is that this does not include any significant changes.

IFRS 3 (Revision) Business combinations

The revision applies for acquisitions made from when the revision comes into effect. The application will include a change of how future acquisitions is accounted, for instance accounting for transaction costs, conditional considerations and successive acquisitions. The Group will apply the standard as of the fiscal year starting May 1, 2010. The revision of the standard will not have any effect on previous acquisitions, but will affect the accounting of future transactions.

Consolidated accounts

Subsidiaries

Subsidiaries are companies where the Group has the right to shape financial and operative strategies in a way which usually follows a holding of more than half of the votes. Subsidiaries are included in the consolidated accounts as of the day when the influence is transferred to the Group. They are excluded from the consolidated accounts as of the day when the influence is ended.
The purchase method is used for accounting of the consolidated acquisitions of subsidiaries. The cost of an acquisition is constituted by the actual value of assets used as payment and liabilities which have arisen or are taken over from the day of transfer, plus expenses which are directly attributable to the acquisition. Identifiable acquired assets, liabilities which are taken over and contingent liabilities in a business combination are initially valued to actual values on the day of acquisition, irrespective of the extent of potential minority shareholding. The surplus constituted by the difference between the acquisition cost and the actual value of the Group's share of identified acquired assets, liabilities and contingent liabilities are accounted for as goodwill. If the cost of acquisition is below the actual value for the acquired subsidiary's assets, liabilities and contingent liabilities the difference is accounted for directly in the income statement. Transactions within the Group, balance sheet items and unrealized gains on transactions between group companies are eliminated.

Transactions with minority shares
The Group applies the policy of accounting transactions with minority shares as transactions with third party.

Segment reporting
A line of business (primary segment) is a group of assets and activities which provide products or services exposed to risks and opportunities and possibilities which differ from what applies to other lines of business.
The Group has two primary segments:

- Development of pharmaceuticals
- Sales of parallel imported pharmaceuticals

It is judged that no geographical segments exist.

Inter-segment sales are carried out on market terms and concerns costs for property and administration.
These costs are annually reviewed and distributed by invoicing between the segments according to resource utilization. Inter-group sales are eliminated in the consolidated accounts.

Translation of foreign currency
The Group companies use SEK as functional currency and reporting currency. Transactions in foreign currency are translated to the functional currency according to the exchange rates on the day of transaction. Translation profits or losses which arise when payment is made for such transactions and when translations of monetary assets and liabilities in foreign currency to the exchange rate at the closing day are accounted for in the operations.

Property, plant and equipment
Property, plant and equipment are accounted for at the cost of acquisition with deductions for depreciations. In the cost of acquisition, expenses directly attributable to the acquisition of the asset.

Additional expenses are added to the carrying amount of the asset or are accounted for 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 cost of acquisition 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 accounted for as expenses in the Income Statement in the period they arise.

Property, plant and equipment which are acquired by conditional sale are accounted for by the cost of acquisition, i.e. the total discounted amount of all future payments. A liability is accounted for at the same time concerning the not yet paid purchase sum. The liability is initially valued to its actual value and thereafter to the amortized cost with an application of the effective interest method. The liability is divided into a non-current part and in a current part and accounted for 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 cost of acquisition in relation to the total cost of acquisition of the asset, is depreciated separately. Component depreciation is mostly applied for production equipment.

Depreciations of assets are carried out linearly as follows in order to distribute their cost of acquisition to the calculated residual value for the calculated utilization period:

• 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 every closing day and are adjusted as needed. 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 accounted for in Other operating income or Other operating expenses.

Intangible assets
Capitalized development cost
Expenditures for research are immediately written off. Development costs, which are attributable to production and tests of novel or improved products, are capitalized in the Group to the extent they are expected to generate future economic benefits. Depreciations are preformed linearly over the period these expected benefits are expected to generate benefits for the company and from the date where commercial manufacture is commenced. The utilization period for such capitalized development costs are estimated to be at most 10 years.

Pharmaceuticals in development are over time in two stages, the preclinical stage and the clinical stage. In the preclinical stage, pharmaceuticals are selected from possible future pharmaceuticals. The priorities which govern the selection are demand and profitability. Furthermore, the production process of the novel pharmaceutical to a test version and studies of the pharmaceutical for specificity, efficacy and safety are concluded with submission of an IND (Investigative New Drug)-application to the authorities to obtain permission to test the pharmaceutical on humans.

When an application has been approved, the process continues in the clinical stage. The 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. In Phase III, is the pharmaceutical tested on a larger group of patients and both efficacy and safety is 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 for pharmaceuticals in Phase III.

Depreciations will commence when the product is registered, which will happen within a foreseeable future.
Other development costs are written off as they arise. Development costs previously written off, are not carried forwards as assets in later periods.

Other intangible assets
The Group balances fees to authorities for patents and sales rights to the extent they are expected to generate future economic benefits. They are accounted for as cost of acquisition, reduced by the accumulated amortizations. The Amortizations are made linearly to distribute the cost over the utilization period. The applied amortization periods are as follows:

- Patents 20 years
- Sales rights 5 years

The patents are depreciated starting from the month the patent is approved. Sales rights are depreciated starting on day one the next fiscal year. The capitalized expenses for patents are constituted by registration costs such as initial expenses for authorities and legal fees. Sales rights are constituted by fees to authorities for the right to sell parallel imported pharmaceuticals.

Inventory
The inventory is accounted for to the lowest cost of acquisition and the net realizable value. The cost of acquisition is established by using the first in, first out method (FIFO). The cost of acquisition for goods for resale consists of purchase costs for goods for resale and cost for repackaging. 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 ready to be used are not depreciated, but are instead evaluated annually for eventual 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 with the amount to 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 are the smallest group of assets which enables positive cash flow which are independent from the cash flow from other assets or groups of assets. The Group has presently no assets with indeterminable utilization periods.

Financial instruments
According to IFRS, trade receivables, derivative instruments, other current receivables, liquid assets, borrowing, liabilities to credit institutions, trade payables, other current liabilities and to some degree prepaid expenses are classified as financial instruments. With the exception of derivative instruments, all Oasmia's financial instruments are accounted for to the cost of acquisition with the addition of transaction costs. The classification of the items in the Balance Sheet is disclosed in note 31.

Trade receivables
Trade receivables are accounted for to the actual value and thereafter to the amortized cost with application of the effective interest method, reduced with an eventual provision for value reduction. A provision for value reduction of trade receivables is made when there are objective evidence of that the Group will not receive all amounts which are due according to the initial terms of the claim. Significant financial difficulties of the debtor, a risk that the debtor will become bankrupt or go through a financial reconstruction and cancelled or delayed payments (more than 30 days overdue) are considered as indicators of that there is an impairment need of a trade receivable exists. 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 with the original effective interest. The accounted value of the asset is reduced by utilization of a value reduction account and the loss is accounted for in the income statement in the item Other external expenses. When a trade receivable cannot be driven in, it is written off against the value reduction account for trade receivables. Recycling of amounts previously written off is credited in Other operating income in the income statement.

Derivative instruments
The derivative instruments in the Group consist of forward currency for purchase of USD. Derivative instruments are accounted for at the first accounting occasion to their actual value at the time of contract signing. Thereafter a continuous evaluation is made to the actual value. Changes in actual value or derivatives are accounted for as financial items in the income statement.

Liquid assets
Liquid assets include cash and bank balances. Bank overdrafts are accounted for as Liabilities to credit institutions in the balance sheet.

Borrowings
Borrowings are initially accounted for to the actual value, net after transaction costs. Borrowings are thereafter accounted for to amortized cost and eventual difference between the amount received (net after transaction costs) and the amount refunded are accounted for income statement distributed over the term, with an application of the effective interest method. Borrowings are classified as current liabilities if the Group has an unconditional right to postpone payment of the liability in at least 12 months after the closing day.

Trade payables
Trade payables are initially accounted for the actual value and thereafter to the amortized cost with an application of the effective interest method.

Impairment of financial assets
The value of financial assets is reviewed at every report date. If there are indications that an asset has been reduced in value, the recoverable amount is tested. The recoverable amount for assets belonging to the category "Loan receivables and trade receivables" which are accounted for to the amortized amount are calculated as the present value of future cash flow discounted with the effective interest which applied with the asset was accounted for the first time. Assets with a short tenor are not discounted. An impairment burdens the income statement.

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

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

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

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

Pension obligations
The Group companies have no pension obligations.

Severance pay
Severance pay is paid 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 accounts severance pay when it is obligated either to give notice according to a detailed formal plan without the possibility of recall or by paying remuneration when notice is given as a result of an offer to encourage voluntary resignation. Benefits which are due more than 12 months after closing day are discounted to the present value.

Revenue recognition
Revenues comprise the actual value of what is received or will be received for sold goods and services in the business of the Group. Revenues are accounted for without value added tax, and after elimination of inter-group sales. The Group accounts for a revenue when the amount can be measured in a reliable way, it is likely that future economic benefits will befall the company and certain criteria has 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 accounted for 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. 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 license and distribution agreement with other companies for the marketing and sales rights of pharmaceutical candidates in different world regions. Such agreements concern pharmaceutical candidates in Phase III and where the risk of failed registration is judged to be very small. License and distribution agreements contain milestone payments and royalties from sales. Milestone payments are accounted for as a revenue when licensing has been agreed and when other criteria according to agreements have been fulfilled by Oasmia. Royalties will hereon be recognized as revenues as sales are accounted for.

c) Sales of parallel imported pharmaceuticals
The subsidiary Qdoxx Pharma AB imports pharmaceuticals from EU-countries where the price is lower compared to corresponding pharmaceuticals in Sweden. Qdoxx Pharma must obtain an approved registration or the pharmaceutical by the Swedish MPA or by the EMEA (European Medicines Agency). The sales price to the pharmacies is set one a month by the authority TLV, The Dental and Pharmaceutical Benefits Agency. The pharmacies are compelled to always expedite the cheapest pharmaceutical available.

Qdoxx Pharma owns the products kept in a central storage at the wholesaler Tamro. Tamro is responsible for distribution between the central storage and the distribution storage and further on to pharmacies. Qdoxx owes the products at the distribution storages and the ownership is transferred from Qdoxx when the products leave the distribution storage. Invoicing to Tamro is made once a month for that particular month's sales and it is at this point Qdoxx accounts this as revenue.

Leasing
Leasing where a significant part of the risks and benefits of owning is kept by the lease giver is classified as operational leasing. Payments made in the lease term (after deductions for eventual incentives from the lease giver) are carried as an expense in the income statement linearly over the lease term. The company has no financial leasing.

Dividends
Dividends to the Parent company shareholders are accounted for as liabilities in the Group financial statements in the period the dividend is approved by the Parent company shareholders.

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

Parent Company accounting policies
The parent company accounts are established in accordance with the Annual Accounts Act (1995:1554) and the recommendation RFR 2.1 Accounting for legal entities, issued by the Swedish Financial Reporting Board. RFR 2.1 states that the parent company shall apply all IFRS and announcements adopted by the EU as far as possible within the frame of the Annual Accounts Act in the Annual Report with respect to the connection between accounting and taxation. The recommendation lists what exceptions and

additions to be made from IFRS. The differences between the Group and the parent company accounting policies are given below. In accordance with RFR 2.1 item 73, the company has chosen not to apply the Annual Accounts Act chapter 14 § a-e which allows an estimation of certain financial instruments to actual values.

The accounting policies given below for the parent company has been applied consequently on all periods presented in the parent company's financial statements.

Revenues
Dividends
A dividend revenue is accounted for when the right to receive payment is judged safe.

Derivative instruments
The forward agreements are not accounted for until they are due.

Participation in group companies and shareholder contribution for legal entities
The company accounts for group contributions and shareholder contributions in accordance with the announcement from the Swedish Financial Reporting Board. The shareholder contributions are directly brought against the recipient's equity and is capitalized in shares and in giver's shares, to the extent impairment is not needed.

Participation in group companies is accounted for according to economic significance. This means that participation in group companies made to minimize the total tax for the group is accounted for directly against retained earnings after deductions for the current tax effect.

Participation in group companies comparable to dividends is accounted for as dividends. This means that a group contribution received and its current tax effect is accounted for over the income statement. Group contribution paid and its current tax effect is accounted for directly against retained earnings.

Group contributions which are comparable to shareholder contribution is accounted for, with consideration of the current tax effect, directly against the recipient's retained earnings. The supplier accounts for the group contribution and is current tax effect as an investment in participation in group companies, to the extent impairment is not needed.

Note 3 Financial risk management

The Group is exposed to different financial risks such as market risk, credit risk and liquidity risk through its business activities. In the Group policy, continuous identification and management of these risks is an important part. The Group is also exposed to operational risks, which is more closely described in the administration report.

(a) Market risk

(i) 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 unit. The group purchases goods and services from other countries than Sweden and is then exposed to currency risks caused by transactions in mostly EUR and USD. The group uses some hedging by derivative instruments. If the Swedish crown has diminished/increased in value by 5% compared to the EUR and USD, and all other variables are constant, the income after tax as of April 30, 2009 is not significantly affected. Any currency risk concerning trade receivables dose not exist as of April 30, 2009 and not as of April 30, 2008.

(ii) Price risk
The group is exposed for price risks concerning parallel imported pharmaceuticals. This price risk consists of changed purchase prices. The group considers this risk to be significant and no import is currently performed.

(iii) Interest rate risk concerning cash flow
Since the Group does not have any significant interest-bearing assets, the cash flow from operating activities and revenues of the Group is in all essential independent of changes in market rates. The interest rate risk arises by utilize of bank overdrafts and credits in the sales ledger. Credits in the sales ledger concerns pledged trade receivables. The utilization is made with floating interest rate and exposes the Group for an interest rate risk concerning cash flow. If the floating interest rates were 1.0 percent higher/lower with all other variables constant, the income for the period as of April 30, 2009 would be TSEK 74 (TSEK 52) higher/lower, as a result of recalculated utilized bank overdrafts and credits in the sales ledger. Short term borrowings from Oasmia S.A carry a fixed interest rate of 5% and do not cause any interest rate risks.

(b) Credit risk
Revenues are received from a few customers. Sales of parallel imported pharmaceuticals are only made to a large pharmaceutical wholesaler in Sweden. Sales of compassionate use are mostly made to pharmacies in Sweden. License revenues are received from one company, in EUR. No credit limits have been exceeded in the year.

c) Liquidity risk
Liquidity risk is managed by ensuring that the Group holds enough liquid assets, available financing by credit facilities and the possibility to close market positions. The Group retains the flexibility in the financing by upholding agreements of liftable credits. The business activities are dependent on license revenues. There is a liquidity risk connected with these if they are not received according to plan.

The table below depicts the used credit amount in the Ban as of closing day (TSEK)

	2009-04-30			2008-04-30		
Counterpart Bank	Credit limit	Used amount	Liquidity reserve	Credit limit	Used amount	Liquidity Reserve
	8 000	7 356	644	8 000	5 241	2 759

The short term liquidity of the Group is ensured by maintenance of the liquidity reserve of the unused part of confirmed bank credits, which in the long term shall amount to at least 5 % of the Group's annual sales. The table below depicts the financial liabilities of the Group, divided after the time remaining from the closing day to the agreed due date (TSEK).

As of April 30, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	7 356	-	-	-
Trade payables and other liabilities[1]	9 053	-	-	-
Borrowings[2]	19 476	-	-	-

As of April 30, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	5 241	-	-	-
Trade payables and other liabilities[1]	8 363	-	-	-
Borrowings[2]	6 500	3 000	-	-

[1] Trade payables and other liabilities consist of Trade payables, Other current liabilities and Accrued expenses and prepaid income.
[2] Borrowings consists of a installment purchase and loans to Oasmia's principal owner (note 23).

(d) Capital risk
The aim of the Group concerning the capital structure is to ensure the Group's ability to continue its business, so that it can generate returns to the shareholders and use for other interested parties. Furthermore, the goal is to maintain an optimal capital structure which holds capital costs down. The aim for the debt/equity ratio is that it should not exceed 12%. The debt/equity ratio amounted as of April 30, 2009 to 42% (6%). This increase is judged to be temporary and the debt/equity ratio is estimated to return to the desired level in the near future.

	2009-04-30	2008-04-30
Total borrowing[1]	26 833	14 488
Deducted liquid assets	-988	-10 379
Net liability	25 844	4 109
Total equity	61 207	64 812
Capital employed	87 051	68 921
Debt/Equity ration	42%	6%

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

Note 4 Important estimations and judgments for accounting purposes

Estimations and judgments are continuously reviewed and based on historical experience and other factors, including expectations of future events which is considered feasible in the current circumstances.

Important estimations and assumptions for accounting purposes
The group makes estimations and assumptions about the future. Estimations for accounting purposes, which is the result of these, will not per definition, seldom correspond to the actual result. Estimations and assumptions resulting in a considerable risk for significant adjustments in carrying amounts for assets and liabilities in the next fiscal year is listed below.

(a) Impairment test for intangible assets
The company pursues development of novel pharmaceuticals and the whole cost is used in this activity. The capitalized development cost for the fiscal year amounted to TSEK 36 057 (TSEK 9 675). The company annually performs an estimation 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 pharmaceutical candidates in Phase III is in the near future and that expected future profits motivates the value of the assets. Oasmia has capitalized expenditures for development of pharmaceuticals close to approval application filing. If these products are not approved, or the probability for approval is diminished, the capitalized expenditures would be carried as expenses. As of April 30, 2009, the capitalized expenditures amounted to 98 % (37 %) 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) Taxes
The group is liable to pay tax in Sweden. The group companies have so far showed negative fiscal results as significant fiscal deficits exists in the group. There are presently no convincing reasons for that fiscal surpluses will exist in the future which can defend a capitalization of the deficits. Accumulated fiscal deficits in the group are described in note 24.

Important judgments when applying the Company's accounting policies
The group balances expenditures for patents and sales rights because they are expected to generate future economic benefits. If the group makes the judgment that they no longer will generate future economic benefits, these assets would be written off against the Groups profit. As of April 30, 2009, the carrying amount for patents and sales rights in the group amounted to TSEK 7 862 (TSEK 8 284).

The group capitalizes development costs in Phase III as it is in this development phase as the group judges that all criteria for a capitalization are fulfilled. If the group should make the judgment that all capitalization criteria is no longer fulfilled, these assets would be written off against the group profit.

Note 5 Accounting per segment

As of April 30, 2009, the group has two primary segments – lines of business:

- Development concerning pharmaceuticals (Development)
- Sales of parallel imported pharmaceutical (Parallel import)

The group has no geographical (secondary) segments.
Inter-segment sales concerns rent and administration costs and are performed after estimated resource usage. The profits for the segments are given below.

The fiscal year 2008-05-01 - 2009-04-30

TSEK	Development	Parallel import	The Group
Total segment revenues	67 672	48 466	116 138
Inter-segment sales	-500	-	-500
External revenues	67 172	48 466	115 638
Segment operating income	-3 543	-3 613	-7 156
Financial gains	1 459	5	1 464
Financial expenses	-842	-572	-1 414
Financial items – net	617	-567	50
Earnings before tax	-2 926	-4 180	-7 106
Taxes	0	-	0
Income for the year	-2 925	-4 180	-7 105

Depreciations for the fiscal year amounted to TSEK -2 974 (TSEK -2 521) for the segment Development and TSEK -214 (TSEK -206) for the segment Parallel import. The revenues of the group consist of revenues from license and distribution agreements closed in the year and sales from parallel imported pharmaceuticals. Of the revenues for the segment Development, TSEK 36 057 (TSEK 9 675) is capitalized development cost.

The fiscal year 2007-05-01 - 2008-04-30:

TSEK	Development	Parallel import	The Group
Total segment revenues	35 953	45 426	81 379
Inter-segment sales	-480	-	-480
External expenses	35 473	45 426	80 899
Segment operating income	-4 510	-345	-4 855
Financial gains	461	2	462
Financial expenses	-327	-347	-674
Financial items – net	134	-346	-212
Earnings before tax	-4 376	-691	-5 067
Taxes	0	-	0
Income for the year	-4 376	-691	-5 067

The segment assets consist of property, plant and equipment, intangible assets, inventory, trade receivables, derivative instruments, other current receivables, liquid assets and prepaid expenses and accrued income. The liabilities of the segment consist of liabilities to credit institutions, borrowing, trade payables, other current liabilities and accrued expenses and prepaid income. The segment assets and liabilities and investments are given below.

Assets and liabilities as of 2009-04-30 and investments in the fiscal year
2008-05-01 - 2009-04-30:

TSEK	Development	Parallel import	The Group
Assets	91 452	5 647	97 099
Liabilities	26 722	9 170	35 892
Investments	39 479	32	39 511

Assets and liabilities as of 2008-04-30 and investments
in the fiscal year 2007-05-01 - 2008-04-30:

TSEK	Development	Parallel import	The Group
Assets	63 469	24 203	87 672
Liabilities	12 946	9 914	22 859
Investments	12 596	6	12 601

Note 6 Capitalized development cost

	The Group	
	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30
Opening cost of acquisition	24 159	14 484
Capitalized expenditures for the year, in-house development	36 057	9 675
Closing accumulated cost of acquisition	60 216	24 159
Opening accumulated depreciations	-	-
Depreciations for the year	-	-
Closing accumulated depreciations	0	0
Closing carrying amount	60 216	24 159

Expenditures for research and development carried as expenses amounted to TSEK 17 731 (TSEK 30 769).

	The Parent Company	
	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30
Opening cost of acquisition	24 159	14 484
Capitalized expenditures for the year, in-house development	36 057	9 675
Closing accumulated cost of acquisition	60 216	24 159
Opening accumulated depreciations	-	-
Depreciations for the year	-	-
Closing accumulated depreciations	0	0
Closing carrying amount	60 216	24 159

Note 7 Other operating income

	The Group	
	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30
Insurance compensation	-	34
Currency gains/losses trade receivables	224	31
Total	224	65

	The Parent Company	
	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30
Sales to subsidiaries	500	-
Currency gains/losses trade receivables	224	31
Total	724	31

Note 8 Inventory

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Estimated to cost of acquisition				
Raw materials	742	5 801	85	37
Goods for resale	2 034	13 320	-	-
Total	2 776	19 121	85	37

The expenditure for the inventory carried as an expense is a part of the item Raw materials, consumables and goods for resale and in the item Other external expenses and amounted to TSEK 50 790 (TSEK 44 419). Impairment of the inventory in the Group has as of April 30, 2009, been made with TSEK 461 (TSEK 181), which burdens the item Raw materials, consumables and goods for resale.

Note 9 Remuneration to Auditors

	The Group		The Parent Company	
	2008-05-01	2007-05-01	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30	-2009-04-30	-2008-04-30
Ernst & Young AB				
Auditor assignments	217	-	217	-
Other assignments	190	-	190	-
Total	407	0	407	0
Öhrlings PricewaterhouseCoopers				
Auditor assignments	93	314	93	314
Other assignments	38	518	38	518
Total	131	832	131	832
Total remuneration to the Auditors	537	832	537	832

Auditor assignmnets concerns review of the Annual Report, Interim report and the accounting records and the management of the CEO and the Board, other tasks which befalls the company Auditor to perform and advisement or other support caused by observations made upon such a review or by the performance of such tasks. All else is other assignments. A change of Auditors was made at the Annual General Meeting 2008 from Öhrlings PricewaterhouseCoopers to Ernst & Young AB.

Note 10 Leasing

The Group has no financial leasing agreements. Operative leasing agreements consists in all essential of lease contracts for facilities. No variable fees exist. Future minimum lease fees for operational leasing agreements are distributed according to the following (TSEK):

Fiscal year	Operational leasing
2009/2010	3 813
2010/2011	3 789
2011/2012	3 776
2012/2013	3 776
2013/2014	3 776
Total	18 930

Costs for leasing (minimum leasing fees) amounted to TSEK 3 315 (TSEK 3 045) for the fiscal year.

Note 11 Employees and remuneration

	The Group		The Parent Company	
	2008-05-01	2007-05-01	2008-05-01	2007-05-01
	-2009-04-30	-2008-04-30	-2009-04-30	-2008-04-30
Average number of employees, distributed over women and men amounted to:				
Women	27	22	27	22
Men	22	15	22	15
Total	49	37	49	37
Salaries and remuneration as amounted to (TSEK):				
CEO and other senior managers	2 135	2 633	2 135	2 633
Other employees	17 785	10 470	17 785	10 470
Total salaries and remuneration	19 920	13 103	19 920	13 103
Social security contributions according to law and agreements	5 738	4 111	5 738	4 111
Total salaries, remuneration and social security contributions	25 658	17 214	25 658	17 214

Members of the Board have the right to remuneration for every Board meeting with TSEK 5, which has not been used. Any other remuneration such as salary, pensions or other benefits has not been paid. Remuneration to the CEO amounted to TSEK 598 (TSEK 578). Remuneration to other senior managers, 3 persons (4 persons) amounted to TSEK 1 537 (TSEK 2 055).

Terms of employment for the Chief Executive Officer
Remuneration for the CEO is constituted by a fixed salary and statutory pension and insurance benefits. The remuneration is revised annually as of April 1. The individual right to a health and pension insurance for the CEO according to agreement has not been utilized. If notice is given from the employer, a 24 month term of notice applies. If notice is given from the CEO, the term of notice is 3 months.

Terms of employment for other senior managers
Remuneration to other senior managers is constituted by fixed salary. The salaries are annually revised as of April 1.

Members of the Board and senior managers

	2009-04-30		2008-04-30	
	Number on closing day	Men	Number on closing day	Men
The Group				
Members of the Board	4	4	4	4
Chief Executive Officer and other senior managers	4	3	5	2
The Parent Company				
Members of the Board	4	4	4	4
Chief Executive Officer and other senior managers	4	3	5	2

Health and Medical care

The Group has agreements with a proprietor of corporate health care which means that all personnel regularly goes through a health assessment. The employees do not have any health benefits in addition to this.

Sickness absence	The Parent Company	
	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Total sickness absence	1,5%	1,0%
- long-term sickness absence*	0,0%	0,0%
- sickness absence for men	0,7%	0,5%
- sickness absence for women	2,2%	1,4%
- employees -29 years	1,4%	1,5%
- employees 30-49 år	0,9%	1,1%
- employees 50 år -	2,6%	0,5%

*Long-term sickness absence refers to absence for a coherent period of 60 days or more.

Note 12 Property, plant and equipment

Property, plant and equipment consist of vehicles, inventories, production equipment and improvement costs for third party's property.

	The Group 2008-05-01 - 2009-04-30				
TSEK	Vehicles	Inventories	Production equipment	Improvement costs for third party property	Total
Opening cost of acquisition	148	5 454	16 613	3 476	25 691
Investments for the year	-	2 908	-	107	3 014
Closing accumulated cost of acquisition	148	8 361	16 613	3 583	28 705
Opening depreciations	-91	-2 957	-2 814	-648	-6 510
Depreciations for the year	-49	-1 136	-993	-158	-2 337
Closing accumulated depreciations	-140	-4 093	-3 808	-806	-8 847
Closing carrying amount	8	4 268	12 805	2 776	19 858

	The Group 2007-05-01 - 2008-04-30				
TSEK	Vehicles	Inventories	Production equipment	Improvement cost for third party's property	Total
Opening cost of acquisition	148	4 215	16 613	3 014	23 990
Investments for the year	0	1 239	0	462	1 700
Increase by business combinations	0	0	0	0	0
Closing accumulated cost of acquisition	148	5 454	16 613	3 476	25 691
Opening depreciations	-41	-2 213	-1 821	-502	-4 577
Depreciations for the year	-49	-744	-993	-146	-1 933
Closing accumulated depreciations	-91	-2 957	-2 814	-648	-6 510
Closing carrying amount	58	2 497	13 798	2 828	19 180

	The Parent Company 2008-05-01 - 2009-04-30				
TSEK	Vehicles	Inventories	Production equipment	Improvement cost for third party's property	Total
Opening cost of acquisition	148	5 454	16 613	3 476	25 691
Investments for the year	-	2 908	-	107	3 014
Closing accumulated cost of acquisition	148	8 361	16 613	3 583	28 705
Opening depreciations	-91	-2 957	-2 814	-648	-6 510
Depreciations for the year	-49	-1 136	-993	-158	-2 337
Closing accumulated depreciations	-140	-4 093	-3 808	-806	-8 847
Closing carrying amount	8	4 268	12 805	2 776	19 858

	The Parent Company 2007-05-01 - 2008-04-30				
TSEK	Vehicles	Inventories	Production equipment	Improvement cost for third party's property	Total
Opening cost of acquisition	148	4 215	16 613	3 014	23 990
Investments for the year	0	1 239	0	462	1 700
Closing accumulated cost of acquisition	148	5 454	16 613	3 476	25 691
Opening depreciations	-41	-2 213	-1 821	-502	-4 577
Depreciations for the year	-49	-744	-993	-146	-1 933
Closing accumulated depreciations	-91	-2 957	-2 814	-648	-6 510
Closing carrying amount	58	2 497	13 798	2 828	19 180

Note 13 Other intangible assets

Other intangible assets consist of expenditures for patents and sales rights

	The Group		The Parent Company	
	2008-05-01	2007-05-01	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30	-2009-04-30	-2008-04-30
Opening cost of acquisition	13 587	12 321	12 249	11 029
Capitalized expenditures for the year	437	1 266	389	1 220
Disposals	-30	-	-	-
Closing accumulated cost of acquisition	13 994	13 587	12 638	12 249
Opening accumulated depreciations	-5 303	-4 512	-4 863	-4 291
Depreciations for the year	-851	-791	-624	-572
Disposal	22	-	-	-
Closing accumulated depreciations	-6 132	-5 303	-5 487	-4 863
Closing carrying amount	7 862	8 284	7 151	7 386

Note 14 Currency differences - net

Currency differences have been accounted for in Income statement according to the following

	The Group		The Parent Company	
	2008-05-01	2007-05-01	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30	-2009-04-30	-2008-04-30
Other operating income	224	31	224	31
Raw materials, consumables and goods for resale	-1 186	-242	-549	-2
Financial items –net	617	179	616	180
Total	-344	-32	291	210

Note 15 Operating income

Operating income for the fiscal year 2008-05-01 – 2009-04-30 was TSEK -7 156 (TSEK-4 855). Of the total expenses accounted for by the Group, TSEK 122 794 (TSEK 85 754), TSEK 36 057 (TSEK 9 675) is accounted for as capitalized development cost.

Note 16 Financial revenues and expenses

	The Group		The Parent Company	
	2008-05-01	2007-05-01	2008-05-01	2007-05-01
TSEK	-2009-04-30	-2008-04-30	-2009-04-30	-2008-04-30
Financial revenues:				
Interest revenues in bank accounts	314	265	310	264
Currency differences in bank accounts	919	197	917	197
Actual value-gains on derivative instruments	231	-	-	-
Summa	1 464	462	1 227	460
Financial expenses:				
Interest rate expenses bank overdrafts and other interest rate expenses	-926	-355	-355	-7
Interest rate expenses installment purchase	-186	-301	-186	-301
Currency differences bank accounts	-302	-18	-301	-16
Total	-1 414	-674	-842	-324

Note 17 Taxes

All companies have their fiscal domicile in Sweden where the tax base for the fiscal year 2008/2009 is 28 % (28 %). The tax on the Group earnings before tax is displayed in the table below:

	The Group	
TSEK	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Earnings before tax	-7 106	-5 067
Income tax calculated on current tax base in Sweden	-1 990	-1 419
Non taxable revenues	-4	-1
Non deductible expenses	136	95
Taxable deficits for which no deferred tax asset is accounted for	1 858	1 325
Tax expense	0	0

	The Parent Company	
TSEK	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Earnings before tax	-8 134	-4 356
Income tax calculated on current tax base in Sweden	-2 278	-1 220
Non taxable revenues	-4	0
Non deductible expenses	116	95
Taxable deficits for which no deferred tax asset is accounted for	2 166	1 124
Tax expense	0	0

Note 18 Earnings per share

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

	The Group	
	2008-05-01 -2009-04-30	2007-05-01 -2008-04-30
Earnings contributable to equity holders in the Parent Company	-7 095	-5 057
Weighted average number of outstanding ordinary shares (thousands)	33 440	32 613
Earnings per share (SEK per share)	-0,21	-0,16

Note 19 Trade receivables and Prepaid expenses and accrued income

The recorded value of trade receivables represents the actual value since no reservations have been necessary for uncertain trade receivables

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Trade receivables	2 337	4 059	101	-
Prepaid expenses and accrued income	1 743	1 717	1 536	1 373
Total	4 080	5 776	1 637	1 373

The trade receivables for the Group in foreign currency amounted as of the closing day April 30, 2009 to TSEK 0 (TSEK 0). Overdue trade receivables amounted as of closing day April 30, 2009 to TSEK 9 (TSEK 0). All were recently overdue.

Prepaid expenses and accrued income consist of the following:

	The Group		Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Prepaid rent	570	522	570	522
Prepaid leasing fees	19	0	19	0
Prepaid insurance premium	268	165	268	165
Other items	885	1 031	679	686
Total	1 743	1 717	1 536	1 373

Note 20 Other current receivables

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Tax account	27	27	0	0
VAT recoverable	1 058	733	1 052	713
Supplier receivables	-	11	-	-
Other items	-	-	-	-
Total	1 085	772	1 052	713

Note 21 Liquid assets

Liquid assets consist of bank balances. The interest on deposits is STIBOR 7 dys -0.5 %.

Note 22 Share capital

Specification over changes in Equity can be found in this report for the Group and the Parent company, after their respective balance sheets. The total number of shares as of 2009-04-30 was 33 500 000 of type A (33 375 000 as of 2008-04-30) with a quota value of 0.10 per share. All issued shares are paid in full. The development of the number of shares since 2007-05-01 is displayed below.

Number of shares	
Opening balance 2007-05-01	31 851 310
New share issue 2007-10-31	1 523 690
New share issue 2008-10-23	125 000
Closing balance 2009-04-30	33 500 000

Note 23 Borrowing

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Long-term				
Intallment purchase	-	2 933	-	2 933
Long-term borrowing	-	3 500	-	3 500
Total	0	6 433	0	6 433
Short-term				
Installment purchase	2 933	2 814	2 933	2 814
Short-term borrowing	16 543	-	16 543	-
Total	19 476	2 814	19 476	2 814

The remaining part of the installment purchase, TSEK 2 933, will be paid in the fiscal year 2009/10. The effective interest rate is 4.25 %. Short-term and long-term borrowing concerns loans from Oasmia S.A Luxembourg, where the long-term loan is repaid at the same time as the private placement in October 2008. The short-term loan is still active and carries an interest rate of 5 %.

Note 24 Deferred taxes

Accounted deferred tax liability, which as of April 30, 2009 amounted to TSEK 7 (TSEK 8), concerns temporary differences in the difference between the actual value for acquired Other intangible assets (patents) and its existing taxable value at the time of acquisition of GlucoGene Pharma AB on May 7, 2006.

The Group has accumulated losses carried forward, which as of April 30, 2009 amounted to TSEK 80 013 (TSEK 73 044). These are deductible against future profits without at time limit. Of the total deficit deductions, TSEK 17 881 (TSEK 17 881) are restricted to be utilized by group contributions. This restriction ends at the tax assessment 2014. There are presently no convincing reasons for that fiscal surpluses will exist in the future which can support a capitalization of the deficits. The accumulated losses carried forward for the Parent Company amounted to TSEK 73 578 (TSEK 71 560) as of April 30, 2009.

Note 25 Liabilities to credit institutions

Approved bank overdrafts for the Group amounts to TSEK 2 500 (TSEK 2 500) and to TSEK 0 (TSEK 0) in the parent company. Approved credits in the sales ledger, concerning pledges of trade receivables, amounts to TSEK 5 500 (TSEK 5 500) for the group and to TSEK 0 (TSEK 0) in the parent company. The interest rate for approved credits amounts as of 2008-11-01 to STIBOR 7 dys +2.25 %. Before this time, it amounted to STIBOR 7 dys +1.75 %. Utilized credits is described below

	The Group	
TSEK	2009-04-30	2008-04-30
Credits in sales ledger	4 866	5 236
Bank overdraft	2 490	4
Total	7 356	5 241

Note 26 Other current liabilities

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
VAT liability	479	1 390	-	-
Employee withholding taxes/Social security contributions	1 059	740	1 059	740
Other items	-	24	-	-
Total	1 538	2 153	1 059	740

Note 27 Accrued expenses and prepaid income

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Accrued vacation pay	2 561	1 629	2 561	1 629
Accrued social security contributions	805	528	805	528
Accrued expenditure interest rates	324	0	317	0
Other items (note 9)	776	120	776	120
Total	4 465	2 277	4 458	2 277

Note 28 Participations in Group companies

The Parent Company	Swed. org no.	Seat	Capital-share %	Share of votes %	Booked value 2009-04-30	Booked value 2008-04-30
Qdoxx Pharma AB	556609-0154	Uppsala	100	100	1 920	1 920
GlucoGene Pharma AB	556519-8818	Uppsala	51	51	198	198
Total					2 118	2 118

	The Parent Company	
TSEK	2009-04-30	2008-04-30
Opening cost of acquisition	2 118	2 100
Share purchase	-	-
Capital provided	-	18
Group contribution provided	5 000	-
Closing accumulated cost of acquisition	7 118	2 118
Impairment	-5 000	-
Closing carrying amount	2 118	2 118

Impairment has been corresponding to provided group contributions, as the purpose with the contribution was to cover a loss in Qdoxx Pharma AB. The impairment is accounted for in the parent company income statement in the item Earnings form participation in Group companies.

Note 29 Contingent liabilities and pledged assets

The subsidiary Qdoxx Pharma AB has a current bank credit amounting to TSEK 5 500, against securities in the form of pawned trade receivables and an approved bank overdraft amounting to TSEK 2 500. The parent company has a general guarantee commitment towards the bank amounting to TSEK 8 000 to the benefit of the subsidiary Qdoxx Pharma AB. Oasmia also has TSEK 1 500 in a restricted account in the bank for future purchase of USD.

Contingent liabilities

	The Parent Company	
TSEK	2009-04-30	2008-04-30
Contingent liabilities to the benefit of other group companies	8 000	8 000
Guarantee commitment to The benefit of employee	-	-
Total	8 000	8 000

The Group had no contingent liabilities in the period.

Pledged assets

	The Group		The Parent Company	
TSEK	2009-04-30	2008-04-30	2009-04-30	2008-04-30
Pawned trade receivables	2 236	4 059	-	-
Restricted liquid assets	1 500	-	1 500	-
Total	3 736	4 059	1 500	0

Note 30 Transactions with related parties

Group companies
The Group consists of the parent company Oasmia Pharmaceutical AB and the subsidiaries Qdoxx Pharma AB and GlucoGene Pharma AB. The subsidiaries are decisively influenced by the parent company and are therefore considered as related parties. The Parent Company shareholding and other shares in subsidiaries are disclosed in note 28.

Inter-group sales
The parent company sales to subsidiaries are disclosed below. They concern facilities and administration provided by Oasmia to Qdoxx Pharma AB. Any purchases from subsidiaries have not been made.

TSEK	2009-04-30	2008-04-30
Of the parent company net sales		
Sales to subsidiaries are	-	480
Of the parent company other operating income sales to subsidiaries are	500	-
Total	500	480

Transactions with key personnel in management position
Concerning salaries and remuneration to the Board and senior managers see note 11. In addition to what is disclosed above, no transactions with related physical persons has taken place.

Financial loan transactions with related parties
As is disclosed in note 23, the Company has as of April 30, 2009 a short-term liability amounting to TSEK 16 543 to the principal shareholder in the Company, Oasmia S.A. Luxembourg. The loan is current and carries an interest rate of 5 %.

Oasmia has in the fiscal year provided working capital and group contribution to the subsidiary Qdoxx Pharma AB. Oasmia's dealings with Qdoxx as of the closing day is disclosed in the table below.

TSEK	2009-04-30	2008-04-30
Receivables in Qdoxx Pharma AB	-	14 825
Liability to Qdoxx Pharma AB	3 808	-

Group contributions from Oasmia to Qdoxx
In the fiscal year 2008/09, group contributions amounting to TSEK 5 000 in total was made. See also note 28

Group contribution provided to GlucoGene
In the fiscal year, the non-current liability of TSEK 18 which GlucoGene had to Oasmia was transformed to a shareholder contribution.

Private placements
Resolutions of private placements to Oasmia S.A. have been made at Annual General Meetings in Oasmia, as stated below.

	2008/09	2007/08
Number of shares	125 000	1 523 690

TSEK	2008/09	2007/08
Increase in share capital	13	152
Premium	3 488	60 948
Total issue amount	3 500	61 100

Other transactions with related parties
Ardenia Investment LTD is the owner and proprietor of the patents which forms the basis for the segment Development. 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 31 Financial instruments categorized

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

The Group, April 30, 2009 TSEK	Loan and Trade receivables	Assets estimated to actual value by The income statement	Other financial liabilities	Total
Financial assets				
Trade receivables	2 337	-	-	2 337
Derivative instrument	-	231		231
Other current receivables	1 085	-	-	1 085
Liquid assets	988	-	-	988
Total financial assets	4 410	231	0	4 642
Financial liabilities				
Borrowings	-	-	19 476	19 476
Liabilities to credit institutions	-	-	7 356	7 356
Trade payables	-	-	3 025	3 025
Other current liabilities	-	-	1 538	1 538
Accured expenses and prepaid income	-	-	4 290	4 290
Total financial liabilities	0	0	35 686	35 686

The Group April 30, 2008 TSEK	Loan and trade receivables	Assets valued To actual value by the income statement	Other financial liabilities	Total
Financial assets				
Trade receivables	4 059	-	-	4 059
Other current receivables	772	-	-	772
Liquid assets	10 379	-	-	10 379
Total financial assets	15 210	0	0	15 210
Financial liabilities				
Borrowings	-	-	9 247	9 247
Liabilities to credit institutions	-	-	5 241	5 241
Trade payables	-	-	3 933	3 933
Other current liabilities	-	-	2 153	2 153
Accrued expenses and prepaid income	-	-	2 157	2 157
Total financial liabilities	0	0	22 731	22 731

Note 32 Definition of Key ratios

Earnings per share
The income for the period attributable to the equity holders of the parent company divided by a weighted average number of shares, before and after dilution.

Equity per share
Equity in comparison with the number of shares at the end of the period

Equity/assets ratio
Equity pertaining to the balance sheet total.

Net liability
Total borrowing (containing the balance sheet items Short-term and Long-term borrowings and liabilities to credit institutions) with deductions for liquid funds

Debt/Equity ratio
Net liability with respect to equity.

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

Return on equity
Income after financial items in relation to the average equity.

The Board and Chief Executive Officer ensures that the Group accounts have been established in accordance with international accounting standards IFRS as they have been adopted by the EU and gives a correct picture of the position and result of the Group. The Annual Report has been established in accordance with generally accepted accounting principles and gives a correct picture of the position and result of the Parent Company. The administration report for the Group and Parent Company gives a correct overview over the development of the Group and Parent Company's activities, position and result and describes essential risks and uncertainty factors that the Parent Company and the companies that are part of the Group faces.

Income Statements and Balance Sheets will be presented to the Annual General Meeting on September 25 2009 for establishment.

Uppsala, August 28, 2009

Bo Cederstrand, Chairman

Claes Piehl, Member

Peter Ström, Member

Julian Aleksov, Member and
Chief Executive Officer

Our audit report has been performed on August 28, 2009

Björn Ohlsson
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of Oasmia Pharmaceutical AB (publ)

VAT no SE556332-667601

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Oasmia Pharmaceutical AB for the financial year 1 May 2008 – 30 April 2009. The company's annual accounts and the consolidated accounts are included in the printed version on pages 30-61. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Uppsala, August 28, 2009

Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

Dictionary

API	Active product ingredient
CA125	Cancer antigen 125, diagnostic tumor marker
Chemotherapy	The treatment of cancer with cytostatics
CNS	Central Nervous System
Cytostatics	Drugs that are used to inhibit tumor growth
Cytotoxic	Toxic for cells
EMEA	European Medicines Agency. The European regulatory drug agency
Excipient	Carrier, inactive substance used as carrier of an active pharmaceutical ingredient
FDA	Food and Drug Administration. The US regulatory drug agency
GCP	Good Clinical Practice. International quality guidelines for clinical studies.
GLP	Good Laboratory Practice. International quality guidelines for developing of pharmaceutical products.
GMP	International quality guidelines for the production of food and pharmaceutical products
Hyperglycemia	Abnormal high blood sugar concentration
IND	Investigative New Drug application
Immunostimulating	Substances that directly or indirectly stimulate the body's own immune system
Infusion	The way of administering a drug in liquid form. Infusion often takes place intravenously, i.e. in a vein.
Isomer	Alternative form (molecular structure) of a chemical
Ionizing radiation	Electromagnetic radiation with short wave lengths and a high energy content (e.g. X-rays)
Lymphoma	A form of cancer of the lymphoid tissue
Malignant melanoma	A form of skin cancer in the skin's melanocytes, i.e. the cells that form the skin's protective pigment, melanin
Melanin	The pigment that is formed by a special type of skin cell, melanocytes.
Micelle	A collection of spherical structures with the ability to form aggregates
Mastocytoma	A form of skin cancer
Nanometer	One-billioneth of a meter. The size is equivalent with molecules and molecular structures
Nanoparticle	A particle whose size is measured in nanometers, 10-9m.
Neurotoxicity	The quality of exerting a destructive or negative effect upon nerve tissue
NSCLC	Non-small cellular lung cancer
Oncology	The study of tumors
Paclitaxel	The first taxane that was extracted from the yew tree. Today, one of the most common cytostatics.
Pharmacokinetics	The study of the of the distribution and absorption over a period of time of a drug or another substance
Phase I	During the clinical development of a drug, it is tested for the first time on humans in phase I. One studies the effect and safety on a limited group of healthy volunteers (25 - 100 people).
Phase II	A further study on patients (50 - 300) who have the disease that the drug in question is intended to be used on. It is a study of effect and safety.
Phase III	The final phase that consists of an expanded group of patients (300 - 3000) in order to verify the effect of the drug and catch side-effects that have been noticed earlier.
Phase IV	After launching the finished product, a follow-up study is made, especially of rare side-effects
Platinum	A precious metal. It is used as a method of treatment in oncology; either by itself or in combination with other substances.
Premedication	Prophylactic treatment with certain drugs before and / or during the main treatment of the disease in question. This is often done since the main treatment otherwise entails entirely too drastic side-effects.
Prophylatic	Preventive treatment with difference substances. As an example can be mentioned vitamins and anti-inflammatory substances before treatment with cytostatics.
PVC	Polyvinylchloride. A form of plastic
Randomized	Randomly selected. It is customary to randomize groups of patients in clinical studies. It is held that if those who have received the drug and those who have received a placebo have been randomly selected, this will enhance credibility and statistical accuracy.
RECIST	Response evaluation criteria in solid tumors
Resistance	Remaining unaffected. A tumor or an individual can be or develop resistance to a treatment. Regardless how much the dose of the drug is increased, no effect is obtained.
Retinoid	A substance similar to vitamin A
Steroid	A group of substances that contribute to the growth and repair of body tissues and is used in health care.
Taxanes	A group of chemicals that originally were extracted from the yew tree. The group belongs to the most commonly used substances against tumor diseases today.
Toxic	Poisonous
WHO	World Health Organization. The UN body for global health.