# Oasmia Pharmaceutical AB (publ)

Interim report for the period May 1, 2009 – Jan 31, 2010

# Positive clinical development for Oasmia

## THE PERIOD IN BRIEF May 1, 2009 – Jan 31, 2010

- Net sales for the group amounted to TSEK 25 236 (70 536)[1]
- Operating income amounted to TSEK -9 774 (6 160)
- Net income after tax amounted to TSEK -11 667 (5 997)
- Earnings per share amounted to SEK -0,33 (0,18)
- Comprehensive income amounted to TSEK -11 667 (5 997)
- The clinical development program for the pharmaceutical candidate Doxophos® Vet has begun.
- Patient enrollment in the Phase III study with Paccal® Vet was completed.

## THE THIRD QUARTER Nov 1, 2009 – Jan 31, 2010

- Net sales for the group amounted to TSEK 326 (10 750)
- Operating income amounted to TSEK -11 679 (-10 833)
- Net income after tax amounted to TSEK -11 688 (-11 089)
- Earnings per share amounted to SEK -0,32 (-0,33)
- Comprehensive income amounted to TSEK -11 688 (-11 089)

## EVENTS AFTER CLOSING DAY

- The company revises financial goals for debt/equity ratio and liquidity reserve
- The Company credit facility was expanded

[1] The numbers in parentheses concerns results for the corresponding period previous year

# KEY EVENTS DURING THE PERIOD

## OASMIA HUMAN HEALTH

The on-going international Phase III study on ovarian cancer has continued in the period. In the study, the company's pharmaceutical candidate Paclical® is compared to the well-known pharmaceutical Taxol®. The study comprises 80 clinics in 16 countries and is expected to enroll 650 patients.

## OASMIA ANIMAL HEALTH

In December, Oasmia announced that the pharmaceutical candidate Doxophos® Vet for treatment of cancer in dogs is entering the clinical phase. Doxophos® Vet is a unique nanoparticle formulation of the substance doxorubicin. The clinical program of Doxophos® Vet is now in development.

The inclusion of patients in the extensive international Phase III study with the pharmaceutical candidate Paccal® Vet was completed in October. Dogs with the common tumor disease mastocytoma are treated with either Paccal® Vet or CCNU (active substance Lomustine) and the treatment response and safety is compared. In total, 243 dogs are enrolled in the study and it has involved 26 clinics in seven European countries and in the USA. The evaluation of data has begun and preliminary results are expected to be presented in the spring of 2010. The study is the largest randomized study with a positive control substance so far within veterinary oncology and it has generated great interest internationally.

Oasmia announced that a distribution agreement had been closed with Abbott Laboratories for Paccal® Vet concerning the American and Canadian veterinary markets in July 2009. The agreement pertains to the marketing and distribution rights for the pharmaceutical candidate Paccal® Vet in the USA and Canada. Oasmia can, in accordance with the terms of the agreement, receive milestone payments of at most 19 MUSD in total, where 5 MUSD were received in July 2009. In addition, Oasmia will receive royalties on all sales. Oasmia will be responsible for clinical development, production and registration of the product and Abbott for the launch in the region. According to the terms, Oasmia may be liable to repay 2 MUSD of the 5 MUSD received in July 2009. Oasmia will be liable for repayment if the company does not obtain a marketing authorization before May 1, 2014.

## THE COMPANY

### Stock list change

The process of changing stock list from NGM Equity to NASDAQ OMX continues. The purpose of the stock list change is that the company considers NASDAQ OMX to be a more suitable marketplace for the company share, to increase the interest in the company, to improve liquidity and share price, and attract new categories of shareholders.

### Private placement

In November the company performed a private placement for a number of selected institutional players and other major investors supported by the authorization granted to the Board by the Annual General Meeting held on September 25, 2009. The share issue was fully subscribed and the number of shares increased with 1 720 000 to 37 612 858 and the share capital increased with SEK 172 000 to SEK 3 761 285,80. The share issue provided the company with SEK 43 000 000 before issue expenses.

### Annual General Meeting 2009

The Annual General Meeting 2009 granted the Board of Directors an authorization to perform issues of new shares and convertibles, at one or more occasions, in the period until the next Annual General Meeting, for cash and/or provision in kind or offset. The total number of shares issued supported by the authorization may not exceed 3 000 000 shares. The total number of convertibles issued based on the authorization may not exceed the number of convertibles which entitles conversion to 3 000 000 shares.

### Preferential rights share issue and credit facility

In August the company performed a preferential rights share issue for current shareholders based on a resolution by the Extraordinary General Meeting held on July 8, 2009. The share issue was fully subscribed and the number of shares increased with 2 392 858 to 35 892 858 and the share capital with SEK 239 285,80 to SEK 3 589 285,80. The share issue provided the company with SEK 59 821 450,00 in issue payment before issue expenses. In connection to the share issue, the principal owner Oasmia S.A provided a MSEK 30,0 credit facility at Oasmia's disposal.

# EVENTS AFTER CLOSING DAY

THE BOARD OF DIRECTORS REVISES THE COMPANY FINANCIAL GOALS

The Board of Directors has revised the company goals concerning debt/equity ratio and liquidity reserve. The previous goals stated that the debt/equity ratio may not exceed 12 % and that the company should maintain a liquidity reserve in the form of unused bank credits of at least five percent of the company annual sales. The Board has set a new goal which states that the debt/equity ratio may not exceed 50 % and has further decided that the liquidity reserve goal shall be omitted (see Financial Prospects).

EXPANDED CREDIT FACILITY

The principal owner Oasmia S.A. has decided to increase the credit facility for Oasmia Pharmaceutical AB. The credit facility, previously amounting to MSEK 30 with an interest of 5 %, has been replaced by a credit of in total MSEK 60 with an interest of 6 %. The credit facility is available as of 2010-02-25 and it can be used by Oasmia at any time. The credit is valid until March 2011 and is automatically extended with 12 months if the credit is not canceled by either party at the latest three months before the agreement term expires.

# FINANCIAL PROSPECTS

The Board of Directors has decided to revise the company financial goals concerning the debt/equity ratio and liquidity reserve. The previous goals stated that the company debt/equity ratio should not exceed 12 % and that the company in the long terms shall maintain a liquidity reserve in the form of unused bank credits of at least 5 % of the company annual sales. The Board views these goals to be too restrictive and can inhibit the product development expansion, registration and planned production/distribution of products.

In order to bridge any possible working capital requirements, the Board has decided that an extended opportunity to obtain credits is more appropriate for the company in its current situation.

The judgment of the Board concerning increased credit opportunities in order to bridge possible working capital requirements should be related to a decreased dependence of new license agreements and thus not yet realized milestone payments.

The Board has set a new goal which states that the debt/equity ratio should not exceed 50 % and further that the goal of maintaining a liquidity reserve shall be omitted. At the end of the period, the debt/equity ratio was 0 %.

The company is currently discussing license and distribution agreements with several different parties for other indications and geographical markets, and for the company's other product candidates. The goal is to close at least one such license and distribution agreement by August 2010 at the latest. Such an agreement has not been closed in the period.

The Board estimates that in the twelve-month period starting when such an agreement is signed, the net turnover will increase significantly and reach a positive operating income and cash flow as a result of the closing of further essential license and distribution agreements.

# BUSINESS ACTIVITIES

Oasmia is a pharmaceutical company based on the latest concepts within bio-organic chemistry. The main business idea is to improve the treatment of severe diseases. The primary development is within oncology and cytotoxic treatment. Oasmia has in-house production capacity for manufacture of pharmaceuticals for clinical trials. The company has developed a series of products based on existing active drug compounds in a new environment, which leads to completely new alternatives within treatment of cancer. These products provide Oasmia with a solid product portfolio within oncology, with several products in the clinical and pre-clinical phase.

Oasmia has two pharmaceutical candidates in clinical Phase III, Paclical® for humans and Paccal® Vet for animals. There are six more pharmaceutical candidates within human and veterinary medicine designed for cancer treatment.

The company employs 58 people as of January 31, all placed in the company's office, research and production facility in Uppsala. Oasmia continues to recruit staff in order to strengthen all sections of the business.

# FINANCIAL INFORMATION

Consolidated Income Statement in brief

| TSEK | 2009/10 Nov-Jan | 2008/09 Nov-Jan | 2009/10 May-Jan | 2008/09 May-Jan | 2008/09 May-April |
|---|---|---|---|---|---|
| Net sales | 326 | 10 750 | 25 236 | 70 536 | 79 357 |
| Capitalized development cost | 14 864 | 9 419 | 59 633 | 22 513 | 36 057 |
| Operating income | -11 679 | -10 833 | -9 774 | 6 160 | -7 156 |
| Net income after tax | -11 688 | -11 089 | -11 667 | 5 997 | -7 105 |
| Earnings per share (SEK), before and after dilution | -0,32 | -0,33 | -0,33 | 0,18 | -0,21 |
| Comprehensive income for the period | -11 688 | -11 089 | -11 667 | 5 997 | -7 105 |

## Net sales

Net sales in the period amounted to TSEK 25 236 (70 536) and consisted mostly of license revenues from a recently closed license and distribution agreement, TSEK 23 065 (30 347). The reduced net sales is mostly a result of a reduction in sales of parallel imported pharmaceuticals, TSEK 1 924 (39 725).

For the third quarter net sales amounted to TSEK 326 (10 750) and consisted of sales of parallel imported pharmaceuticals.

## Capitalized development cost

Capitalized development cost consists of the parent company's venture in clinical Phase III trials. They amounted for the period to TSEK 59 633 (22 513). The significant increase is the result of that the clinical studies for the product candidate Paclical® has been scaled up in the period.

For the third quarter capitalized development cost amounted to TSEK 14 864 (9 419).

## Operating expenses

The company costs have been significantly affected by the closing of the parallel import and the business now is completely dominated by development of the company pharmaceuticals and continued expansion of this business.

Raw materials, consumables and goods for resale were reduced to TSEK 13 597 (41 133) in the period. In the third quarter, they amounted to TSEK 6 636 (13 777). The reduced costs are completely attributable to the reduced parallel import. In the third quarter an impairment of the inventory within parallel import was made with TSEK 300 (1 336) where TSEK 62 (1 336) was made in the third quarter. At the end of the period, the entire inventory of parallel imported pharmaceuticals was sold.

The intensified development activity, mostly in clinical trials, resulted in that Other external expenses increased significantly in the period, as they amounted to TSEK 57 148 (25 181). Of these, TSEK 40 285 (12 634) are expenses for clinical Phase III studies and have been capitalized as development costs. In the third quarter Other external expenses amounted to TSEK 11 952 (9 022).

The number of employees increased in the period from 55 to 58 (56) and Employee benefit expenses amounted to TSEK 21 243 (18 472). For the third quarter, Employee benefit expenses amounted to TSEK 7 386 (7 371).

## Net income after tax

Net income after tax amounted to TSEK – 11 667 (5 997) for the period. The reduced income is mostly attributable to reduced license revenues. Net income after tax for the third quarter amounted to TSEK -11 688 (-11 089).

The business activities of the Group have not been affected by seasonal variations or cyclic effects.

## Financial position

The consolidated liquid assets amounted to TSEK 17 799 (1 796) as of January 31, 2010. Equity at the end of the period amounted to TSEK 147 190 (74 310). The new share issue with preferential rights carried out in the second quarter resulted in an increase of the equity with TSEK 56 800. The private placement carried out in the third quarter resulted in an equity increase amounting to TSEK 40 850. As of January 31, the equity/assets ratio was 87% (70) and the debt/equity ratio was 0 % (25).

## Cash flow and Capital expenditures

Cash flow from operating activities amounted to TSEK -8 481 (7 684) for the period. A license and distribution agreement was closed in the period where Oasmia received 5 MUSD.

Capital expenditures for the period amounted to TSEK 61 548 (25 271) where investments in intangible assets comprised TSEK 60 462 (22 933) and investment in property, plant and equipment TSEK 1 086 (2 338).

In the financing activities, 2 MUSD, TSEK 15 373, of the 5 MUSD received in connection to the closing of the licensing and distribution agreement in the period, are accounted for as an increase of Other non-current liabilities (see note 4).

The financing was in all other respects comprised of the new share issues. The part in cash of the preferential rights share issue amounted to TSEK 28 062 after issue expenses. The remaining part of the preferential rights share issue, TSEK 28 739, consisted of a set off of the debt to the principal owner Oasmia S.A. (see note 5). The company received TSEK 40 850 after issue expenses from the private placement.

## The Parent company

The Parent company net sales amounted to TSEK 23 312 (30 811) for the period and income after financial items amounted to TSEK -11 376 (6 146). The Parent company liquid assets amounted to TSEK 17 558 (1 762) at the end of the period.

## Key ratios and other information

| | 2009/10 Nov-Jan | 2008/09 Nov-Jan | 2009/10 May-Jan | 2008/09 May-Jan | 2008/09 May-April |
|---|---|---|---|---|---|
| Number of shares at the close of the period (in thousands), before and after dilution* | 37 613 | 33 735 | 37 613 | 33 735 | 33 735 |
| Average number of shares (in thousands) before and after dilution* | 37 052 | 33 735 | 35 216 | 33 655 | 33 674 |
| Earnings per share in SEK, before and after dilution* | -0,32 | -0,33 | -0,33 | 0,18 | -0,21 |
| Equity per share, SEK | 3,91 | 2,20 | 3,91 | 2,20 | 1,81 |
| Equity/assets ratio, % | 87 | 70 | 87 | 70 | 63 |
| Net liability, TSEK | -17 054 | 18 220 | -17 054 | 18 220 | 25 844 |
| Debt/Equity ratio, % | 0 | 25 | 0 | 25 | 42 |
| Return on total assets, % | neg | neg | neg | 7 | neg |
| Return on equity, % | neg | neg | neg | 9 | neg |
| Number of employees at the end of the period | 58 | 56 | 58 | 56 | 55 |

* 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.

## Definitions

**Earnings per share, before and after dilution:** The income for the period attributable to the equity holders of the parent company divided by a weighted average number of shares, before and after dilution.
**Equity per share:** Equity in comparison with the number of shares at the end of the period
**Equity/assets ratio:** Equity pertaining to the balance sheet total.
**Net liability:** Total borrowing (containing the balance sheet items Short-term and Long-term borrowings and liabilities to credit institutions) with deductions for liquid funds
**Debt/Equity ratio:** Net liability with respect to equity.
**Return on total equity:** Income for interest expenses pertaining to the average balance sheet total.
**Return on equity:** Income after financial items in relation to the average equity.

## Consolidated Income statement

| TSEK | Note | 2009/10 Nov-Jan | 2008/09 Nov-Jan | 2009/10 May-Jan | 2008/09 May-Jan | 2008/09 May-April |
|---|---|---|---|---|---|---|
| Net sales | | 326 | 10 750 | 25 236 | 70 536 | 79 357 |
| Capitalized development cost | | 14 864 | 9 419 | 59 633 | 22 513 | 36 057 |
| Other operating income | | - | - | - | 224 | 224 |
| Raw materials, consumables and goods for resale | | -6 636 | -13 777 | -13 597 | -41 133 | -56 591 |
| Other external expenses | | -11 952 | -9 022 | -57 148 | -25 181 | -37 349 |
| Employee benefit expenses | | -7 386 | -7 371 | -21 243 | -18 472 | -25 658 |
| Depreciation/amortization and impairment | | -896 | -828 | -2 656 | -2 323 | -3 187 |
| Other operating expenses | | - | -4 | - | -4 | -9 |
| **Operating income** | | **-11 679** | **-10 833** | **-9 774** | **6 160** | **-7 156** |
| | | | | | | |
| Financial income | | 91 | 364 | 415 | 831 | 1 464 |
| Financial expenses | | -100 | -619 | -2 308 | -993 | -1 414 |
| **Financial items, net** | | **-9** | **-256** | **-1 893** | **-163** | **50** |
| | | | | | | |
| **Income before taxes** | | **-11 688** | **-11 089** | **-11 667** | **5 997** | **-7 106** |
| | | | | | | |
| Taxes | 2 | 0 | 0 | 0 | 0 | 0 |
| **Income for the period** | | **-11 688** | **-11 089** | **-11 667** | **5 997** | **-7 105** |
| | | | | | | |
| Income for the period attributable to: | | | | | | |
| Equity holders of the Parent company | | -11 685 | -11 086 | -11 656 | 6 006 | -7 095 |
| Minority shareholding | | -3 | -2 | -11 | -9 | -10 |
| | | | | | | |
| **Earnings per share** | | | | | | |
| Before dilution, SEK | | -0,32 | -0,33 | -0,33 | 0,18 | -0,21 |
| After dilution, SEK | | -0,32 | -0,33 | -0,33 | 0,18 | -0,21 |

## Consolidated Statement of Comprehensive income

| TSEK | Note | 2009/10 Nov-Jan | 2008/09 Nov-Jan | 2009/10 May-Jan | 2008/09 May-Jan | 2008/09 May-April |
|---|---|---|---|---|---|---|
| Income for the period | | -11 688 | -11 089 | -11 667 | 5 997 | -7 105 |
| **Comprehensive income for the period** | | **-11 688** | **-11 089** | **-11 667** | **5 997** | **-7 105** |
| | | | | | | |
| Comprehensive income for the period attributable to: | | | | | | |
| Equity holders of the Parent company | | -11 685 | -11 086 | -11 656 | 6 006 | -7 095 |
| Minority shareholding | | -3 | -2 | -11 | -9 | -10 |
| | | | | | | |
| **Comprehensive Earnings per share** | | | | | | |
| Before dilution, SEK | | -0,32 | -0,33 | -0,33 | 0,18 | -0,21 |
| After dilution, SEK | | -0,32 | -0,33 | -0,33 | 0,18 | -0,21 |

## Consolidated statement of financial position

| TSEK | Note | 2010-01-31 | 2009-01-31 | 2009-04-30 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | 18 940 | 19 833 | 19 858 |
| Capitalized development cost | | 119 849 | 46 672 | 60 216 |
| Other intangible assets | | 8 039 | 8 063 | 7 862 |
| Financial assets | | 2 | - | 2 |
| **Total Non-current assets** | | **146 831** | **74 568** | **87 939** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 3 | 94 | 16 399 | 2 776 |
| Trade receivables | | 9 | 11 398 | 2 337 |
| Derivative instrument | | - | - | 231 |
| Other current receivables | | 1 693 | 914 | 1 085 |
| Prepaid expenses and accrued income | | 2 294 | 1 700 | 1 743 |
| Liquid assets | | 17 799 | 1 796 | 988 |
| **Total Current assets** | | **21 888** | **32 207** | **9 161** |
| | | | | |
| **TOTAL ASSETS** | | **168 719** | **106 775** | **97 099** |
| | | | | |
| **EQUITY** | | | | |
| **Equity attributed to equity holders in the Parent Company** | | | | |
| Share capital | | 3 761 | 3 350 | 3 350 |
| Other capital provided | | 196 493 | 99 254 | 99 254 |
| Retained earnings | | -53 148 | -28 383 | -41 493 |
| **Total** | | **147 106** | **74 221** | **61 111** |
| Minority shareholding | | 84 | 88 | 95 |
| **Total equity** | | **147 190** | **74 310** | **61 207** |
| | | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Long-term borrowings | | - | 2 957 | - |
| Other non-current liabilities | 4 | 15 397 | - | 24 |
| Deferred tax liabilities | | 7 | 7 | 7 |
| **Total Non-current liabilities** | | **15 404** | **2 965** | **31** |
| | | | | |
| **Current liabilities** | | | | |
| Liabilities to credit institutions | | - | 7 602 | 7 356 |
| Short-term borrowings | 5 | 745 | 9 457 | 19 476 |
| Trade payables | | 803 | 6 186 | 3 025 |
| Other current liabilities | | 1 028 | 3 098 | 1 538 |
| Accrued expenses and prepaid income | | 3 550 | 3 157 | 4 465 |
| **Total Current liabilities** | | **6 125** | **29 500** | **35 861** |
| | | | | |
| **Total Liabilities** | | **21 529** | **32 465** | **35 892** |
| | | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **168 719** | **106 775** | **97 099** |
| | | | | |
| **Contingent liabilities** | 6 | | | |
| **Pledged assets** | 6 | | | |

## Consolidated statement of changes to shareholders' Equity

| TSEK | Attributable to Equity holders in Parent company<br>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 period | - | - | 6 006 | -9 | 5 997 |
| Shareholders' contribution received | - | 3 500 | - | - | 3 500 |
| Shareholders' contribution refunded | - | -3 500 | - | - | -3 500 |
| New share issue | 13 | 3 488 | - | - | 3 500 |
| **Closing balance as of October 31, 2008** | **3 350** | **99 254** | **-28 383** | **88** | **74 310** |
| | | | | | |
| **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 | - | 3 500 | - | - | 3 500 |
| Shareholders' contribution refunded | - | -3 500 | - | - | -3 500 |
| New share issue | 13 | 3 488 | - | - | 3 500 |
| Change in Minority shareholding | - | - | -9 | 9 | 0 |
| **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 period | - | - | -11 656 | -11 | -11 667 |
| New share issues | 411 | 102 410 | - | - | 102 821 |
| Issue expenses | - | -5 171 | - | - | -5 171 |
| **Closing balance as of January 31, 2010** | **3 761** | **196 493** | **-53 148** | **84** | **147 190** |

## Consolidated Cash flow statement

| TSEK | Note | 2009/10 Nov-Jan | 2008/09 Nov-Jan | 2009/10 May-Jan | 2008/09 May-Jan | 2008/09 May-April |
|---|---|---|---|---|---|---|
| **Operating activities** | | | | | | |
| Operating income | | -11 679 | -10 833 | -9 774 | 6 160 | -7 156 |
| Depreciation/amortization | | 896 | 828 | 2 656 | 2 323 | 3 187 |
| Impairment of inventory | 3 | 62 | 1 336 | 300 | 1 336 | 461 |
| Disposals of intangible assets | | - | 4 | - | 4 | 9 |
| Interest received | | 91 | 364 | 415 | 831 | 1 233 |
| Interest paid | | -100 | -619 | -1 981 | -993 | -1 414 |
| **Cash flow from operating activities before working capital changes** | | **-10 730** | **-8 920** | **-8 385** | **9 660** | **-3 679** |
| **Change in working capital** | | | | | | |
| Change in inventories | | 975 | 3 273 | 2 383 | 1 386 | 15 884 |
| Change in trade receivables | | -3 | -8 264 | 2 328 | -7 339 | 1 722 |
| Change in other current receivables | | -1 096 | 150 | -1 158 | -125 | -339 |
| Change in trade payables | | -811 | 2 339 | -2 223 | 2 253 | -908 |
| Change in other current liabilities | | 83 | 1 173 | -1 426 | 1 848 | 1 596 |
| **Cash flow from current operations** | | **-11 582** | **-10 250** | **-8 481** | **7 684** | **14 276** |
| **Investing activities** | | | | | | |
| Investments in intangible fixed assets | | -15 463 | -9 419 | -60 462 | -22 933 | -36 495 |
| Investments in property, plant and equipment | | -487 | -929 | -1 086 | -2 338 | -3 014 |
| Investments in financial assets | | - | - | - | - | -2 |
| **Cash flow from investing activities** | | **-15 950** | **-10 348** | **-61 548** | **-25 271** | **-39 511** |
| **Financing activities** | | | | | | |
| Increase in liabilities to credit institutions | | - | 2 394 | - | 2 361 | 2 115 |
| Reduction in liabilities to credit institutions | | -2 561 | - | -7 356 | - | - |
| Increase in non-current liabilities | 4 | - | - | 15 373 | - | - |
| New share issue | | 43 000 | - | 74 083 | - | - |
| Issue expenses | | -2 150 | - | -5 171 | - | - |
| New loans | 5 | - | 8 743 | 14 457 | 8 743 | 16 543 |
| Amortization of loans | 5 | -737 | -707 | -4 546 | -2 099 | -2 814 |
| **Cash flow from financing activities** | | **37 552** | **10 430** | **86 840** | **9 005** | **15 845** |
| **Cash flow for the period** | | **10 019** | **-10 169** | **16 811** | **-8 582** | **-9 390** |
| **Cash and cash equivalents at the beginning of the period** | | **7 780** | **11 965** | **988** | **10 379** | **10 379** |
| **Cash and cash equivalents at the end of the period** | | **17 799** | **1 796** | **17 799** | **1 796** | **988** |

## Parent Company Income statement

| TSEK | Note | 2009/10 Nov-Jan | 2008/09 Nov-Jan | 2009/10 May-Jan | 2008/09 May-Jan | 2008/09 May-April |
|---|---|---|---|---|---|---|
| Net sales | | -21 | 248 | 23 312 | 30 811 | 30 890 |
| Capitalized development cost | | 14 864 | 9 419 | 59 633 | 22 513 | 36 057 |
| Other operating income | 5 | - | 375 | 125 | 599 | 724 |
| Raw materials, consumables and goods for resale | | -5 532 | -833 | -10 688 | -1 979 | -6 098 |
| Other external expenses | | -11 883 | -8 777 | -56 884 | -24 493 | -36 474 |
| Employee benefit expenses | | -7 386 | -7 371 | -21 243 | -18 472 | -25 658 |
| Depreciation/amortization and impairment of property, plant, equipment and intangible assets | | -839 | -771 | -2 483 | -2 151 | -2 960 |
| **Operating income** | | **-10 797** | **-7 711** | **-8 228** | **6 828** | **-3 519** |
| | | | | | | |
| Profit from participations in Group companies | 7 | -1 000 | -1 000 | -1 650 | -1 000 | -5 000 |
| Other interest revenues and similar revenues | | 91 | 359 | 415 | 826 | 1 227 |
| Interest cost and similar costs | | -84 | -320 | -1 912 | -508 | -842 |
| **Financial items, net** | | **-993** | **-961** | **-3 148** | **-682** | **-4 615** |
| | | | | | | |
| **Income after financial items** | | **-11 789** | **-8 672** | **-11 376** | **6 146** | **-8 134** |
| | | | | | | |
| Taxes | 2 | - | - | - | - | - |
| **Income for the period** | | **-11 789** | **-8 672** | **-11 376** | **6 146** | **-8 134** |

## Parent Company Balance Sheet

| TSEK | Note | 2010-01-31 | 2009-01-31 | 2009-04-30 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible fixed assets | | | | |
| Capitalized development cost | | 119 849 | 46 672 | 60 216 |
| Concessions, patents, licenses, trademarks and similar rights | | 7 500 | 7 309 | 7 151 |
| Property, plant and equipment | | | | |
| Equipment, tools, fixtures and fittings | | 18 940 | 19 833 | 19 858 |
| Financial assets | | | | |
| Participations in group companies | | 2 118 | 2 118 | 2 118 |
| Receivables from group companies | | 4 | - | - |
| Other securities held as non-current assets | | 1 | - | 1 |
| **Total Non-current assets** | | **148 412** | **75 932** | **89 344** |
| **Current assets** | | | | |
| Inventories | | | | |
| Raw materials and consumables | | 94 | 2 619 | 85 |
| | | 94 | 2 619 | 85 |
| Current receivables | | | | |
| Trade receivables | | -53 | 159 | 101 |
| Receivables from group companies | 5 | 405 | 11 850 | - |
| Other current receivables | | 1 658 | 874 | 1 052 |
| Prepaid expenses and accrued income | | 2 278 | 1 436 | 1 536 |
| | | 4 287 | 14 319 | 2 689 |
| Cash and bank balances | | 17 558 | 1 762 | 975 |
| **Total current assets** | | **21 939** | **18 700** | **3 750** |
| **TOTAL ASSETS** | | **170 351** | **94 632** | **93 094** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Restricted equity | | | | |
| Share capital | | 3 761 | 3 350 | 3 350 |
| Statutory reserve | | 4 620 | 4 620 | 4 620 |
| | | 8 381 | 7 970 | 7 970 |
| Non-restricted equity | | | | |
| Share premium reserve | | 196 493 | 99 254 | 99 254 |
| Retained earnings | | -44 628 | -36 495 | -36 495 |
| Income for the period | | -11 376 | 6 146 | -8 134 |
| | | 140 489 | 68 905 | 54 626 |
| **Total equity** | | **148 870** | **76 875** | **62 596** |
| **Non-current liabilities** | | | | |
| Long-term borrowings | | - | 2 933 | - |
| Other non-current liabilities | 4 | 15 373 | - | - |
| **Total non-current liabilities** | | **15 373** | **2 933** | **0** |
| **Current liabilities** | | | | |
| Short term borrowings | 5 | 745 | 9 457 | 19 476 |
| Trade payables | | 795 | 1 175 | 1 697 |
| Liabilities to group companies | 5 | - | - | 3 808 |
| Other current liabilities | | 1 019 | 1 041 | 1 059 |
| Accrued expenses and prepaid income | | 3 550 | 3 150 | 4 458 |
| **Total Current liabilities** | | **6 108** | **14 823** | **30 498** |
| **TOTAL EQUITY AND LIABILITIES** | | **170 351** | **94 632** | **93 094** |
| | | | | |
| **Contingent liabilities and pledged assets** | | | | |
| Contingent liabilities | 6 | - | 8 000 | 8 000 |
| Pledged assets | 6 | 5 000 | - | 1 500 |

## Change in shareholders' equity Parent Company

| TSEK | Restricted equity Share capital | Restricted equity 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 | - | - | 3 500 | 3 500 |
| Shareholders' contribution refunded | - | - | -3 500 | -3 500 |
| New share issue | 13 | - | 3 488 | 3 500 |
| Income for the period | - | - | 6 146 | 6 146 |
| **Closing balance as of January 31, 2009** | **3 350** | **4 620** | **68 905** | **76 875** |
| **Opening balance as of May 1, 2008** | **3 338** | **4 620** | **59 272** | **67 229** |
| Shareholders' contribution received | - | - | 3 500 | 3 500 |
| Shareholders' contribution refunded | - | - | -3 500 | -3 500 |
| New share issue | 13 | - | 3 488 | 3 500 |
| Income for the year | - | - | -8 134 | -8 134 |
| **Closing balance as of April 30, 2009** | **3 350** | **4 620** | **54 626** | **62 596** |
| **Opening balance as of May 1, 2009** | **3 350** | **4 620** | **54 626** | **62 596** |
| New share issues | 411 | - | 102 410 | 102 821 |
| Issue expenses | - | - | -5 171 | -5 171 |
| Income for the period | - | - | -11 376 | -11 376 |
| **Closing balance as of January 31, 2010** | **3 761** | **4 620** | **140 489** | **148 870** |

## Note 1 Accounting policies

This interim report is established in accordance with IAS 34, Interim Reporting and the Securities market Act. The consolidated accounts for the Oasmia group has been established in accordance with the International Financial Reporting Standards (IFRS) such as they have been adopted by the EU and interpretations of International Financial Reporting Interpretation Committee (IFRIC) RFR 1.2, Complementary accounting regulations for Groups and the Annual Accounts Act. The Parent Company accounts are established in accordance with RFR 2.2, Accounting for legal entities and the Annual Accounts Act. The Group and Parent company accounting policies and calculation methods are unchanged compared to the ones described in the Annual Report May 1 2008 – April 30 2009, with the following exceptions for new accounting standards applied as of May 1, 2009:

Revised IAS 1, Presentation of Financial statements

The revision means that the company establishes a statement of comprehensive income, in which transactions not affecting shareholders are accounted for separately from other changes in equity. Oasmia has chosen to present the comprehensive income statement in a separate disposition, which is accounted for directly after the consolidated income statement. Another change is that new designations for the financial reports can be used. These are not compulsory, but Oasmia has nonetheless chosen to use new designations.

IFRS 8 Operating segments.

The standard replaces the previous IAS 14, segment reporting. IFRS 8 has not caused any change in definitions of Oasmia's segments. However, the business activity parallel import has during the period been reduced to such a degree that the activity no longer constitutes a segment. It also means that the group, which previously accounted for two segments, now only has one segment.

## Note 2 Taxes

The Group has accumulated operating deductions amounting to TSEK 91 600 (67 079) and the Parent Company deductions amounting to TSEK 83 226 (63 321). Of the total deficit deductions for the Group, TSEK 17 881 (17 881) are restricted for use through group contributions. This limitation will end by the 2014 tax assessment. The future tax effect concerning these operating deductions has not been marked with a value and no deferred tax asset has been considered in the Balance Sheet.

## Note 3 Impairment of inventory

Impairment of the Group inventory has in the period been performed with TSEK 300 (1 336), where TSEK 62 (1 336) in the third quarter of the fiscal year. The impairments affect the item Raw materials, consumables and Goods for resale.

## Note 4 Other non-current liabilities

Of the total accounted for Other non-current liabilities, TSEK 15 397 (-), TSEK 15 373 (-) are prepaid income attributable to the license and distribution agreement closed in July 2009. According to the agreement, 2 MUSD of the 5 MUSD received in an initial milestone payment, may be refunded if Oasmia has not obtained market authorization for Paccal® Vet before May 1, 2014. The company reviews every license and distribution agreement separately based on accounting of revenues and prepaid income. Especially terms connected to milestone payments are considered as well as other terms within the frame of such an agreement.

## Note 5 Transactions with related parties

Essential transactions with related parties are disclosed below.

In the first quarter, the company raised new loans from the principal owner Oasmia S.A. amounting to TSEK 14 457 (-). As of July 31, 2009, the liability amounted to TSEK 31 000 in total. In the second quarter, TSEK 2 357 were refunded and the remaining debt (including interest), TSEK 28 739 were set off in the new share issue with preferential rights carried out in the second quarter. As of January 31, 2010, the company had no debts to Oasmia S.A. (As of January 31, 2009, the liability amounted to TSEK 8 743).

The principal owner Oasmia S.A has in the period provided Oasmia with a credit facility amounting to MSEK 30. The contract credit is valid as of December 2010 and is automatically renewed with 12 months if the credit is not cancelled by either part 3 months before the term expiry date at the latest. The contract interest is 5 %. This credit was unused at the end of the period. After the end of the period this credit has been replaced by a credit of MSEK 60, with an interest of 6 %.

Oasmia's claim in the subsidiary Qdoxx Pharma AB amounted as of January 31, 2010, to TSEK 405 (11 850). Oasmia has in the period made a group contribution to Qdoxx Pharma AB of TSEK 1 650 (1 000). See also note 7. Oasmia's sales to the subsidiary amounted to TSEK 125 in the period and concerned facilities and management provided to Qdoxx by Oasmia.

## Note 6 Contingent liabilities and Assets pledged

In December 2009 the Parent Company was provided with a TSEK 5 000 bank overdraft. A floating charge of corresponding amount was provided as security. This overdraft was unused at the end of the period.

The subsidiary Qdoxx Pharma AB's bank overdraft and subsidiary ledger credit of in total TSEK 8 000 was closed in December 2009. At the same time the Parent company general guarantee commitment for the benefit of the subsidiary of the corresponding amount was ended.

## Note 7 Participations in group companies

Oasmia has in the period made a group contribution to the wholly owned subsidiary Qdoxx Pharma AB amounting to TSEK 1 650 (1 000), where TSEK 1 000 (1 000) in the third quarter, which is accounted for as a shareholder contribution and increases the value of Participations in group companies. Impairments have been made corresponding to the group contributions as the purpose of the group contribution was to cover the loss of Qdoxx Pharma AB. The impairments are accounted for in the parent company income statement in the item Income from participation in group companies.

## Note 8 Risk factors

The Group is subjected to a number of different risks through its business. By creating awareness of the risks involved in the activities these risks can be limited, controlled and managed and at the same time as business opportunities can be utilized to increase revenues. The risks of Oasmia's business can be separated into operational risks and financial risks. The operative risks are constituted in part by risks which exists in the business branch where Oasmia is active and in part by company specific risks. These are described in the administration report on the pages 33-36 in the Annual Report for the fiscal year May 1 2008 – April 30, 2009. Financial risks, such as market risk, credit risk, liquidity risk and capital risk are described more in detail on pages 48-49 in the Annual report for the fiscal year May 1 2008 – April 30 2009.

The Board of Directors and CEO of Oasmia Pharmaceutical AB ensures that this Interim report gives a correct overview of the Parent Company and Group 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.

Uppsala, February 26, 2010

| | |
|---|---|
| Bo Cederstrand, Chairman | Claes Piehl, Member |
| Peter Ström, Member | Julian Aleksov, Member and Chief Executive Officer |

The information in this Interim report is such that Oasmia Pharmaceutical (publ) must publish according to the code of trade in financial instruments. The information was delivered for publication on February 26, 2010 at 09.00 CET.

This interim report has not been reviewed by the company auditors.

## COMPANY INFORMATION

Oasmia Pharmaceutical AB (publ)
VAT-number: SE556332-667601
Seat: Stockholm

Address and telephone number to the Main Office
Vallongatan 1
752 28 UPPSALA, SWEDEN
+46 18 50 54 40
www.oasmia.com
info@oasmia.com

Questions concerning the report are answered by:
Julian Aleksov, CEO
+46 18 50 54 40

## UPCOMING REPORT DATES

| | |
|---|---|
| Year-end report May 2009 – April 2010 | 2010-06-10 |
| Annual report May 2009 – April 2010 | 2010-08-26 |
| Interim report May – July 2010 | 2010-09-09 |
| Interim report May – October 2010 | 2010-12-09 |
| Interim report May 2010 – January 2011 | 2011-03-10 |

The Annual General Meeting 2010 will be held on September 24 2010 in the Company main office, Vallongatan 1, Uppsala. For more information, see the company website www.oasmia.com