Oasmia Pharmaceutical AB (publ)

INTERIM REPORT FOR THE PERIOD May 1 – July 31, 2008

Against the tide – Challenging results

THE FIRST QUARTER IN BRIEF, MAY – JULY 2008

- Net sales for the Group amounted to SEKt 44 605 (7 546)[1]
- Operating income amounted to SEKt 24 124 (-7 770)
- Income for the period amounted to SEKt 24 129 (-7 940)
- Earnings per share amounted to SEK 0,72 (-0,25)

KEY EVENTS IN THE FIRST QUARTER, MAY – JULY 2008

OASMIA HUMAN HEALTH

Preparations for the Phase III-study on Ovarian Cancer with the candidate Paclical® have continued in the period. Apart form that, the company has conducted a pharmacokinetics study on the candidate Paclical®. In the study, Paclical is compared to the well-known pharmaceutical Taxol®. Paclical® and Taxol® both contain the same active substance, paclitaxel, and the study investigates whether paclitaxel behaves in a similar way for both Paclical® and Taxol®.

OASMIA ANIMAL HEALTH

In June, the inclusion of dogs in the on-going Phase III study on mastocytoma in dogs was completed. Data from the study are currently being compiled and processed.

In the end of June, Oasmia expanded the license and distribution agreement with Orion Corporation for the product Paclical® Vet which was closed in March 2008. The previous agreement only comprised the Nordic Countries and a few other European Countries to a value of 2 million Euro. The expanded agreement comprises all of Europe. Oasmia receives another 8 million Euro; 3,75 million Euro when the agreement was closed and which was accounted for as revenue in the first Quarter. Altogether the license agreement with Orion Corporation for Paclical® Vet amounts to 10 million Euro. Oasmia will receive another 6 million Euro when the company fulfils certain criteria disclosed in the agreements. Furthermore, Oasmia receives royalties on all sales in the region. Orion receives exclusive sales and marketing rights for the product in Europe.

KEY EVENTS AFTER THE CLOSE OF THE PERIOD

Annual General Meeting 2008

On September 11 2008, the company held its Annual General Meeting. At the meeting Claes Piehl, Julian Aleksov, Peter Ström and Bo Cederstrand were re-elected as members of the Board of Directors. Furthermore, the meeting adopted the Board's proposal for auditor. Ernst & Young with certified auditor Björn Ohlsson as principal auditor was selected for a time that ends at the Annual General Meeting held in the fourth fiscal year after this meeting.

[1] Numbers in parenthesis concerns results for the corresponding period previous year

The meeting adopted the Boards of Director's proposal of a private placement. The Board proposed that the share capital should be increased with SEK 12 500 by a new share issue of 125 000 shares of series A, by the terms listed below:

1. The new shares shall be subscribed, with deviation from shareholder preferential rights, by Oasmia S.A. Luxembourg.

2. For every share an amount of SEK 28 is paid and SEK 27,90 is considered premium.

3. Share subscription and offset shall be done by October 15, 2008 by the latest.

4. The new shares shall enable dividends as of the current fiscal year.

The meeting adopted the Board of Director's proposal of authorization of share issue. The Board was authorized to make one or more new share issues up until the next annual general meeting, so far as such issues do not exceed three million shares in total.

Criteria for selection of a nomination committee was adopted as the Board proposed. The election committee is to be selected according to the following criteria :

1. One member shall represent the principal shareholders
2. One member shall be independent of the principal shareholders and independent to the company management and Board of Directors
3. One member shall be the Chairman of the Board

The Chairman of the Board may be chairman of the nomination committee.

Investigator's meeting Phase III
On September 13, an investigator's meeting was held in preparation for the upcoming Phase III study with Paclical® on the indication ovarian cancer. About 80 doctors from Sweden and the rest of Europe participated. In total 112 people were reported to attend the meeting.

BUSINESS ACTIVITIES

The main business activities in the Parent Company Oasmia Pharmaceutical (publ) consists of research, development and production of self-developed pharmaceuticals, most within oncology. The company focuses on human and veterinary oncology, where the company has a solid product portfolio. The main office, research and production facility is located in Uppsala. Oasmia owns 100% of the subsidiary Qdoxx Pharma AB. The main business activity of the subsidiary is parallel import of pharmaceutical products. The business idea behind Qdoxx Pharma is by parallel import supply high-quality and price worthy pharmaceutical products for the Swedish market. Oasmia also owns 51 % of the company GlucoGene Pharma AB. GlucoGene is a research company that has developed a novel type of xyloside. The purpose is treatment of brain tumours. The xylosides developed by GlucoGene are currently in a pre-clinical development phase.

RESEARCH AND DEVELOPMENT

The Oasmia Pharmaceutical AB research and development division is mostly directed towards oncology within human and veterinary medicine. The company research in the natural ageing and death of the cell has formed the platform for the development of the company's solid product portfolio, which contains among others the unique candidates Paclical® and Paclical® Vet. The foundation of Oasmias product portfolio is a group of novel, unique and patented substances. One of these, XR-17, is specifically developed with the ability to form micelles around the active part of the pharmaceutical. Oasmia's XR-17 can be used together with a number of substances in order to improve their profile and effect and is especially useful in combination with insoluble substances. All candidates that today are part of the company product portfolio are all based on XR-17.

PRODUCT PORTFOLIO

The company product portfolio consists of Paclical®, Docecal® and Carbomexx® for human use and Paclical® Vet, Docecal® Vet and Carbomexx® Vet for veterinary use. Prioritized events for Oasmia is the upcoming international clinical Phase III studies on Paclical® and Paclical® Vet. Docecal®, Doxophos® and Carbomexx® will soon enter Phase I/II. These products theoretically covers 80% of the standard treatments used today for the most common types of cancer. Oasmia holds world-wide patents on all products.

MARKET

Paclical® as well as Taxol®, Taxotere® and Abraxane® are part of the group taxanes on the global market. The market size for this group was 2007 about 4,5 billion USD with an annual growth of about 5 %. Within a five year period taxanes in nanoparticle size, to which Paclical® belongs, will constitute about 40 % of the total taxane market.

FINANCIAL INFORMATION

Group Income Statement in brief

SEKt	2008 May-July	2007 May-July	2007/08 May-April
Net sales	44 605	7 546	71 158
Income for the period	24 129	-7 940	-5 067
Earnings per share (SEK), before and after dilution	0,72	-0,25	-0,16

Net sales
Net sales for the first quarter in the fiscal year amounted to SEKt 44 605 (7 546). The increase compared to the previous year is mostly attributable to the revenue amounting to SEKt 30 347 (0) that were received in accordance with the license and distribution agreement which was closed with Orion Corporation during the period.

The increase is also attributable to an increase in sales of parallel imported pharmaceutical products. It amounted to SEKt 14 127 (7 507).

Capitalized development cost
Capitalized development cost for the period amounted to SEKt 3 810 (1 797) and concerns development costs for Phase III studies for the products Paclical® and Paclical® Vet.

Raw materials, consumables and goods for resale
Raw materials, consumables and goods for resale amounted to SEKt -13 415 (-8 540) and is mostly attributable to the business activity parallel import. With increased sales have the expenses increased significantly. The expenses are also attributable to analyses and purchase of raw materials for production of pharmaceuticals within research and development.

Other external expenses
Other external expenses amounted to SEKt -4 873 (-4 178). These are mostly attributable to products in development, that are in pre-clinical Phase alternatively Phase I/II. The expenses are also attributable to repairs and service of production equipment and rent.

Employee benefit expenses
During the first quarter the employee benefit expenses increased to SEKt -5 498 (-3 739). The increase compared to the previous year is the result of that the number of employees has increased with 13 people to a total of 44 as of July 31 2008 (31 employees as of July 31 2007).

Income for the period
The Group accounts for a positive income for the period. It amounted to SEKt 24 129 (-7 940) and is mainly the result of license revenues for the period. A smaller contribution to this was also that the business activity Parallel import resulted in a positive operating income of SEKt 967 (-809).

Financial position
Liquid assets for the Group amounted as of July 31 to SEKt 28 146 (11 365). Cash flow from current operations amounted to SEKt 22 496 (-8 108) for the period. Net cash flow amounted to SEKt 17 768 (-10 804). The positive cash flow is attributable to license revenue during the period. Equity amounted to SEKt 92 441 (61 939) and the equity/assets ratio as of July 31, 2008 was 85 % (76 %).

Capital expenditures

Capital expenditures for the period amounted to SEKt 4 036 (2 032). They mostly consisted of capitalized expenditure for development, SEKt 3 810 (1 797), concerning the products Paclical® and Paclical® Vet. In addition, smaller investments in other intangible assets were made, concerning sales authorizations, which amounted to SEKt 31. Capital expenditures in property, plant and equipment amounted to SEKt 195 (276) and those mostly concerned development of the company production facilities and equipment. Depreciations/amortization for the first quarter amounted to SEKt -729 (-656).

The Parent Company

Net sales for the Parent company amounted to SEKt 30 478 (39) and the net financial items net amounted to SEKt 23 256 (-7 043). Liquid assets amounted as of July 31, 2008 to SEKt 23 511 (11 355).

Key ratios and other information

	2008 May-July	2007 May-July	2007/08 May-April
Number of shares at the close of the period (in thousands), before and after dilution	33 375	31 851	33 375
Average number of shares (in thousands) before and after dilution	33 375	31 851	32 613
Earnings per share in SEK, before and after dilution	0,72	–0,25	–0,16
Equity per share, SEK	2,77	1,94	1,94
Equity/assets ratio, %	85	76	74
Return on total assets, %	25	-9	-5
Return on equity, %	31	-12	-8
Number of employees at the end of the period	44	31	40

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 and untaxed reserves (with deductions for deferred tax) pertaining to the balance sheet total.
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 and untaxed reserves
(with deduction for deferred tax).

Group Income Statement

SEKt	Note	2008 May-July	2007 May-July	2007/08 May-April
Net sales	2	44 605	7 546	71 158
Capitalized development cost		3 810	1 797	9 675
Other operating income		224	-	65
Raw material, consumables and goods for resale		-13 415	-8 540	-45 310
Other external expenses		-4 873	-4 178	-20 187
Employee benefit expenses		-5 498	-3 739	-17 530
Depreciation/amortization and impairment		-729	-656	-2 727
Operating income		**24 124**	**-7 770**	**-4 855**
Financial income		185	2	462
Financial expenses		-180	-171	-674
Financial items, net		**5**	**-170**	**-212**
Income of financial items		**24 128**	**-7 940**	**-5 067**
Taxes	3	0	0	0
Income for the period		**24 129**	**-7 940**	**-5 067**
Income for the period attributable to:				
Equity holders of the Parent company		24 133	-7 937	-5 057
Minority interest in income for the period		-4	-3	-9
Earnings per share				
Before dilution, SEK		0,72	-0,25	-0,16
After dilution, SEK		0,72	-0,25	-0,16

Group Balance Sheet

SEKt	2008 July 31	2007 July 31	2008 April 30
ASSETS			
Non-current assets			
Property, plant and equipment	18 857	19 229	19 180
Capitalized development cost	27 969	16 281	24 159
Other intangible assets	8 105	7 616	8 284
Total Non-current assets	**54 931**	**43 126**	**51 624**
Current assets			
Inventories	20 512	20 092	19 121
Trade receivables	2 049	5 045	4 059
Other current receivables	1 115	834	772
Prepaid expenses and accrued income	1 586	1 336	1 717
Liquid assets	28 146	11 365	10 379
Total Current assets	**53 407**	**38 672**	**36 048**
TOTAL ASSETS	**108 338**	**81 798**	**87 672**
EQUITY			
Equity attributed to equity holders in the Parent Company			
Share capital	3 338	3 185	3 338
Other capital provided	99 267	95 919	95 767
Retained earnings	-10 256	-37 268	-34 389
Minority interests	**93**	**104**	**97**
Total equity	**92 441**	**61 939**	**64 812**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	2 957	4 849	6 433
Deferred tax liabilities	8	8	8
Total Non-current liabilities	**2 965**	**4 857**	**6 441**
Current liabilities			
Liabilities to credit institutions	2 023	5 961	5 241
Short-term- borrowings	2 121	2 933	2 814
Trade payables	2 955	2 708	3 933
Other current liabilities	3 101	1 623	2 153
Accrued expenses and prepaid income	2 732	1 777	2 277
Total Current liabilities	**12 932**	**15 002**	**16 418**
Total Liabilities	**15 897**	**19 859**	**22 859**
TOTAL EQUITY AND LIABILITIES	**108 338**	**81 798**	**87 672**

Change in shareholders' equity - Group

SEKt	2008 May-July	2007 May-July	2007/08 May-April
Opening balance according to Balance Sheet	64 812	69 879	69 879
Income for the period	24 129	-7 940	-5 067
Shareholders contribution received	3 500	-	-
Shareholders contribution refunded	-	-	-61 100
New share issue	-	-	61 100
Amount at the close of the period	**92 441**	**61 939**	**64 812**

Cash flow statement for the Group

SEKt	2008 May-July	2007 May-July	2007/08 May-April
Operating activities			
Operating income	24 124	-7 770	-4 855
Depreciation/amortization and impairment	729	656	2 727
Interest received	185	2	462
Interest paid	-180	-171	-674
Cash flow from operating activities before working capital changes	**24 857**	**-7 284**	**-2 340**
Change in working capital			
Change in inventories	-1 390	-1 774	-803
Change in trade receivables	2 010	-659	347
Change in other current receivables	-212	37	-302
Change in trade payable	-978	-1 856	-631
Change in other current liabilities	-1 791	3 428	3 739
Cash flow from current operations	**22 496**	**-8 108**	**9**
Investing activities			
Investments in intangible fixed assets	-3 841	-1 757	-10 901
Investments in property, plant and equipment	-195	-276	-1 700
Cash flow from investing activities	**-4 036**	**-2 032**	**-12 601**
Financing activities			
Shareholder contribution received	3 500	-	-
Shareholder contribution refunded	-	-	-61 100
New share issue	-	-	61 100
New loans	-3 500	-	3 500
Repayment of loans	-692	-664	-2 699
Cash flow from financing activities	**-692**	**-664**	**801**
Cash flow for the period	**17 768**	**-10 804**	**-11 791**
Cash and cash equivalents at the beginning of the period	**10 379**	**22 170**	**22 170**
Cash and cash equivalents at the end of the period	**28 146**	**11 365**	**10 379**

Parent Company Income statement

SEKt	Note	2008 May-July	2007 May-July	2007/08 May-April
Net sales		30 478	39	26 246
Capitalized development cost		3 810	1 797	9 675
Other operating income		224	-	31
Raw material, consumables and goods for resale		-508	-549	-1 241
Other external expenses		-4 667	-3 905	-19 188
Employee benefit expenses		-5 498	-3 738	-17 510
Depreciation/amortization and impairment of Tangible and intangible assets		-672	-598	-2 505
Operating income		23 166	-6 955	-4 492
Other interest revenues and similar revenues		185	2	460
Interest cost and similar costs		-95	-90	-324
Financial items, net		90	-88	136
Income after financial items		23 256	-7 043	-4 356
Taxes	3	0	0	0
Income for the period		23 256	-7 043	-4 356

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Parent Company Balance Sheet

SEKt	2008 July 31	2007 July 31	2008 April 30
ASSETS			
Non-current assets			
Property, plant and equipment	18 857	19 228	19 180
Capitalized development cost	27 969	16 281	24 159
Other intangible assets	7 233	6 599	7 386
Financial assets	2 118	2 100	2 118
Total Non-current assets	**56 176**	**44 208**	**52 843**
Current assets			
Inventories	1 883	33	37
Trade receivables	-	-	-
Receivables from group companies	19 325	17 676	14 825
Other receivables	1 061	760	713
Prepaid expenses and accrued income	1 371	1 160	1 373
Cash and bank balances	23 511	11 355	10 352
Total Current assets	**47 151**	**30 985**	**27 300**
TOTAL ASSETS	**103 327**	**75 194**	**80 143**
EQUITY			
Restricted equity			
Share capital	3 338	3 185	3 338
Statutory reserve	4 620	4 620	4 620
Total restricted equity	**7 958**	**7 805**	**7 958**
Non-restricted equity			
Share premium reserve	95 767	95 919	95 767
Retained earnings	-32 995	-32 139	-32 139
Income for the period	23 256	-7 043	-4 356
Total non-restricted equity	**86 028**	**56 737**	**59 272**
Total equity	**93 986**	**64 542**	**67 229**
LIABILITIES			
Non-current liabilities			
Long terms borrowings	2 933	4 849	6 433
Total Non-current liabilities	**2 933**	**4 849**	**6 433**
Current liabilities			
Short term borrowings	2 121	2 933	2 814
Trade payable	719	563	650
Other current liabilities	835	529	740
Accrued expenses and prepaid income	2 732	1 777	2 277
Total Current liabilities	**6 408**	**5 803**	**6 481**
Total Liabilities	**9 341**	**10 652**	**12 914**
TOTAL EQUITY AND LIABILITIES	**103 327**	**75 194**	**80 143**
Contingent liabilities	**8 000**	**8 000**	**8 000**

Change in shareholders' equity Parent Company

SEKt	2008 July 31	2007 July 31	2007/08 April 30
Opening balance according to Balance Sheet	67 229	71 585	71 585
Shareholders contribution received	3 500	-	-
Shareholders contribution refunded	-	-	-61 100
New share issue	-	-	61 100
Income for the period	23 256	-7 043	-4 356
Amount at the close of the period	93 986	64 542	67 229

NOTES

Note 1 Accounting policies

This interim report is established in accordance with IAS 34, Interim Reporting. The Group accounts for the Oasmia AB group has been established in accordance with the International Financial Reporting Standards (IFRS) such as they have been adopted by the EU, RFR 1.1, Complementary accounting regulations for Groups and the Annual Accounts Act. The Parent Company accounts are established in accordance with RFR 2.1, Accounting for legal entities and the Annual Accounts Act. The Group accounting policies and calculation methods are unchanged compared to the ones described in the Annual Report May 1 2007 – April 30 2008.

Note 2 Segment reporting

The Period May 1 - July 31, 2008

SEKt	Research and development	Parallel import
Net sales	30 478	14 127
Capitalized development cost	3 810	-
Other operating income	224	-
Operating income	23 157	967

The Period May 1 – July 31, 2008

SEKt	Research and development	Parallel import
Net sales	39	7 507
Capitalized development cost	1 797	0
Operating income	-6 961	-809

Note 3 Taxes

As the Group has accumulated operating deductions amounting to SEKt 32 753 and the Parent Company deductions amounting to SEKt 30 140, no tax expenditures for the period are accounted for.

Note 4 Essential risks and uncertainty factors

An account is given below of a number of risk factors that can affect the development of the company. There has been no attempt to rank these; nor should they be taken to be all inclusive. Risk factors that, in the current situation, have not been identified, or have not been deemed to be important, can affect the company's future development.

Products
Because of the high development costs that are associated with the main business activity of the company, there is a risk that the company can be affected if test results from trials of a product turn out to be unsatisfactory.

Side-effects
Since the company's main area of business is in the development of pharmaceuticals, there is a risk that patients that either participate in clinical studies of the company's products, or in some other way, come into contact with the company's products will develop serious side-effects. Side-effects can have a negative effect on the company.

Relations with government agencies
The business operations of Oasmia Pharmaceutical depend on permits granted by various government agencies, international as well as Swedish. There is a risk that a necessary permits can not be obtained without extensive investigations or an expensive modification of business operations.

Competition
There is keen competition in the field of oncology with many available products. Development is on-going and there is a risk that competitors on the market can affect the company's results.

Financing and collaboration
Oasmia is financed primarily by capital from shareholders and banks. It can not be ruled out that in the future the company will need to acquire additional capital or face worsened interest terms. Moreover, to a certain extent, Oasmia's growth is dependent on establishing collaborative ventures with external partners in the form of industrial contracts and collaborative agreements with international pharmaceutical companies. If important collaborative ventures can not be entered into, are terminated, or do not work satisfactorily, this can have a negative effect on the company. The company strives to establish solid agreements with its partners in order to create long-term financial growth.

Licenses and agreements
License and Distribution Agreements with other companies contain clauses which states that parts of license revenues received may be subject to repayment by Oasmia. This refers to situations where Oasmia does not obtain product registration within agreed time frames or does not provide defined registration documentation within thirty days after registration. In such cases, the licensee may choose to annul the agreement at which all rights will be returned to Oasmia.

Patents
Oasmia holds patents for all steps of product development world-wide. There is a risk that competitors will violate these patents and that a dispute might arise. This can have a negative effect on the company through costly processes in courts.

Key persons
Oasmia depends on a highly qualified workforce in order to conduct first-class research. Furthermore, the company depends on being able to continue to recruit competent workers even in the future. There is a risk that there might be a lack of such workers. This can have a negative effect on the company.

Share trading
The company is listed on NGM Equity. If trading liquidity does not develop or become lasting, this can make it difficult for shareholders to sell their shares. There is also a risk that the market price may differ significantly from today's share price.

Financial risks
The Group is subjected to different financial risks in its business activity such as market risk, credit risk, liquidity risk and capital risk. Continuous identification and management of these risks are part of the Group policy in such cases where it is possible. These financial risks are described in more detail on pages 37-39 in the Annual Report for the fiscal year May 1 2007 – April 30 2008.

COMPANY INFORMATION

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NEXT REPORT DATE

Interim report for the period May-October	December 18, 2008

This interim report has not been audited by the company auditors

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, September 16, 2008

Bo Cederstrand, Chairman of the Board
Claes Piehl, Member of the Board
Peter Ström, Member of the Board
Julian Aleksov, Chief Executive Officer