


Oasmia Pharmaceutical

Annual Report

2009-05-01 – 2010-04-30

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A message from the CEO

"As fiscal year 2009/2010 becomes a memory, we can look back on an eventful year for Oasmia"

Patient recruitment for the phase II study for Paccal® Vet was completed in autumn 2009 and the final patient completed treatment in March 2010. In addition, clinical trials have begun for another Oasmia product candidate, Doxophos® Vet. This broadens Oasmia's product portfolio and strengthens the company's position in the market.

In the upcoming fiscal year, we will continue to focus on developing our two cancer drugs that are closest to registration – Paclical® for humans and Paccal Vet for dogs. For Paclical, completion of the ongoing phase III study is at the top of the agenda. For Paccal Vet, our focus is completely set on the registration process.

In the veterinary market, at the time of writing Oasmia has entered into licensing agreements for the distribution and sale of Paccal Vet in Europe, USA, Canada and Japan. In the human market, there are licensing agreements for the distribution and sale of Paclical in the Nordic countries. Negotiations are underway with additional contract manufacturers, both for Oasmia's patented substance XR-17 and for finished product. Initial tests have been conducted at contract manufacturers to ensure that the company is able to supply the market when sales volumes increase and we need to grow.

The production process was ramped up in spring 2009. The Medical Product Agency performed a GMP inspection (Good Manufacturing Practice) in June based on requirements from the European Medicines Agency and approved the premises and equipment for the production of clinical trial drugs.

In conjunction with the submission of the registration application to government agencies, Oasmia will ramp up manufacturing in Uppsala even more. There will also be a quality upgrade to meet the GMP requirements set by the FDA (US Food and Drug Administration) and the EMA (European Medicines Agency) for the manufacture of products intended for sale. The decision was made for the initial quantity for the launch of Paccal Vet to be manufactured in Uppsala. There will be additional conversions and installation of machines in the upcoming fiscal year to handle these initial launch volumes.

We have strengthened our organization in regard to personnel, particularly in the Regulatory Affairs and R&D departments, to enable us to meet the growing demands for documentation of our products. In total, we have grown from 55 to 64 permanent employees over the year.

In conclusion, we look forward with great anticipation to the completion of the ongoing study for Paclical with ovarian cancer indication as well as approval of Paccal Vet. This will be a great milestone for us because it is then that our many years of development work will pay off as we begin to sell our first product.

Julian Aleksov CEO,

Uppsala, August 2010

The company in brief

Oasmia is developing a new generation of pharmaceuticals with a focus on human and veterinary oncology. The primary activity aims at prolonging the life cycle of existing drugs by developing new formulations that improve the properties of the drug and/or broaden its area of use. In-house research in bioorganic chemistry serves as the basis of the company's high goals. In addition to the strategic focus on oncology, the company conducts basic research in therapeutic areas such as infection, asthma and neurology. Oasmia's offices and production facilities are located in Uppsala, Sweden.

Business concept

The Oasmia business concept is to develop and market pharmaceuticals that improve the effect of the treatment of severe diseases within oncology, infection, asthma and neurology. Licensing creates future value through Oasmia receiving milestone payments and royalties on pharmaceutical sales after market approval.

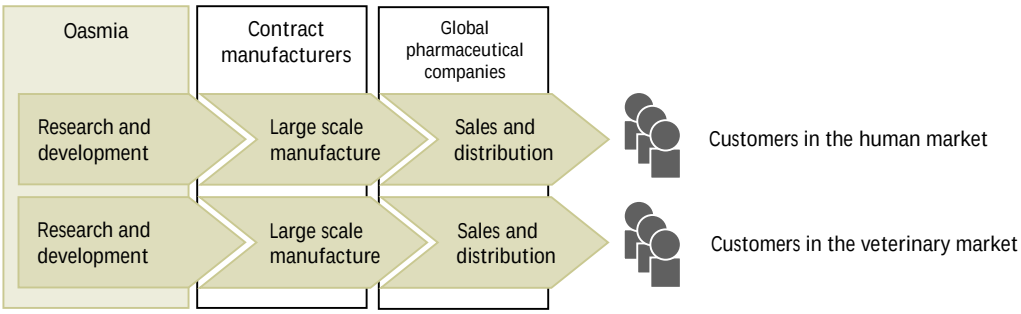
Strategy

Oasmia's research and development strategy is centered on extending the life cycle of existing drugs by developing new formulations that improve the properties of the drug and/or broaden its area of use. Efforts are focused on oncology and certain products and indications are prioritized. The in-house developed platform XR-17, which is combined with known and well-established active substances, shortens lead times and reduces development risk and thereby reduces costs. 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 sale of Oasmia's pharmaceutical candidates once they have received market approval.

Objective

Oasmia's objective is to improve and facilitate the treatment of severe diseases in order to contribute to improving quality of life for both humans and animals. The company will make a better therapy choice available to both patients and physicians and create a health-economic gain for healthcare and society. Over time, we want to become a leading company in oncology.

Business model



With Oasmia's business model, the company is responsible for the entire chain from idea to finished product. The company has set its focus on research and development. Full-scale production capacity is ensured through contract manufacturers. For sales and distribution, Oasmia licenses rights to global pharmaceutical companies with established channels. Licensing, which occurs when there is enough clinical data on a pharmaceutical candidate for it to be evaluated by a third party, gives Oasmia the right to milestone payments and royalties.

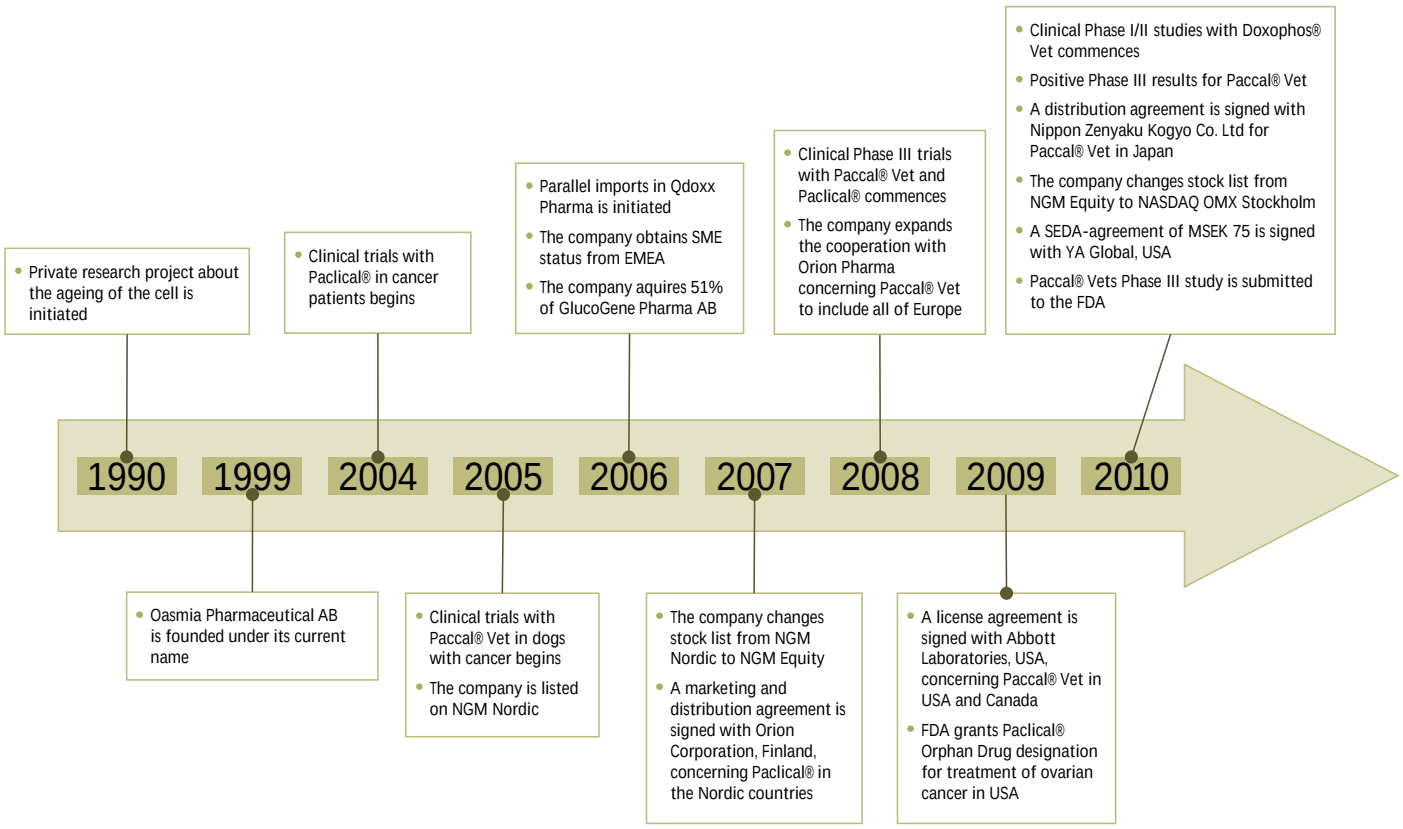
Focus 2009/2010

During the year, Oasmia Pharmaceutical AB successfully focused on the following areas:

- Completed registration-establishing phase III study with Paccal® Vet and continued work towards market approval for Paclical® in clinical phase III studies.
- Established collaboration agreements with large international or regional pharmaceutical companies for the marketing and sale of company products.
- Developed the company's pilot facility in Uppsala to a commercial production facility for initial international launch of Paccal Vet.
- Upgraded quality system and routines to the level required by the FDA and EMA for sales to the USA and European markets.
- Continued development of the company's product portfolio with the next product in the initial clinical phase.

The year in brief	*2009-05-01 -2010-04-30*	*2008-05-01 -2009-04-30*
Net sales, TSEK	30 741	79 357
Capitalized development cost, TSEK	80 643	36 057
Operating income, TSEK	-14 961	-7 156
Income for the period, TSEK	-17 054	-7 105
Earnings per share, TSEK	-0,48	-0,21
Equity/assets ratio, %	79	63
Debt/Equity ratio, %	7	42
Number of employees at the end of the period	64	55

History


1990
Private research project about the ageing of the cell is initiated
1999
Oasmia Pharmaceutical AB is founded under its current name
2004
Clinical trials with Paclical® in cancer patients begins
2005
Clinical trials with Paccal® Vet in dogs with cancer begins
The company is listed on NGM Nordic
2006
Parallel imports in Qdoxx Pharma is initiated
The company obtains SME status from EMEA
The company aquires 51% of GlucoGene Pharma AB
2007
The company changes stock list from NGM Nordic to NGM Equity
A marketing and distribution agreement is signed with Orion Corporation, Finland, concerning Paclical® in the Nordic countries
2008
Clinical Phase III trials with Paccal® Vet and Paclical® commences
The company expands the cooperation with Orion Pharma concerning Paccal® Vet to include all of Europe
2009
A license agreement is signed with Abbott Laboratories, USA, concerning Paccal® Vet in USA and Canada
FDA grants Paclical® Orphan Drug designation for treatment of ovarian cancer in USA
2010
Clinical Phase I/II studies with Doxophos® Vet commences
Positive Phase III results for Paccal® Vet
A distribution agreement is signed with Nippon Zenyaku Kogyo Co. Ltd for Paccal® Vet in Japan
The company changes stock list from NGM Equity to NASDAQ OMX Stockholm
A SEDA-agreement of MSEK 75 is signed with YA Global, USA
Paccal® Vets Phase III study is submitted to the FDA

Key events during the period

Oasmia Human Health
The phase III study that was initiated in 2008 and aims to examine the efficacy of Paclical® for ovarian cancer treatment continued during the period.

Oasmia Animal Health
In April 2010, the company entered into a licensing and distribution agreement with Nippon Zenyaku Kogyo Co. Ltd (Zenoaq) for the right to Paccal® Vet in Japan. Nippon Zenyaku has exclusive market and distribution rights and is thus responsible for clinical development in the region. With the agreement, Oasmia receives a total of MEUR 3.25 in advance and milestone payments plus royalties on all sales in the region.

In March 2010, the final patient in the ongoing phase III study of dogs completed treatment and evaluation of the data could begin. The study investigated whether dogs with the commonly occurring mast cell tumor (mastocytoma) respond to treatment with Paccal Vet compared to the medicine CCNU (with the active substance lomustine). A total of 249 dogs were included in the study, which involved 26 clinics in seven European countries and in the USA. The study is the largest randomized study with a positive control substance in the veterinary oncology field to date and has generated great interest internationally.

In December 2009, Oasmia announced that the pharmaceutical candidate Doxophos® Vet, for the treatment of cancer in dogs, has entered the clinical phase. The clinical program has been under development since then and a pilot study in laboratory dogs was initiated in March 2010. Doxophos Vet is a unique nanoparticle formulation of the substance doxorubicin.

In July 2009, Oasmia entered into a distribution agreement with Abbott Laboratories for marketing and distribution rights to Paccal Vet for the American and Canadian veterinary markets. With the agreement, Oasmia receives a total of MUSD 19 in milestone payments (of which Oasmia already received MUSD 5 at the beginning of the agreement) plus royalties on all sales. Oasmia will be responsible for clinical development, production and registration of the product and Abbott will be responsible for launch in the region.

The Company
Credit facility
In February 2010, the principal owner, Oasmia S.A., increased the credit facility available to Oasmia Pharmaceutical AB. The previous credit facility, which amounted to MSEK 30 at an interest rate of 5%, was replaced with a credit of total MSEK 60 at an interest rate of 6%. It can be exercised by Oasmia at any time, is valid until March 2011 and will be automatically extended by 12 months unless the credit is terminated by either party no later than 3 months before the agreement period runs out.

Stock issue
In November 2009 – with the support of the mandate granted by the Annual General Meeting 2009 – the company executed a directed new issue of 1,720,000 shares to a limited circle of institutional players and other major investors. The issue was fully subscribed and supplied the company SEK 43,000,000 before issue costs.
The mandate granted to the Board applies on one or more occasions up to the Annual General Meeting 2010. The total number of shares that may be granted with the support of the mandate must not exceed 3,000,000 shares. The total number of convertibles that may be granted with the support of the mandate must not exceed rights to conversion to 3,000,000 shares.

In August 2009, the company performed a new issue of 2,392,858 shares with right of priority to existing stockholders as decided at an Extraordinary General Meeting on July 8, 2009. The issue was fully subscribed and provided the company SEK 59,821,450 before issue costs. Of the issue liquidity obtained, approx. MSEK 31.1 was cash liquidity and the remaining approx. MSEK 28.7 was offset against the debt to Oasmia S.A.

Events after closing day

Two-thirds included in phase III study with Paclical®
In August 2010, Oasmia announced that two-thirds of the total number of patients that were to be part of the company's phase III study of the pharmaceutical candidate Paclical® have been included. In the study, Paclical is being compared to the drug Taxol® in patients with ovarian cancer.

Paccal® Vet phase III study submitted to FDA
In August 2010, Oasmia announced that the company submitted the clinical portion of the documentation to the Center for Veterinary Medicine (CVM) of the FDA (US Food and Drug Administration) for evaluation of the clinical efficacy and safety of Paccal Vet. Paccal Vet is the company's pharmaceutical candidate closest to receiving market approval.

SEDA agreement at a value of MSEK 75
In July 2010, the company announced that it entered into a Standby Equity Distribution Agreement (SEDA agreement) with YA Global Master SPV Ltd (YA Global), which is controlled by USA-based Yorkville Advisors LLC (Yorkville). According to the conditions of the agreement, YA Global has undertaken to supply up to SEK 75 million in capital over the upcoming 36 months, according to Oasmia's wishes, through the purchase of newly issued Oasmia common stock.

Accepted for trade on NASDAQ OMX Stockholm
In June 2010, Oasmia announced that the Listing Committee of NASDAQ OMX Stockholm approved the company for listing. The first trading day on the new stock list was June 24th. The reason for the stock list change is that Oasmia considers NASDAQ OMX Stockholm to be a more suitable marketplace for the company stock and considers the list change a natural step in the company's development. The listing is a stamp of quality for Oasmia that makes it possible to broaden the ownership base and improve the liquidity of the stock.

New liquidity guarantee
In June 2010, Oasmia announced that Remium will be the company's new liquidity guarantee for company stock in order to reduce the price difference between the buy and sell price and to increase the liquidity of the stock.

Positive clinical phase III results
In May 2010, Oasmia announced the preliminary results of the major multinational phase II study of Paccal Vet on mastocytoma in dogs. The results showed that treatment with Paccal Vet produced a significantly better effect compared to the active substance lomustine, which is currently a common treatment for mastocytoma. In addition, both treatments showed the same side-effect frequency, but the negative effects on liver function were significantly lower for the group treated with Paccal Vet. The study was the largest study in the veterinary oncology field in the world to date, with a total of 249 dogs treated.

Björn Björnsson nominated as new member of the Board
In May 2010, the company nomination committee announced that Björn Björnsson will be nominated as a new member of the board at the Annual General Meeting 2010. Björn has run his own consulting company for many years within finance and is chairman of the board for Bure Equity AB. Björn is also a member of the board for Carnegie and H. Lundén Kapitalförvaltning.

Description of operations

Oasmia's operations are divided into Human Health, Animal Health, Regulatory Affairs, Research and Development, Production and Administration. Human Health focuses on the development of human pharmaceuticals while Animal Health focuses on the development on veterinary pharmaceuticals. Regulatory Affairs handles all relations with relevant pharmaceutical authorities and ensures that all requisite documentation is available. Other company research is run by the Research and Development department. Production is responsible for producing the products, quality assurance and quality control. Administration handles remaining operations.

OASMIA HUMAN HEALTH

The year in review

Oasmia's department for human medicine is continuing to recruit patients to the international clinical phase III study in which women suffering from ovarian cancer are treated with Paclical and the active comparison preparation Taxol®, both in combination with the substance carboplatin. The standard treatment for ovarian cancer is Taxol in combination with carboplatin.

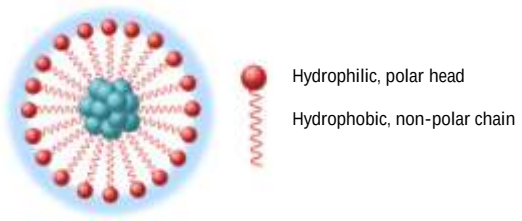
The study is being conducting in 16 European countries at about 80 cancer clinics. A large part of the year was devoted to recruiting new patients. Investigators participating in the study are keen to recruit and treat patients with a cytostaticum that does not require premedication. Most cytostatic preparations that are currently based on paklitaxel create troublesome side effects due to the solvent and therefore require extensive premedication. Because Paclical® is based on the water-soluble platform XR-17, these patients can be treated with a higher and more effective dose without premedication.

Product candidates – human medicine

Paclical®

The product is a new formulation of the well-known active substance paklitaxel, a natural product with anti-tumor activity. By stabilizing microtubules, which undergo redistribution during mitosis, paklitaxel prevents mitosis. This is a well-used anticancer substance within human medicine and is found in e.g. Taxol. Paklitaxel is approved for several indications, including ovarian cancer, breast cancer and lung cancer.

Paklitaxel is practically insoluble in water. In most drugs, such as Taxol, Cremophor EL (polyethoxylated castor oil) and ethanol are used as solvents for paklitaxel. One of the primary side effects of Taxol is hypersensitivity reactions caused by Cremophor EL. In Oasmia's formulation, paklitaxel has been made water soluble through the properties of the excipient XR-17. In the water solution, XR-17 forms micelles with paklitaxel enclosed inside (see figure below). The number of hypersensitivity reactions is expected to be much less since Paclical does not contain Cremophor EL. Other advantages of Paclical are shorter infusion times and the ability to give higher doses.



Schematic overview of a micell. The active ingredient, paclitaxel, is contained in the center of Oasmia's excipient XR-17.

An international phase III study is currently underway to examine the efficacy and safety of Paclical. The study focuses on treatment of patients with ovarian cancer. The objective is to submit a market-approval application to the EMA (European Medicines Agency) in 2011 and the FDA (US Food and Drug Administration) in 2012. Paclical is classified as an orphan drug by the EMA and FDA. Orphan drug status can be obtained for medicinal products intended for rare, life-threatening or seriously health-impairing disease as regards treatment, prevention and diagnosis. This status gives Oasmia regulatory and financial advantages, such as protocol assistance and market exclusivity.

Doxophos®
A new formulation of doxorubicin, one of the most effective and most utilized active substances for cancer treatment. The complete mechanism for doxorubicin's anticancer effect is not clear. It is likely that doxorubicin binds to DNA and thereby causes the cytotoxic effects that block the enzymatic system, which is vital to DNA replication and DNA transcription. Doxorubicin is currently used for the treatment of approximately 20 different cancer forms, such as breast cancer, glandular cancer, bladder cancer and acute leukemia.

Although the drug has high efficacy, it has a relatively narrow therapeutic window due to a number of serious side effects that limit its usage. The most serious side effect is chronic cardiac insufficiency. Oasmia's formulation with XR-17 is expected to have a good possibility of mitigating the side effect profile of doxorubicin. In Doxophos, doxorubicin is encapsulated in nanoparticles at a size of 30-40 nanometers. These nanoparticles were developed to optimize the therapeutic potential and increase doxorubicin's area of use within cancer treatment.

Docecal®
A new formulation of the taxane docetaxel, which is structurally similar to paklitaxel and prevents mitosis in a similar manner. Docetaxel is approved for several indications, including breast cancer, lung cancer, prostate cancer and head and neck cancer. The substance is poorly soluble in water, but has been made water soluble with the help of XR-17. When Docecal is dissolved in water, XR-17 forms micelles with docetaxel. The product is expected to have the same benefits as Paclical.

Carbomexx®
A formulation consisting of a new active substance in combination with XR-17. The new substance is closely related to so-called alkylating agents such as carboplatin, cisplatin and oxaliplatin, which is an extremely important group of cytostatics. Oasmia hopes that Carbomexx will indicate additional benefits with XR-17 and will create new therapeutic possibilities for patients and physicians.

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

Partners

Market and sales rights for the product candidate Paclical® in Scandinavia have been licensed to the Finnish company Orion Corporation. Orion is a European research company that focuses on pharmaceuticals and diagnostics. The company develops, manufactures and markets human and veterinary medicinal pharmaceuticals and diagnostic tests.

Market – human medicine

Cancer treatment has undergone development and improvement while improved diagnostics has led to several cases of cancer being detected earlier, when they are easier to treat. For example, the relative five-year survival rate for men in Sweden has been practically doubled over thirty years, from 36 to 67 percent. For women, survival has increased from 42 to 67 percent.[1] The latest addition to cancer treatment is the use of targeted drugs in combination with cytostatics to achieve the best effect.

The five most common cancer forms in the world 2007[2]
Lung cancer
Breast cancer (in women)
Colorectal cancer (large bowel and colon)
Stomach cancer
Prostate cancer

In 2007, there were about 7.6 million deaths globally due to cancer. This figure is expected to rise to between 13 and 17 million by 2030.[3] In the USA, 25 percent of all deaths are caused by cancer. This means that cancer is the second leading cause of death after heart disease[4]. On a global basis, the incidence of cancer was estimated[5] at 12.4 million in 2008[6].

50,000 new cases of cancer are diagnosed in Sweden each year. The increase in the number of cancer cases – both in Sweden and in all of Europe – is primarily due to the aging population.[7] In 2009, approximately 520 million individuals (or about 7.7 percent of the global population) were older than 65 years. This number is expected to increase to approximately 722 million individuals in 2020, which is equivalent to 9.6 percent of the global population.[8]

In 2006, global sales for the oncology market amounted to USD 57 billion. Pharmaceuticals made up about USD 36 billion of this. In the pharmaceutical segment, cytostatics were responsible for about 50 percent of sales, equivalent to USD 18 billion. The oncology market is expected to continue its growth by about 11 percent per year up to 2011, which is twice as fast as other pharmaceutical sectors.

Growth is considered to be primarily due to increased cancer incidence, increased treatment costs and greater treatment options.[9]

Taxane pharmaceuticals for the ovarian cancer indication had sales of USD 238 million in 2005. This is expected to reduce to USD 192 million in 2015 due to generic preparations taking a larger share of the market and thus contributing to a reduction in the average price level. The overwhelming majority of all cytostatic ovarian cancer treatments are performed with paklitaxel because it is the only approved taxane for this indication.[10]

[1] Swedish Cancer Society Report 2010, Swedish Cancer Society.
[2] Swedish Cancer Society Report 2010, Swedish Cancer Society.
[3] WHO, International Agency for Research on Cancer, World Cancer Report 2008.
[4] American Cancer Society, Cancer Facts & Figures, 2009
[5] Number of new cancer cases diagnosed during the year.
[6] WHO, International Agency for Research on Cancer, World Cancer Report 2008.
[7] Swedish Cancer Society Report 2010, Swedish Cancer Society.
[8] U.S. Census Bureau.
[9] Up or out in oncology, Bionest Partners, 2nd edition, 2007; American Cancer Society, 2008
[10] Taxanes, Onco Study No. 8, Decision Resources Inc, 2007.

Competition situation
Competition in the taxane market is extensive and is made up of Taxol®, Taxotere®, Abraxane® and paklitaxel-based generics.

Taxol - manufactured by Bristol-Myers Squibb
Taxol is made up of paklitaxel dissolved in ethanol and Cremophor® EL (polyoxyl 35 castor oil). This method of overcoming the poor water solubility has resulted in serious side effects in the treated patients. Because of the serious side effects, patients must be heavily premedicated with corticosteroids and antihistamines. In addition, infusion of the drug must be done extremely slowly.

The patent on Taxol has run out. Thus, several cheaper generic substitutes are now available on the market.

Taxotere – manufactured by Sanofi-Aventis
The well-established brand Taxotere is based on the taxane docetaxel. The drug consists of docetaxel dissolved in polysorbate 80 and is primarily used for the treatment of patients with advanced or metastatic (spread) breast cancer or advanced lung cancer (NSCLC), where the patient had already undergone anthracycline-based chemotherapy without becoming free from cancer.

The US and EU patents on Taxotere run out in 2010, which means that generics are expected to be introduced for this drug as well.

Abraxane – manufactured by Abraxis (acquired by Celgene 2010)
Abraxane, a Cremophor-free paklitaxel drug, was introduced in 2005. A particle solution with human albumin is used instead of Cremophor EL. The solution was selected because it is a biocompatible excipient that is not associated with toxicity, dosing problems or infusion problems. Abraxane is approved for breast cancer treatment, but is under evaluation for treatment of several other cancer forms.

Abraxane, which is the first paklitaxel drug without the hazardous excipient Cremophor EL, has taken a significant share of the paklitaxel market in the USA for second-line treatment of breast cancer. Abraxane was registered on the EU market in the beginning of 2008.

OASMIA ANIMAL HEALTH

The year in review

In spring 2010, Oasmia's veterinary medicine department successfully completed the treatment phase of a major clinical phase III study of dogs suffering from mastocytoma.

The study was a multicenter study conducted in five countries at 24 centers, of which five were in Europe and 19 in the USA. The study included 249 dogs suffering from mastocytoma (skin cancer). All patients had a measurable mastocytoma disease that could not be treated surgically. The study was randomized and the efficacy of the test preparation Paccal® Vet was compared to the active control substance lomustine. This substance is a human-registered cytostaticum that is currently used in veterinary healthcare and has previously been reported to produce an effect on mastocytoma in dogs.

The results of the study were extremely positive as they showed that Paccal Vet produced a significantly better clinical effect in dogs suffering from mastocytoma than the control substance lomustine. The preparation gave a comparable number of side effects with the exception of impaired liver function, which was seen more often in patients treated with lomustine than in patients treated with Paccal Vet. Clinical data has been submitted to the FDA as a step in the market permit application process.

At present, there is no registered cytostaticum with general effect against mastocytoma in dogs.

The reason that use of paklitaxel – one of the most prescribed anticancer substances in human oncology – was previously limited within veterinary oncology is the unacceptable side effects that occur due to its poorly soluble formulation. In human oncology, these side effects have been reduced with extensive premedication. Even though the dogs were premedicated, the side effects have been serious. Paccal Vet does not produce the side effects associated with the conventional paklitaxel formulation and Oasmia looks forward to offering the first paklitaxel preparation on the veterinary market.

Product candidates – veterinary medicine

Paccal® Vet

Until now, it has been impossible to give paklitaxel to pets (especially dogs) due to the serious side effects caused by the excipient Cremophor EL. In earlier studies of dogs with various tumor diseases, Taxol (a formulation with Cremophor EL) caused serious allergic reactions in 64% of the dogs treated.[11] These reactions occurred despite use of an extremely slow infusion rate (up to six hours) and rigorous premedication with antihistamines and corticosteroids to prevent hypersensitivity reactions. Twelve percent of the dogs died due to the treatment.

In Oasmia's formulation, paklitaxel has been made water soluble thanks to the properties of the excipient XR-17. In water solution, XR-17 forms micelles with paklitaxel. With Paccal Vet, dogs can be treated with higher paklitaxel doses, with shorter infusion time, without premedication and without risk of hypersensitivity reactions associated with Cremophor EL.

The results of the first phase III study of 29 dogs with cell tumors of type II and III that were treated with Paccal Vet showed a total response frequency of over 70%. One of the most common forms of skin cancer in dogs is mastocytoma.

[11] 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
A new formulation of doxorubicin, an extremely effective and well-used substance for the treatment of various cancer forms within veterinary medicine. The mechanism behind the cytotoxic effect is not known. It is generally accepted that doxorubicin binds to DNA and thereby hinders the enzymatic system, which is vital to DNA replication and DNA transcription.

Doxorubicin is primarily used for the treatment of malignant melanoma and leukemia, but is also used for sarcoma and malignant carcinoma. Unfortunately, treatment with doxorubicin causes the incurable and fatal heart disease cardiomyopathy if too high a cumulative dose is given. Since the efficacy of cytostatics is directly proportional to the dose, a formulation that reduces the side effects while maintaining efficacy will likely replace existing treatments with doxorubicin. Treatment with Doxophos Vet has indicated reduced cardiac side effects compared to standard treatments with doxorubicin in preclinical studies on rats.

A pilot study intended to investigate the safety and pharmacokinetics of Doxophos Vet on animals was initiated during the first quarter of 2010.

Docecal® Vet
A new formulation of the well-known active substance docetaxel that is structurally the same as paklitaxel and blocks mitosis in a similar manner. At present, docetaxel has limited usage within veterinary medicine, but because of the extremely promising properties of Paccal Vet there is great potential for Docecal Vet. Docecal Vet is based on unique micellar nanoparticles that are formed by XR-17 and are expected to produce the same benefits as
Paccal Vet, which means that no premedication will be required to prevent hypersensitivity reactions.

Carbomexx® Vet
Based on a new active substance, an alkylating agent, in combination with XR-17. This formulation is intended to improve the therapeutic benefits for alkylating substances. Similar substances, such as cisplatin, carboplatin and oxaliplatin, are currently part of a group of extremely important cytostatics used in the treatment of a number of different cancer forms. Unfortunately, these substances produce a number of serious side effects. One is fatal kidney damage in dogs and cats when cisplatin is administered without a simultaneous, intense infusion of saline solution. Oasmia hopes that Carbomexx Vet will create new therapeutic possibilities with an improved safety profile.

Carbomexx Vet has the potential to become the most-used pharmaceutical for the treatment of skeletal cancer (osteosarcoma) in dogs. Osteosarcoma is extremely common in large races. Without chemotherapy in combination with surgery, it leads to death within three months. The platinum-based drugs currently available are also used to treat other severe tumors in dogs, such as bladder cancer and invasive adenocarcinoma.

Development phase and expected initial market authorization

Product candidate	Pre clinical	Phase I	Phase II	Phase III	Expected registration
Paccal® Vet					2010
Doxophos® Vet					2013
Docecal® Vet					2013
Carbomexx® Vet					2015

Partners

Market and sales rights for the product candidate Paccal® Vet in Europe have been licensed to Orion Corporation, Finland. Orion is a company with a well-established sales and marketing organization for veterinary medicine in Europe. In the USA and Canada, Oasmia's partner is the multinational company Abbott Laboratories, a company with a solid organization and vast experience in the veterinary field. Oasmia has also entered into an agreement for the veterinary market with Nippon Zenyaku Kogyo Co. Ltd (Zenoaq), which has also undertaken clinical development and registration in Japan. Nippon Zenyaku Kogyo Co Ltd (Zenoaq) is a leading company in the development, manufacturing, import and sale of veterinary medicinal products in Japan.

Market – veterinary medicine

There are currently approximately 140 million dogs in the USA, EU and Japan together.[12]The number of dogs and cats is growing much faster than the number of inhabitants in these countries. In addition, these animals are growing older, which increases the risk of cancer. In the USA alone, there are an estimated 300,000-500,000 dogs for which cytostatic treatment is an alternative.[13] Oasmia estimates that Paccal® Vet has a global market potential of MUSD 500-700 over three to five years[14].

An important reason behind the increase in the number of small pets is of a social nature since the number of single households is on the rise. In conjunction with both a change in the family structure and the emergence of a middle class that clearly has great buying power, the financial willingness of pet owners to invest in the health and future of is also growing. This leads to increased "humanization" of animals, which seems to be more pronounced in the countries in which economic development goes hand in hand with rocketing urbanization. Another factor that is important in this context is that many diseases in pets that were previously considered untreatable – both from an animal rights standpoint and a medical standpoint – now have a completely different prognosis.

The genetic makeup of dogs is very similar to that of humans. Thus, the majority of tumors found in humans are also found in dogs. Consequently, researchers have used dogs as tumor models to a greater extent in recent time. Like with humans, cancer frequency in dogs increases with age. An estimated 40 to 50 percent of dogs older than eight years suffer from cancer.

The treatments that are applied are surgical procedures, pharmaceuticals (including cytostatic drugs) and in some cases radiation therapy. A disadvantage with cytostatic treatment is that there is no registered cytostaticum for treating cancer in dogs or other pets on the market. Thus, drugs intended for humans have been used. The problem with this is that the treatments are unsafe since there is insufficient data on safety, dosage and efficacy.

[12] Tuft University E-news, Nick Dodman 2009.
[13] 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.
[14] The estimation is based on data from pharmaceutical companies with which Oasmia has had discussions on licensing and distribution agreements. The estimation includes spillover effects, in other words

Competition situation
The competition situation in the veterinary market is greatly untested and thereby difficult to assess as regards cancer drugs. At present, there are two cancer drugs registered for the treatment of dogs – Masivet® and Palladia™. Both are so-called tyrosine kinase inhibitors (TKI). TKI preparation has a significantly poorer effect on tumors that do not express a special mutation, which only occurs in about one-third of all dogs with mastocytoma. Treatment with TKI preparation is only recommended in cases where this mutation occurs. Paklitaxel, which is the active substance in Paccal® Vet, works regardless of whether this mutation is present.

Masivet® - manufactured by AB Science
AB Science is a French pharmaceutical company whose only registered product at present is Masivet. In clinical studies, Masivet has been tested against placebo in the treatment of mastocytoma in dogs. In the study, no difference in response could be demonstrated compared to placebo, however the studied population went a longer time before the tumors increased in size (so-called progression-free survival). Masivet was registered with the EMA for the indication mastocytoma in November 2008.

Palladia™ - manufactured by Pfizer
Pfizer is a multinational pharmaceutical company with significant resources. The study with Palladia indicated a better response. Like Masivet, Palladia was tested against placebo. The study with Palladia indicated a better response. Palladia was registered with the FDA for the indication mastocytoma in June 2009. In relation to classic treatment with steroids (cortisone) for mastocytoma in dogs, Palladia has shown a poorer or comparable response.

Other treatment options include surgery, medication using human cytostatics and in certain cases radiation treatment. In the EU, use of human cytostatics on animals is only permitted in cases where there is no approved veterinary treatment. This means there is a clear competitive advantage for veterinary-specific cancer drugs.

PRODUCTION

Oasmia has a permit from the EMA to manufacture Paclical® and Paccal® Vet for clinical trial in its own production facility in Uppsala, Sweden (in pilot scale). About half of the employees work in production. During the fiscal year, major investments were made in production operations. The largest investment was for acquisition of a facility for producing clean water (WFI, Water For Injection) and clean steam. The purpose of the investment is to make it possible to produce Paclical and Paccal Vet for commercial use in small volumes and thus supply the market initially. Some conversions were also performed to establish a continual flow from raw material to finished product in order to further ensure the quality of the finished product.

There has also been work to ensure the GMP standard in all aspects of operations. In particular, the quality assurance and quality control systems have been developed and improved. It is extremely important that all processes are updated to comply with new and revised regulations from pharmaceutical authorities.

The Company

Organization and employees

As of April 30, 2010, Oasmia had 64 employees, most of them in production, quality assurance and quality control. During the fiscal year, the company has strengthened the workforce within several departments.

Number of employees by department *(as of April 30, 2010)*

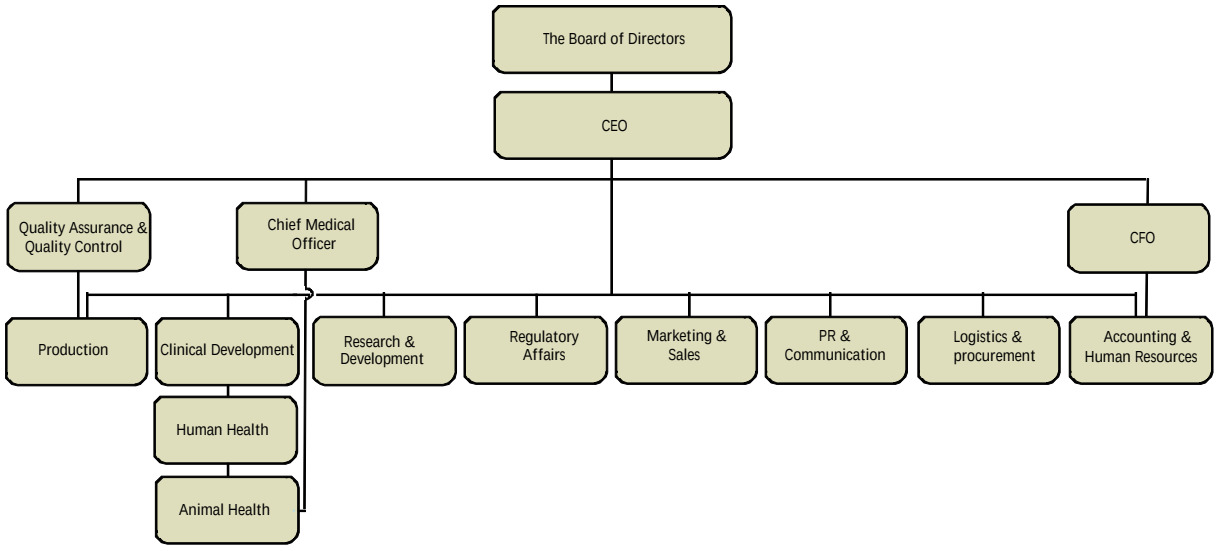
CEO	1
Research & development	6
Production	27
Clinical development	7
Regulatory affairs	7
PR & communication	2
Logistics & procurement	5
Accounting & human resources	9
Totalt	64

Experience and education

Most employees have an academic degree and experience in early drug discovery to clinical development. The company also has employees with long experience in regulatory affairs, which is central to obtaining necessary regulatory approvals.

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 (Accounting & Human Resources). The company's auditors are Ernst & Young AB with certified Auditor Björn Ohlsson (member of FAR SRS) as Head Auditor.



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, 2010 to SEK 3 761 286 distributed over 37 612 858 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	3 761 285,80 SEK
Number of shares	37 612 858
ISIN-code	SE0000722365
Trade designation	OASM
Share currency	SEK
Share quota value	0,10 SEK

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 (SEK)
1988	Foundation	100,00	500	50 000,00	500	50 000,00
1999	New share issue[1]	100,00	500	50 000,00	1 000	100 000,00
1999	Split	0,10	999 000	-	1 000 000	100 000,00
1999	New share issue[1]	0,10	30 000 000	3 000 000,00	31 000 000	3 100 000,00
2006	New share issue[1]	0,10	851 310	85 131,00	31 851 310	3 185 131,00
2007	New share issue[1]	0,10	1 523 690	152 369,00	33 375 000	3 337 500,00
2008	New share issue[1]	0,10	125 000	12 500,00	33 500 000	3 350 000,00
2009	Preferential rights issue	0,10	2 392 858	239 285,80	35 892 858	3 589 285,80
2009	New share issue[1]	0,10	1 720 000	172 000,00	37 612 858	3 761 285,80

[1] Private placement for Oasmia S.A.
[2] Private placement to a limited group of institutional actors and other large investors

Shareholders

The company had 1806 shareholders as of April 30, 2010. The ten largest shareholders in Oasmia are listed in the table below:

Owner	Number of shares and votes (%)
Oasmia S.A.	64.10
Svenska Handelsbanken S.A	2.96
Avanza Pension	1.70
Christer Ericson (private and company)	1.44
Banque Öhman S.A.	1.29
Banque Carnegie Luxembourg S.A.	1.15
SIX SIS AG, W8IMY	1.13
Handelsbanken Svenska Småbolagsfond	1.09
SEB Private Bank S.A. NQI	0.94
Almi företagspartner AB	0.89
Others	17.08

Principal owner

Oasmia S.A. is a holding company based in Luxembourg. Oasmia S.A. is owned and controlled by Bo Cederstrand and Julian Aleksov. Oasmia S.A. conducts no business; it's only responsible for financial management.

Board of Directors

Bo Cederstrand
Born: 1939
Stockholdings 126,000[15]

Member and Chairman of the Board since 2000. Member and chairman of the Board's audit committee. Current assignments, etc. Bo Cederstrand is a board member in Oasmia S.A. and a deputy board member in Fruges AB. Previous assignments. Bo Cederstrand has almost 40 years of experience as CEO and partner in a number of small and mid-sized companies, mainly within trade. This has given him extensive experience in international trade. Bo Cederstrand also has solid experience in production and has been very active in trade branch associations. Bo Cederstrand has been a board member in Arken Hemdjurshandlarna AB for the past five years. Independent. Dependent in relation to major stockholders, independent in relation to the company and company management.

Peter Ström
Born: 1952
MBA
Stockholdings 178,886

Board member since 2006. Member of the Board's audit committee. Current assignments, etc. Board member in Active Biotech AB, Comtax AB, Lidds AB (chairman) and Stockholm Corporate Finance AB. Previous assignments. Peter Ström has a background as Vice President for IMS Health, Northern and Central Europe, the Middle East and Africa and has worked at KabiVitrum, Kabi Pharmacia and Pharmacia Upjohn with responsibility for e.g. International, England and VP Europe. Over the past five years, Peter Ström has also been a board member in Peridoc AB (chairman) and P.U.L.S. AB. Independent. Independent in relation to major stockholders, the company and company management.

Claes Piehl
Born: 1950
MBA
Stockholdings 124,940

Board member since 2005. Member of the Board's audit committee. Current assignments, etc. Works as active investor in small companies and is a board member in Alfaros Aktiebolag. Previous assignments. Over the past five years, Claes Piehl has worked as a management consultant for companies such as PA Management Consulting and Indevo and has served as CEO for Alfred Berg UK Ltd, Alfred Berg Norge AS and Orkla Securities Ltd. Independent. Independent in relation to major stockholders, the company and company management.

Julian Aleksov
Born: 1965
Economist
Stockholdings 148,650[16]

Board member since 1999. CEO of Oasmia. Current assignments, etc. Chairman of the board in Qdoxx Pharma AB, GlucoGene Pharma AB and board member and CEO (day-to-day operations) in Oasmia S.A. Previous assignments. Experience in coordinating research projects, strategic development in bioorganic chemistry and strategic development of global intangible assets. Independent. Dependent in relation to major stockholders, the company and company management.

[15] Regards private ownership. In addition to private ownership, Bo Cederstrand has indirect stockholdings in the company through Oasmia S.A., which owns 24,163,425 shares.
[16] Regards private ownership. In addition to private ownership, Julian Aleksov has indirect stockholdings in the company through Oasmia S.A., which owns 24,163,425 shares.

Management

Julian Aleksov
CEO
Born: 1965
One of the founders of Oasmia
Stockholdings. See above under "Directors"

Hans Sundin
Executive Vice President Operations
Born: 1945
Employed since 2008
Stockholdings. 1 372

Weine Nejdemo
Chief Financial Officer
Born: 1948
Employed since 2009
Stockholdings. 20 714[17]

Annette Ljungmark
Head of Accounting and Human Resources
Born: 1950
Employed since 2005
Stockholdings. -

[17] Private and through company

Auditors

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

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

Company information

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Sweden

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Fax +46 18 51 08 73
info@oasmia.com
www.oasmia.com

Administration report

GENERAL INFORMATION

The corporation comprises the parent company Oasmia Pharmaceutical AB plus the subsidiaries Qdoxx Pharma AB and GlucoGene Pharma AB. The parent company is developing a new generation of pharmaceuticals with a focus on human and veterinary oncology and conducts basic research in the therapy areas such as infection, asthma and neurology. Qdoxx Pharma conducted parallel import in Sweden, but operations ceased in the past fiscal year. GlucoGene Pharma AB conducts research towards improved cancer therapy.

During the fiscal year, Oasmia's stock was listed on NGM Equity, Stockholm.

BUSINESS ACTIVITIES DURING THE YEAR

Oasmia Human Health

Work with the ongoing international phase III study of ovarian cancer continued during the year. In the study, the company's pharmaceutical candidate Paclical is compared® with the well-known drug Taxol®. The study includes about 80 cancer clinics in 16 countries and is expected to include 650 patients. The inclusion rate has steadily increased during the year and meets the company's expectations.

No new licensing and distribution agreements were entered into during the year for Human Health.

Oasmia Animal Health

In April 2010, the company entered into a licensing and distribution agreement with Nippon Zenyaku Kogyo Co. Ltd (Zenoaq) for the right to Paccal® Vet in Japan. Nippon Zenyaku has exclusive market and distribution rights and is thus responsible for clinical development in the region. With the agreement, Oasmia receives a total of MEUR 3.25 in advance and milestone payments (of which Oasmia already received MEUR 0.55 at the beginning of the agreement) plus royalties on all sales in the region.

In March 2010, the international phase III study of dogs was completed and evaluation of the data could begin. The study investigated whether dogs with the commonly occurring mast cell tumor (mastocytoma) respond to treatment with Paccal® Vet compared to the drug CCNU (with the active substance lomustine). A total of 249 dogs were included in the study, which involved 26 clinics in seven European countries and in the USA. The study is the largest randomized study with a positive control substance in the veterinary oncology field to date and has generated great interest internationally.

In December 2009, Oasmia announced that the pharmaceutical candidate Doxophos® Vet, for the treatment of cancer in dogs, has entered the clinical phase. The clinical program has been under development since then and a pilot study in laboratory dogs was initiated in March. Doxophos® Vet is a unique nanoparticle formulation of the substance doxorubicin.

In July 2009, Oasmia entered into a distribution agreement with Abbott Laboratories for marketing and distribution rights to Paccal® Vet for the American and Canadian veterinary markets. With the agreement, Oasmia receives a total of MUSD 19 in milestone payments (of which Oasmia already received MUSD 5.0 at the beginning of the agreement) plus royalties on all sales. Oasmia will be responsible for clinical development, production and registration of the product and Abbott will be responsible for launch in the region.

Since Oasmia and Orion Corporation already have a licensing and distribution agreement regarding the majority of Europe, Paccal® Vet is now licensed for the majority of the world's market.

FINANCIAL INFORMATION

Net sales

Net sales for the fiscal year amounted to TSEK 30 741 (79 357) consisted mostly of license revenues from recently closed license agreements, TSEK 28 421 (30 347). The reduced net sales is mostly attributable to reduced sales of parallel imported pharmaceuticals, TSEK 1 924 (48 466).

Capitalized development costs

Capitalized development costs consist of investments in Phase III clinical trials. They amounted to TSEK 80 643 (36 057). The big increase is the result of clinical trials for the product candidates Paccal® Vet and Paclical® running in full scale for the most part of the year.

Development expenditures

Development expenses which were not capitalized amounted in the year to TSEK 18 073 (17 731).

Employee benefit expenses

The number of employees increased in the year from 55 to 64 and Employee benefit expenses amounted to TSEK 29 413 (25 658)

Income for the period

Income for the period amounted to TSEK -17 054 (-7 105) in the fiscal year. The worsened result was attributable to the company expansion of the number of employees, product development and production resources.

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

Financial position

Consolidated liquid assets amounted to TSEK 5 372 (988) at the end of the fiscal year. Equity was amounted to TSEK 141 803 (61 207) at the end of the fiscal year. The two new share issue carried out in the year resulted in an increase of equity amounting to TSEK 97 650. The equity/assets ratio at the end of the fiscal year was 79 % (63) and the debt/equity ratio was 7 % (42).

The Board of Directors estimates that expected license revenues and current credit facilities are enough for the planned business activities.

Cash flow and capital expenditures

Cash from operating activities amounted to TSEK -11 235 (14 276) in the year. The change compared to the previous year consisted mainly of a reduced operating income and a smaller reduction in inventories in comparison with the previous year when the majority of the parallel import inventory was sold out.

Capital expenditures amounted to TSEK 85 315 (39 511) in the year, where investments in intangible fixed assets constituted TSEK 81 773 (36 495) and investments in property, plant and equipment TSEK 3 541 (3 014). Investments in intangible fixed assets were constituted by capitalized expenditures for clinical Phase III trials and in patents. Investments in property, plant and equipment concerned for the most part production equipment.

Financing

In financing activities 2 MUSD, TSEK 15 373, of the 5 MUSD received in connection to the license and distribution agreement with Abbott is accounted for as an increase in Other non-current liabilities (see note 24).

Two new share issues were carried out in the year, which provided the company with TSEK 68 912 in cash payment after issue expenses. One share issue was performed with preferential rights for current shareholders. It was fully subscribed and provided the company with TSEK 28 062 after issue expenses, and TSEK 28 739 by an offset of a debt to Oasmia S.A. The other share issue was placed towards a select group of institutions and other lager investors. It was fully subscribed and provided the company with TSEK 40 850 in cash after issue expenses.

The principal owner Oasmia S.A. has in the fiscal year placed a credit facility at Oasmia's disposal, which initially amounted to 30 MSEK, but was replaced with an expanded credit up to 60 MSEK. At the end of the fiscal year, MSEK 10.6 was used.

Financial goals
The Board of Directors revised the company goals concerning debt/equity ratio and liquidity reserve in the year. The previous goals stated that the company debt/equity ratio shall not exceed 12 % and that the company in the long term shall maintain a liquidity reserve in the form of unused bank credits of at least 5 % of the company annual sales. The Board set a new goal that the debt/equity ratio shall not exceed 50 % and that the liquidity reserve goal is omitted.

Segment reporting
The Business activity parallel import ceased in the year and the group has therefore only one segment.

The Parent company
The Parent company net sales amounted to TSEK 28 817 (30 890) for the fiscal year and the income for the period was TSEK -18 401 (-8 134). The parent company liquid assets amounted to TSEK 5 320 (975) at the end of the year. For information about employees, salaries and remuneration, see note 11.

Key ratios and other information

	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Number of shares at the close of the period (in thousands), before and after dilution*	37 613	33 735
Average number of shares (in thousands) before and after dilution*	35 800	33 674
Earnings per share in SEK, before and after dilution*	-0,48	-0,21
Equity per share, SEK*	3,77	1,81
Equity/Assets ratio, %	79	63
Net liability, TSEK	9 467	25 844
Debt/Equity ratio, %	7	42
Return on total assets, %	neg	neg
Return on equity, %	neg	neg
Number of employees at the end of the period	64	55

For definitions see Note 33

* Recalculation of historical values has been made with respect to capitalization issue elements in the preferential rights share issue carried out in the second quarter 2009.

OTHER INFORMATION

The Oasmia share
The Oasmia share capital amounted to TSEK 3 761 at the end of the fiscal year distributed over 37 912 858 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.

As of April 30 2010, the number of shareholders amounted to about 1 800. Oasmia S.A was the principal owner (64.1 %), followed by Handelsbanken S.A. (about 3 %). The ten largest owners controlled just over 76% of the total number of shares.

Legal issues
Oasmia is not, and has not, been involved in any legal disputes significant for the company position in the fiscal year. The Board of Directors is not aware of any circumstances which could lead to legal disputes or could affect the company position significantly.

Environmental activities

Oasmia's business activities include research, development and manufacture at the facility in Uppsala, where large quantities of chemicals are managed. The activities must be reported to the municipal environmental office according to regulation (1998:899) about environmentally hazardous activities. The office has made the judgment that there are no objections to the activities given that the business is conducted in accordance with what is stated in the report.

The effect of the company activities on the outer environment is minimal. Chemicals and solvents used in the activities do not seep into the surroundings from ventilation systems or sewage. The ventilation in the building laboratories is uncoupled from public ventilation. The processes are closed to a high degree and leftover chemicals and solvents is managed by Kemstationen, Uppsala Vatten & Avfall AB for destruction and recycling.

The company fulfills the environmental requirements and strives for the activities to be conducted in a way which benefits sustainable development within the environmental area. In addition to complying with the norms, guidelines and regulations which governs the work, the company tries it outmost to continuously improve the business by for example hosting internal education within quality and environment.

Employees

The average number of employees in the fiscal year was 56 (49). Of these, 30 (27) were women and 26 (22) men. The number of employees was 64 (55) at the end of the year. Salaries and remuneration amounted to TSEK 22 788 (19 920). For more information, see note 11.

Guidelines for remuneration to senior managers

Guidelines for establishment of salaries and other remuneration for senior managers was resolved at the Annual General Meeting 2009. They are disclosed below.

Salaries and other benefits

Remuneration for the CEO and other senior managers shall be constituted by fixed salary. In addition to fixed salary, no other remuneration or benefits shall be paid and no pension provisions shall be made.

Term of notice and severance pay

If Notice is given from the company, the term of notice for the CEO will be at most 24 months. If notice is given from the CEO, the term of notice shall be at most six months. For other senior managers, the term of notice shall normally be six months if notice is given from the company, and three months if notice is given from the manager. No special severance pay shall be given.

Incentive programs

Decisions of possible share and share price related incentive programs aimed at senior managers shall be made by the Annual General Meeting.

Remuneration committee

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

Deviation in specific case

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

Other information concerning the Board and management

A resolution was made at the 2009 AGM that a Member of the Board not employed by the company shall receive remuneration of SEK 25 000. The company has no outstanding share or share price related incentive programs aimed at the CEO or other senior managers. Decisions of eventual programs shall be made by the AGM.

For more information about remuneration for the Board and management, see note 11.

PROPOSALS FOR THE ANNUAL GENERAL MEETING 2010
The complete proposal by the Board for the 2010 AGM is made in connection to the notice.

Dividends
The Board does not intend to propose dividends for the fiscal year 2009/2010.

Guidelines for remuneration to senior managers
The Board proposes that the 2010 AGM approves that current principles for remuneration and other terms of employment for the CEO and other senior managers shall apply until the 2011 AGM. The principles shall be applied to employment agreements signed after the 2010 AGM and also to revisions of current employment agreements performed until the 2011 AGM. Remuneration for the management is determined by the Board.

EVENTS AFTER THE CLOSE OF THE FISCAL YEAR

Phase III study with Paccal® Vet submitted to the FDA
In August 2010, Oasmia submitted the clinical part of the documentation to the American pharmaceutical authority FDA.

MSEK 75 SEDA agreement closed
In July 2010, Oasmia closed a Standby Equity Distribution Agreement (SEDA-agreement) with YA Global Master SPV Ltd which is controlled by USA based Yorkville Advisors LLC.

Listing on NASDAQ OMX
On June 24 2010, Oasmia was listed on NASDAQ OMX Stockholm main list, Small Cap.

New liquidity provider
In June 2010, Oasmia appointed Remium as the company's new liquidity provider for the Oasmia share.

Positive clinical Phase III results
In May 2010, the preliminary results from the large international Phase III study with Paccal Vet on the most common type of skin cancer in dogs, mastocytoma, were published. In total, 249 patients were enrolled in the study, which was the largest in the world within veterinary oncology so far. In the study, the effect of Paccal Vet was compared with the control substance Lomustine. The preliminary results showed that the clinical effect in dogs treated with Paccal® Vet was significantly better than in dogs treated with lomustine.

Björn Björnsson proposed as new Member of the Board
In May 2010, the Oasmia nomination committee reported that Björn Björnsson will be proposed as a new Member of the Board at the 2010 Annual General Meeting.

FUTURE PROSPECTS
The company aims to obtain registration of its first product for the veterinary market, Paccal® Vet, in the second half of 2010. License and distribution agreements have been closed for the principal world markets, which enables Paccal® Vet to be launched in 2011 and thereby start to generate royalties. The company aims to obtain registration for its first product on the human market, Paclical®, in the second half of 2011. The Board estimates there are very good conditions for license business in the human market. In addition, the company has six valuable projects which has passed preclinical phase.

RISKS

There are risks with all business. By creating awareness of the risks which exist in the business today can these be limited, controlled and managed simultaneously taking advantage of business opportunities to increase revenues. The risks in Oasmia's business can roughly be divided into operational risks and financial risks. Financial risks and the management of these are more closely described in note 3. The essential operational risks are described below. The result of these can affect the company expansion rate, revenues, result and financial position.

Business and branch related risks

Research and development

Oasmia is conducting preclinical and clinical studies for a number of pharmaceutical candidates. The results of each such study can be unpredictable and unwanted and therefore related costs are connected with great uncertainty. Unpredictable study results may lead to that concepts and studies must be reevaluated, which means that new complementary studies must be performed to significant cost or that the studies are cancelled.

Enrolment of patients

Oasmia enters agreements with suppliers of services for clinical trials at clinics and hospitals in many countries. An important element of these agreements is the enrolment of patients. The extent of this has relatively large effect on the speed of and the timeframe for the clinical trials. If one or more of these suppliers cancel their cooperation agreements and if these cannot be replaced by agreements with other suppliers, this could lead to delays in the clinical studies and the registration of pharmaceutical candidates.

Side effects

Since Oasmia develops pharmaceuticals, there is a risk that patients participating in clinical trials or in other ways come into contact with Oasmia's products may experience serious side effects. The consequence of those can be that further clinical studies of the pharmaceutical candidate's safety must be performed, which could affect both the confidence in Oasmia and prolong launch. Another consequence which cannot be ruled out is that Oasmia could be sued by patients who have experienced side-effects.

Application and market approval of pharmaceuticals

In order for a pharmaceutical to be marketed and sold, a market approval from the concerned pharmaceutical authority is required in the respective territory. An application of market approval includes extensive documentation and it is at the same time important that the documentation complies with current national and international regulations. Even if Oasmia produces large parts of this documentation in parallel with the clinical trials, it cannot be excluded that unpredicted circumstances causes delays, which would mean that an application of market approval will be made later than expected. As pharmaceutical authorities have a lot of freedom concerning processing times and may ask for further complements or have other considerations of the application, the time for and also the grant of the market approval is connected with great uncertainty. It cannot be ruled out that Oasmia's pharmaceutical candidates do not obtain market approval or that such an approval is obtained at a later time than expected. It cannot be ruled out that Oasmia needs to supplement the application which could be time-consuming and entail unexpected costs.

Relations with authorities

Oasmias business activities are dependent on permissions from authorities. There is a risk that necessary permits cannot be obtained without extensive investigations or costly adaptations of the business. In case critical permits are recalled, Oasmia may be forced to end its business.

Untested veterinary market

The market for cancer drugs for dogs is new and untested. It is thus hard to estimate the extent and speed of which cancer drugs is accepted by veterinarians, which complicate the estimation of the market size as well as predictions of growth for Oasmia's pharmaceutical candidates for this market.

Competition

There is strong competition within the pharmaceutical industry with many available and upcoming products. As Oasmia is concerned, this especially applies for the human market for taxane-based cancer treatments, where several established brands can affect the success of Oasmia's pharmaceutical candidates.

For the veterinary market for treatment of cancer in dogs, the expected competition is mostly expected to come from two cancer drugs already registered. As the first registered pharmaceuticals on their respective markets,

Europe and USA, they could have a competitive advantage compared to Oasmia's pharmaceutical candidate for the same indication.

The competitive situation also results in difficulties to predict at what rate and at which volumes the Oasmia pharmaceutical candidates can establish themselves on their respective markets (indication and geography) after a market approval. There is also a great uncertainty about the correct price level for Oasmia's product candidates compared to competing products on the market. This uncertainty also entails a risk for erroneous investment estimations.

Remuneration from third party

A part of Oasmia's products is expected to be bought by, or entail the right for the end customer to raise remuneration from, the paying third party such as the public sector or private insurance companies. Change in such third party policy and ability to affect the price and demand of pharmaceutical could affect Oasmia negatively.

Patents and intellectual property disputes

Oasmia estimates that its patents have adequate protection on essential markets. It cannot be guaranteed that the continued product development leads to patentable products, or that current or future patent applications leads to patents, or that approved patents are enough to protect Oasmia's rights.

It can also not be excluded that it already exist patents whose protection supersedes Oasmia's patent protection. If this is the case, the holder of such a superseding patent potentially hinder Oasmia's exploitation of concerned products, in spite of Oasmia's own patent protection. If Oasmia within the frame of its research used substances or procedures which are patented or the object of a patent submission by other party, the holder of these rights may seek legal action against Oasmia.

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

Company related risks

Dependence on Paccal® Vet and Paclical®

A large part of Oasmia's estimated asset value is attributable to the development, the market approval and the commercialization of Paccal® Vet and Paclical®. This dependence results in a risk for a negative influence if development and commercialization of these two product candidates does not go as planned.

Cooperations

Oasmia's business model includes collaborations with larger international or regional pharmaceutical companies for further development, commercialization and sales of product candidates. Oasmia's growth is thereby highly dependent of establishment of such agreements and of the success of partners in penetration of markets. If important collaborations cannot be established, are terminated or does now function in a satisfactory manner, it could affect the continued development of Oasmia negatively. A common term of such agreements is that the market price on the market is set by Oasmia's partners and not by Oasmia.

Onerous contract provision

The license and distribution agreements closed by Oasmia contain some onerous provisions. They mainly concern repayment of the entire or parts of the milestone payments received if Oasmia does not successfully apply for and obtain market approval within the time agreed with license holders.

Non-sustainable revenue sources

Oasmia's business model includes license and distribution agreements which contain milestone payments. They comprise the dominant revenue source until the point where Oasmia has received marketing approval for one or more of their pharmaceutical candidates and a few years thereafter. They fall unevenly over time and therefore results in large turns in net sales and result. Milestone payments are not sustainable revenues, and Oasmia is dependent of a successful commercialization and market introduction of their pharmaceutical candidates in the long run.

Production

Oasmia's own production facility allows production up to pilot scale of both development substances and finished product. Full scale manufacture will be carried out by contract manufacturers. Technology transfer and scale-up has been initiated. The technology transfer results in a risk for spread and copying of concepts, methods and processes attributable to Oasmia's products.

If the technology turns out to be more difficult to scale-up than estimated, it may delay full-scale production and affect the launch dates. In connection to scale-up, validation of the full-scale production must be performed and documentation submitted to concerned authorities. These authorities must approve the products at the manufacturer chosen by Oasmia. If the documentation is not complete, there is a risk that product launch is delayed.

Oasmia has not yet closed agreements with contract manufacturers. There is therefore an uncertainty surrounding manufacturing costs and therefore the profitability for the company products.

Key personnel

Oasmia is to a high degree dependent on employed key persons. If Oasmia should lose any of their key personnel, this could delay or cause an interruption in the research program or development, licensing or commercialization of the company product candidates. Oasmia is dependent of qualified workers and is expected to expand in the coming year. There is a recruitment need within the functions production and regulatory affairs, and there is a risk that Oasmia is not able to recruit all the new qualified workers needed.

Employment agreements and intangible assets

The employment agreements for Oasmia's key personnel does not contain any terms regarding if the inventions of key persons and/or other intellectual properties shall belong to the company. Nor do they contain any recruitment prohibitions from competitors after the end of employment. This fact results in a risk that could affect the company negatively if any of its key personnel leave Oasmia and chooses to commit to a competitive business.

CORPORATE GOVERNANCE REPORT

This administration report does not contain a corporate governance report. Oasmia has instead, supported by 8 § 6 chap in the Annual Accounts Act, chosen to establish a corporate governance report separated from the annual report. The corporate governance report is reviewed by the company auditors and is available at the Oasmia website, www.oasmia.com

PROPOSAL FOR ALLOCATION OF NON-RESTRICTED EQUITY

For the disposal of the Annual General Meeting, the following non-restricted equity is available:

Share premium reserve	196 493 091 kr
Accumulated loss	- 44 628 446 kr
Income for the period	- 18 401 081 kr
Summa	133 463 564 kr

The Board propose that the accumulated loss SEK -44 628 446, Income for the period SEK -18 401 081 the share premium reserve SEK 196 493 091 is carried forward.

Consolidated Income Statement

TSEK	Note	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Net sales	5	30 741	79 357
Capitalized development cost	6	80 643	36 057
Other operating income	7	-	224
Raw materials, consumables and goods for resale	8	-18 842	-56 591
Other external expenses	9,10	-74 412	-37 349
Employee benefit expenses	11	-29 413	-25 658
Depreciation/amortization and impairment	12,13	-3 612	-3 187
Other operating expenses	13	-68	-9
Operating income	14,15	-14 961	-7 156
Financial income		411	1 464
Financial expenses		-2 505	-1 414
Financial items, net	14,16	-2 094	50
Income before taxes		-17 055	-7 106
Taxes	17	0	0
Income for the period		-17 054	-7 105
Income for the period attributable to:			
Equity holders of the Parent company		-17 016	-7 095
Minority shareholding		-38	-10
Earnings per share	18		
Before dilution, SEK		-0,48	-0,21
After dilution, SEK		-0,48	-0,21

Consolidated Statement of Comprehensive income

TSEK	Note	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Income for the period		-17 054	-7 105
Comprehensive income for the period		-17 054	-7 105
Comprehensive income for the period attributable to:			
Equity holders of the Parent company		-17 016	-7 095
Minority shareholding		-38	-10
Comprehensive Earnings per share	18		
Before dilution, SEK		-0,48	-0,21
After dilution, SEK		-0,48	-0,21

Consolidated statement of financial position

TSEK	Note	2010-04-30	2009-04-30
ASSETS			
Non-current assets			
Property, plant and equipment	12	20 665	19 858
Capitalized development cost	6	140 860	60 216
Other intangible assets	13	8 047	7 862
Financial assets		2	2
Total Non-current assets		169 574	87 939
Current assets			
Inventories	8	94	2 776
Trade receivables	20	60	2 337
Derivative instruments		-	231
Other current receivables	21	2 090	1 085
Prepaid expenses and accrued income	20	2 460	1 743
Liquid assets	22	5 372	988
Total Current assets		10 076	9 161
TOTAL ASSETS		179 650	97 099
EQUITY			
Equity attributed to equity holders in the Parent Company			
Share capital	23	3 761	3 350
Other capital provided		196 493	99 254
Retained earnings		-58 509	-41 493
Total		141 746	61 111
Minority shareholding		57	95
Total equity		141 803	61 207
LIABILITIES			
Non-current liabilities			
Other non-current liabilities	24	15 397	24
Deferred tax liabilities	25	7	7
Total Non-current liabilities		15 404	31
Current liabilities			
Liabilities to credit institutions	26	4 289	7 356
Short-term borrowings	27	10 550	19 476
Trade payables		2 076	3 025
Other current liabilities	28	1 197	1 538
Accrued expenses and prepaid income	29	4 332	4 465
Total Current liabilities		22 443	35 861
Total Liabilities		37 847	35 892
TOTAL EQUITY AND LIABILITIES		179 650	97 099
Contingent liabilities	30		
Pledged assets	30		

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 shareholders' equity
Opening balance as of May, 1 2008		3 338	95 767	-34 389	97	64 812
Comprehensive income for the year		-	-	-7 095	-10	-7 105
Shareholders' contribution received	31	-	3 500	-	-	3 500
Shareholders' contribution refunded	31	-	-3 500	-	-	-3 500
New share issue	23,31	13	3 488	-	-	3 500
Change in Minority shareholding		-	-	-9	9	0
Closing balance as of April, 30 2009		3 350	99 254	-41 493	95	61 207
Opening balance as of May 1, 2009		3 350	99 254	-41 493	95	61 207
Comprehensive income for the year		-	-	-17 016	-38	-17 054
New share issues	23,31	411	102 410	-	-	102 821
Issue expenses		-	-5 171	-	-	-5 171
Closing balance as of April 30, 2010		3 761	196 493	-58 509	57	141 803

Consolidated Cash flow statement

TSEK	Note	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Operating activities			
Operating income before financial items		-14 961	-7 156
Depreciation/amortization	12,13	3 612	3 187
Impairment of inventory	8	300	461
Disposals of intangible assets	13	68	9
Interest received	16	411	1 233
Interest paid	16	-2 178	-1 414
Cash flow from operating activities before working capital changes		-12 748	-3 679
Change in working capital			
Change in inventories	8	2 383	15 884
Change in trade receivables	20	2 277	1 722
Change in other current receivables	20,21	-1 722	-339
Change in trade payables		-950	-908
Change in other current liabilities	28,29	-475	1 596
Cash flow from current operations		-11 235	14 276
Investing activities			
Investments in intangible fixed assets	6,13	-81 773	-36 495
Investments in property, plant and equipment	12	-3 541	-3 014
Investments in financial assets		-	-2
Cash flow from investing activities		-85 315	-39 511
Financing activities			
Increase in liabilities to credit institutions	26	-	2 115
Reduction in liabilities to credit institutions	26	-3 067	-
Increase in non-current liabilities	24	15 373	-
New share issues	23,31	74 083	-
Issue expenses	23,31	-5 171	-
New loans	27	25 007	16 543
Amortization of loans	27	-5 290	-2 814
Cash flow from financing activities		100 934	15 845
Cash flow for the year		4 384	-9 390
Cash and cash equivalents at the beginning of the year		988	10 379
Cash and cash equivalents at the end of the year	22	5 372	988

Parent Company Income statement

TSEK	Note	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Net sales	5	28 817	30 890
Capitalized development cost	6	80 643	36 057
Other operating income	7	125	724
Raw materials, consumables and goods for resale		-15 869	-6 098
Other external expenses	9,10	-74 051	-36 474
Employee benefit expenses	11	-29 413	-25 658
Depreciation/amortization and impairment of property, plant, equipment and intangible assets	12,13	-3 385	-2 960
Operating income		-13 133	-3 519
Profit from participations in Group companies	32	-3 570	-5 000
Other interest revenues and similar revenues	14,16	411	1 227
Interest cost and similar costs	14,16	-2 109	-842
Financial items, net		-5 268	-4 615
Income after financial items		-18 401	-8 134
Taxes	17	-	-
Income for the year		-18 401	-8 134

Parent Company Balance Sheet

TSEK	Note	2010-04-30	2009-04-30
ASSETS			
Non-current assets			
Intangible fixed assets			
Capitalized development cost	6	140 860	60 216
Concessions, patents, licenses, trademarks and similar rights	13	7 630	7 151
Property, plant and equipment			
Equipment, tools, fixtures and fittings	12	20 665	19 858
Financial assets			
Participations in group companies	32	298	2 118
Receivables from group companies		4	-
Other securities held as non-current assets		1	1
Total Non-current assets		169 458	89 344
Current assets			
Inventories			
Raw materials and consumables	8	94	85
		94	85
Current receivables			
Trade receivables	20	60	101
Receivables from group companies	31	370	-
Other current receivables	21	2 019	1 052
Prepaid expenses and accrued income	20	2 332	1 536
		4 782	2 689
Cash and bank balances	22	5 320	975
Total current assets		10 196	3 750
TOTAL ASSETS		179 653	93 094
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	23	3 761	3 350
Statutory reserve		4 620	4 620
		8 381	7 970
Non-restricted equity			
Share premium reserve		196 493	99 254
Retained earnings		-44 628	-36 495
Income for the period		-18 401	-8 134
		133 464	54 626
Total equity		141 845	62 596
Non-current liabilities			
Other non-current liabilities	24	15 373	-
Total non-current liabilities		15 373	0
Current liabilities			
Short term borrowings	27	10 550	19 476
Trade payables		2 068	1 697
Liabilities to Credit institutions	26	4 289	-
Liabilities to group companies	31	-	3 808
Other current liabilities	28	1 197	1 059
Accrued expenses and prepaid income	29	4 332	4 458
Total Current liabilities		22 435	30 498
TOTAL EQUITY AND LIABILITIES		179 653	93 094
Contingent liabilities and pledged assets			
Contingent liabilities	30	-	8 000
Pledged assets	30	5 000	1 500

Change in shareholders' equity Parent Company

		Restricted equity			
TSEK	Note	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance as of May 1, 2008		3 338	4 620	59 272	67 229
Shareholders' contribution received	31	-	-	3 500	3 500
Shareholders' contribution refunded	31	-	-	-3 500	-3 500
New share issue	23,31	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
Opening balance as of May 1, 2009		3 350	4 620	54 626	62 596
New share issues	23,31	411	-	102 410	102 821
Issue expenses		-	-	-5 171	-5 171
Income for the year		-	-	-18 401	-18 401
Closing balance as of April 30, 2010		3 761	4 620	133 464	141 845

Parent Company Cash flow Statement

TSEK	Note	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Operating activities			
Operating income before financial items		-13 133	-3 519
Depreciation/amortization	12,13	3 385	2 960
Interest received	16	411	1 227
Interest paid	16	-2 013	-842
Cash flow from operating activities before working capital changes		-11 350	-173
Change in working capital			
Change in inventories	8	-9	-47
Change in trade receivables	20	41	-101
Change in other current receivables	20,21,31	-3 883	13 130
Change in trade payables		371	1 047
Change in other current liabilities	28,29	-3 797	2 500
Cash flow from current operations		-18 628	16 355
Investing activities			
Investments in intangible fixed assets	6,13	-81 773	-36 446
Investments in property, plant and equipment	12	-3 541	-3 014
Investments in financial assets		-4	-1
Cash flow from investing activities		-85 319	-39 461
Financing activities			
Increase in liabilities to credit institutions	26	4 289	-
Increase in non-current liabilities	24	15 373	-
New share issues	23,31	74 083	-
Issue expenses	23,31	-5 171	-
New loans	27	25 007	16 543
Amortization of loans	27	-5 290	-2 814
Cash flow from financing activities		108 290	13 729
Cash flow for the year		4 344	-9 377
Cash and cash equivalents at the beginning of the year		975	10 352
Cash and cash equivalents at the end of the year	22	5 320	975

Notes to the Consolidated accounts

Note 1 General information

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 Group operations is presented in the Administration report on pages 24-31.
The Annual Report for Oasmia Pharmaceutical AB for the fiscal year ending on April 30, 2010 has been approved for publication by the Board on August 26, 2010. The Income statements and Balance sheets of the Group and the Parent company will be presented to the Annual General Meeting on September 24, 2010, to be adopted.

Note 2 Accounting policies

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

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 1.2 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 2009/10

IFRS 8 Operative segments
The standard has been applied from May 1, 2009. 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. IFRS 8 has not caused any changes in the definition of Oasmia´s segments. On the other hand, the Parallel import segment has been reduced during the last fiscal year, in such a way that it does no longer meet the criterias of a segment. This means that the Group who previously had two segments now only has one.

IAS (Revision), Presentation of financial statements
The standard has been applied from May 1, 2009. The revision has resulted in the establishment of a report of consolidated statement of comprehensive income, in which transactions not related to shareholders are accounted for separate to other changes in equity. Oasmia has chosen to disclose the report of consolidated statement of comprehensive income, in a separate statement disclosed directly below the consolidated income statement. Another change is that new names can be used for the financial statements. These are not mandatory but Oasmia has chosen to use new names.

IAS 23 Borrowing costs
The standard has been applied from May 1, 2009. The standard concerns accounting for borrowing costs directly related to procurement, construction or production of an asset which takes a considerable time to finalize for use or sale. The standard no longer provides an option to choose between costing or balancing such borrowing costs, as they should be balanced. For assets that are valued at actual value, corporations may choose not to follow this standard. This standard has not had any effect on the financial reports of the Group.

IFRS 7 Financial instruments, disclosure
This standard, that has been revised, has been applied from May 1, 2009. The standard stipulates disclosure of financial instruments and the revised version means additional information concerning among other things real value and liquidity risk.

New IFRS and interpretations applicable for the financial year 2010/11 or later

IFRS 3 (Revision) Business combinations
This standard should be applied from July 1, 2009 or later. 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
An operating segment is a part of a company/group that conducts business from which revenues and costs can be generated and where there is independent financial information available for this business. Furthermore, the operating results of the segment are reviewed on a regular basis by the chief executive officer as a basis for allocation of resources to the segment and for judgement of its result. For the time being, the Group has only one segment why no segment reporting is applicable.

Translation of foreign currency
The Group companies use SEK as its 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 arising from such payments and from translation of monetary assets and liabilities in foreign currency to the exchange rate at the closing day are accounted for in the operations. Currency gains and losses from translation of bank accounts for EUR and USD are disclosed in Financial items.

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 19.

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 as accrued acquisition value and eventual difference between the amount received (net after transaction costs) and the amount refunded are accounted for in the income statement distributed over the term of the loan, by applying 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. The Group has a credit line with the main owner Oasmia S.A. The utilized part of this is disclosed as a current liability.

Trade payables
Trade payables are initially accounted for at actual value and thereafter at accrued acquisition value by applying 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 revaluation will hit 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 is 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 previously imported pharmaceuticals from EU-countries for sale in Sweden. The basis for such a business is price differences within EU but due to changes in currency relations this business was terminated and the existing inventory was sold during this fiscal year.

Parallel importing requires that the pharmaceuticals are approved by the Swedish MPA or EMA. Sales prices to pharmacies are fixed once per month by the authority TLV. The pharmacies have an obligation to provide the cheapest pharmaceutical available for the indication.

Qdoxx Pharma used Tamro as a wholesaler and delivered the pharmaceuticals to Tamros central storage. Tamro was responsible for distribution between the central storage and distribution storages and further on to pharmacies. The ownership was transferred from Qdoxx when the products left the distribution storages. Invoicing to Tamro was made once a month by which point Qdoxx Pharma accounted for revenues.

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 2.2 Accounting for legal entities, issued by the Swedish Financial Reporting Board. RFR 2.2 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 and 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 described below. In accordance with RFR 2.2 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
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 its current tax effect as an investment in participation in group companies.

Note 3 Financial risk management

The Group is exposed to various financial risks. In the Group´s finance policy, continuous identification and management of these risks are included. The Group is also exposed to operational risks, which is more closely described in the Administration report, pages 24 – 31.

The essential financial risks are:

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

In the description below is described the extent of exposure to these risks that the Group has and the management of it.

Currency risk
Currency risks arise when future business transactions or recognized assets or liabilities are expressed in a currency which is not the functional currency of the company. 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 had diminished/increased in value by 5% compared to the EUR and USD, with all other variables constant, income after tax as of April 30, 2010 would not have been significantly affected. Any currency risk concerning trade receivables dose not exist as of April 30, 2010 and not as of April 30, 2009.

Price risk
Price risks consist of changes in purchase prices. The Group was previously exposed to price risks concerning parallel imported pharmaceuticals. The Group considered this risk to be so significant that parallel import was terminated for the time being.

Interest rate risk

Interest rate risk is connected to changes in market rates that has an influence on the Group´s financial net. The Group has an interest rate risk through utilized loan facilities where utilized amount are exposed to floating interest rates. If the floating interest rates had been 1.0 percent higher/lower, with all other variables constant, net income after tax for the period as of April 30, 2010 would have been TSEK 43 (TSEK 74) higher/lower, as a result of recalculated utilized bank credits. Short term borrowings from Oasmia S.A carry a fixed interest rate of 6 % and do not cause any interest rate risk. The Group does not have any interest-bearing assets why there is no such interest rate risk.

Credit and counterpart risks
Credit and counterparts is connected to the risk of loss if a counterpart does not carry out his obligations. Group revenues are received from a few customers, where sales are mainly to Apoteket in Sweden and licence revenues are received from a few corporations selected by Oasmia. These counterparts have good credit ratings which is why we estimate that credit and counterparts risks are very low.

Financing and liquidity risks
Financing risks are connected to situations where capital needs and refinancing of utilized credits become difficult, impossible or more expensive. Liquidity risks concern situations where liquid assets may not be sufficient for the operations that the company has planned. The Group is exposed to these risks because the current business activities have a very fluctuating cash flow, from operations and from investments. This is managed by a continuous high activity level within licensing, financing through equity and agreements of credit lines. Short term liquidity is secured by a liquidity reserve in the shape of unutilized part of confirmed credit lines.

The table below depicts the utilized credit amounts with the Bank as of closing day (TSEK)

	2010-04-30			2009-04-30		
Counterpart Bank	Credit limit	Utilized amount	Liquidity reserve	Credit limit	Utilized amount	Liquidity Reserve
	5 000	4 289	711	8 000	7 356	644

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, 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	4 289	-	-	-
Trade payables and other liabilities[1]	7 628	-	-	-
Borrowings[2]	10 550	-	-	-

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	-	-	-

[1] Trade payables and other liabilities consist of Trade payables, Other current liabilities and Accrued expenses and prepaid income.
[2] Borrowings consists utilized credit line with Oasmia's principal owner (note 27).

Capital risk
Capital risk is connected to situations where the capital structure is different to what is optimal. With an optimal structure, the cost of capital is kept at low level and a return can be generated to shareholders. The Group is exposed to such risk because of a very fluctuating cash flow. The capital structure can be judged from the debt/equity ratio. The objective for this is that it shall not exceed 50% (12). The debt/equity ratio as of April 30, 2010 was 7% (42).

The table below depicts the net liabilities and debt/equity ratio of the Group (TSEK).

	2010-04-30	2009-04-30
Total borrowing[1]	14 839	26 833
Deducted liquid assets	-5 372	-988
Net liability	9 467	25 844
Total equity	141 803	61 207
Capital employed	151 270	87 051
Debt/Equity ratio	7%	42%

[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 are 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 80 643 (TSEK 36 057). 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, 2010, the capitalized expenditures amounted to 99 % (98) 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) License revenues

The Parent company enters into license- and distribution agreements with other companies. Such agreements include certain milestone payments with a risk for repayment depending on success in product development and registration. The Parent company continuously evaluates whether such conditions have changed, been eliminated or been realized, in accordance with accounting principles described in note 2.

(c) 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 that fiscal surpluses will exist in the future to defend a capitalization of the deficits. Accumulated fiscal deficits in the group are described in note 25.

Important judgments when applying the Company's accounting policies

The group balances expenditures for patents and sales rights because they are expected to generate future economic benefits. If the Group should make 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, 2010, the carrying amount for patents and sales rights in the group amounted to TSEK 8 047 (7 862).

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 Net sales per revenue category

	The Group		The Parent Company	
TSEK	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
License revenues	28 421	30 347	28 421	30 347
Net sales of pharmaceuticals	396	543	396	543
Parallel import sales	1 924	48 466	-	-
Total	30 741	79 357	28 817	30 890

Note 6 Capitalized development cost

	The Group	
	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30
Opening balance acquisition value	60 216	24 159
Capitalized expenditures for the year	80 643	36 057
Closing balance acquisition value	140 860	60 216
Opening balance acc depreciation	-	-
Depreciation for the year	-	-
Closing balance acc depreciation	0	0
Closing balance carrying amount	140 860	60 216

R & D cost not balanced amounted to TSEK 18 073 (17 731).

	The Parent Company	
	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30
Opening balance acquisition value	60 216	24 159
Capitalized expenditures for the year	80 643	36 057
Closing balance acquisition value	140 860	60 216
Opening balance acc depreciation	-	-
Depreciation for the year	-	-
Closing balance acc depreciation	0	0
Closing balance carrying amount	140 860	60 216

Note 7 Other operating income

	The Group	
	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30
Currency gains/losses on trade receivables	-	224
Total	0	224

	The Parent Company	
	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30
Net sales to group companies	125	500
Currency gains/losses on trade receivables	-	224
Total	125	724

Note 8 Inventory

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Acquisition values				
Raw materials	94	742	94	85
Goods for resale	-	2 034	-	-
Total	94	2 776	94	85

The amount of inventory that has been accounted for as a cost, amounting to TSEK 2 996 (50 790), is included in Raw materials, consumables and goods for resale and in Other external revenues. Write-down of inventory has been done during the fiscal year , amounting to TSEK 300 (461), included in Raw materials, consumables and goods for resale.

Note 9 Remuneration to Auditors

	The Group		The Parent Company	
TSEK	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Ernst & Young AB				
Audit	458	217	458	217
Other assignments	543	190	543	190
Total	1 000	407	1 000	407
Öhrlings PricewaterhouseCoopers				
Audit	0	93	0	93
Other assignments	25	38	25	38
Total	25	131	25	131
Total remuneration to Auditors	1 025	537	1 025	537

Audit concerns reviews of the Annual Report, Interim Report, accounting records and the management of the CEO and the Board of Directors, other tasks that befalls the Auditor of the company to perform and advisement or other support caused by observations made upon such a review or by the performance of such tasks. Everything 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 capital leases but operating leases mainly consisting of facilities. There are no fluctuating fees for the leases. The future minimum lease payments for operating leases are as follows (TSEK):

Fiscal year	Min lease payments
2010/2011	3 844
2011/2012	3 831
2012/2013	3 831
2013/2014	3 831
2014/2015	3 831
Total	19 168

The minimum lease payments for the fiscal year were TSEK 3 801 (3 315).

Note 11 Employees and remuneration

	The Group		The Parent Company	
	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Average number of employees per gender:				
Women	30	27	30	27
Men	26	22	26	22
Total	56	49	56	49
Salaries and remuneration amounted to (TSEK):				
The Board of Directors	75	-	75	-
CEO and other senior managers	2 397	2 135	2 397	2 135
Other employees	20 315	17 785	20 315	17 785
Total salaries and remuneration	22 788	19 920	22 788	19 920
Social security contributions	6 625	5 738	6 625	5 738
Totala salaries, remuneration and social security	29 413	25 658	29 413	25 658

SALARIES AND REMUNEERATION TO THE BOARD OF DIRECTORS AND OTHER SENIOR MANAGERS

TSEK	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
CEO Julian Aleksov	669	598
Chairman of the Board Bo Cederstrand	25	-
Board member Peter Ström	25	-
Board member Claes Piehl	25	-
Other senior managers (3 persons)	1 728	1 537
Total	2 472	2 135

The Board of Directors and Board Committees
Remuneration to the Chairman of the Board and to Board members are according to decisions made on the AGM. There are no remuneration for participation in the nomination committee. No other remunerations such as salary, pension premium or other benefits have been paid.

CEO
Remunerations to CEO consist of a fixed salary and statutory pension and insurance benefits. The remunerations to CEO are revised annually as of April 1. The individual right for the CEO to a health and pension insurance 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
Remunerations to other senior managers consist of fixed salary. The salaries are revised annually as of April 1.

Gender profile in corporate management

	2010-04-30		2009-04-30	
	Numbers	Of which men	Numbers	Of which men
The Group				
The Board of Directors	4	4	4	4
CEO and other senior managers	4	3	4	3
The Parent Company				
The Board of Directors	4	4	4	4
CEO and other senior managers	4	3	4	3

Health care
The Group has an agreement with a health care provider. All employees are going through health assessment regularly. There are no other health benefits for the employees in addition to this.

Absence for sickness	The Group	
	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Total absence for sickness	1,2%	1,5%
- long term absence for sickness *	0,0%	0,0%
- absence for sickness among men	1,3%	0,7%
- absence for sickness among women	1,1%	2,2%
- absence for employees 29 years of age or younger	1,8%	1,4%
- absence for employees 30-49 years of age	1,4%	0,9%
- absence for employees 50 years of age or older	0,3%	2,6%

* This refers to a coherent period of 60 days or more.

Note 12 Property, plant and equipment

Property, plant and equipment consist of vehicles, equipment, production equipment and leasehold improvements.

	The Group 2009-05-01 - 2010-04-30				
TSEK	Vehicles	Equipment	Production equipment	Leasehold improvements	Total
Opening balance acquisition value	148	8 361	16 613	3 583	28 705
Capital expenditures for the year	-	2 658	-	883	3 541
Closing balance acquisition value	148	11 019	16 613	4 466	32 246
Opening balance accumulated depreciation	-140	-4 093	-3 808	-806	-8 847
Depreciation for the year	-8	-1 567	-993	-167	-2 735
Closing balance accumulated depreciation	-148	-5 659	-4 801	-973	-11 582
Closing balance carrying amount	0	5 360	11 812	3 493	20 665

	The Group 2008-05-01 - 2009-04-30				
TSEK	Vehicles	Equipment	Production equipment	Leasehold improvements	Total
Opening balance acquisition value	148	5 454	16 613	3 476	25 691
Capital expenditures for the year	-	2 908	-	107	3 014
Closing balance acquisition value	148	8 361	16 613	3 583	28 705
Opening balance accumulated depreciation	-91	-2 957	-2 814	-648	-6 510
Depreciation for the year	-49	-1 136	-993	-158	-2 337
Closing balance accumulated depreciation	-140	-4 093	-3 808	-806	-8 847
Closing balance carrying amount	8	4 268	12 805	2 776	19 858

	The Parent Company 2009-05-01 - 2010-04-30				
TSEK	Vehicles	Equipment	Production equipment	Leasehold improvements	Total
Opening balance acquisition value	148	8 361	16 613	3 583	28 705
Capital expenditures for the year	-	2 658	-	883	3 541
Closing balance acquisition value	148	11 019	16 613	4 466	32 246
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Depreciation for the year	-8	-1 567	-993	-167	-2 735
Closing balance accumulated depreciation	-148	-5 659	-4 801	-973	-11 582
Closing balance carrying amount	0	5 360	11 812	3 493	20 665

	The Parent Company 2008-05-01 - 2009-04-30				
TSEK	Vehicles	Equipment	Production equipment	Leasehold improvements	Total
Opening balance acquisition value	148	5 454	16 613	3 476	25 691
Capital expenditures for the year	-	2 908	-	107	3 014
Closing balance acquisition value	148	8 361	16 613	3 583	28 705
Opening balance accumulated depreciation	-91	-2 957	-2 814	-648	-6 510
Depreciation for the year	-49	-1 136	-993	-158	-2 337
Closing balance accumulated depreciation	-140	-4 093	-3 808	-806	-8 847
Closing balance carrying amount	8	4 268	12 805	2 776	19 858

Note 13 Other intangible assets

Other intangible assets consist of expenditures for patents and sales rights.

	The Group		The Parent Company	
	2009-05-01	2008-05-01	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30	-2010-04-30	-2009-04-30
Opening balance acquisition value	13 994	13 587	12 638	12 249
Capital expenditures for the year	1 130	437	1 130	389
Disposals	-150	-30	-	-
Closing balance acquisition value	14 974	13 994	13 768	12 638
Opening balance acquisition value	-6 132	-5 303	-5 487	-4 863
Capital expenditures for the year	-877	-851	-651	-624
Disposals	83	22	-	-
Closing balance acquisition value	-6 926	-6 132	-6 137	-5 487
Closing balance carrying amount	8 047	7 862	7 630	7 151

Note 14 Currency differences – net

Currency differences have been accounted for in the income statement as follows:

	The Group		The Parent Company	
	2009-05-01	2008-05-01	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30	-2010-04-30	-2009-04-30
Other revenues	-	224	-	224
Raw materials, consumables and goods for resale	717	-1 186	694	-549
Financial items - net	-1 052	617	-1 051	616
Total	-335	-344	-358	291

Note 15 Operating income

Operating income for the fiscal year 2009-05-01 – 2010-04-30 was TSEK -14 961 (-7 156). Of the total expenses accounted for by the Group, TSEK126 345 (122 794), TSEK 80 643 (36 057) was accounted for as capitalized development cost.

Note 16 Financial revenues and expenses

	The Group		The Parent Company	
	2009-05-01	2008-05-01	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30	-2010-04-30	-2009-04-30
Financial revenues:				
Interest revenues in bank accounts	23	314	23	310
Currency differences in bank accounts	388	919	388	917
Actual value-gains on derivative instruments	-	231	-	-
Total	411	1 464	411	1 227
Financial expenses:				
Interest expenses on utilized credits and other interest expense	-767	-926	-604	-355
Interest expenses on installment purchase	-67	-186	-67	-186
Currency differences in bank accounts	-1 440	-302	-1 439	-301
Actual value-losses on derivative instruments	-231	-	-	-
Total	-2 505	-1 414	-2 109	-842

Note 17 Taxes

All group companies have its fiscal domicile in Sweden where the tax basefor the fiscal year 2009/10 is 26,3 % (28,0) The tax on group earnings before tax is displayed in the table below.

	The Group		The Parent Company	
	2009-05-01	2008-05-01	2009-05-01	2008-05-01
TSEK	-2010-04-30	-2009-04-30	-2010-04-30	-2009-04-30
Income before taxes	-17 055	-7 106	-18 401	-8 134
Income tax according to current tax base in Sweden	-4 485	-1 990	-4 839	-2 278
Non-taxable revenues	-	-4	-	-4
Non-deductible expenses	93	136	91	116
Tax deficits for which no deferred tax asset is accounted for	4 392	1 858	4 748	2 166
Taxes	0	0	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 the weighted number of ordinary shares outstanding during the period. Earnings per share are calculated before and after dilution, those being equal since there are no potential ordinary shares outstanding that would cause a dilution effect.

	The Group	
	2009-05-01 -2010-04-30	2008-05-01 -2009-04-30
Earnings contributable to equity holders in The Parent Company (TSEK)	-17 016	-7 095
Weighted average number of ordinary shares outstanding (thousands)	35 800	33 674
Earnings per share (SEK)	-0,48	-0,21

Note 19 Financial instruments per category

The accounting policies for financial instruments has been applied for the items below.

The Group, April 30, 2010 TSEK	Loan and Trade receivables	Assets valued at actual value by the Income statement	Other financial liabilities	Total
Financial assets				
Trade receivables	60	-	-	60
Other current receivables	2 090	-	-	2 090
Liquid assets	5 372	-	-	5 372
Total financial assets	7 523	0	0	7 523
Financial liabilities				
Borrowing	-	-	10 550	10 550
Liabilities to credit institutions	-	-	4 289	4 289
Trade payables	-	-	2 076	2 076
Other current liabilities	-	-	1 197	1 197
Accrued expenses and prepaid income	-	-	4 220	4 220
Total financial liabilities	0	0	22 332	22 332

The Group, April 30, 2010 TSEK	Loan and Trade receivables	Assets valued at actual value by the Income statement	Other financial liabilities	Total
Financial assets				
Trade recivables	2 337	-	-	2 337
Derivative instruments	-	231		231
Other current receivables	1 085	-	-	1 085
Liquid assets	988	-	-	988
Total financial assets	4 410	231	0	4 642
Financial liabilities				
Borrowing	-	-	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
Accrued expenses and prepaid income	-	-	4 290	4 290
Total financial liabilities	0	0	35 686	35 686

Note 20 Trade receivables and Prepaid expenses and accrued income

The book value of trade receivables represent the actual value since no reservations have been necessary for uncertain trade receivables.

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Trade receivables	60	2 337	60	101
Accrued expenses and prepaid income	2 460	1 743	2 332	1 536
Total	2 520	4 080	2 393	1 637

Trade receivables in foreign currency, for the Group, amounted to TSEK 0 (0) as of April 30, 2010. Trade receivables overdue, for the Group, amounted to TSEK 0 (9) as of April 30, 2010.

Prepaid expenses and accrued income consist of the following.:

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Prepaid rent	582	570	582	570
Prepaid leasing fees	13	19	13	19
Prepaid insurance premiums	282	268	282	268
Other items	1 584	885	1 456	679
Total	2 460	1 743	2 332	1 536

Note 21 Other current receivables

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Tax account	26	27	-	0
VAT receivable	2 040	1 058	2 019	1 052
Receivable on supplier	24	-	-	-
Total	2 090	1 085	2 019	1 052

Note 22 Liquid assets

Liquid assets consist of bank balances. The interest rate on deposits is DBI (Danske Basränta In) -0,10%.

Note 23 Share capital

Specification of changes in equity will be found in this report for the Group and the Parent Company, after their respective Statement of financial position. The total number of shares as of 2010-04-30 was 37 612 858 of type A (33 500 000 as of 2009-04-30) with a quota value of SEK 0,10 kr per share. All shares outstanding are fully paid for. The development of the number of shares since 2008-05-01 is displayed below.

	Number of shares	Share capital (SEK)
Opening balance 2008-05-01	33 375 000	3 337 500
2008 New share issue[1]	125 000	12 500
Closing balance 2009-04-30	33 500 000	3 350 000
2009 New share issue	2 392 858	239 286
2009 New share issue[2]	1 720 000	172 000
Closing balance 2010-04-30	37 612 858	3 761 286

[1] Restricted to Oasmia S.A.
[2] Restricted to few institutions and other major investors.

Note 24 Other non-current liabilities

The Group and the Parent Company have the same long term liability of TSEK 15 373 tkr (-) which is a prepaid revenue derived from a license- and distribution agreement that was signed in July 2009. According to this agreement, MUSD 2 out of MUSD 5 received as a first milestone payment, can be subject to repayment if Oasmia has not reached market approval for Paccal® Vet before May 1, 2014.

Note 25 Deferred taxes

The deferred tax liability as per April 30, 2010 amounted to TSEK 7 (7). This is a temporary difference between actual value and tax value for Other intangible assets (patents) in connection with the acquisition of GlucoGene Pharma AB on May7, 2006.

The Group has accumulated losses for tax purposes carried forward amounting to TSEK 96 979 (80 018) as of April 30, 2010. These have no limitation in time and they are deductible against future losses. Of these losses, TSEK 17 881 tkr (17 881) are prohibited to be utilized by group contribution. This prohibition will no longer be there from the tax return of 2014. For the time being, there are not arguments convincing enough that there will be future profits for tax purposes to justify capitalization of tax losses carried forward as an asset. Accumulated losses for tax purposes carried forward in the Parent Company amounted to TSEK 2010 till 88 321 (73 581) as of April 30, 2010.

Note 26 Liabilities to credit institutions

Approved bank overdrafts for the Group amounts to TSEK 5 000 (2 500) and for the Parent Company TSEK 5 000 (0). Approved credits in sales ledger, concerning trade receivables pledged, amounts to TSEK 0 (5 500) for the Group and TSEK 0 (0) for the Parent Company. The interest rate for the bank overdraft is, from 2009-07-01, DBU (Danske Basränta Ut) +2,85%. Before this date it was STIBOR 7 days +2,25%. Utilized credits are described below.

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Credits in sales ledger	-	4 866	-	-
Bank overdraft	4 289	2 490	4 289	-
Total	4 289	7 356	4 289	0

Note 27 Borrowing

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Short term				
Installment purchase	-	2 933	-	2 933
Short term loan	-	16 543	-	16 543
Utilized credit	10 550	-	10 550	-
Total	10 550	19 476	10 550	19 476

The liability for the installment purchase was fully paid during the fiscal year of 2009/10. The effective interest rate was 4,25%. The short term loan is a loan from Oasmia S.A. Luxemburg. Utilized credit consists of the utilized part of the approved credit line with Oasmia S.A. Luxemburg (note 31). This credit line has an interest rate of 6 %.

Note 28 Other current liabilities

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
VAT liability	-	479	-	-
Employee withholding taxes and social security contributions	1 197	1 059	1 197	1 059
Total	1 197	1 538	1 197	1 059

Note 29 Accrued expenses and prepaid income

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Accrued vacation salaries	3 097	2 561	3 097	2 561
Accrued social security contributions	1 073	805	1 073	805
Accrued interest expenses	50	324	50	317
Other items	111	776	111	776
Total	4 332	4 465	4 332	4 458

Note 30 Contingent liabilities and assets pledged

In December 2009, the Parent Company was granted a bank overdraft facility of TSEK 5 000, against a chattel mortgage of the same amount as security. In December 2009, Qdoxx Pharma AB:s credit facilities were terminated. They consisted of a revolving credit line of maximum TSEK 5 500 against trade receivables pledged as security and a bank overdraft facility of TSEK 2 500.
At the same time, the Parent Company´s contingent liability to the bank, to the benefit of QDoxx Pharma AB, amounting to TSEK 8 000, was terminated.

Contingent liabilities

	The Parent Company	
TSEK	2010-04-30	2009-04-30
Contingent liabilities to the benefit of group companies	-	8 000
Total	0	8 000

The Group had no contingent liabilities at the end of the fiscal year

Assets pledged

	The Group		The Parent Company	
TSEK	2010-04-30	2009-04-30	2010-04-30	2009-04-30
Trade receivables pawned	-	2 236	-	-
Liquid assets restricted	-	1 500	-	1 500
Chattel mortgage	5 000	-	5 000	-
Total	5 000	3 736	5 000	1 500

Note 31 Transactions with related parties

Group companies
The Group consists of the Parent Company Oasmia Pharmaceuticals 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 32.

Intercompany sales
Sales from the Parent company to subsidiaries are disclosed below. It concerns facilities and administration provided by Oasmia to QDoxx Pharma AB. The Parent Company had no purchase from subsidiaries.

TSEK	2010-04-30	2009-04-30
Other revenues in The Parent Company consisting of net sales to group companies	125	500
Total	125	500

Transactions with senior management
Concerning salaries and remuneration to the Board of Directors and senior managers, see note 11. In addition to what is disclosed in that note, no other transaction with related physical person has taken place.

Financial loan transacti0ons with related parties
The main owner Oasmia S.A. has provided a credit facility to Oasmia during the fiscal year, amounting to SEK 30 million. This was later replaced by an expanded credit facility of SEK 60 million. This credit is valid up to and including March and is renewed automatically, unless terminated by one party 3 months before at the latest. The interest rate is 6 %. As is disclosed in note 27, TSEK 10 550 had been utilized per April 30, 2010 (per April 30, 2009, the company had loans from Oasmia S.A. amounting to TSEK 16 543).

During the period December 2008 - July 2009, the company had short term loans from Oasmia S.A. In connection with the new share issue with preferential rights that took place in August, 2009, such loans (including accrued interest) amounting to TSEK 28 739 was utilized as payment for shares acquired by Oasmia S.A. During the fiscal year 2008/09, a new share issue with preferential rights for Oasmia S.A. only took place amounting to TSEK 3 500 (of which share premium TSEK 3 488) where payment was made by waiver of loan.

During the fiscal year, Oasmia has contributed working capital and group contribution to the subsidiary Qdoxx Pharma AB. The balances between Oasmia and QDoxx as of the end of the fiscal years are disclosed below.

TSEK	2010-04-30	2009-04-30
Receivables in Qdoxx Pharma AB	370	-
Liabilities to Qdoxx Pharma AB	-	3 808

Group contribution from Oasmia to Qdoxx
During the fiscal year 2009/10, group contributions were made of TSEK 1 750 tkr (5 000). See also note 32.

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

Note 32 Participations in Group companies

The Parent Company	Swed. org.no.	Domicile	Owner-ship %	Votes %	Book value 2010-04-30	Book value 2009-04-30
Qdoxx Pharma AB	556609-0154	Uppsala	100	100	100	1 920
GlucoGene Pharma AB	556519-8818	Uppsala	51	51	198	198
Total					298	2 118

	The Parent Company	
TSEK	2010-04-30	2009-04-30
Opening balance acquisition value	2 118	2 118
Acquisition of participations	-	-
Capital contribution	-	-
Group contribution	1 750	5 000
Closing balance acquisition value	3 868	7 118
Amortization	-3 570	-5 000
Closing balance book value	298	2 118

During the fiscal year, the Parent company has written down its book value of shares in the wholly owned subsidiary Qdoxx Pharma AB with TSEK 3 570 (5 000). The reason for this was that the operations of the subsidiary was terminated with a consequence being that the subsidiary no longer had any way to provide earnings.
The cost of this amortization is accounted for in the income statement of the Parent Company on the line Profit from participations in Group companies.

Note 33 Definitions of Key ratios

Earnings per share
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 before 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 26, 2010

Bo Cederstrand, Chairman

Claes Piehl, Member

Peter Ström, Member

Julian Aleksov, Member and
Chief Executive Officer

Our audit report has been performed on August 26, 2010
Ernst & Young AB

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 2009 – 30 April 2010. The company's annual accounts and the consolidated accounts are included in the printed version on pages 24-54. 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 statement and balance sheet of the parent company, the consolidated statement of comprehensive income and the consolidated statement of financial position for 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 26, 2010

Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

Glossary

Antihistamines Agents with properties which inhibit the histamines that are released in allergic reactions.

Anthracyclines A type of antibiotics derived from certain fungi. Several anthracyclines are used as cytostatics in cancer treatment.

Alkylating substance Chemical wich reacts with DNA by attaching hydrocarbon chains, alkyl chains, to the DNA molecule. This causes cell death.

Carcinoma Carcinoma is a type of cancer occurring in the body's epithelial cells. This type of cancer appears on the surfaces of organs and in the cavities of the body.

Cytotoxin See cytostatics.

Cremophor® EL Polyoxyl castor oil. Used, for instance, in Taxol® together with ethanol in order to manage the low water solubility of paclitaxel.

Cytostatics Cytotoxins, drugs against tumour disease.

Cytotoxic Toxic to cells.

Dermatology The branch of science dealing with diseases of the skin.

EMEA/EMA European Medicines Agency.

EU-5 France, Germany, Italy, Spain and the United Kingdom.

Excipient Platform, carrier molecule.

Pharmacogenetics Scientific discipline that studies differences between individuals in terms of metabolism and toxicity of drugs with an emphasis on those human genes that are responsible for the transformation of the drug in the body. Pharmacogenetic research is aimed at reducing the number of side effects in individuals receiving treatment with drugs.

Pharmacokinetics The study of the distribution and metabolism over time of a drug or other substance in the body.

FDA Food and Drug Administration. The US drug regulator.

GCP Good Clinical Practice. International quality guidelines for clinical studies.

GLP Good Laboratory Practice. International quality guidelines for drug development.

GMP Good Manufacturing Practice. International quality guidelines for the manufacture of drugs and other products.

Incidence The number of diagnosed cases of disease in one year.

Infusion A route of administering a drug in liquid form. Infusion is often intravenous, i.e. the drug is administered into a vein.

Chemotherapy Treatment of cancer using cytostatics (cytotoxins).

Clinical phase Tests of a drug candidate in humans (in a veterinary context, in animals).

Clinical phase I During clinical development of a drug the drug is tested in humans for the first time in phase I. The efficacy and safety of the drug is studied in a limited group (25–100 people) of healthy volunteers. The compounds for treatment of cancer that Oasmia is working on constitute an important exception. These candidates are also tested on volunteers but on a patient group that has the disease concerned.

Clinical phase II A developed study in patients (50–300 people) with the disease against which the intended drug will be used. Study of efficacy and safety.

Clinical phase III The final phase comprises a larger patient group (300–3,000 people) and the aim is to verify the efficacy and safety and identify any previously observed side effects.

Clinical phase IV After the market launch the finished drug is monitored with respect mainly to rare side effect symptoms.

Colorectal cancer Cancer of the colon and/or rectum.

Corticosteroids Hormones secreted in the adrenal cortex that are structurally steroids.

Micelle Spherical structures with the ability to form aggregates.

Malignant melanoma A serious and metastasising form of skin cancer.

Mastocytoma A form of skin cancer.

Nanometre One billionth of a metre. Similar in size to molecules and molecular structures.

Nanoparticle A particle whose size is measured in nanometres, 10–9 m.

NSCLC Non-small cell lung carcinoma.

Oncology The branch of science dealing with tumour diseases.

Osteosarcoma Bone tumour.

Ovarian cancer Cancer of the ovaries.

Paclitaxel The first taxane to be isolated from a yew tree. One of the most common cytostatics used today.

Preclinical phase Selection of drug candidates. The selected candidate is tested with respect to specificity, efficacy and safety.

Premedication Prophylactic treatment with certain drugs before and/or during the main treatment against a disease. This is done because the side effects of the main treatment would otherwise be too drastic.

Prevalence The prevalence of cancer is a measure of the number of people in the population that have or have had a cancer disease at a certain time.

Prophylactic Preventive.

Retinoid An acid similar to vitamin A.

SME Small and medium enterprises.

Taxane A group of chemicals originally derived from a yew tree. The group is one of the most commonly used compounds against tumour diseases today.

Toxic Poisonous.

WHO World Health Organization, the UN agency for global health.

Xyloside A chemical compound of a type of sugar, xylose, and another chemical substance. These substances can affect cell division and can in certain cases also inhibit the growth of cancer cells.