oasmia

Listing Prospectus

PREPARED FOR THE PURPOSE OF THE LISTING OF OASMIA PHARMACEUTICAL AB (PUBL) ON NASDAQ OMX STOCKHOLM, JUNE 2010

Öhman

E. ÖHMAN J:OR FONDKOMMISSION AB

INFORMATION

First day of trading on NASDAQ OMX Stockholm	June 24th, 2010
ISIN code	SE0000722365
Stock symbol	OASM
Website	www.oasmia.com

[1] Refers only to trading on NGM Equity.

DEFINITIONS

Oasmia or **the Company**

refers to Oasmia Pharmaceutical AB (publ), registration no. 556332-6676, and its subsidiaries unless otherwise implied by the context.

NASDAQ OMX Stockholm

refers to NASDAQ OMX Stockholm AB.

FINANCIAL CALENDAR

Annual report for the financial year May 2009–April 2010:	August 26th 2010
Interim report for the period May–July 2010:	September 9th 2010
Interim report for the period May–October 2010:	December 9th 2010

Important information

This prospectus has been prepared in accordance with the provisions of the Swedish Financial Instruments Trading Act (1991:980) and European Commission Regulation (EC) No 809/2004 29th of April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council. The prospectus has been approved and registered by the Swedish Financial Supervissory Authority in accordance with the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Approval and registration of the prospectus does not imply a guarantee by the Financial Supervisory Authority that the facts presented in the prospectus are correct or complete.

This prospectus does not comprise any offer to acquire shares or other financial instruments issued by Oasmia. The prospectus may not be distributed, directly or indirectly, in the United States of America (USA), Australia, Japan, Canada or New Zealand or in any other country where such distribution requires additional registration or other measures than those provided for under Swedish law or that contravene applicable regulations in such country. The Company's shares have not been and will not be registered under the 1933 United States Securities Act ("Securities Act"), as amended, or under any equivalent statute in any individual state or province of the USA, Australia, Japan, Canada or New Zealand, and may therefore may not be transferred or offered for sale in the USA, Australia, Japan, Canada or New Zealand or to persons domiciled there or on behalf of such persons.

Certain amounts and percentages stated in this prospectus have been rounded and may therefore not add up correctly.

Other than what is expressly stated, no information in this prospectus has been examined or audited by the Company's auditors.

Any dispute concerning or relating to this prospectus shall be resolved in accordance with Swedish law and exclusively by a Swedish court of law.

The prospectus is available in paper form at Oasmia's head office and in electronic form on Oasmia's website, www.oasmia.se, as well as on the website of the Swedish Financial Supervisory Authority, www.fi.se.

E. Öhman J:or Fondkommission AB has acted as adviser for the Company in connection with the Company's application for listing of the Company on NASDAQ OMX Stockholm and in connection with the preparation of this listing prospectus.

Forward-looking statements

This prospectus contains forward-looking statements which reflect the Board of Directors' current view of future events and the Company's operational and financial performance. Although the Board believes the expectations reflected in forward-looking statements are reasonable, there can be no guarantees that these expectations will prove to be correct. Forward-looking statements only express the Board's assessments and assumptions at the time of the prospectus. The Board makes no commitment to publish updates or revisions of forward-looking statements as a result of new information, future events or similar circumstances. Prospective investors are encouraged to study the overall information contained in this prospectus and take into consideration that the Company's future results, performance or success may differ materially from the Board's expectations. The chapter entitled "Risk factors" contains a description, which should not be regarded as exhaustive, of factors that may cause actual results or presentations to differ materially from forward-looking statements.

Industry data and information from third parties

This prospectus contains historical market data and industry forecasts relating to the market in which the Company operates. The Company has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. Although the industry publications state that they are based on information obtained from several different sources and using various methods that may be deemed reliable, there can be no guarantees that the information is correct and complete. Industry forecasts are by their nature subject to considerable uncertainty, and there can be no guarantee that such forecasts will prove correct.

Information from third parties has been correctly reproduced and, as far as the Board is aware and is able to warrant through comparisons with other information published by the third party concerned, no information has been omitted in a way that would make the reproduced information incorrect or misleading.

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Summary

The summary should be seen as an introduction to the prospectus. Any investment in the Company's shares should be based on the prospectus as a whole. An investor bringing a claim before a court of law in consequence of the information presented in the prospectus may be forced to bear the cost of translating the prospectus. A person may be made liable for information included in or omitted from the summary or a translation of the same only if the summary or translation is misleading or incorrect in relation to the other parts of the prospectus.

BACKGROUND AND REASONS

This prospectus has been prepared for the application by Oasmia for delisting from NGM Equity and relisting on the main list of NASDAQ OMX Stockholm. The change of list is being made to offer private and institutional shareholders a more appropriate marketplace for trading in the Company's shares. The purpose is to increase interest in the Company and its shares and thus improve the liquidity of and achieve a more efficient pricing of the shares. The first day of trading in Oasmia's shares on NASDAQ OMX Stockholm is expected to be June 24th 2010.

THE COMPANY IN BRIEF

Oasmia develops new formulations of existing pharmaceutical compounds with a focus on human and veterinary oncology. Oasmia has two drug candidates in clinical phase III, Paccal® Vet and Paclical®. Paccal® Vet is expected to be approved for marketing in the US and EU in the second half of 2010. Paclical® is expected to obtain approval for marketing in the EU before the end of the third quarter of 2011 and in the US in 2012. In addition to its activities in oncology, the Company also has a number of promising drug candidates in therapy areas like infection, asthma and neurology, albeit at a very early stage.

The head office is located in Uppsala, which is also home to the Company's operational activities. On April 30th, 2010, Oasmia had 64 employees and approximately 1,800 shareholders.

RISK FACTORS

Any assessment of the Company's future performance should take account of a number of risks, including risks relating to: drug development, production, side effects, relationships with government regulators, key individuals, partnerships, competition, patents, funding and trading in the Company's shares. Further risks that are currently not known to the Company or that the Company currently deems to be insignificant may have a material impact on the Company's operations, financial position or results. For a more in-depth discussion, see the chapter entitled "Risk factors".

THE BUSINESS

Oasmia operates through three companies:

- The parent company Oasmia Pharmaceutical AB – a drug company operating in the fields of human and veterinary medicine.
- The subsidiary company Qdoxx Pharma AB – a company specialising in parallel imports and sales of pharmaceuticals in the Swedish market.[1]
- The subsidiary company GlucoGene Pharma AB – a company focusing on development of xylosides for use in cancer treatment.[2]

Oasmia's research into the natural aging and death of cells is the basis for the Company's nanotechnological platform, the XR-17 agent. The platform can be combined with a wide range of compounds to improve their profile, safety and effect, es-

[1] Qdoxx Pharma AB currently does not conduct any operations.
[2] At present the company is essentially dormant, although some preclinical studies are being conducted at the University of Lund.

pecially when combined with low solubility compounds. The technology opens up for entirely new treatment methods in areas like oncology.

BUSINESS CONCEPT

Oasmia's business concept is to develop and license drugs which improve the effect in the treatment of serious diseases in the areas of oncology, infection, asthma and neurology. Licensing creates future value through milestone payments and royalties on sales of pharmaceuticals after marketing approval has been obtained.

STRATEGY

Oasmia's research and development strategy focuses on extending the life cycles of existing drugs by producing new formulations that improve the characteristics of the drug and/or expands its area of application. R&D activities centre on oncology and priority is given to certain products and indications. The Company's in-house-developed XR-17 platform, which is combined with well known and established active compounds, cuts leads times and development risk, resulting in lower costs.

To ensure functionality, all development of synthesis methods and pharmaceutical formulations are performed with the ambition of creating processes that are robust and scalable. Oasmia's production strategy for volume production is based on the use of contract manufacturers.

The strategy is to create future value through partnership agreements with international or regional drug companies for continued development and commercialisation. Under this strategy, the launch, marketing and sale of Oasmia's drug candidates upon approval for marketing is handled by the partners.

PRODUCT PORTFOLIO

Oasmia attaches great importance to developing new and improved patented drugs based on established compounds, both for human and veterinary use. The drug candidates currently in the Company's product portfolio are all based on the XR-17 platform and are protected by patents and patents pending covering a wide geographic area.

Human medicine

The Company's primary drug candidate in human medicine is Paclical®, which contains the well known cytostatic paclitaxel. Paclical® is in clinical phase III and is expected to obtain approval for marketing in the EU before the end of the third quarter of 2011 and in the US in 2012 for the ovarian cancer indication. Paclical® has properties resulting in an improved side effect profile, which also means that no premedication is required prior to treatment. Provided that positive results are achieved in the ongoing phase III study, the Company expects that Paclical® will be used in treating patients in all disease stages. This is because it will be possible to administer higher doses of Paclical® than in the current standard treatment, which is expected to result in improved effectiveness combined with a better safety profile, resulting, compared with existing drugs, in not only a higher probability of extended life expectancy for the treated patient but also in maintained quality of life despite a serious disease.

Other drug candidates are Docecal®, Doxophos® and Carbomexx®. All are intended for cancer treatment.

Veterinary medicine

The Company's main drug candidate in veterinary medicine is Paccal® Vet, which, like Paclical®, contains the cystatic paclitaxel. To date it has been practically impossible to administer paclitaxel to pets due to the serious side effects. The benefits of Paccal® Vet are largely the same as those of Paclical®. In February 2010 the last patient was treated in Oasmia's international phase III study relating to the mastocytoma indication (the most common type of skin tumour in dogs). The preliminary results from the study show that the clinical effect in dogs treated with Paccal® Vet was significantly better than in dogs treated with the active control compound lomustine. Data from the study will be included in Oasmia's application for marketing approval for the drug candidate from the FDA in the US and EMEA in Europe. Such marketing approval is expected to be obtained in the second half of 2010, after which it will be possible to start selling Paccal® Vet in the markets concerned.

Oasmia has three further promising drug candidates for treating various types of cancer in dogs: Docecal® Vet, Doxophos® Vet and Carbomexx® Vet.

MARKET

The global oncology market was worth around USD 57 billion in 2006, of which about USD 36 billion refers to drugs. The oncology market is expected to grow by an average of 11 per cent a year, which is about twice as fast as the rest of the pharmaceutical sector, and be worth about USD 92 billion in 2011. The main sources of growth are expected to be an increasing incidence of cancer, increased treatment costs and wider opportunities for treatment. In 2006 cytostatics accounted for about 50 per cent, or about USD 18 billion, of total turnover in the pharmaceutical segment.1

The market for taxanes, where the Company has its primary product, was worth about USD 2,080 million in the US, EU-5 and Japan in 2005.[2]

The market for treatment of cancer in dogs remains largely unexploited, as there are only two registered cancer drugs, Palladia™ (Pfizer) and Masivet® (AB Science), both for the mastocytoma indication. Masivet® and Palladia™ are sold in the US and European markets, respectively.

It is estimated that there are about 140 million dogs in total in the US, EU and Japan3 , and that about 40 to 50 per cent of all dogs over the age of eight will develop cancer. It is thought that in the US alone there are 300,000–500,000 treatable dogs for which cytostatic treatment is an alternative.4 Oasmia estimates that Paccal® Vet has a global market potential of USD 500–700 million within three to five years of its launch.5

BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

The Board of Directors consists of the following members: Bo Cederstrand (Director and Chairman of the Board), Claes Piehl (Director), Peter Ström (Director) and Julian Aleksov (Director and Chief Executive Officer). The management team consists of Julian Aleksov (Chief Executive Officer), Hans Sundin (Director of Quality & Technology), Weine Nejdemo (Finance Director) and Annette Ljungmark (Director of Human Resources & Accounting). The Company's auditor is Ernst & Young AB with the authorised public accountant Björn Ohlsson (member of FAR SRS) as chief auditor.

MAJOR SHAREHOLDERS

The majority shareholder of Oasmia is Oasmia S.A., a holding company with registered office in Luxembourg. Oasmia S.A. is owned and controlled together with the Company's founders: Bo Cederstrand, Julian Aleksov and Oleg Strelchenok. For more information on ownership of the Company, see the chapter entitled "Shares and ownership".

FINANCIAL INFORMATION

The following tables should be read in conjunction with the year-end statement for the financial year 2009/2010, which is incorporated in this prospectus by way of reference, and "Comments on financial performance" and "Historical financial statements" appearing elsewhere in this prospectus. The financial statements for the financial year 2009/2010 have been prepared in compliance with IFRS and have neither been audited or reviewed by the Company's auditors. The financial statements for the financial years 2008/09, 2007/08 and 2006/07 have been prepared in compliance with IFRS and have been audited by the Company's auditor.

[1] Up or out in oncology, Bionest Partners, 2nd edition, 2007; American Cancer Society, 2008.

[2] Taxanes, Onco Study No. 8, Decision Resources Inc, 2007.

[3] Tuft University E-news, Nick Dodman 2009.

[4] 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 the Company's own market research.

[5] The estimate is based on data from pharmaceutical companies with whom Oasmia has held discussions on licensing and distribution agreements, the incidence of cancer in dogs and an average price for treatment of cancer in dogs using surgery or an alternative treatment, which is USD 4,000–4,500 at present. The estimate includes spill-over effects, i.e. the possibility of using the drug for treatment of additional indications.

GROUP			Whole year	
SEK 000s if nothing else is stated	**May 1st, 2009– Apr 30th, 2010**	**May 1st, 2008– Apr 30th, 2009**	**May 1st, 2007– Apr 30th, 2008**	**May 1st, 2006– Apr 30th, 2007**
INCOME STATEMENTS IN SUMMARY				
Net sales	30,741	79,357	71,158	22,387
Capitalized production costs	80,643	36,057	9,675	14,484
Other operating income	-	224	65	-
Operating expenses	-126,345	–122,794	–85,754	–47,856
Operating loss	**-14,961**	**–7,156**	**–4,855**	**–10,986**
Net financial expense	-2,094	50	–212	–766
Loss for the period	**-17,054**	**–7,105**	**–5,067**	**–11,752**
BALANCE SHEETS IN SUMMARY				
Total assets	179,650	97,099	87,672	88,830
Tangible fixed assets	20,665	19,858	19,180	19,416
Intangible assets	148,907	68,078	32,443	22,333
Current assets	10,076	9,161	36,048	47,081
Equity	141,803	61,207	64,812	69,879
Non-current liabilities	15,404	31	6,441	5,521
Current liabilities	22,443	35,861	16,418	13,430
CASH FLOW STATEMENTS IN SUMMARY				
Operating activities	-11,235	14,276	–2,770	–22,846
Investing activities	-85,315	–39,511	–12,601	–16,655
Financing activities	100,934	15,845	3,580	58,035
Cash and cash equivalents	5,372	988	10,379	22,170
KEY RATIOS				
Sales growth	neg	12	218	2,525
Operating margin, %	neg	neg	neg	neg
Equity/assets ratio, %	79	63	74	79
Debt/equity ratio, %	7	42	6	-
Net debt	9,467	25,844	4,109	–11,263
Earnings per share	-0.48	–0.21	–0.15	–0.37

[1] För definitioner av nyckeltal, se kapitel "Finansiell information i sammandrag".
[2] Omräkning av historiska värden har skett med hänsyn till fondemissionselement i den företrädesemission som genomfördes under andra kvartalet 2009.

The Company's assets are tied to granted patents and other intellectual assets as well as production and research premises. The Company has been funded principally by its main shareholders through loans and shareholder contributions.

The Company's net sales are attributable to licensing of in-house-developed drug candidates such as Paclical® and Paccal® Vet. Licensing often takes the form of agreements on conditional payments on the path to and upon approval for marketing, known as milestone payments, as well as royalties on sales after marketing approval. Milestone payments are expected to be the dominant source of income until Oasmia has obtained marketing approval for one or more of its drug candidates and for a couple of years after that. In the longer term net sales are expected to be chiefly attributable to the royalties the Company is expected to receive on sales of its products through various partners in the form of international or regional drug companies with appropriate organisations for marketing and sales.

LIQUIDITY, WORKING CAPITAL AND CAPITAL REQUIREMENTS

The Company's need for working capital is determined primarily by the extent and pace of clinical trials. The Company's financial resources mainly comprise its cash assets. On April 30th, 2010 cash and cash equivalents were SEK 54 million. The Company's short-term liquidity is secured through agreed credit facilities, including a SEK 60.0 million credit facility made available to Oasmia by the Company's main owner, Oasmia S.A., on February 25th 2010 (see Section "Financial loan transactions with related parties" in the chapter "Legal information and complementary information").

Based on the Company's current liquidity situation and its current trial and registration plan, the Board of Directors deems that the Company has sufficient capital to meet its requirements over the coming twelve-month period.

GOALS FOR SALES, OPERATING PROFIT AND CASH FLOW

The Company is conducting discussions on licensing and distribution agreements with various parties for additional indications and/or other geographic markets and for the Company's other product candidates. Oasmia's goal is to conclude at least one new significant licensing and distribution agreement before the end of August 2010. The Company estimates that it will, during the rolling twelve-month period commencing with the signing of the first such agreement, increase its net sales significantly and achieve a positive operating result and cash flow by signing further significant licensing and distribution agreements.

OVERVIEW OF THE BUSINESS AND OUTLOOK

In 2007 and 2008 the Company initiated clinical phase III studies of Paccal® Vet and Paclical®. The goal is that these should result in registrations in the second half of 2010 and first half of 2011, respectively. In addition to these, the Company has a further six significant projects that have passed the preclinical phase.

Interest among Oasmia's partners and potential future licensees have increased markedly thanks to the publication of positive results from completed studies. Key milestones include the Company's licensing and distribution agreement with Orion Corporation for Paclical® in the Nordic region and Paccal® Vet in most of Europe and its distribution agreement with Abbott Laboratories for Paccal® Vet in the US and Canada. The Company has also concluded a distribution agreement with Nippon Zenyaku Kogyo Co. Ltd in respect of Paccal® Vet in Japan. These business partners have well established sales and marketing organisations that are well adapted for Oasmia's products.

In order to fund continued research and development activities and to secure the Company's sales strategy, a high priority for the Company is to expand the number of partnerships by signing several new licensing and distribution agreements for further indications and/or other geographic markets and for the Company's other product candidates. The Board of Directors believes the prospects for further licensing deals are very good.

The Company's positive view of the future is based on the strong need for improved cancer drugs in general, the relative benefits that Paclical® has displayed and the unique position that Paccal® Vet is expected to have in the veterinary market as the first taxane-based drug and the above-mentioned licensing and distribution agreements.

Risk factors

Investments in securities are subject to risk. The value of shares in the Company and the liquidity of and opportunities to trade in such shares are affected by a variety of factors. Potential investors should therefore consider the risk factors described in the prospectus as well as all other information in this prospectus that could affect a decision to invest. This applies especially to the Company's status as a research and development company and the fact that the Company's drug candidates have not yet obtained marketing approval and that the Company's sales revenues are therefore limited. The following is a description of a number of risk factors that can affect the Company's performance. These are in no way presented in order of importance, nor do they claim to be exhaustive. Risk factors that have not been identified at present or that have not been deemed significant may still affect the Company's future performance.

BUSINESS- AND INDUSTRY-RELATED RISKS

Research and development

The Company conducts or may conduct studies in the clinical or preclinical phases for a number of drug candidates. The results of each such study can be unpredictable and undesirable, and the Company's related costs are therefore subject to considerable uncertainty. Unpredicted study results could result in a need to review concepts and studies, which means that additional studies may need to be conducted at significant expense or that the studies will be discontinued. This can result in delayed launches or the failure to obtain registration for the Company's drug candidates, which in such case would have a negative impact on the Company's intended rate of expansion, earnings and financial position.

Recruitment of patients

Oasmia has concluded agreements with several different suppliers for clinical trials at clinics and hospitals in several countries, including Belgium, Sweden, Germany, Hungary and the US. A key aspect of these agreements is the recruitment of patients for clinical trials. The extent of recruitment activities has a relatively big impact on the pace and timetable for clinical trials. If one or several of these suppliers were to terminate their partnership agreements and if these cannot be replaced by agreements with other suppliers this could result in delays in clinical trials and thus in the registration of the Company's drug candidates. Such a delay can in turn lead to further expenditure and the deferral of expected revenues, which would have a negative impact on the Company's earnings and financial position.

Applications and marketing approval of drugs

To be able to market and sell pharmaceutical drugs, a company requires approval for marketing from the relevant drug regulator, such as the FDA in the US and the European Medicines Agency (EMEA) in Europe. Applications for marketing approval involves producing extensive documentation on clinical results, quality assurance, production and other data, and it is important to ensure that the documentation meets applicable national and international requirements. Although the Company produces a lot of this documentation in parallel with the clinical studies, it cannot be excluded that unforeseen circumstances will result in delays, which could mean that applications for marketing approval are submitted later than expected. As drug regulators have a large degree of freedom in terms of application processing times and may demand additional information or present other viewpoints on an application, the timing of and granting of marketing approval is subject to considerable uncertainty. It therefore cannot be excluded that the Company's drug candidates will fail to obtain marketing approval or that such approval will be obtained at a later date than expected. Nor can it be excluded that the Company will need to supplement an application, which could be time-consuming and lead to unforeseen expenses. A

delay in or failure to obtain marketing approval could have a negative impact on the Company's earnings and financial position. The distribution agreement with Nippon Zenyaku Kogyo Co. Ltd can be terminated in the event that Oasmia should fail to fulfil its obligations under the agreement and this significant negative impact on marketing approval See also the section "Onerous contract provisions" below.

Side effects

As the Company's principal area of operation is in the development of pharmaceutical drugs, there is a risk that patients who either participate in clinical trials of the Company's products or otherwise come into contact with the Company's products will suffer serious side effects. The consequence of such potential side effects could be that further clinical trials of the drug candidates' safety will be required, which could affect confidence in the Company and delay launches and thus affect the Company's revenues, earnings and financial position. Other consequences that cannot be excluded are that the Company will be prosecuted by patients who have suffered side effects.

Competition

There is strong competition in the drug industry, with many products available and in the pipeline. For Oasmia this applies particularly to the human medicine market for taxane-based cancer treatment where several established brands such as Taxol® (Bristol-Myers Squibb), Taxotere® (Sanofi-Aventis) and Abraxane® (Abraxis/AstraZeneca) and several generic drugs could have a negative impact on the success of the Company's drug candidates and thus also on the Company's expected sales and earnings. For more information about the competitive situation, see the chapter entitled "Market".

As regards the veterinary market for treatment of cancer in dogs competition is expected to come mainly from the only registered cancer drugs in the market, Masivet® (AB Science) in Europe and Palladia™ (Pfizer) in the US, both for the mastocytoma indication. As the first registered drugs in their respective markets, Masivet® and Palladia™ may achieve a competitive advantage over Oasmia's drug candidate for the same indication, Paccal® Vet.

Because of the competitive situation, it is difficult to predict at what rate and in what volumes Oasmia's drug candidates will be able to establish themselves in their respective markets (indication and geography) after a potential marketing approval. There is also considerable uncertainty about the adequate price level for Oasmia's product candidates compared with competing products in the market. The aforementioned uncertainty also involves a risk of incorrect investment assessments, which could have an adverse impact on the Company's expected sales, earnings and financial position.

Compensation from third parties

It is expected that a portion of Oasmia's products will be purchased by, or entail a right for the end customer to receive compensation from, the paying third party, such as a public sector entity or private insurance company. Changes relating to the policies of such third party and the ability to affect pricing and demand for drugs could have a negative impact on the Company's expected sales, earnings and financial position.

Untested veterinary market

The market for cancer drugs for dogs is new and untested. Consequently, it is hard to assess to what extent and how fast cancer drugs will be accepted by veterinary surgeons, which makes it difficult to estimate the size of the market and forecast growth for Oasmia's drug candidates for this market.

Patents and intellectual property disputes

Oasmia believes the Company has adequate patent protection in those markets that the Company deems to be relevant, including Europe, the US and Japan. However, it cannot be guaranteed that the Company's continued product development will lead to patentable products, that current or future patent applications will lead to patents or that granted patents will be sufficient to protect Oasmia's rights.

Nor can it be excluded that there already exist patents offering a level of protection that dominates over the Company's patent protection. In such case the holder of such dominant patents could potentially prevent the Company's exploitation of the products concerned, even if the Company has its own

patent protection for these products. If Oasmia, within the framework of its research, should accidentally use a compound or procedure that has been patented by or for which another party has applied for a patent, there is a possibility that the holder of these rights could take legal action against the Company.

There is also a risk that competitors will infringe Oasmia's patent rights and that disputes will arise as a result. As it is never possible to say with complete certainty that a patent is valid, it is hard to predict the outcome of legal processes concerning patents. The costs of such processes are often considerable, which means that any such process could have a negative impact on the Company's earnings and financial position.

Relationships with government regulators

Oasmia's operations are dependent on licenses from various government agencies, both Swedish and foreign. There is a risk that necessary licenses cannot be obtained without extensive investigations or costly adaptations to the business. If a business-critical license were to be revoked the Company could be forced to discontinue its operations. Moreover, the distribution agreements closed by the Company with Orion Corporation and Abbott Laboratories contain provisions allowing the agreements to be terminated if marketing licenses are not obtained or revoked. Concerning the distribution agreement with Zenyaku Kogyo Co. Ltd, it can be cancelled if Oasmia does not fulfil its commitment, e.g fulfilling the terms in connection to obtaining a market authorization, if this constitutes a significant breach of the agreement. See also "Onerous contract provisions" below.

COMPANY-SPECIFIC RISKS

Dependence on Paccal® Vet and Paclical®

Only three of the Company's drug candidates are in the clinical phase. Paccal® Vet and Paclical® are both in clinical phase III (in the Paccal® Vet study the last patient was treated in February 2010 and preliminary trial results have been produced). Paccal® Vet is expected to be approved for marketing in the US and EU in the second half of 2010. Paclical® is expected to obtain approval for marketing in the EU before the end of the third quarter of 2011 and in the US in 2012. Doxophos® Vet entered phase I/II in March 2010.

A large portion of the estimated value of the Company's assets is therefore attributable to the development, marketing approval and commercialisation of Paccal® Vet and Paclical®. Because of this dependence, there is a risk of an adverse negative impact on the reported value of the Company's assets and on the Company's future sales, earnings and financial position, if some part of the Company's development and commercialisation of these two product candidates does not go as planned.

Partnerships

Oasmia's strategy for the continued development and commercialisation of its product candidates is based on partnership agreements with major international or regional drug companies. Oasmia's growth is to a large degree dependent on the establishment of such partnerships. Currently the Company has concluded three important partnerships, one with Orion Corporation for Paclical® in the Nordic region and Paccal® Vet in most of Europe, one with Abbott Laboratories for Paccal® Vet in the US and Canada and one with Nippon Zenyaku Kogyo Co. Ltd for Paccal® Vet in Japan (for more information, see the section "Material agreements" in the chapter "Legal information and supplementary information"). If important partnerships cannot be concluded, are terminated or prove unsatisfactory this could negatively affect the Company's continued performance, growth and financial position.

Onerous contract provisions

The licensing and distribution agreements that the Company has concluded with Orion Corporation ("Orion") for Paclical® and Paccal® Vet contain certain onerous provisions that could have a negative impact on the Company's growth and financial position.

Under the agreement for Paclical®, the Company may become liable for repayment in relation to milestone payments that have already been paid (MEUR 2.0) and forced to make payment to Orion if the Company does not apply for a marketing license in accordance with the timetable annexed to the agreement (no later than June 2011) and Orion chooses

to terminate the agreement on these grounds. Such repayment liability may amount to MEUR 1.0. There is currently no reason to assume that it will not be possible to submit such application according to the timetable. Orion also has the right to terminate the agreement in the event that marketing approval has not been obtained before the end of the third quarter of 2011.

Under the agreement for Paccal® Vet, the Company may become liable for repayment in relation to milestone payments that have already been paid (MEUR 4.0) and forced to make payment to Orion if the Company does not apply for and obtain a marketing license in accordance with the timetable annexed to the agreement (before the end of 2010 and 30 June 2011, respectively) and Orion chooses to terminate the agreement on these grounds. Such repayment liability may amount to MEUR 2.025 in total. There is currently no reason to assume that it will not be possible to submit such application according to the timetable.

Furthermore, Orion has the right to terminate the agreements on other grounds, for instance if a marketing license is revoked or if it is no longer commercially possible for Orion to complete the agreements. Orion also has the right to royalties of five per cent of net sales of Paccal® Vet in the territory if the Company cancels the exclusivity under the agreement because Orion has not achieved the contracted purchase levels.

The Company expects that applications for marketing licenses for Paccal® Vet and Paclical® will be submitted to the European Medicines Agency in the second half of 2010 and first half of 2011, respectively.

As regards the distribution agreement that the Company has concluded with Abbott Laboratories ("Abbott"), this agreement can be terminated at any time by Abbott if it is no longer possible for Abbott to complete the same. Abbott also has a right to repayment of USD 2.0 million of the USD 5.0 million that Abbott has paid to Oasmia in an initial milestone payment under the agreement. Oasmia will be required to make the repayment if it fails to obtain marketing approval in accordance with the agreement by May 1st ,2014. In such case Abbott also has the right to terminate the agreement and automatically receive an exclusive, irrevocable, fully paid and royalty-free license and right to Oasmia's patents, other intellectual property rights and improvements attributable to Paccal® Vet to use, manufacture, sublicense, import and sell the product in the US and Canada.

The distribution agreement with Nippon Zenyaku Kogyo Co. Ltd ("Nippon Zenyaku Kogyo") gives Nippon Zenayku Kogyo Co. Ltd the right to be refunded the MEUR 0.55 Nippon paid in an initial milestone payment in accordance with the agreement. Such a refund shall be made if a market authorization cannot be obtained due to unavoidable circumstances outside of Nippon Zenyaku Kogyo Co. Ltd's control. Furthermore the refund must also be made both for the MEUR 0.55 already paid and the MEUR 0.7 which Nippon Zenyaku Kogyo shall pay when a market authorization is obtained if the company is guilty of an agreement breach leading to a termination of the agreement or negligence making a market authorization impossible or if the product is retracted.

The company is also liable for damages if the product does not measure up to the agreed quality; for instance the company must compensate for all expenses connected to a retraction of the product and hold Nippon Zenyaku Kogyo indemnified for claims directed at them for personal injuries or deaths.

Nippon Zenyaku Kogyo also has the right to, in which case the company cannot make deliveries of the product within three months, ask the company to outsource the production to another manufacturer, decided by both parties, until the company can deliver again.

Nippon Zenyaku also has the right to request that the company deliver production information to a third party to be used for third party manufacture until the company can make deliveries again, as stated above.

For more information on these agreements, see the sections "Material agreements" in the chapter entitled "Legal information and supplementary information".

Accounting of milestone payments

The licensing and distribution agreements that the Company is expected to conclude going forward may contain clauses under which the Company will be liable to repay all or parts of previously received milestone payments if certain criteria

are not met. In case Oasmia deems the risk that the Company will become liable for repayment is non-negligible, it will recognise a provision at the time when the milestone becomes due. This means that a portion of the milestone payment is recognised as a liability in the balance sheet until the risk of repayment liability no longer exists. The licensing and distribution agreements that the Company has concluded contain clauses under which the Company could become liable to repay parts of received milestone payments if certain criteria are not met. The licensing and distribution agreements that the Company is expected to conclude going forward may also contain clauses under which the Company could become liable to repay all or parts of received milestone payments.

If the Company initially deems that the risk that it will incur such repayment liability is negligible the whole milestone payment will be recognised as income, including that portion which it could potentially become liable to repay. In this case no provision is recognised in the balance sheet.

If the Company at a later stage has reason to revise its initial assessment and deems that the risk of repayment is no longer negligible a provision equal to the potential repayment liability is recognised in the balance sheet and the previously recognised revenues are reduced by the same amount.

In case Oasmia initially deems the risk that the Company will become liable for repayment is non-negligible, it will recognise a provision at the time when the milestone becomes due. This means that that portion of the milestone payment which the Company could potentially become required to repay is recognised as a liability in the balance sheet until the risk of repayment no longer exists or repayment is made.

As regards the Company's licensing and distribution agreements with Orion, under which it has received initial milestone payments of EUR 6 million, no provision has been made in the accounts, as the Company has deemed the risk of incurring a repayment liability to negligible. Any repayment liability would be limited to EUR 3.025 million. As regards the Company's distribution agreement with Abbott, under which it received a milestone payment of USD 5 million upon concluding the agreement, the Company has made a provision in the accounts equal to the amount that it could potentially become liable to repay (USD 2 million), as the Company has deemed the risk of incurring such repayment liability as non-negligible. As regards the Company's distribution agreement with Nippon Zenyaku Kogyo, under which it has received an initial milestone payment of EUR 0.55 million, no provision has been made in the accounts, as the Company has deemed the risk of incurring a repayment liability to negligible. Any repayment liability would be limited to the full amount received.

Sales through business partners and profitability

Oasmia's business model is based on sales of the Company's products through major international or regional drug companies with which the Company has concluded or is expected to be able to conclude partnership agreements (see "Partnerships" above). A common provision in such partnership agreements is that the price of the product in the market will be set by Oasmia's business partner. Sales of Oasmia's products, and thus also the Company's revenues, are also dependent on the extent to which these business partners succeed in their efforts to market the products to and penetrate the markets concerned. Another factor is that Oasmia's business model is based on volume production of the Company's products by established contract manufacturers with efficient production systems (see "Production" below).

At the date of the prospectus the Company had not concluded any agreements on production, and the commercial terms and conditions of such agreements are therefore not entirely clear. There is thus uncertainty about the future profitability that the Company may be able to achieve through sales of the Company's drug candidates after these have obtained marketing approval. Generally speaking, there is a risk that the Company's revenues are overstated and that the Company's expected costs are understated.

Unsustainable revenue sources

Oasmia's business and revenue model is based on licensing and distribution agreements which provide for milestone payments. Such milestone payments are expected to be the dominant source of income until Oasmia has obtained marketing approval for one or more of its drug candidates and for a couple of years after that. Although milestone payments are

expected to be a significant and important source of revenue in the short and medium term, they do not constitute a sustainable revenue source. In the longer term Oasmia is therefore dependent on a successful commercialisation and market launch of the Company's drug candidates. There is therefore a risk that the Company's sales and earnings could fluctuate sharply from one period to the next.

Production

The Company's own production facility allows for production up to pilot scale of both development compounds and of the finished product. Full-scale production will be performed by contract manufacturers. Scaling-up and technology transfer have been initiated. The technologies used by the Company are of an industrial standard both for compounds and for the finished product, although they are associated with specific knowledge that has been developed internally in the Company. If it should prove more difficult than expected to scale up the technology, this could delay the implementation of full-scale production and affect the launch times for the Company's drug candidates, which in turn could have a negative impact on the Company's earnings and financial position.

The necessary transfer of technology and knowledge to contract manufacturers prior to and in connection with production also entails a risk of uncontrolled distribution and copying of concepts, methods and processes attributable to the Company's products. Such uncontrolled distribution and copying could damage the Company if it is used for the production of competing drugs or if it is otherwise used commercially without economic compensation for Oasmia. Although Oasmia uses non-disclosure agreements and strives to internally retain knowledge of and control over the most sensitive components in connection with production of the Company's products, there can be no guarantees that uncontrolled distribution and copying will not take place.

In connection with scaling-up the Company will be required to validate full-scale production and submit documentation to the relevant registration agencies (e.g. EMEA and FDA). These agencies must approve the products for the manufacturer selected by the Company. If the documentation is not complete there is a risk that the product launch will be delayed.

Key individuals

Oasmia is dependent on qualified labour to be able to conduct high-quality research and related activities. As Oasmia is expected to expand rapidly over the coming years, the Company will need to recruit a relatively large number of employees in its production and regulatory affairs functions. There is a risk that the Company will not be able to recruit the required number of new qualified staff. There is thus a risk that a shortage of or difficulties in recruiting such labour could have a negative impact on the Company's continued rate of expansion and growth.

Employment contracts and intellectual property rights

The employment contracts of the Company's key individuals contain no provisions stating that any inventions made by and/or other intellectual property rights generated by the key individuals shall belong to the Company. Nor do they contain any non-competition or non-solicitation clauses for the key individuals after termination of their employment. This circumstance constitutes a risk that could have a negative impact on the Company if any of the Company's key individuals were to leave the Company and choose to commit themselves to a competing business.

Influence in subsidiaries

Oasmia owns 51 per cent of GlucoGene Pharma AB and is therefore not able to make decisions requiring a qualified majority without the consent of the other owners. The other owners comprise five persons.

FINANCIAL RISKS

Exchange rate sensitivity

In the financial year 2009/2010 Oasmia had a net exposure to the US dollar, as the Company's revenues in this currency exceeded its expenses. Going forward the Company is also expected to have a net exposure to the euro (for more information, see the section "Exchange rate sensitivity" in the chapter entitled "Comments on financial performance"). As these net exposures remain unhedged, fluctuations in the EUR/SEK and USD/SEK exchange rates could have a negative impact on the Company's earnings and financial position.

A strong euro also creates a less favourable environment for parallel imports of pharmaceuticals.

Tax

Due to the transition to IFRS and the incorrect application of previous accounting policies, the annual accounts for the financial year 2007/08 contain certain adjustments/corrections. In accordance with a statement from the Swedish Tax Agency (2000:1), adjustments occasioned by a change of accounting policy must be made in the income year in which the restatement appears in the accounts. The Company has made such a correction in its income tax return submitted in 2009. The tax adjustment is SEK 40.4 million, which means that Oasmia's tax loss, as stated in the submitted tax return, is SEK 70.5 million. However, it cannot be guaranteed that the accounting policies, amounts or tax consequence relating to the adjustment are correct, which means that the tax loss in Oasmia could be a different amount than that reported by the Company.

Funding

Although the Board of Directors deems that the Company has sufficient capital for the coming twelve-month period in view of the adopted development and registration plan, which during this period is primarily focused on continued development of Paccal® Vet and Paclical®, further capital will be required for continued studies relating to the Company's other drug candidates. As the Company is planning to only continue such studies if and when any funding becomes available through received licensing and/or milestone payments under new or existing licensing and distribution agreements, the timetable for the Company's other drug candidates could be delayed and any revenues deferred, which would have a negative impact on the Company's earnings and financial position.

Nor can it be excluded that the Company, in order to secure its future capital requirements, will make use of its existing credit facility provided by the main owner Oasmia S.A. or seek other funding opportunities, including loan or equity capital. However, there are no guarantees that Oasmia S.A. will be able to fulfil its undertakings under the agreed credit facility since the assets pledged by Oasmia S.A to third party (Banque Carnegie Luxembourg S.A) does not give Oasmia S.A unconditional rights to the corresponding credit amount (for more information, see "Financial transactions with related parties" in the chapter "Legal information and supplementary information"). There is also no assurance that such other funding can be procured from time to time or that the terms and conditions for financing are acceptable to the Company and its shareholders. For instance, an offering of shares in the Company could dilute the existing shareholders, especially if such shareholders are resident or domiciled in another country than Sweden where the rules applicable in the jurisdiction concerned provide for further registration measures than those which the Company can reasonably take in connection with a potential offer to subscribe for shares.

Concentration of ownership

The Company's largest owner is the holding company Oasmia S.A. Through its shareholding, which represents a stake of 64.1 per cent, Oasmia S.A. can exercise a significant influence over key decisions requiring approval from the shareholders, including the appointment of and dismissal of Board Directors, proposals for mergers, consolidation or the sale of all or virtually all of the Company's assets. Oasmia S.A. can also prevent or obstruct a public takeover bid for the Company and/or take other measures that could adversely affect the value of the Company's shares.

Dividends

The Company has not yet paid any dividends. As Oasmia will over the next few years be in a phase where the Company's product portfolio is developed, any excess capital will be invested in the business. As a result, the Board of Directors does not intend to propose that a dividend be paid for the current year or commit itself to a fixed dividend payout ratio. If Oasmia's cash flow from operating activities subsequently increases and exceeds the Company's capital requirements the Board intends to propose that the general shareholders' meeting approve the payment of dividends. However, there can

be no guarantees either that future cash flows will exceed the Company's capital requirements or that the general shareholders' meeting will approve the payment of future dividends.

RISKS RELATED TO SECURITIES

Trading in the Company's shares

The Company's shares are currently listed on NGM Equity. The Company has applied for listing on the main list of NASDAQ OMX Stockholm and concluded an agreement with E. Öhman J:or Fondkommission AB under which the latter will act as liquidity provider to reduce the spread between buy and sell prices and promote trading in the shares. However, it is difficult to predict the strength of interest in the Company's shares in the event of a change of marketplace. If it is not possible to achieve liquid trading or if such trading is not sustained this could make it difficult for shareholders to sell their shares. The expiry of the liquidity provision agreement could reduce the liquidity of the shares.

Background and reasons

Oasmia's origins are in a research project from the early 1990s. By chance, research into the natural aging and death of the cell resulted in the discovery of a new and unique excipient that currently constitutes the Company's nanotechnological platform, XR-17. The company name was registered in 1999 with the aim of commercialising and exploiting the discoveries in the form of new pharmaceutical drugs. Then as now great importance was attached to developing patented drugs based on identified clinical needs.

In 2000 the Company was established in Uppsala and the research activities were focused on cancer drugs, where significant development opportunities had been identified for several compounds. In 2004 and 2005 the first clinical trials were initiated for two very promising drug candidates: Paclical® and Paccal® Vet. The Company's priority indications are ovarian cancer for Paclical® and mastocytoma for Paccal® Vet.

The Company's research and development activities have continued to evolve in a positive direction. In 2006 Oasmia was assigned SME status by EMEA and Paclical® received orphan drug status designation for treatment of ovarian cancer in the EU. In 2007 and 2008 Paccal® Vet and Paclical® entered clinical phase III. In 2009 Oasmia received orphan drug designation from the FDA for Paclical® for the ovarian cancer indication. Oasmia also received MUMS designation1 from the FDA for Paccal® Vet for the indication mastocytoma grade II and III in dogs. In February 2010 the last patient received treatment in the phase III study with Paccal® Vet. The preliminary results from the study point to a significantly improved clinical effect compared with the control group, who were treated with the active control compound lomustine. Paccal® Vet is expected to be approved for marketing in the US and EU in the second half of 2010. Paclical® is expected to be approved for marketing in the EU before the end of the third quarter of 2011 and in the US in 2012.

The key milestones are the licensing and distribution agreements that Oasmia has concluded with Orion Corporation of Finland and Abbott Laboratories of the US. Total license revenues under these agreements are limited to MEUR 14.25 and MUSD 19.0, respectively, plus royalties that Oasmia would receive in the event of future sales of Paclical® in the Nordic region and Paccal® Vet in most of Europe, the US and Canada. In April 2010 Oasmia concluded a distribution agreement with Nippon Zenyaku Kogyo Co. Ltd. Total license revenues under this agreement are MEUR 3.25 plus royalties on any and all future sales of Paccal® Vet in Japan.

Oasmia's shares were listed on NGM Nordic MTF in 2005. In September 2007 Oasmia switched marketplace to NGM Equity. As Oasmia has continued to perform strongly, a need for a more adequate marketplace has emerged.

To increase interest in the Company, improve liquidity and thereby achieve a more efficient pricing of the shares, and to attract new categories of shareholders, Oasmia has since applied for listing on the main list of NASDAQ OMX Stockholm. The first day of trading in Oasmia's shares on NASDAQ OMX Stockholm is expected to be June 24th, 2010.

The Board of Directors is responsible for the content of this prospectus. It is hereby affirmed that the Board has taken all reasonable precautions to ensure that the information contained in the prospectus, to the best knowledge of the Board, complies with actual circumstances and that nothing has been omitted that could affect the picture of the Company given in the prospectus.

Uppsala, June 17th, 2010
Oasmia Pharmaceutical AB (publ)
The Board of Directors

[1]For more information on MUMS designation (Minor Uses and Minor Species), see the section "Veterinary medicine" in the chapter entitled "Oasmia's product portfolio".

Market

THE ONCOLOGY MARKET

Cancer is a disease that afflicts millions of people around the world every year and that due to its complexity poses a special challenge in medical research. Cancer is treated by surgery, radiotherapy, cytostatics (chemotherapy) or immunohormonal drugs. The most desirable option is to remove all tumour tissue by surgery. However, this can be difficult and in some cases impossible if the disease has spread to surrounding tissues or other organs. Cancer treatment has gradually been developed and improved while improved diagnostics have led to the discovery of more cases of cancer at an early stage, when it is easier to treat. One example of this is that relative five-year survival for Swedish men has doubled in 30 years, from 30 to 60 per cent. For women the same survival rate has increased from 42 to 64 per cent.[1] However, there are still needs that are not being met by existing drugs. For example, the effectiveness of drugs in treating certain types of refractory cancer indications, such as tumours of the lung, pancreas and kidney, is still low. The latest addition to cancer treatments is the use of targeted drugs in combination with cytostatics to achieve the best effect.

In 2007 the five most common forms of cancer in the world were lung cancer, breast cancer (in women), colorectal cancer (colon and rectum), stomach cancer and prostate cancer.[2]

The oncology market can be divided into medicine, care and diagnostics. The medicine area comprises cytostatics, targeted drugs and immunohormonal drugs. All of Oasmia's drug candidates are in the largest drug segment, cytostatics. Oasmia's two primary drug candidates in terms of expected time to market registration are both based on the taxane[3] paclitaxel.

Underlying causes of cancer

It is believed that between five and ten per cent of all cases of cancer are due to hereditary factors but it is never possible to unequivocally determine the cause in any individual case. A number of other risk factors linked to cancer development are known, of which the most significant is smoking. Other general risk factors thought to contribute to cancer include high alcohol consumption, unhealthy diets, obesity and insufficient exercise. For certain cancer diseases there are special risk factors. Exposure to the sun, for instance, increases the risk of malignant melanoma. The risk of contracting cancer increases sharply after the age of 45. More than 60 per cent of all those diagnosed with cancer in Sweden in 2007 were 65 years or older. The reason for this is partly that damage to cellular DNA increases with age, and that the cells' ability to prevent and repair this damage declines as the tissue grows older. An increased risk of cancer is thus an inescapable part of the human process of aging.[4]

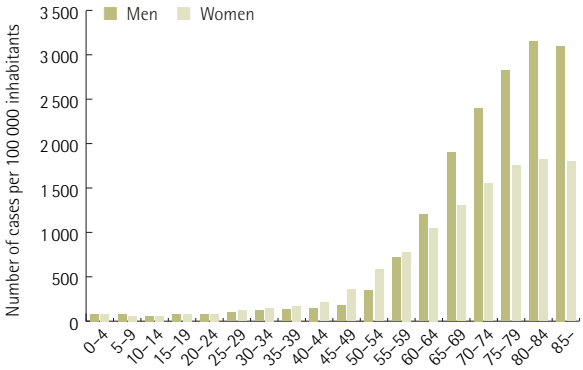
MARKET – HUMAN

In 2007 about 7.6 million people died of cancer globally, and this figure is expected to rise to between 13 and 17 million by 2030.[5] In the US about 25 per cent of all deaths are due to cancer, making cancer the second most common cause of death after heart disease.[6]

Globally, the incidence of cancer[7] in 2008 was estimated at 12.4 million.[8] In Europe the cancer incidence in 2006 was about 3.2 million, which was an increase by 300,000 from 2004.[9] In 2007 over 50,000 new cases of cancer were diagnosed in Sweden, which means that the rate has increased by 1.7 per cent annually over the last 20 years. In Sweden, as well as in Europe, the increase in the number of cancer cases is largely due to the aging of the population.[10] In 2009 about 520 million people, or 7.7 per cent of the global population, were aged 65 or over. This figure is expected to increase to approximately 722 million people, or 9.6 per cent of the global population, by 2020.[11]

[1] Cancerfondsrapporten 2007, Swedish Cancer Society.
[2] Cancerfondsrapporten 2009, Swedish Cancer Society.
[3] A group of chemicals originally derived from the yew tree.
[4] Cancer i siffror 2009, Swedish National Board of Health and Welfare and Swedish Cancer Society.
[5] WHO, International Agency for Research on Cancer, World Cancer Report 2008.
[6] American Cancer Society, 2006.
[7] Number of new cases of cancer diagnosed during the year.
[8] WHO, International Agency for Research on Cancer, World Cancer Report 2008.
[9] Cancerfondsrapporten 2007, Swedish Cancer Society.
[10] Cancer i siffror 2009, Swedish National Board of Health and Welfare and Swedish Cancer Society.
[11] U.S. Census Bureau.

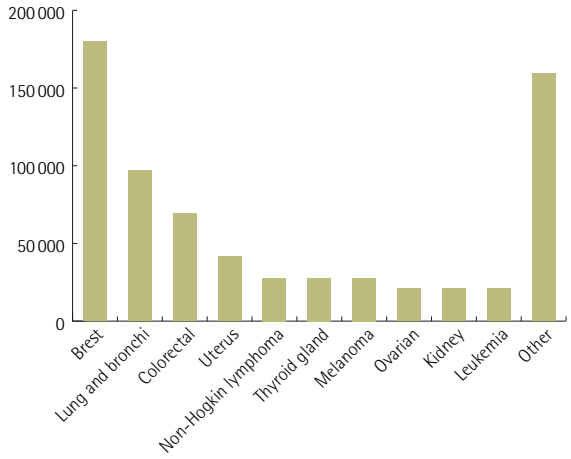
Cancer in Sweden by 5-year categories



Source: Cancer i siffror 2009, Swedish National Board of Health and Welfare and Swedish Cancer Society.

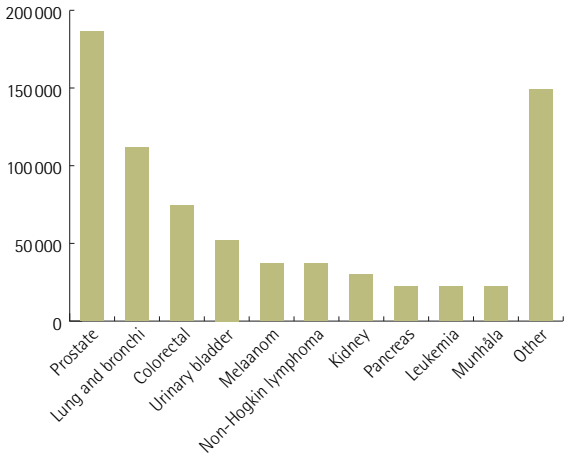
In 2008 about 1.4 million people in the US were diagnosed with cancer. Of these, 750,000 were men and 690,000 women. About 21,000 people, representing three per cent of the affected women, were diagnosed with ovarian cancer. Statistical calculations indicate that one out of every 71 American women will develop ovarian cancer during their lifetime.[1] In 2002 204,000 new cases of ovarian cancer were diagnosed globally.[2]

Cancer incidence in women in 2008, USA



Source: American Cancer Society, 2008.

Cancer incidence in men in 2008, USA

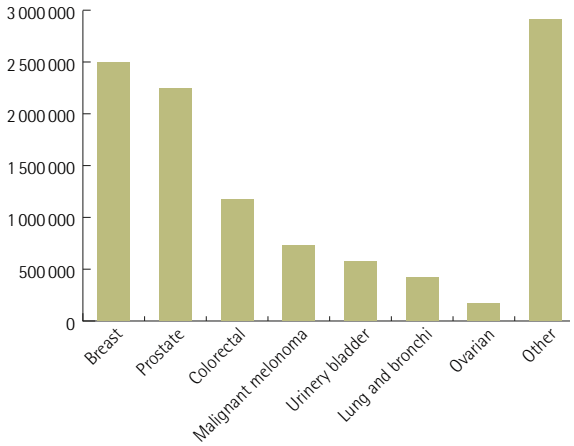


Source: American Cancer Society, 2008..

In 2005 cancer prevalence in the US was about 10.7 million, which means that 10.7 million people in the US had had or were carrying one or several tumours at that time. The largest indications were breast cancer, prostate cancer and colorectal cancer, which together accounted for about 55 per cent of the prevalence figure. Out of the total prevalence, about 170,000 cases referred to ovarian cancer.[3] In 2005 five-year cancer prevalence in Japan was about 1.8 million. The largest indications, colorectal cancer, stomach cancer and breast cancer, accounted for about 49 per cent of the prevalence figure.[4] In 2007 the prevalence of cancer in Sweden was 385,000, of which about 8,000 cases referred to ovarian cancer.[5]

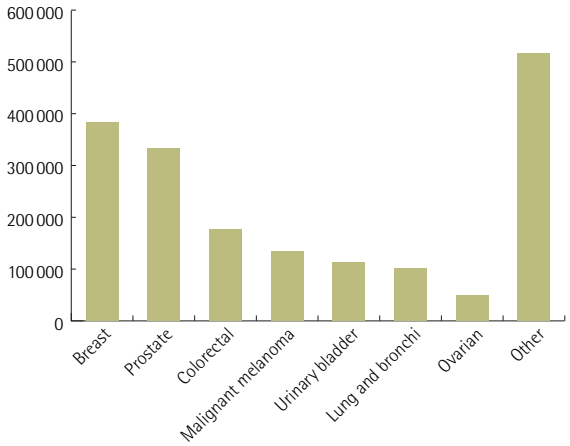
[1] American Cancer Society, 2008.
[2] World Cancer Report 2008, International Agency for Research on Cancer, WHO.
[3] SEER Cancer Statistics Review 1975–2005, National Cancer Institute.
[4] Cancer Statistics in Japan '07.
[5] Cancer i siffror 2009, Swedish National Board of Health and Welfare and Swedish Cancer Society.

Cancer prevalence 2005, USA



Source: SEER Cancer Statistics Review 1975–2005, National Cancer Institute.

Five-year cancer prevalence in 2005, Japan

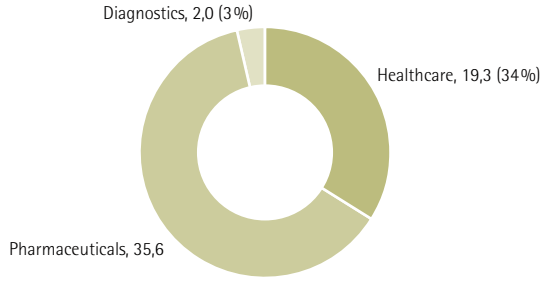


Source: Cancer Statistics in Japan '07.

Market size

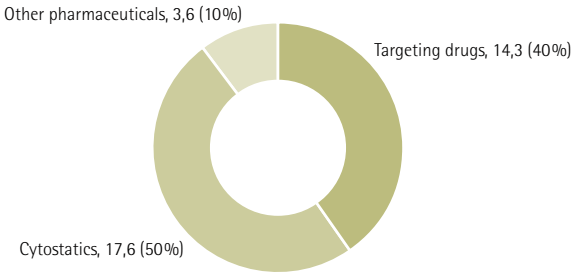
In 2006 the global oncology market was worth about USD 57 billion, of which about USD 36 billion referred to drugs, USD 19 billion to care and about USD 2 billion to diagnostics. The oncology market is expected to grow by an average of 11 per cent a year, which is about twice as fast as the rest of the pharmaceutical sector, and be worth about USD 92 billion in 2011. The main sources of growth are expected to be an increasing incidence of cancer, higher treatment costs and wider opportunities for treatment. In 2006 cytostatics accounted for about 50 per cent, or about USD 18 billion, of total turnover in the pharmaceutical segment.[1]

Global oncology market turnover by category in 2006, USD billions



Source: Up or out in oncology, Bionest Partners, 2nd edition, 2007.

Global pharmaceutical market turnover by segment in 2006, USD billions



Source: Up or out in oncology, Bionest Partners, 2nd edition, 2007.

Taxanes

Currently two taxanes are used in treating cancer: paclitaxel and docetaxel.

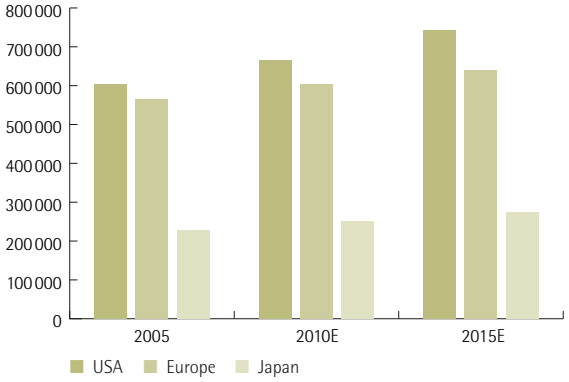
[1] Up or out in oncology, Bionest Partners, 2:nd edition, 2007; American Cancer Society, 2008.

		Year of registration			Expected year for introduction of generics		
Active compound	**Brand (Company)**	**USA**	**EU-5**	**Japan**	**USA**	**EU-5**	**Japan**
Paclitaxel	Taxol® (Bristol-Myers Squibb), generics	1992	1995	1997	Exist	Exist	Exist
Docetaxel	Taxotere® (Sanofi-Aventis)	1996	1996	1996	2010	2010	2012
Nanoparticle paclitaxel	Abraxane® (Abraxis/AstraZeneca)	2005	2008	-	2013	-	-

Paclitaxel and docetaxel are used in treating several indications while nanoparticle paclitaxel is only approved for metastatic breast cancer. Paclitaxel compounds have long belonged to the primary treatment alternatives for cancer of the ovaries, breast and lung (non-small cell lung carcinoma/NSCLC). Paclitaxel has been used in combination with other cytostatics (cisplatin and carboplatin) in treating ovarian and lung cancer where the tumour has spread and has been deemed to be very hard to treat. Both paclitaxel and docetaxel have been used successfully in treating malignant breast cancer.

The widespread use of paclitaxel and docetaxel is due to the wide range of indications and a well documented effectiveness and side effect profile. The patent on Taxol® (paclitaxel) has expired, and there are now several cheaper generic substitutes in the market. The patent on Taxotere® (docetaxel) for the US and EU will expire in 2010, which means that generics are expected to be introduced in the market also for this drug. Abraxane® (nanoparticle paclitaxel), the first Cremophor-free paclitaxel drug, has succeeded in capturing a significant share of the paclitaxel market in the US for second-line treatment of[1] of breast cancer. The success of Abraxane® is to a large extent due to the absence of Cremophor® EL, which results in a better effect and lower toxicity and requires no premedication. Abraxane® was registered in the EU market in early 2008.

Incidence of cancer that is treatable with taxane-based drugs, 2005–2015E

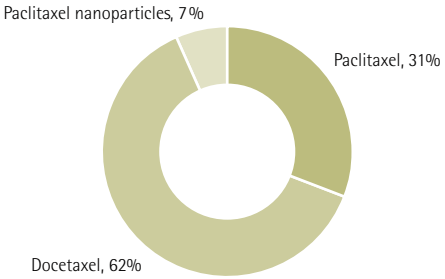


Source: Taxanes, Onco Study No. 8, Decision Resources Inc, 2007. (The included cancer types are: breast cancer, NSCLC, prostate cancer, cancer of the head and neck, stomach cancer and ovarian cancer.)

In 2005 the total market for taxanes in the US, EU-5 and Japan was worth about USD 2,080 million. It is estimated that taxane drugs for the ovarian cancer indication worth USD 238 million were sold in 2005, a figure that is expected to fall to USD 192 million by 2015 as generic preparations capture a growing share of the market and push down the average price. The great majority of all cytostatic treatments of ovarian cancer are performed using paclitaxel, as this is the only approved taxane for this indication.[2]

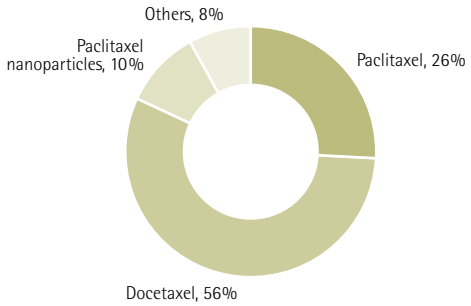
[1] Second-line treatment is the name of the additional treatment given when previous cytostatic treatment has not achieved the desired results.
[2] Taxanes, Onco Study No. 8, Decision Resources Inc, 2007.

Market share (USA, EU-5 and Japan), 2005



Source: Taxanes, Onco Study No. 8, Decision Resources Inc, 2007. (The included cancer types are: breast cancer, NSCLC, prostate cancer, cancer of the head and neck, stomach cancer and ovarian cancer.)

Market share (USA, EU-5 and Japan), 2015E



Source: Taxanes, Onco Study No. 8, Decision Resources Inc, 2007. (The included cancer types are: breast cancer, NSCLC, prostate cancer, cancer of the head and neck, stomach cancer and ovarian cancer.)

Competitive situation

Competition in taxanes is stiff and comprises Taxol® (Bristol-Myers Squibb), Taxotere® (Sanofi-Aventis), Abraxane® (Abraxis/AstraZeneca), and paclitaxel-based generic drugs. New Cremophor-free paclitaxel products will need to display clear product advantages in order to capture market share. The biggest clinical need is to demonstrate increased survival but a milder side effect profile would probably also result in a higher market share.

The established brands are marketed and sold by multinational drug companies with significant resources. Bristol-Myers Squibb is a US drug company (biopharmaceuticals) with about 30,000 employees. In 2009 Bristol-Myers Squibb generated sales of USD 18.8 billion and spent USD 3.6 billion on research and development.[1] Sanofi-Aventis is a French drug company with about 100,000 employees in over 100 countries. In 2009 Sanofi-Aventis generated sales of EUR 29.3 billion and spent EUR 4.6 billion on research and development.[2] Abraxis is a US biotechnology company which generated sales of USD 359 million in 2009[3]. AstraZeneca is a UK drug company with about 65,000 employees in over 100 countries. In 2009 AstraZeneca generated sales of USD 32.8 billion and spent USD 4.4 billion on research and development.[4]

Pricing

For drugs intended for human the price is set through a procedure where the drug company that will be marketing the product applies for a price from the regulator in the market concerned. Although the procedure differs from one geographic market to another, the application is generally based on a health-economic evaluation. The price is set with regard to criteria such as competition from other drugs (unicity), treatment results, cost-effectiveness and the extent to which the drug affects the patient's quality of life.

MARKET – VETERINARY

It is estimated that there are about 140 million dogs in total in the US, EU and Japan.[5] In these countries the number of dogs and cats is growing considerably faster than the human population. A key reason for this increase in the number of small pets is thought to be social in nature, as there is a growing ratio of single households, partly because people are getting married ever later in life and partly due to an increase in the number of divorces.

As family structures change and an increasingly affluent middle class emerges, pet owners' economic willingness to invest in their pets' health and future increases. This is leading to an increasing humanisation of the animals, which is becoming

[1] Bristol-Myers Squibb, Fourth Quarter Earnings 2009 Results.
[2] Sanofi-Aventis, Annual Results 2009.
[3] Abraxis BioScience, Form 10-K.
[4] AstraZeneca, Year End Statement for the Fourth Quarter and January–December 2009.
[5] Tuft University E-news, Nick Dodman 2009.

ever more clearer in countries where economic development goes hand-in-hand with accelerating urbanisation. Another important factor in this context is that many diseases in pets that have previously not been seen as treatable, for animal-ethical as well as medical reasons, now have a completely different prognosis.

The genetic make-up of a dog is very similar to that of a human being, and virtually the same tumours that are found in humans are also found in dogs. In recent years researchers have therefore increasingly used dogs as tumour models. As in humans, the frequency of cancer in dogs increases with age. It is estimated that 40 to 50 per cent of dogs aged eight or over will develop cancer. The treatments applied are surgery, drugs (including cytostatics) and in some cases radiotherapy. A drawback of cytostatic treatment is that there has been no registered cytostatic for treating cancer in dogs or other pets in the market, and drugs intended for humans have therefore been used. It is thought that in the US alone there are 300,000–500,000 treatable dogs for which cytostatic treatment is an alternative.[1] Based on the incidence of cancer in dogs and a current average price for surgical, radiotherapy or drug treatment of cancer in dogs of USD 4,000–4,500, Oasmia estimates that the potential annual global market will be worth USD 500–700 million within three to five years of the launch.[2]

Competitive situation

The competitive situation in the veterinary market is largely untested and therefore hard to assess as regards cancer drugs. There are currently two registered cancer drugs for treatment of dogs, Masivet® (AB Science), which was registered by EMEA in November 2008, and Palladia™ (Pfizer), which was registered by the FDA in June 2009. Masivet® is sold in the European market and Palladia™ is sold in the US market. Both Masivet® and Palladia™ have been registered for the mastocytoma indication. As the first registered drugs for the mastocytoma indication in their respective markets, Masivet® and Palladia™, may achieve a certain competitive advantage over Oasmia's drug candidate for the same indication, Paccal® Vet. Key factors in this context

[1] 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 the Company's own market research.

[2] The estimate is based on data from drug companies with which Oasmia has conducted discussions on licensing and distribution agreements. The estimate include spill-over effects, i.e. the possibility of using the drug for treatment of additional indications.

Market potential for Paccal® Vet

US market	Market potential (no. of dogs)[1]	Market potential,(%)[1]	Market potential, (no. of dogs)[2]	Market potential,(%)[2]
Total number of dogs	73,900,000	100	73,900,000	100
Number of dogs diagnosed with cancer per year[3]	1,000,000	1.40	1,000,000	1.40
Number of dogs diagnosed with skin cancer per year	525,000	0.71	332,550	0.45
of which, mastocytoma grade I	184,750	0.25	69,836	0.10
of which, mastocytoma grade II & III	110,850	0.15	41,901	0.06
Number of dogs that are treatable with Paccal® Vet[4]	465,500	0.63	300,000	0.41

EU market	Market potential (no. of dogs)[1]	Market potential,(%)[1]	Market potential, (no. of dogs)[2]	Market potential,(%)[2]
Total number of dogs	56,000,000	100	56,000,000	100
Number of dogs diagnosed with cancer per year[3]	784,000	1.4	784,000	1.40
Number of dogs diagnosed with skin cancer per year	397,600	0.71	252,000	0.45
of which, mastocytoma grade I	140,000	0.25	56,000	0.10
of which, mastocytoma grade II & III	84,000	0.15	33,600	0.06
Number of dogs that are treatable with Paccal® Vet[4]	352,800	0.63	229,600	0.41

[1] Market potential based on market research (Oasmia Pharmaceutical AB).
[2] 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).
[3] Paoloni M Khanna C. Translation of new cancer treatments from pet dogs to humans Nat Rev Cancer 2008 Feb; 8(2):147–56; figures for the EU have been extrapolated from the US population.
[4] It is expected that it will be possible to use Paccal® Vet for treating other indications than mastocytoma grade I and II through "off-label use". Other common forms of tumour in addition to mastocytoma are lymphoma mammary tumours tumours of the urinary bladder tumours of the nervous system (the brain) osteosarcoma (bone tumour) soft tissue sarcoma and stomach and intestinal tumours. Other rare forms of cancer include lung cancer and pancreatic cancer. (Withrow S J and D M Vail (Eds) Small Animal Clinical Oncology 4th ed. 2007 Saunders Elsevier Missouri US.)

are the products' relative effect, side effect profile and price. It should be pointed out that Paccal® Vet contains paclitaxel, which is a classic cytostatic and mytotic inhibitor while both Masivet® and Palladia™ belong to a class called tyrosine kinase inhibitors (TKI).

In clinical studies Masivet® and Palladia™ have be tested against placebo in treating mastocytoma in dogs. The study with Masivet® showed no difference in response compared with placebo, although it did take longer before the tumours increased in size in the studied population (progression-free survival). The study with Palladia™ showed a better response. Compared with the classic treatment for mastocytoma in dogs using steroids (cortisone), Masivet® and Palladia™ have showed an inferior or comparable response. TKI preparations display a significantly weaker effect on tumours that do not display a particular mutation, which only occurs in about a third of all dogs with mastocytoma. Treatment with TKIs is recommended only in cases where this mutation occurs. Paclitaxel, which is the active compound in Paccal® Vet, has an effect regardless of the occurrence of this mutation. Paccal® Vet is thus expected to have a wider application and display a higher response rate than Masivet® and Palladia™. In the ongoing clinical studies Paccal® Vet is being compared with a registered drug for cancer treatment (active control) that is currently used by veterinary surgeons in treating mastocytoma. A positive effect on response rates would thus provide

more information on actual clinical benefits, compared with a placebo study.

AB Science is a French biopharmaceuticals company whose only registered product at present is Masivet®. Pfizer is a US drug company with significant resources and about 90,000 employees. In 2009 Pfizer generated sales of USD 50.0 billion and spent USD 7.7 billion on research and development.3

Other treatment alternatives comprise surgery, medication and human cytostatics and in certain cases radiotherapy. It is possible that these treatments will continue to be used, although the extent of this competition will probably be limited. The reasons are that a cancer drug which has been registered specifically for dogs has been documented with regard to dosage and effect and side effect profile. This carries a significantly lower risk of negative and unforeseen side effects as well as a markedly increased chance that the treatment will prove successful. In the EU the use of human cytostatic in animals is permitted only in cases where no approved veterinary treatment exists. This is a clear competitive advantage for veterinary-specific cancer drugs.

Pricing

Unlike drugs for the human market, prices of veterinary drugs can be set freely.

The pricing situation is hard to assess at the moment, as only Masivet® is available in the market. The cost of medicine for a typical patient weighing 30 kg (e.g. a Golden Retriever) in treatment with Masivet® is about SEK 5,000 per month. This cost does not include visits to veterinary surgeons for the purpose of checking that the dose is correct and that no unacceptable side effects occur. As treatment with tyrosine kinase inhibitors must be continued throughout the patient's lifetime to ensure that any effect is maintained, it is not possible to calculate the cost of a complete treatment. The cost of cytostatic treatment (for instance with Paccal® Vet) is easier to assess for the owner of the animal, as the regime applies to a limited treatment period of four treatments at three-week intervals.

MARKET DRIVERS

The following driving forces are deemed to be particularly important for the Company's primary market, the market for cytostatics:

An aging population

Age and cancer frequency have a positive correlation, which means that the number of cancer patients will increase as the average age of the world's population continues to increase.

Improved diagnostics

Improved diagnostics refers to the ability to identify cancer at an earlier stage of the disease progression than has previously been possible. As a result, the number of patients is increasing while the period of treatment is extended. This also means that more cycles of cytostatic treatment will be needed, resulting in an increased use of cytostatics in healthcare.

Increased cancer incidence

On a global basis the number of cases of cancer is increasing, even after adjusting for the increase that is attributable to an aging population.

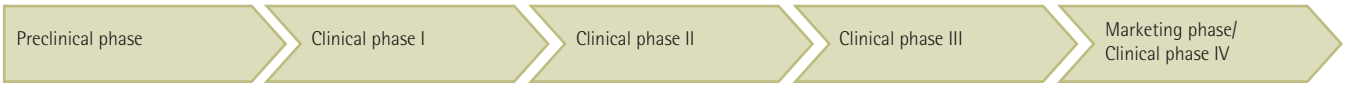
Continued development of existing cancer drugs

Cytostatics are effective in treatment of cancer. Unfortunately, because of side effects linked to cytostatics it is not possible to administer the optimal dose. New formulations of existing drugs are being developed with the aim of maximising the effects of cytostatics in relation to the side effects in order to better meet existing patient needs.

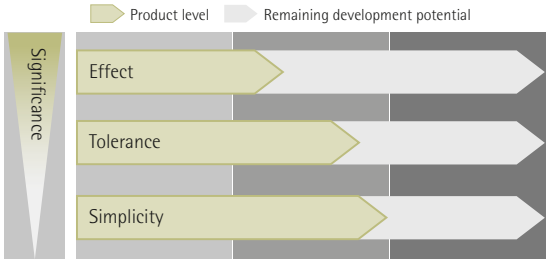
[1] Pfizer, Performance Report – Fourth Quarter 2009; www.ab-science.com.

NEW DRUGS – THE ROAD TO MARKETING APPROVAL

Schematic illustration of drug development phases



Knowledge levels and remaining development opportunities for taxane-based cancer treatment



Source: Taxanes, Onco Study No. 8, Decision Resources Inc, 2007.

Preclinical phase

In the preclinical phase researchers experimentally examine, initially on tissues and cell cultures, whether the compound has the potential to be used in the intended therapy. Toxicological studies are performed on animals to assess an appropriate safe dosage and discover any damaging effects in the new compound before it is administered in humans. Pharmacokinetic studies are conducted to determine what happens to the compound in the patient's body with regard to absorption, distribution, metabolism and secretion. The optimal dosage form is also studied. A patent application is submitted as early as possible to protect the drug candidate.

Rough probability that a drug candidate will successfully complete the preclinical phase: 20 per cent[1].

Clinical phase I

In phase I the drug is tested in humans for the first time, which requires approval from the drug regulator based on documentation from the preclinical studies and the plan for the study at hand. The trial group normally consists of healthy individuals but exceptions are made under certain circumstances. The study covers safety, tolerance, pharmacokinetics and pharmacodynamics (for instance, the drug's effect on blood pressure). The maximum tolerated dose is determined during this phase.

Rough probability that a drug candidate will successfully complete phase I: 31 per cent[1].

Clinical phase II

Once the safety of the compound has been confirmed by phase I studies, phase II studies are conducted in patients with the indication concerned. The phase II study is designed to demonstrate the effect of the drug and also to obtain more documentation on safety and tolerance.

Rough probability that a drug candidate will successfully complete phase II: 46 per cent[1].

Clinical phase III

In the phase III study the drug is compared with other drugs for treating the same indication or, if no such drugs exist, with placebo. The goal is to demonstrate an equal or better effect. Supplementary studies are also conducted in respect of safety, tolerance, etc. Upon completion of the phase III studies, the documentation from the clinical studies is compiled in a market registration application, which is submitted to the drug regulators in the countries concerned.

Rough probability that a drug candidate will successfully complete phase III: 56 per cent[1].

Marketing phase

Once the drug has been approved and registered it can be launched in the market and start to be used commercially.

Clinical phase IV

Phase IV studies can be conducted after the drug has been introduced in the market in order to obtain more detailed knowledge about the effect and safety profile of the product and to study possible new indications.

[1] The current state of innovation in the pharmaceutical industry, CRA International, June 2008. Probability figures refer to 2004.

Description of the business

THE COMPANY IN BRIEF

Oasmia develops a new generation of drugs with a focus on human and veterinary oncology. The Company's principal activities are aimed at extending the life cycles of existing drugs by producing new formulations that improve the characteristics of the drug and/or expand its area of application. In-house research in bio-organic chemistry constitutes the foundation for the Company's ambitious goals. Apart from its strategic focus on oncology, the Company conducts some basic research in therapy areas like infection, asthma and neurology. In addition to its research and development activities, the Company is also a parallel importer of pharmaceutical drugs, which are sold in the Swedish market.[1]

HISTORY

Oasmia's origins go back to a research project in the early 1990s that centred on the aging of human cells. The research included studies of the impact of retinoids on the cell cycle. By chance, the researchers discovered that a combination of two different retinoids formed a molecular complex which displayed excellent properties for dissolving substances. In 1999, after a few more years' research, the current company name was registered with the aim of commercialising and exploiting the discoveries in the form of new drugs.

In 2000 the Company was established in Uppsala and valuable contacts with universities, hospitals, government agencies and other companies were established. Oasmia decided to focus on cancer drugs where good development opportunities for several compounds had been identified.

In 2004 and 2005 the first clinical trials were initiated for two very promising drug candidates: one, Paclical®, is intended for human use and the other, Paccal® Vet, for veterinary use. Oasmia's shares were listed on NGM Nordic MTF in 2005.

In 2006 Oasmia initiated its parallel import business through Qdoxx Pharma AB. In 2006 Oasmia received SME status from EMEA[2] (the European Medicines Agency), which also issued a positive statement concerning continued development of Paclical® as an orphan drug for treatment of ovarian cancer. The Company also acquired 51 per cent of GlucoGene Pharma AB in order to strengthen its existing oncology portfolio.

In 2007 the Company received scientific advice from EMEA that was designed to support the Company in its drug development activities. In autumn 2007 Oasmia switched marketplace from NGM Nordic MTF to NGM Equity. In November 2007 Oasmia concluded a marketing and licensing agreement with Orion Corporation, Finland, for Paclical® in the Nordic region.

In 2007 and 2008 Paccal® Vet and Paclical® entered clinical phase III. Oasmia expanded its marketing and licensing agreement with Orion Corporation for Paccal® Vet to cover most of the European market. The Company currently has six further drug candidates in its project portfolio that have completed the preclinical phase.

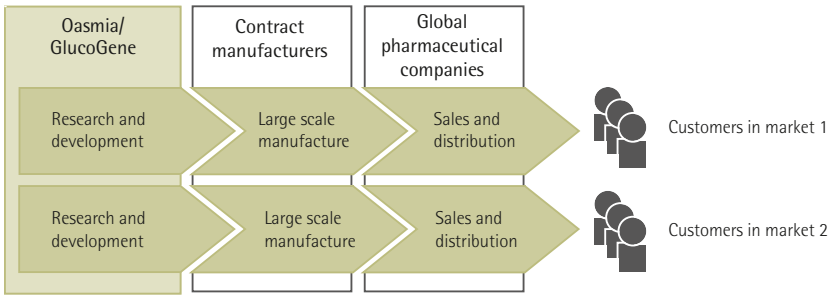
In 2009 Oasmia received orphan drug designation from the FDA for Paclical® for the ovarian cancer indication. Oasmia also received MUMS designation[3] from the FDA for Paccal® Vet for the indication mastocytoma grade II and III in dogs that have not previously received treatment except with cortisone. In 2009 Oasmia closed a licensing and distribution agreement with Abbott Laboratories for the US rights to Paccal® Vet in the US and Canada. In February 2010 the last patient received treatment in the phase III study with Paccal® Vet, and the preliminary results from the study point to a significantly improved clinical effect compared with the control group. In March 2010 the Company initiated clinical phase I/II studies with the drug candidate Doxophos® Vet. In April 2010 Oasmia concluded a distribution agreement with Nippon Zenyaku Kogyo Co. Ltd. for Paccal® Vet in Japan.

BUSINESS CONCEPT

Oasmia's business concept is to develop and license drugs which improve the effect in the treatment of serious diseases in the areas of oncology, infection, asthma and neurology. Licensing creates future value through milestone payments and

[1] The Company is currently not importing any drugs, as the weakening of the Swedish krona has been strongly detrimental to this business.
[2] The receipt of SME status (Small and Medium-sized Enterprises) means that the company is entitled to cost-free advice from the European Medicines Agency for the purpose of facilitating the development of new important drugs.
[3] For more information on MUMS designation (Minor Uses and Minor Species), see the section "Veterinary medicine" in the chapter entitled "Oasmia's product portfolio".

Business model



royalties on sales of pharmaceuticals after marketing approval has been obtained.

GOAL

Oasmia's goal is to improve and facilitate the treatment of serious diseases in order to help improve the quality of life for humans as well as animals. The Company aims to offer both patients and physicians a better choice of therapies, but also to create health-economic benefits for the healthcare sector and society at large. Oasmia's longer-term goal is to become a dedicated pharmaceutical company focused on oncology.

BUSINESS MODEL

Under its adopted business model, Oasmia takes responsibility for all stages of the chain from idea to finished product. The Company's focus is on research and development. Full-scale production capacity is secured through contract manufacturers. For sales and distribution Oasmia licenses rights to global pharmaceutical companies with established channels. Licensing, which takes place once sufficient clinical data has been obtained to enable evaluation of the drug candidate by a third party, gives Oasmia the right to milestone payments and royalties.

Revenue model

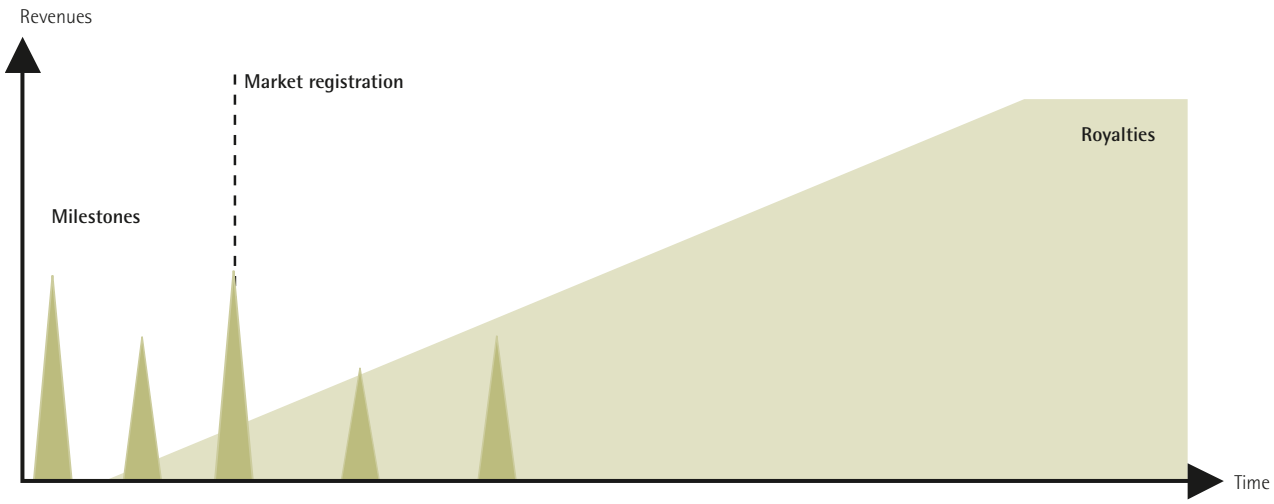
Agreements with licensees for sales and distribution regulate Oasmia's revenue model. The revenue model is based on milestone payments up to market registration and subsequently on royalties on the licensee's net revenues in each geographic market. Milestone payments are expected to be the dominant source of income until Oasmia has obtained marketing approval for one or more of its drug candidates and for a couple of years after that. As milestone payments do not constitute a sustainable source of revenue, Oasmia is in the longer term dependent on a successful commercialisation and market rollout of the Company's drug candidates.

The revenue model also includes certain sales of in-house-developed drugs (before market registration has been obtained). The revenue model has previously included sales of parallel-imported drugs. Due to unfavourable changes in exchange rates, Oasmia has not imported any drugs since January 2009 and this business is currently dormant.

Sales of in-house-developed drugs

Oasmia sells in-house-developed drug candidates before they have obtained marketing approval. This is called named-patient prescription and is permitted in two cases. One is where the buyer is a hospital pharmacy or veterinary clinic where

Revenue model



the Company's clinical trials are being conducted. The other is where the buyer is a treating clinic that has decided to test a drug (in cancer treatment) that has not yet been approved because the registered drugs have not produced the desired results.

Milestone payments
The licensing agreements that Oasmia has concluded generally contain provisions on milestone payments, i.e. payments that the Company receives when certain events occur or specified criteria are met. The criteria for milestone payments can be linked to a wide variety of parameters and the commercial terms and conditions depend partly on which development stage the drug candidate/drug is in, the estimated probability of market registration, the size of the intended market, competing products and market exclusivity. Typically, milestone payments are linked to: the signing of the agreement, achieved targets or implementation of certain steps on the path to market registration (e.g. that phase III studies have been completed, that a significantly higher efficacy has been shown in relation to the study's comparison group, or submission of an application for market registration to the relevant authorities), market registration (in different markets), and achievement of sales targets once the drug has reached the market.

Royalties
Oasmia's in-house-developed drugs will be sold under license through regional or international drug firms, whereby Oasmia will receive payments in the form of royalties, i.e. a share of the product's sales. The share can vary within different intervals and increase with sales, for instance. Oasmia's ambition in respect of royalty levels, in view of the fact the Company under its business model is responsible for the manufacture of the products and related costs, is that these should exceed 40 per cent in veterinary medicine and be around 40 per cent in human medicine. Oasmia estimates that the industry average for cost of goods sold is about 11 per cent. However, the Company deems that the manufacturing cost will be significantly higher than the industry average in the first three years after the launch of a drug.

Royalty revenues are normally recognised and paid with a certain lag in relation to the actual sale of the products, which means that earnings and cash flow can be affected during different accounting periods.

Sales of parallel-imported drugs
The subsidiary company Qdoxx Pharma AB has previously imported drugs from EU countries where the price was lower than for the corresponding drug in Sweden. Qdoxx Pharma AB currently does not conduct any operations.

STRATEGY

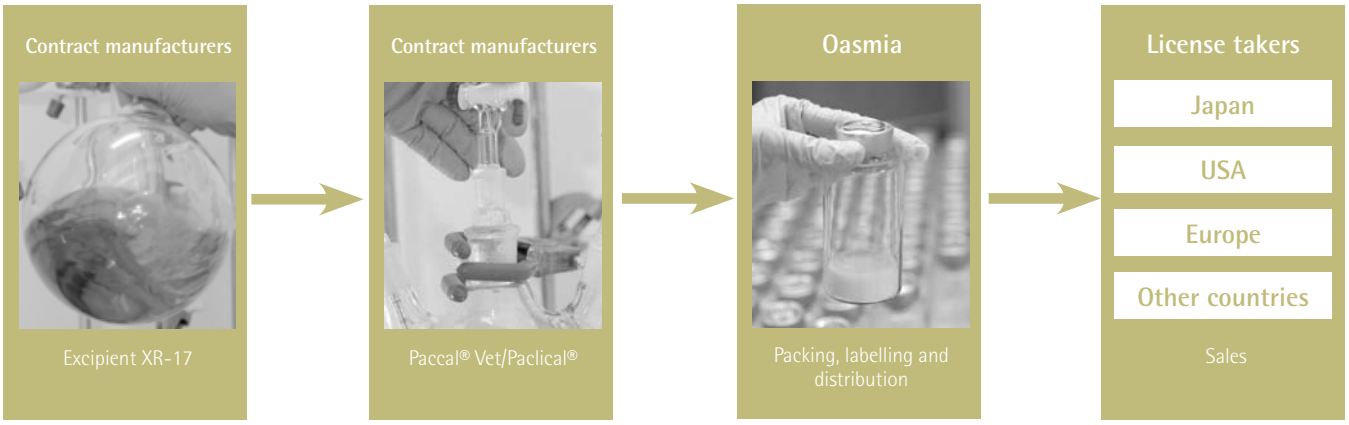
Research and development

Oasmia's principal activities are aimed at extending the life cycles of existing drugs by producing new formulations that improve the characteristics of the drug and/or expand its area of application. The company's research and development activities are focused on oncology, as there is a very great need and demand in this area of medicine.

The development of new dosage forms can optimise effect and safety. The Company's strategic choice is currently to focus on its in-house-developed XR-17 platform, which is combined with well known and established active substances. Priority is given to certain products and indications. The Company's product strategy leads to shorter lead times, lower development risk combined with lower costs.

The method of creating nanoparticles and micelles within a defined size range using an active pharmaceutical compound was developed by the Company and the production of XR-17 is a patented process.

To secure the functionality, all development of synthesis methods and pharmaceutical formulations, from laboratory scale to pilot production, is carried out in the Company's laboratories in Uppsala. The ambition is to create processes that are robust and scalable.



Production

The basis for Oasmia's production strategy is the Company's in-house development of all processes for the synthesis of compounds and production of the finished drug. Pilot-scale production is handled internally to meet requirements in the clinical trials. Oasmia's strategy for full-scale production involves the use of contract manufacturers. The Company intends to contract several manufacturers, partly to ensure high delivery reliability and partly to enable it to adjust volumes to market needs. Contract manufacturers that are evaluated can manufacture drugs for the European as well as the US markets.

Oasmia strives to retain knowledge about and control over XR-17, the Company's in-house-developed formulations and their production internally. The Company deems that a close partnership with the contract manufacturers enables good control over the manufacturing process. Another benefit is that opportunities for growth will not be limited by inadequate production capacity.

Sales

The strategy is to create future value through partnership agreements with international or regional drug companies for continued development and commercialisation.

In Oasmia's search for licensing partners particular emphasis is placed on the evaluation of three main criteria:

- market knowledge
- company size
- willingness to invest

The time when a licensing and development agreement is signed with a business partner depends mainly on the nature of the product but also on the development of market. Licensing normally takes place after clinical phase II, when the effect has been documented.

Parallel imports

Oasmia has previously been a parallel importer of pharmaceutical drugs through its subsidiary, Qdoxx Pharma AB. There were several reasons why this business was established. In particular, the positive cash flow generated by the business has been a key strength during the Company's expansion. There are also logistical and marketing-related synergies between Qdoxx Pharma AB's operations and other operations in the Group.

Qdoxx Pharma AB's operations are currently dormant. The Board of Directors has not yet made a strategic decision on the parallel import business, but it is no longer deemed to be a part of Oasmia's core operation.

Risk management

As a research-based pharmaceutical company, the Company is exposed to various risks and uncertainties that can have a negative impact on its operations. The Company works continuously to ensure that effective procedures are in place for identifying, assessing and managing these risks. The Company's Board of Directors holds overall responsibility for ensuring that the risk identification process is implemented. The Company's risk prevention activities cover all areas of the business with a particular focus on the Company's clinical studies and drug production.

OPERATIONS

Oasmia operates through three companies:

- The parent company Oasmia Pharmaceutical AB – a drug company operating in the fields of human and veterinary medicine.
- The subsidiary company Qdoxx Pharma AB – a company whose object is parallel imports and sales of pharmaceuticals.
- The subsidiary company GlucoGene Pharma AB – a company focusing on the development of xylosides for use in cancer treatment.

Oasmia Pharmaceutical AB

Oasmia's research into the natural aging and death of cells is the basis for the Company's platform for the development of new drugs. The XR-17 excipient can be used in conjunction with a wide range of compounds to improve their safety and effect profile. XR-17 is particularly suited for compounds with poor water solubility. This excipient creates opportunities for entirely new treatment methods in oncology. Oasmia attaches great importance to developing patented drugs based on identified clinical needs. Currently preclinical development has been completed for the eight most promising candidates in Oasmia's product portfolio. The Company is therefore focusing on further clinical development of the candidates.

Qdoxx Pharma AB

Qdoxx Pharma AB's business concept is to cost-effectively import and sell drugs to Swedish pharmacies.[1]

GlucoGene Pharma AB

Like Oasmia Pharmaceutical AB, GlucoGene Pharma AB focuses its research on improved cancer therapy. The research is based on a type of xyloside (a chemical compound of sugar and another chemical substance) and its growth-inhibitory effect on tumour cells in a cell culture. Completed preclinical studies have shown that the various compounds have an effect on a number of different tumour types. The research activities are essentially dormant, although some preclinical studies on animal models are being conducted at the University of Lund. The main focus is the indication brain tumours, which means that the Company's potential product portfolio will be broadened. The company also conducts certain basic research in other therapy areas, including infection, asthma and neurology.

Quality and safety

Oasmia's work is guided by international quality guidelines. Production activities adhere to current Good Manufacturing Practice (cGMP) while research and development activities adhere to current Good Laboratory Practice (cGLP) and current Good Clinical Practice (cGCP). These guidelines ensure that the drugs developed comply with the highest possible standards in respect of the safety of users and the environment.

Production

In the immediate vicinity of Oasmia's research facility in Uppsala the Company has modern production premises for chemical synthesis and drug production on a pilot scale. The premises have been designed to meet current and future production requirements for organic synthesis, analysis, freeze-drying, filling, labelling and packaging. Today the Company manufactures products for clinical trials up to phase III for human and veterinary use in its own premises in Uppsala.

To meet future needs, Oasmia intends to use contract manufacturers that have been approved by both the EMEA and FDA for full-scale production of the pharmaceutical preparations developed by the Company.

Marketing and sales

Marketing and sales of the Company's own pharmaceutical products will be handled by business partners in the form of major international or regional drug companies with established and effective organisations for this purpose. This strategy and business model will enable Oasmia to focus its activities on continued research and development.

The product candidates that are closest to the sales stage are Paccal® Vet and Paclical® (see also the chapter "Oasmia's product portfolio"). Paccal® Vet is expected to obtain approval for marketing in the US and EU in the second half of 2010. Paclical® is expected to obtain approval for marketing in the EU before the end of the third quarter of 2011 and in the US in 2012.

Oasmia has concluded two central licensing and distribution agreements with Orion Corporation, Finland, in respect of Paclical® in the Nordic region and Paccal® in most of Europe (see the section "Material agreements" in the chapter "Legal information and supplementary information"). Orion Corporation is a company with a well established sales and marketing organisation that is well placed to target these markets.

Oasmia has also concluded a licensing and distribution

[1] Bolaget importerar för tillfället inte några läkemedel då försvagningen av den svenska kronan väsentligt försämrat förutsättningarna för denna verksamhet.

agreement with Abbott Laboratories, USA in respect of Paccal® Vet in the US and Canada (see the section "Material agreements" in the chapter "Legal information and supplementary information"). Abbott Laboratories is a broad-based drug company with over 72,000 employees worldwide.

Oasmia has concluded a distribution agreement with Nippon Zenyaku Kogyo Co. Ltd for Paccal® Vet in Japan (see the section "Material agreements" in the chapter "Legal information and supplementary information"). Nippon Zenyaku Kogyo Co. Ltd is a leading veterinary pharmaceutical company in Japan with about 800 employees.

The goal is to conclude similar licensing and distribution agreements for further indications and/or other geographic markets and for the Company's other product candidates.

Intangible assets

Oasmia has patents in force in 26 countries based on six different patent families. These countries are Australia, Belgium, Denmark, Finland, France, Greece, Hong Kong, Indonesia, Ireland, Italy, Japan, Canada, China, Malaysia, Mexico, the Netherlands, Portugal, Switzerland, Singapore, Spain, the United Kingdom, Sweden, Turkey, Germany, the USA and Austria. The Company has submitted a further eleven patent applications in its six patent families. A patent family is a group of patents and patent applications, regional and national, which cover an invention or a group of closely related inventions.

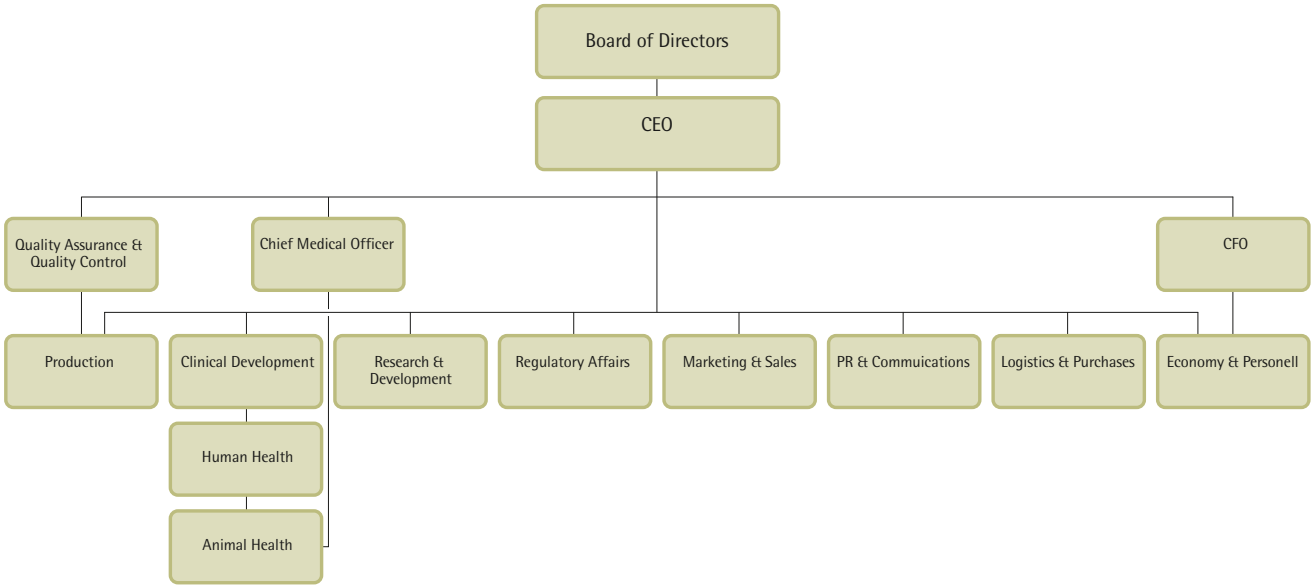
Patents have been granted in the USA for all patent families. In five of these patents have also been granted in key European pharmaceutical markets such as France, Germany and the United Kingdom. A European patent application, or EPO application, has been submitted in the sixth patent family.

Another key region for the Company is Japan, where patent applications have been submitted in four of the six patent families, of which two have been granted to date.

In addition to the patent families where it has obtained patents, the Company has submitted international patent applications, PCT applications, in a further three patent families. These are in the evaluation phase.

The Company's strategy is aimed at protecting its core technologies and the application of these. The Company's protection for intellectual property rights is monitored continuously and is currently deemed to be adequate.

Organisational structure



ORGANISATION AND STAFF

On April 30th, Oasmia had 64 employees, of which most were working in production and quality assurance and quality control.

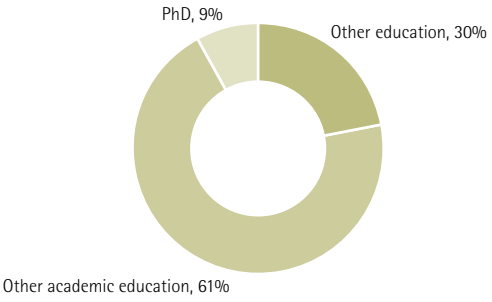
No. of employees by function

Chief Executive Officer	1
Research & Development	6
Production	27
Clinical Development	7
Regulatory Affairs	7
PR & Communications	2
Logistics & Purchasing	5
Accounting & HR	9
Total	**64**

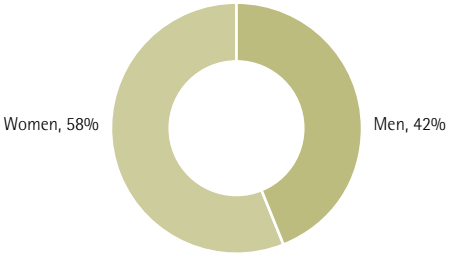
Experience and education

Most employees have academic degrees and experience from early drug development up to the clinical development phase. The Company also has employees with long experience of regulatory issues, which is a key requirement for obtaining the necessary regulatory licenses.

Level of education



Breakdown by sex



Occupational health and safety

Oasmia's activities involve the handling of hazardous substances such as cytostatics. Due to this, internal instructions for the handling of chemicals have been drawn up. Employees are given regular health checks. Oasmia supports health and fitness initiatives from employees, such as participation in fitness competitions. The Company believes the health and commitment of its staff are a cornerstone of its operations. Activities aimed at promoting equal opportunities are an integral part of the Company's business. Oasmia strives to achieve an even breakdown between the sexes. Men and women have the same opportunities in the organisation.

Environmental policy

The Company's operations comprise research and production involving the handling of large amounts of chemicals. The Company meets the applicable environmental requirements and strives to ensure that its operations are conducted in a way that promotes sustainable development in respect of environmental issues. In addition to complying with the standards, guidelines and laws which regulate its activities, the Company does its utmost to continuously improve its activities, partly through internal training in quality and environmental issues.

Oasmia's product portfolio

Research into the aging and death of cells is the basis for the Company's platform for development of new drugs. The first drug candidates are Paclical® and Paccal® Vet, where the compound paclitaxel has been made water-soluble with the help of nanotechnology. The Company has developed a new and unique excipient, XR-17, which has been designed to form nanometre-sized micelles around the active compound of the drug.

THE XR-17 EXCIPIENT

The majority of the drugs used against tumours have limited therapeutic applications. The ideal is to ensure that the concentration of the drug is therapeutically available during the desired time period and then quickly eliminated from the body. Extending the infusion period has generally resulted in good effectiveness and acceptable side effects. Despite this, the main drawbacks of long infusion periods (occasionally up to 72 hours) are high costs and discomfort, mainly for the patient. Because of these factors, significant efforts have been made to try to imitate long infusion periods by using drug delivery systems that guarantee a long release of the active compound from various compound sources. Very small particles are used as such sources. It has been shown that small structures or particles of nano-size can be selectively accumulated in tumour tissue (passive targeting) while at the same time improving the effectiveness of the formulation. Oasmia has developed an excipient called XR-17, with the aim of achieving these characteristics. XR-17 is based on a new class of semisynthetic retinoids which encapsulate well known active compounds. The nanoparticles formed, which are of a specific size, are deemed to improve the effectiveness of the active compound while improving the patient's side effect profile. This nanotechnology enables entirely new treatment methods in oncology.

The drug candidates that exist today in the Company's portfolio are all based on the Company's unique excipient, XR-17, which is protected by patents in several markets, with further patents pending in other markets.

Taxol® compared with Paclical®

Properties	Taxol®	Paclical®
Excipient	Cremophor® EL	XR-17
Ratio (w/w)[1]	1:88	1:1,3
Particle size (nm)	-	25
Dose	175 mg/m^2	250 mg/m^2
Hypersensitivity reactions	34% (acc. to SPC)	0% (Phase I/II)
Infusion period	3 hours	1 hour
Premedication	Yes	No
Approved indications	Lung cancer, ovarian cancer, breast cancer, advanced types of Kaposi's sarcoma	-
Pharmacokinetics	Non-linear	Linear
Ongoing studies	-	Ovarian cancer, pharmacokinetics (free fraction), pharmacogenetics
Planned studies	-	Lung cancer (NSCLC), melanoma, breast cancer (adjuvant), prostate cancer, cancer of the head and neck

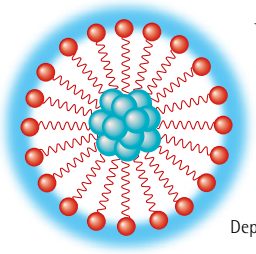
[1] Weight ratio between active compound and excipient.
Sources: SPC (Summary of Product Characteristics) for Taxol®.

CURRENT TAXANE TREATMENTS

Oasmia has initially chosen to develop taxane-based drugs with paclitaxel as the active compound. Paclitaxel is approved for several indications, including tumours in the ovaries, breast, lungs, head and throat, has a well documented efficacy and safety profile and has a high level of acceptance among oncologists worldwide. Paclitaxel is a fat-soluble compound that is practically insoluble in water. It is available both as a generic drug and under the Taxol® trademark (Bristol-Myers Squibb), whose exclusivity has expired. In Taxol® paclitaxel is dissolved in ethanol and Cremophor® EL (polyoxyl castor oil) with a ratio of 1:88 w/w in order to handle the low solubility in water. Ethanol and the excipient Cremophor® EL are associated with low tolerance and serious side effects (such as severe allergic reactions) in treated patients. Therefore, long infusion periods and premedication with high doses of corticosteroids and antihistamines have been applied to reduce the side effects.

HUMAN MEDICINE

In addition to Paclical®, the Company's product portfolio includes a further three promising drug candidates, which are all based on the same excipient as Paclical® but use other active compounds. The active compounds included in Oasmia's product portfolio are used in about 80 per cent of all cytostatic treatment. In preclinical studies, where the products were tested in laboratory trials and on animals, the candidates have shown very promising results. A future scenario is to combine drugs and treatment forms that are target-specific with classic cytostatics to achieve the optimal effect.



Depiction of a Paclical micelle

Paclical® has the following characteristic properties

- Water-soluble
- Particle size 25 nm
- Dose 250 mg/m²
- 1 hour infusion period
- No premedication required

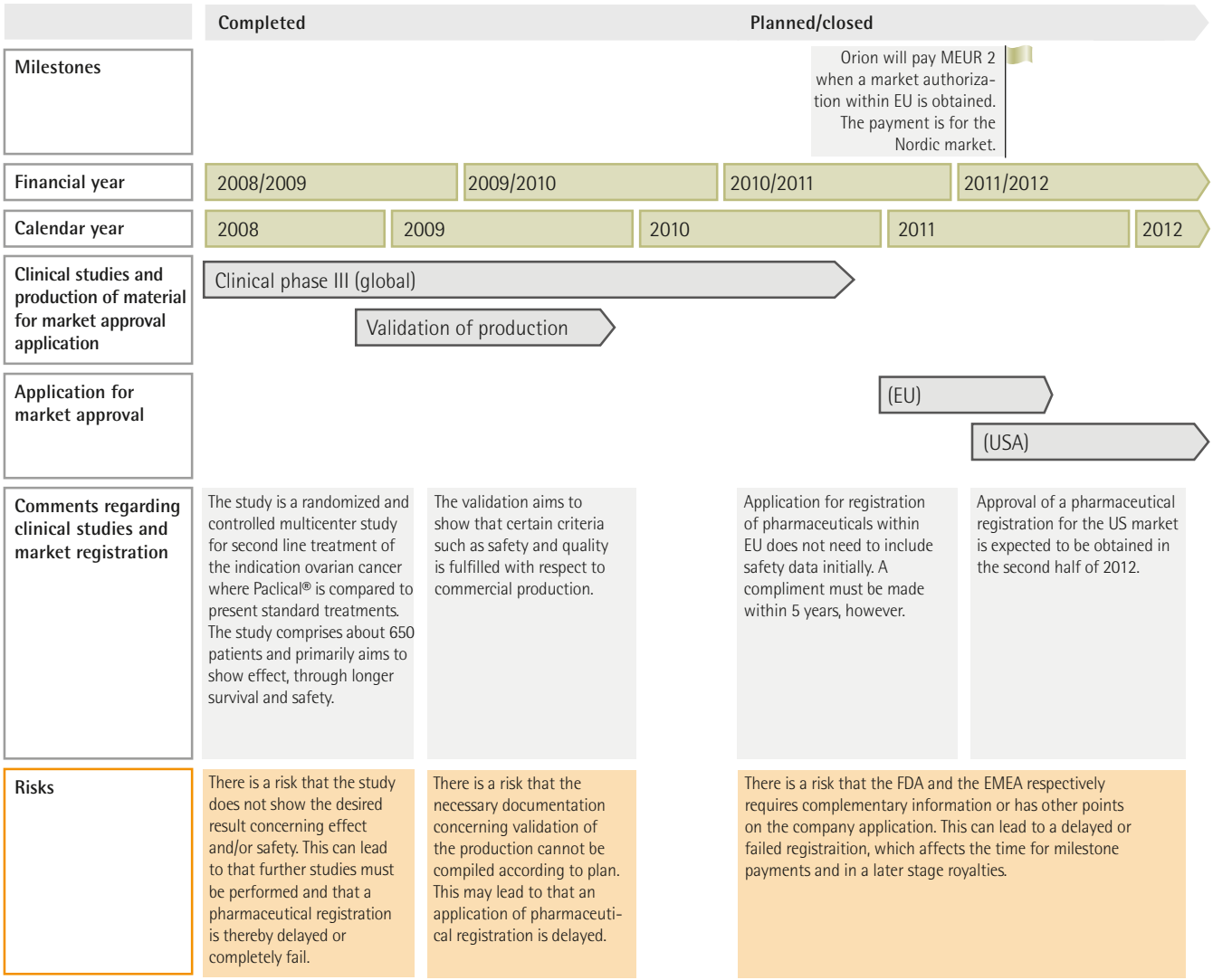
Paclical®

Paclical® is a new formulation of the well known taxane compound paclitaxel. In Paclical, paclitaxel has been made water-soluble using the Company's nanoparticle excipient XR-17, which improves the side effect profile and obviates the need for premedication.

Currently an international randomised phase III study is underway with 16 participating countries where Paclical's efficacy and safety are being examined in women with ovarian cancer. In a randomised phase III study the drug is tested on a large patient group where the patients are randomly divided into test and control groups. Cancer diseases are divided into four stages depending on how advanced the disease is and how it has spread in the body. The treatment given to a patient depends to some extent on which disease stage the patient is in. Provided that positive results are achieved in the ongoing phase III study of Paclical®, the Company expects that patients in all disease stages will be treated with Paclical®. This is because it will be possible to administer higher doses of Paclical® than in the current standard treatment, which is expected to result in improved effectiveness combined with a better safety profile, resulting, compared with existing drugs, in not only a higher probability of extended life expectancy for the treated patient but also in maintained quality of life despite a serious disease. The recruitment of patients for the study is expected to be completed in the second half of 2010. The Company expects to be able to submit applications for marketing approval of Paclical® to the drug regulators in Europe (EMEA) and the US (FDA) in the first and second halves of 2011, respectively, and that marketing approval will be obtained before the end of the third quarter of 2011 in the EU and in 2012 in the US. In the US the FDA has granted Oasmia orphan drug designation for Paclical® in respect of the ovarian cancer indication. Orphan drug designation is granted to drug candidates used in treating diseases affecting less than 200,000 people annually. It gives the owner seven years market exclusivity for the indication from the time of registration of the drug, which means that Paclical® will be protected from direct generic competition during this period. The FDA normally also provides technical and financial support to facilitate and expedite the final stage of development of the product.

Further phase III studies with Paclical® are planned for the indications skin cancer (malignant melanoma) and lung cancer (NSCLC). These studies are expected to begin in 2010.

Schematic timetable for Paclical® up to market registration



Docecal®

Docecal® is a new formulation of the well known taxane compound docetaxel, which is structurally similar to paclitaxel. Docecal® is considered to have the same benefits as Paclical® based on properties that are attributable to the excipient XR-17. The Docecal® formulation consists of nano-sized particles measuring about 15–20 nm that have been developed to make better use of therapeutic opportunities.

A phase I/II study on humans is scheduled to begin in 2010. The aim of the phase I/II study is to determine the dose and safety of the drug in a small patient group with prostate cancer. If the results of this study are in line with the Company's expectations a phase III study will be initiated to study efficacy and safety in a larger patient group and thus take the drug candidate one step closer to the commercial phase.

Immediately upon conclusion of the phase III study the process of registering the drug with the drug regulators in Europe (EMEA) and US (FDA) will commence with the hope that approval for sale will be obtained in 2013.

Doxophos®

Doxophos® is a new formulation of doxorubicin, which is one of the most effective and widely used active compounds for treating cancer. Doxorubicin is currently used for treating 20 different types of cancer. Despite its efficacy against tumours, doxo¬rubicin has a relatively narrow therapeutic application due to a number of serious side effects which limit its use. The most serious are side effects affecting the heart that can lead to chronic cardiac insufficiency. Side effects can last for months and in certain cases for years after the end of treatment. Oasmia's formulation with the XR-17 excipient is expected to have good prospects to improve the side effect profile of doxorubicin. In Doxophos®, the active compound is contained in nanoparticles 30–40 nm in size. This makes it possible to use the therapeutic opportunities more efficiently and expand doxorubicin's application in cancer treatment.

A phase I/II study on humans is scheduled to begin in 2010. The aim of the phase I/II study is to study the drug in a small patient group with prostate cancer with a view to determining the dose and studying the safety. If the results of this study are positive a phase III study will be initiated to document efficacy and safety for a larger patient group.

If the phase III study is successful the process of registering the drug with the drug regulators in Europe (EMEA) and US (FDA) will commence with the hope that approval for sale will be obtained in 2014.

Carbomexx®

Carbomexx® is based on a new active compound in combination with XR-17. For the first time an alkylating agent has been combined with nanoparticle technology to create entirely new therapeutic possibilities for patients and treating physicians. Alkylating agents such as carboplatin, cisplatin and oxaliplatin constitute a very important group of cytostatics and are currently used for a wide range of cancer indications.

A phase I/II study on humans is scheduled to begin in 2011. The aim of the phase I/II study is to study the drug candidate in a small patient group requiring combination therapy with a view to determining the dose and documenting the safety. If the results are deemed promising a phase III study will be initiated to study the efficacy and safety in a larger patient group.

Provided the clinical tests are successful, it is expected that Carbomexx® will be registered for marketing in the US and Europe in 2015 at the earliest.

Development status

A summary of indications, development phases and expected market registration is shown in the following tables.

The dates of planned studies depend on the ongoing studies. These studies have been developed in line with the company's expectations. The Company's development plan is also dependent on the Company's financial resources and the dates of milestone payments under concluded licensing and distribution agreements as well as any further such agreements in respect of additional indications, geographic markets and other drug candidates.

Indication and development status

Product candidate	Active compound	Indication	Clinical phase[1]	Date (tentative)	Stage
Paclical®	Paklitaxel	Solid tumours	I/II	2007	reported
Paclical®	Paklitaxel	Ovarian cancer	III	2008	ongoing
Paclical®	Paklitaxel	Malignant melanoma	III	2010	planned
Paclical®	Paklitaxel	NSCLC	III	2010	planned
Doxophos®	Doxorubicin	Breast cancer	I/II	2010	being planned
Docecal®	Docetaxel	Prostate cancer	I/II	2010	being planned
Carbomexx®	Carboplatin	Combination therapy	I/II	2011	being planned

[1] In clinical studies of cytostatic-based drugs the phase I and II studies are combined. The reason is that the trial group in phase I studies normally comprises healthy individuals, which is not deemed appropriate when the active compound is a cytostatic.

Development phase and expected initial market registration

Product candidate	Preclinical phase	Clinical phase I	Clinical phase II	Clinical phase III	Expected registration
Paclical®					2011
Docecal®					2013
Doxophos®					2014
Carbomexx®					2015

VETERINARY MEDICINE

Oasmia's product portfolio contains four drug candidates: Paccal® Vet, Doxophos® Vet, Docecal® Vet and Carbomexx® Vet. Of these, Paccal® Vet is in the most advanced stage of development, clinical phase III.

The interests among Oasmia's partners and potential licensees has increased sharply following the positive results obtained for these products in the Company's preclinical studies. The market volume for Doxophos® Vet, which is being developed for the indication lymphoma, is deemed to be on a par with that of Paccal® Vet despite the significantly smaller patient population. The reason is that lymphoma is treated over a significantly longer period of time than mastocytoma, which means that a larger amount of cytostatics are administered, resulting in a higher volume per patient.

Paccal® Vet

Paccal® Vet, for the mastocytoma indication, is the first veterinary product candidate based on the XR-17 excipient. The active compound in Paccal® Vet is the well known cytostatic paclitaxel, which belongs to the taxane group.

So far it has been virtually impossible to administer paclitaxel to pets (primarily dogs) due to the serious side effects produced by the Cremophor EL® solvent (which is used, for instance, in Taxol®). Thanks to XR-17 it has become possible to dissolve the extremely low-solubility compound paclitaxel in water, allowing it to be administered in normal (well tolerated) infusion solutions. This means that no premedication is required and that the dose of the active compound can be increased. In previous studies in dogs with various tumour diseases Taxol® has resulted in severe allergic reactions in 65 per cent of dogs despite intensive premedication using antihistamines and cortisone and a very slow infusion speed

(about 6 hours). Only 20 per cent of the studied dogs displayed a slight decrease in tumour size while 12 per cent died as a result of the medication.[1]

With Paccal® Vet it has been possible to treat dogs with higher doses of paclitaxel, without premedication and with virtually no allergic reactions. At the same time the tumour response has been unusually high (around 70 per cent) in tumour types that currently lack successful treatment. No dogs have died as a result of the medication and the side effects have mainly been restricted to a predictable and transitory reduction in white blood cells, which occurs in all forms of cytostatic treatment. The infusion period has been 15–30 minutes, after which the dog has been able to leave the clinic immediately. In February 2010 the last patient was treated in Oasmia's international phase III study aimed at studying the effect of Paccal® Vet on mastocytoma in dogs. Some of the largest cancer clinics for dogs in the US were included in the study. The preliminary results from the study point to a significantly improved effect in patients treated with Paccal® Vet than in patients treated with the active control compound lomustine. The side effect frequency was comparable in the two groups, but negative effects on liver function were considerably less serious in patients treated with Paccal® Vet. Lomustine is a cytostatic registered for use in humans that is currently used in veterinary care and that has previously been reported to produce an effect on mastocytoma in dogs.

Mastocytoma is the most common type of skin tumour in dogs. Since the tumor is serious in 60 per cent of the cases, with a high risk of metastasis, the interest in developing cytostatics is great.[2] So far no product has displayed convincing results on this refractory tumour.

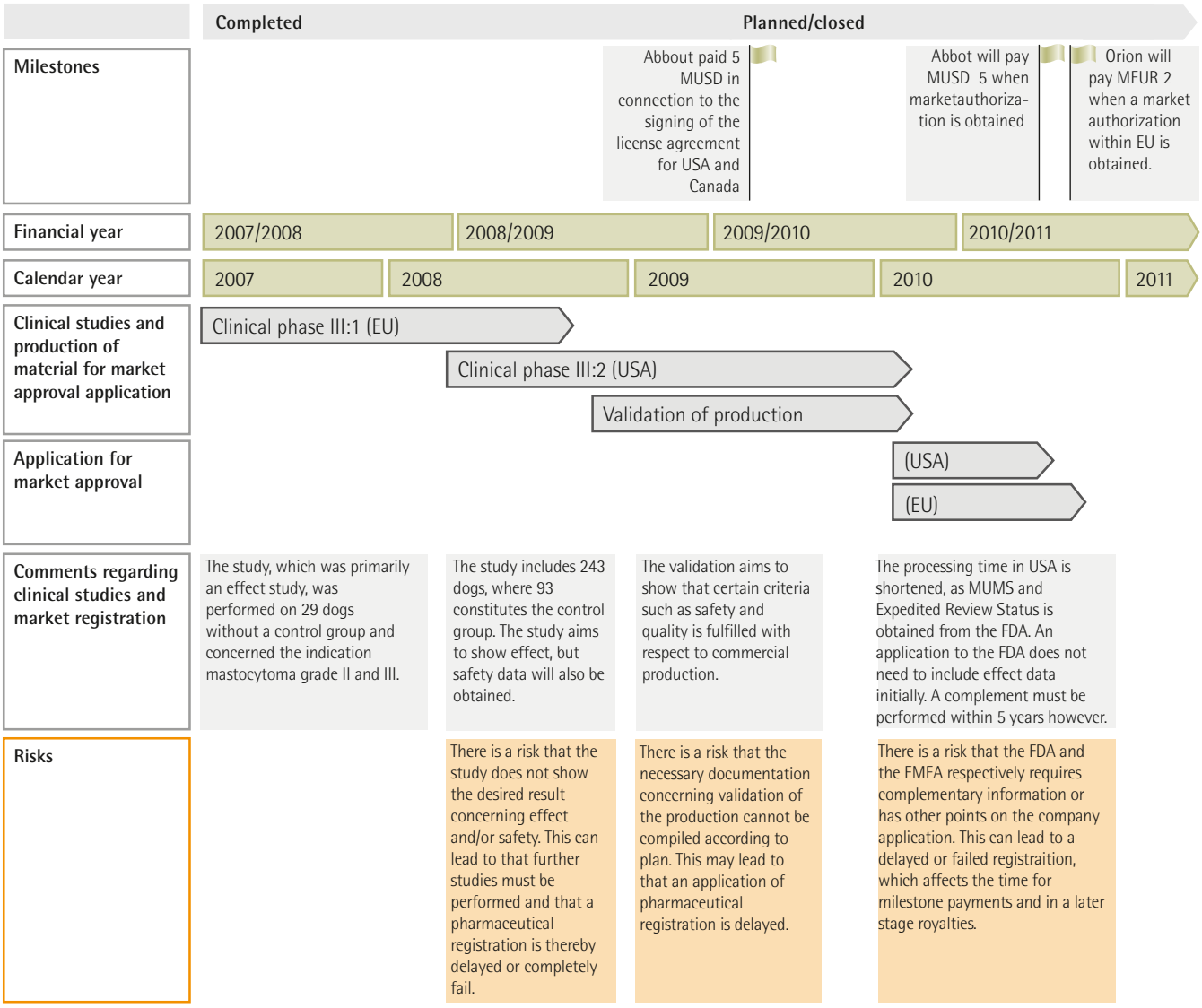
In April 2009 the FDA granted Oasmia MUMS[3] designation for Paccal® Vet in respect of the indication mastocytoma grade II and III in dogs that have not previously received treatment other than with cortisone. The FDA's decision was based on data provided by Oasmia relating to scientific evidence and a development plan for Paccal® Vet. MUMS designation means that:

- Oasmia has permission to apply for "conditional approval" for marketing Paccal® Vet as soon as its safety has been demonstrated. Conditional approval would allow Oasmia to market Paccal® Vet for five years while collecting the remaining data.
- Paccal® Vet will have seven years' market exclusivity from the launch date, i.e. the product will face no direct competition in the market from drugs that are administered in the same way and contain the same active compound as Paccal® Vet (paclitaxel) for the indication mastocytoma.

The Company expects to be able to submit applications for marketing approval of Paccal® Vet to the drug regulators in the US (FDA) and Europe (EMEA) in the first and second halves of 2010, respectively, and that marketing approval will be obtained in the second half of 2010 in both the US and EU.

[1] 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.
[2] Withrow S J and D M Vail (Eds) Small Animal Clinical Oncology, 4th ed., 2007, Saunders Elsevier, Missouri, USA.
[3] Minor Uses and Minor Species.

Schematic timetable for Paccal® Vet up to market registration



Doxophos® Vet

Doxophos® Vet is a new formulation of doxorubicin, the most effective and widely used compound for treating various types of cancer in veterinary medicine.[1] Doxorubicin is an anthracycline that has several tumoricidal properties. The compound binds to DNA and blocks protein synthesis, forming free radicals that break DNA strands and destroy cell membranes. Doxorubicin also inhibits topoisomerases, a family of enzymes. Therefore, today it can be used for virtually all types of tumours that can be treated with cytostatics. In particular, doxorubicin is used for malignant lymphoma and leukaemias as well as for sarcoma and various forms of highly malignant carcinoma. Unfortunately, the limiting factor is that doxorubicin causes cardiomyopathy, an incurable and fatal heart disease, if the administered (cumulative) dose is too high. As the effect of cytostatics is directly proportional to the dose that can be administered, a formulation that has less impact on the heart with maintained efficacy would probably focus all use of doxorubicin to the new compound. In preclinical studies Doxophos® Vet has been shown to have a higher tolerance than ordinary doxorubicin. The Company believes that this is attributable to the XR-17 excipient, which forms nanoparticles 30–40 nm in size. As the most common form of cancer that is currently treated in veterinary medicine (malignant lymphoma) has a unique sensitivity to doxorubicin, there is strong hope that Doxophos® Vet will improve the quality of life, tumour response and survival of many dogs with cancer. Cats are more sensitive than dogs to doxorubicin, in terms of their susceptibility to heart problems as well as kidney damage. It is therefore of great interest to exchange the old formulation for a more efficient and less toxic cytostatic.

A phase I/II study of Doxophos® Vet in dogs with cancer was initiated in March 2010. The aim of the phase I/II study is to study the drug in a small patient group with a number of different forms of tumours to determine the dose and study the safety. If the results look promising a phase III study on malignant lymphoma will be initiated to study the efficacy and safety in a larger patient group.

Immediately upon conclusion of the phase III study the process of registering the drug with the drug regulators in Europe (EMEA) and US (FDA) will commence with the hope that approval for sale will be obtained in 2013.

Docecal® Vet

Docetal® Vet is a new formulation of docetaxel, a well known compound that is structurally similar to the taxane paclitaxel and thus has essentially the same mechanisms of action. So far docetaxel has been used to a limited extent in veterinary medicine, but the promising properties displayed by Paccal® Vet create a big potential for Docecal® Vet. It is expected that the reduced toxicity and formation of nanoparticles using the unique solvent XR-17 will enable more efficient use of the tumoricidal properties of docetaxel.

A phase I/II study on dogs is scheduled to begin in 2010. The aim of the phase I/II study is to study the drug in a small patient group with a number of different forms of tumours to determine the dose and study the safety. If the results look promising a phase III study on a specific form of tumour will be initiated to study the efficacy and safety in a larger patient group.

The process of registering the drug with the drug regulators in Europe (EMEA) and US (FDA) will commence immediately upon conclusion of the phase III-study, with the hope that approval for sale will be obtained in 2013.

Carbomexx® Vet

Carbomexx® Vet is the first platinum-containing formulation based on nanotechnology. This compound is also based on the XR-17 platform and is designed to improve the therapeutic opportunities for DNA-binding compounds such as carboplatin, oxaliplatin and cisplatin. These constitute a very important group of cytostatics and are currently used for a wide variety of cancer indications, where they break DNA strands, inhibit protein synthesis and cause cell death. Carboplatin is an improvement of cisplatin, an earlier platinum compound. Cisplatin causes fatal kidney damage in dogs and cats unless

[1] Simon D, Moreno SN, Hirschberger J, Moritz A, Kohn B, Neumann S, Jurina K, Scharvogel S, Schwedes C, Reinacher M, Beyerbach M, Nolte I, Efficacy of a continuous, multiagent chemotherapeutic protocol versus a short-term single-agent protocol in dogs with lymphoma, J Am Vet Med Assoc. 2008 Mar 15;232(6):879-85.

a powerful diuretic is administered concomitantly with the cytostatic. Carboplatin has less severe side effects and can be administered without a concomitant sodium chloride infusion. Carbomexx® Vet has the potential to become the most widely used drug for treating osteosarcoma in dogs at the expense of cisplatin and carboplatin, which are used today. Osteosarcoma is very common in large dog breeds. Without cytotoxic treatment combined with surgery, the animal will die within three months, generally from lung metastases. Carboplatin is also used in treating other refractory tumours in dogs, including bladder cancer and invasive adenocarcinomas.

A phase I/II study on dogs is scheduled to begin in 2012. The aim of the phase I/II study is to study the drug in a small patient group with a number of different forms of tumours to determine the dose and study the safety. If the results look promising a phase III study, probably on osteosarcoma, will be initiated to study the efficacy and safety in a larger patient group.

The process of registering the drug with the drug regulators in Europe (EMEA) and US (FDA) will commence immediately upon conclusion of the phase III-study, with the hope that approval for sale will be obtained in 2015.

Development status

The dates of the planned studies depend on the ongoing studies. These studies have been developed in line with the Company's expectations. The Company's development plan is also dependent on the Company's financial resources and the dates of milestone payments under concluded licensing and distribution agreements as well as any further such agreements in respect of additional indications, geographic markets and other drug candidates.

Indication and development status

Product candidate	Active compound	Indication	Clinical phase[1]	Period (tentative)	Stage
Paccal® Vet	Paklitaxel	Solid tumours	I/II	2007	reported
Paccal® Vet	Paklitaxel	Mastocytoma	III:1	2007	reported
Paccal® Vet	Paklitaxel	Mastocytoma	III:2	2008	ongoing
Doxophos® Vet	Doxorubicin	Lymphoma	I/II	2010	ongoing
Docecal® Vet	Docetaxel	Mammary tumour	I/II	2010	being planned
Carbomexx® Vet	Carboplatin	Osteosarcoma	I/II	2012	being planned

[1] To comply with the US drug regulator's requirements in respect of the size of the trial group, two clinical phase III studies for Paccal® Vet will be conducted. Phase I and phase II studies are combined.

Development phase and expected registration

Product candidate	Preclinical phase	Clinical phase I	Clinical phase II	Clinical phase III	Expected registration
Paccal® Vet					2010
Doxophos® Vet					2013
Docecal® Vet					2013
Carbomexx® Vet					2015

[1] Phillips B, Powers BE, Dernell WS, Straw RC, Khanna C, Hogge GS, Vail DM, Use of single-agent carboplatin as adjuvant or neoadjuvant therapy in conjunction with amputation for appendicular osteosarcoma in dogs, J Am Anim Hosp Assoc. 2009 Jan-Feb;45(1):33-8.

Summary of financial information

The following tables provide a summary of historical financial information for the Group for the financial years ended 30 April 2010, 2009, 2008 and 2007. The following tables have been drawn from and should be read in conjunction with the Company's year-end statement for the financial year 2009/10, and some sections of the annual report 2008/09, which is incorporated in this prospectus by way of reference, and the chapter "Historical financial statements" appearing elsewhere in this prospectus. The information should also be read in conjunction with the chapter "Comments on financial performance". The financial statements for the financial year 2009/2010 have been prepared in compliance with IFRS and have not been audited or reviewed by the Company's auditors. The financial statements for the financial years 2008/09, 2007/08 and 2006/07 (for 2006/07 only as a comparison year) have been prepared in compliance with IFRS and have been audited by the Company's auditor. In connection with the transition to IFRS the Company became aware that previous accounting policies had been incorrectly applied. Material corrections have been made in respect of capitalised development costs and thus also in respect of retained earnings. For more information, see Note 33 in the chapter "Historical financial statements" appearing elsewhere in this prospectus.

			Whole year	
SEK '000	May 1st, 2009–Apr 30th, 2010	May 1st, 2008–Apr 30th, 2009	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
INCOME STATEMENT				
Net sales	30,741	79,357	71,158	22,387
Capitalised production costs	80,643	36,057	9,675	14,484
Other operating income	-	224	65	-
Raw materials, consumables and goods for resale	–18,842	–56,591	–45,310	–22,621
Other external expenses	–74,412	–37,358	–20,187	–12,154
Staff costs	–29,413	–25,658	–17,530	–10,559
Depreciation and amortisation	–3,612	–3,187	–2,727	–2,521
Other operating expenses	–68	–9	-	-
Operating profit	**107,772**	**–7,156**	**–4,855**	**–10,986**
Net financial expense	–2,094	50	–212	–766
Loss for the period	**–17,054**	**–7,105**	**–5,067**	**–11,752**
BALANCE SHEET				
Assets				
Tangible fixed assets	20,665	19,858	19,180	19,416
Other intangible assets	8 047	7 862	8 284	7 849
Financial assets	2	2	-	-
Inventories	94	2 776	19 121	18 318
Current receivables	4 610	5 396	6 548	6 593
Liquid assets	5 372	988	10 379	22 170
Total assets	**179,650**	**97,099**	**87,672**	**88,830**
Equity and liabilities				
Equity	141,803	61,207	64,812	69,879
Non-current liabilities	15,404	31	6,441	5,521
Long term borrowings	-	-	6 433	5 513
Other non-current liabilitites	15 397	24	-	-
Deferred tax liabilities	7	7	8	8
Current liabilities				
Liabilities to credit institutions	4 289	7 356	5 241	2 461
Short term borrowings	10 550	19 476	2 814	2 933
Other current liabilities	7 605	9 028	8 363	8 036
Total equity and liabilities	**179 650**	**97 099**	**87 672**	**88 830**

	Whole year			
SEK '000	May 1st, 2009–Apr 30th, 2010	May 1st, 2008–Apr 30th, 2009	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
CASH FLOW STATEMENT				
Operating activities before change in working capital	–12,748	–3,679	–2,340	–9,231
Change in working capital	1,513	17,955	–430,	–13,615
Operating activities	–11,235	14,276	–2,770	–22,846
Investing activities	–85,315	–39,511	–12,601	–16,655
Financing activities	100,934	15,845	3,580	58,035
Cash flow for the period	**4,384**	**–9,390**	**–11,791**	**18,534**
Cash and cash equivalents at beginning of year	988	10,379	22,170	3,635
Cash and cash equivalents at end of year	5,372	988	10,379	22,170
KEY PERFORMANCE INDICATORS				
Growth, margins and profitability				
Sales growth, %	neg	12	218	2,525
Operating margin, &	neg	neg	neg	neg
Profit margin, %	neg	neg	neg	neg
Return on total capital, %	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg
Capital structure				
Equity/assets ratio, %	79	63	74	79
Net debt	9,467	25,844	4,109	–11,263
Debt/equity ratio, %	7	42	6	-
Interest coverage ratio	–6	–4	–7	–17
Data per share				
No. of shares at end of period	37,613	33,500	33,375	31,851
Weighted no. of shares[1]	35,800	33,674	32,841	31,644
Earnings per share SEK[1]	–0.48	–0.21	–0.15	–0.37
Equity per share SEK[1]	3.77	1.81	1.93	2.18
Dividend per share, SEK	-	-	-	-
Employees				
Employees	64	55	41	29

[1] Historical values have been restated to take account of the scrip dividend element in the rights issue completed in the second quarter of 2009.

DEFINITIONS

Net sales growth
Increase in net sales for the year as a percentage of net sales the year before.

Operating margin
Operating profit divided by net sales.

Profit margin
Earnings after net financial expense, divided by net sales.

Return on total capital
Earnings before interest expense, divided by average total assets.

Return on equity
Earnings after net financial expense/income, divided by average equity.

Equity/assets ratio
Equity divided by total assets.

Net debt
Total borrowing (comprising the balance sheet items current and non-current liabilities and liabilities to credit institutions) less cash and cash equivalents.

Debt/equity ratio
Net debt divided by equity.

Interest coverage ratio
Earnings after net financial expense/income plus interest expense, divided by interest expense.

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

Equity per share
Equity divided by the number of shares at the end of the period.

Comments on financial performance

INTRODUCTION – BUSINESS MODEL AND REVENUE RECOGNITION

Oasmia's research and development activities have developed strongly in recent years. In 2006 a parallel import business was initiated in the Oasmia subsidiary Qdoxx Pharma AB, with the main aim of providing economic support for the Company's ongoing research and development activities. In autumn 2007 the first licensing and distribution agreement for the drug candidate Paclical® in the Nordic region was signed, which was a key milestone and a first step in the implementation of the Company's business model. Such sales and distribution agreements with licensees constitute the main element of Oasmia's revenue model. Other elements are sales of in-house-developed drugs (before market registration has been obtained) and sales of parallel-imported drugs.

The Company's licensing and distribution agreements provide for milestone payments and royalties from sales. Such agreements refer to drug candidates that have displayed sufficient clinical data to be evaluated by a third party and where the risk of non-registration is deemed to be very small. Revenue from milestone payments is recognised when licensing has been contractually agreed and other contractual criteria have been met by Oasmia. Going forward, royalty revenues will be recognised as sales are reported.

Revenues comprise the fair value of what has been obtained or will be obtained for sold goods and services. Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will accrue to the Company.

2007/08 compared to 2006/07

Consolidated net sales were SEK 71,158 thousand (22,387). The increase in net sales is partly attributable to increased sales of parallel imported drugs of SEK 45,397 thousand (21,894) and partly to the closing of the license and distribution agreement with Orion Corporation, whereby Oasmia received license revenues of SEK 25,703 thousand. In the financial year, the Group's main business was development of drug candidates. Capitalized development costs amounted to SEK 9,675 thousand (14,484) and was attributable to expenditures for product development in clinical phase III. Expenditure on research and development were expensed, amounting to SEK 30,769 thousand (11,148). In the financial year, the operating expenses increased significantly due to raw material, consumables and merchandise, amouting to SEK 45,310 thousand (22,621), other external costs of SEK 20,187 thousand (12,154) and staff costs of SEK 17,530 thousand (10,559). The increase in costs was mainly attributable to expanded clinical trials, volume growth in parallel imports and increased staffing. The operating income was SEK -4,855 thousand (-10,986) and net income was SEK -5,067 thousand (-11,752). The improvement in the result compared to the previous financial year is mainly attributable to the license revenues mentioned above.

On April 30th, 2008, there was SEK 17,306 thousand (16,874) bound in the form of working capital (excluding cash and cash equivalents and financial liabilities). In the financial year, the capital bond increased by SEK 430 thousand. Investments in intangible assets amounted to SEK 10,901 thousand (15,519) of which SEK 9,675 thousand (14,484) was related to capitalized development expenditure. Investments in tangible assets amounted to SEK 1,700 thousand (1,136) and consisted of machinery and equipment. The Group had a negative cash flow from the operating activities and investing activities of SEK -15,371 thousand (-39,501) in total. Some of the deficit from the financial year 2007/08 were financed through a new loan from the main owner Oasmia S.A. of SEK 3,500 thousand. The deficit from 2006/07 was financed through received shareholder contribution.

Segment report for the financial year May 1st, 2006–April 30th, 2007:

SEK '000	Development	Parallel imports	Group
Total segment revenues	15,457	21,894	37,350
Sales between segments	–480	-	–480
External revenues	**14,977**	**21,894**	**36,870**
Segment operating loss	**–10,660**	**–326**	**–10,986**
Net financial expense	–469	–297	–766
Loss before tax	**–11,129**	**–623**	**–11,752**
Income tax	0	-	0
Loss for the year	**–11,129**	**–623**	**–11,752**

Segment report for the financial year May 1st, 2007–April 30th, 2008:

SEK '000	Development	Parallel imports	Group
Total segment revenues	35,953	45,426	81,379
Sales between segments	–480	-	–480
External revenues	**35,473**	**45,426**	**80,899**
Segment operating loss	**–4,510**	**–345**	**–4,855**
Net financial expense	134	–346	–212
Loss before tax	**–4,376**	**–691**	**–5,067**
Income tax	0	-	0
Loss for the year	**–4,376**	**–691**	**–5,067**

2008/09 compared to 2007/08

Consolidated net sales were SEK 79,357 thousand (71,158). The increase in sales for the financial year was attributable to higher license revenues and increased sales of parallel-imported drugs. The higher license revenues, SEK 30,347 thousand (25,703), were due to the conclusion of a further licensing and distribution agreement with Orion Corporation. Sales of parallel-imported drugs increased from SEK 45,392 thousand to SEK 48,466 thousand. Operating expenses increased in the financial year and amounted to SEK 36,057 thousand (9,675) as an effect of intensified phase III-studies. Expenditure on research and development were expensed, amounting to SEK 17,731 thousand (30,769). In the financial year, the operating expenses increased significantly due to raw material, consumables and merchandise, amouting to SEK 56,591 thousand (45,310), other external costs of SEK 37,349 thousand (20,187) and staff costs of SEK 25,658 thousand (17,530). The increase in costs was mainly attributable to expanded clinical trials, negative development in parallel imports and increased staffing. The operating income amounted to SEK -7,156 thousand (-4,855) and the net income was SEK -7,105 thousand (-5,067). The income deterioration compared to previous financial year was attributable to the operating costs mentioned above.

On April 30th, 2009, the reported consolidated working capital at 30 April 2009 was SEK –856 thousand (17,306) (excluding cash and cash equivalents and financial liabilities and after a write-down of inventories of SEK 461 thousand). In the financial year the amount of working capital tied up (excluding cash and cash equivalents and financial liabilities) decreased by SEK 17,955 thousand, which was mainly due to a decrease in inventories.

Investments in tangible fixed assets in the financial year were SEK 3,014 thousand (1,700). These mainly referred to the development of the Group's production facilities and equipment. Investments in intangible assets during the same period were SEK 36,495 thousand (10,901). These mainly comprised capitalised development costs relating to the products Paclical® and Paccal® Vet. Consolidated cash flow from operating activities was SEK 14,276 thousand (-2,770) and cash flow from investing activities was SEK –39,511 thousand (-12,601). Parts of this deficit were funded through a new loan in the amount of SEK 16,543 thousand from the main owner, Oasmia S.A.

Segment report for the financial year May 1st, 2008–April 30th, 2009:

SEK '000	Development	Parallel imports	Group
Total segment revenues	67,672	48,466	116,138
Sales between segments	–500	-	–500
External revenues	**67,172**	**48,466**	**115,638**
Segment operating loss	**–3,543**	**–3,613**	**–7,156**
Net financial expense	617	–567	50
Loss before tax	**–2,926**	**–4,180**	**–7,106**
Income tax	0	-	0
Loss for the year	**–2,925**	**–4,180**	**–7,105**

2009/10 compared to 2008/09[1]

Consolidated net sales for the financial year were SEK 30,741 thousand (79,354) and mainly comprise revenues from new licensing and distribution agreements of SEK 28,421 thousand (30,347). License revenues are unevenly distributed over time due to specific agreement terms and the time when an agreement is concluded. The decrease in net sales is there-

fore mainly attributable to significantly decreased sales of parallel-imported drugs, which totalled SEK 1,924 thousand (48,466).

Capitalised production costs during the period were SEK 80,643 thousand (36,057). The significant increase compared to previos financial year is mainly attributable to the fact that clinical studies relating to the product candidates Paclical® and Paccal® Vet were conducted on a full scale during the period.

The Group's costs have been significantly affected by the discontinuation of the Company's parallel import business, and activities during the year were dominated by the development of the Company's own drug candidates and the continued expansion of these activities. The parallel import business was previously reported as an operating segment but no longer meets the criteria for this, which means that the Company no longer reports by segment. Costs for raw materials, consumables and merchandise decreased to SEK 18,842 thousand (56,591), which is a direct consequence of the discontinuation of the parallel import business. Inventories in parallel imports were written down by SEK 300 thousand (461) during the financial year. At the end of the financial year the Company had no remaining stocks of parallel-imported drugs. Due to the intensification of development activities, mainly through clinical trials, other external costs increased significantly in the financial year, to SEK 74,412 thousand (37,349), of which SEK 52,145 thousand (36,057) referred to costs for clinical phase III studies that have been capitalised as production costs. The number of employees increased during the financial year from 55 to 64 and staff costs were SEK 29,413 thousand (25,658).

Earnings after tax decreased to SEK –17,054 thousand (–7,105), which was mainly attributable to the expansion of the workforce, product development and production facilities.

Reported consolidated working capital on April 30th, 2010, was SEK –2,901 thousand (-856) (excluding cash and cash equivalents and financial liabilities and after a write-down of inventories of SEK 300 thousand). In the financial year the funds tied up in working capital (excluding cash and cash equivalents and financial liabilities) decreased by SEK 1,513 thousand.

Cash flow from operating activities during the financial year was SEK –11,235 thousand (14,276). The change compared with the previous financial year was mainly due to lower earnings and a small reduction in inventories. The corresponding cash flow from investing activities was SEK –85,315 thousand (–39,511), of which SEK 81,773 thousand (36,495) referred to investments in intangible assets and SEK 3,541 thousand (3,014) referred to investments in tangible assets. Investments in intangible assets are mainly attributable to capitalised development costs relating to Paccal® Vet and Paclical® as well as patent-related expenditure. Investments in tangible fixed assets referred mainly to production facilities. Cash flow from financing activities was SEK 100,934 thousand (15,845). A licensing and distribution agreement was signed during the period under which Oasmia received USD 5 million, of which USD 3 million was recognised as revenue in the first quarter and USD 2 million (SEK 15,373 thousand) was recognised as Other long-term liabilities, as the Company deemed as non-negligible the risk that the Company will in future be liable to repay the same amount. Funding activities also included a rights issue and a private placement. The cash portion of the rights issue was SEK 28,062 thousand after issue costs. The remaining portion of SEK 28,739 thousand was used to offset a liability to the main owner, Oasmia S.A. The private placement raised SEK 40,850 thousand for the Company after issue costs. This resulted in a cash flow for the period of SEK 4,384 thousand (–9,390).

INVESTMENTS[1]

Oasmia has no significant ongoing investments in tangible fixed assets. In the preceding financial year the Company made investments totalling SEK 3.5 million in its production facility in Uppsala and in machinery, tools and other equipment related to Oasmia's planned full-scale production through various contract manufacturers. During the current financial year, equivalent investments amount to SEK 1,3 million.

[1]Information on Oasmia's financial position on April 30th, 2010 has not been audited or reviewed by the Company's auditors.

SEK '000	2006/07	2007/08	2008/09	2009/10	2010/11
Investments made in tangible fixed assets	1,136	1,700	3,014	3,541	1,339

Oasmia is planning further investments in production facilities, mainly on the premises of contract manufacturers but also internally (see table below).

SEK '000	2010/11	2011/12	2012/13
Total planned investments in tangible fixed assets	14,000	156,500	20,500

The significant investments in the financial year 2011/2012 were due to the fact that Oasmia expects to reach maximum capacity through the contract manufacturers currently being evaluated in that year, at which point entire production lines will need to be installed.

The planned investments in tangible fixed assets, for which the Company has not made any undertakings, are expected to be funded internally through license and milestone payments.

The Company also has ongoing investments in intangible fixed assets in the form of capitalised development costs. These investments have largely been financed externally through shareholder contributions and loans from the main owner, Oasmia S.A.

Expenditure relating to development projects is capitalised in the consolidated accounts to the extent that it is expected to generate future economic benefits. The criterion for determining the value of capitalised development costs is the Group's cost for a development project in clinical phase III: On April 30th, 2010, outgoing capitalised development costs were SEK 140,860 thousand, which represents about 78 per cent of total assets and thus constitutes the single largest balance sheet item. During the current financial year, development costs of SEK 7,6 million has been activated.

SEK '000	2006/07	2007/08	2008/09	2009/10	2010/11
Investments made in intangeble fixed assets	15,519	10,901	36,495	81,773	7,624
Of which capitalized development costs	*14,484*	*9,675*	*36,057*	*80,643*	*7,624*

Based on the results of completed studies of Paccal® Vet and Paclical® and the concluded licensing and distribution agreements, the Company estimates that the economic benefits, and thus also the value, of these product candidates can be defended.

For the product candidate Paccal® Vet all treatments in the clinical studies have been completed and the process of compiling and registering the results is currently underway. The phase III study for Paclical® continues, and patient recruitment is expected to be completed in the second half of 2010.

The following table shows the Company's incurred costs and capitalised costs for the previous financial year as well as estimated costs and capitalised costs for each financial year up to receipt of marketing approval for Paccal® Vet and Paclical®. Paccal® Vet is expected to obtain approval for marketing in the US and EU in the first half of 2010. Paclical® is expected to obtain approval for marketing in the EU before the end of the third quarter of 2011 and in the US in 2012. It should be stressed that the Company may at any time decide to defer or discontinue ongoing clinical studies, in which case the Company's costs for these would essentially cease. However, such a course of action could delay marketing approval, with negative consequences for the Company, see the section "Onerous contract provisions" in the chapter "Risk factors".

[1]Information on Oasmia's financial position at 30 April 2010 has not been audited or reviewed by the Company's auditors.

SEK '000	2009/10	2010/11	2011/12
Paclical®			
Costs attributable to clinic	–45,216	–42,374	–16,240
Other costs	–10,256	–11,600	–1,760
Capitalised development costs	55,472	53,974	18,000
Paccal® Vet			
Costs attributable to clinic	–20,283	–1,000	-
Other costs	–4,889	–600	-
Capitalised development costs	25,171	1,600	-

WORKING CAPITAL

The Company's working capital has varied over time (see the descriptions above for each financial year). Although the amount of working capital tied up has to some extent been affected by the growth and performance of the Company's parallel import business, working capital and liquidity requirements are mainly determined by the scope and pace of clinical trials. The Board's assessment is that Oasmia currently has sufficient existing capital to meet the Company's operational requirements over the coming twelve-month period (see also "Liquidity and financial resources" below).

LIQUIDITY AND FINANCIAL RESOURCES[1]

A key feature of Oasmia's business model is the use of licensing and distribution agreements with companies that have strong positions in relevant markets. These agreements frequently contain agreements on timetables for studies, applications and registration of the drug candidates concerned. By adapting the scope and pace of clinical trials (and thus also of the Company's registration cases) in respect of the drug candidates based on negotiated and concluded agreements, Oasmia is able to exercise some degree of control over the Company's expenditure so that outgoing payments are matched with received and expected incoming payments in accordance with the criteria in the licensing agreements.

In the short term the Company's financial resources mainly comprise its cash assets. On April 30th, 2010, cash and cash equivalents were SEK 5,372 thousand. Short-term liquidity is also ensured through agreed credit facilities (see "Equity and liabilities" below). The Company has no long-term financial resources.

The Company's operations are not affected by any particular seasonal variations, which mean that its capital requirements do not vary significantly depending on the time of year. Rather, it is the scope and pace of the clinical trials that determine the Company's capital requirement. These in turn depend on and are adapted to the licensing deals concluded by the Company. Based on the Company's current liquidity situation and its current trial and registration plan, the Board of Directors deems that the Company currently has sufficient capital to meet its requirements over the coming twelve-month period.

EQUITY AND LIABILITIES[1]

Oasmia is funded principally with equity. On April 30th, 2010, interesting-bearing liabilities were SEK 14,839 thousand, or 8.3 per cent of total assets. The following table shows the breakdown between equity and liabilities and the share of total assets.

Equity and liabilities

SEK '000	Apr 30th, 2010	Share, %
Equity	141,803	78.9
Interest bearing liabilities	14,839	8.3
Non-interest-bearing liabilities	23,008	12.8
Total	**179,650**	**100.0**

[1]Information on Oasmia's financial position on April 30th, 2010, has not been audited or reviewed by the Company's auditors.

SEK '000	Apr 30th, 2010
Current liabilities	
Secured by collateral*	4,289
Secured by surety	-
Unsecured loans	18,153
Total current liabilities	**22,443**
Non-current liabilities	
Secured by collateral	-
Secured by surety	-
Unsecured loans**	15,404
Total non-current liabilities	**15,404**
Equity	
Share capital	3,761
Other contributed capital	196,493
Retained earnings	–58,509
Minority interest	57
Total	**141,803**

* Secured by floating charges.
** SEK 15,373 thousand (equivalent to $2 million) refers to a portion of milestone payments from Abbott Laboratories that the Company may be forced to repay if certain contractual terms are not met. See also the section "Distribution agreements with Abbott Laboratories, USA" in the chapter "Legal information and supplementary information".

Net debt

SEK '000	Apr 30th, 2010
A. Cash and cash equivalents	**5,372**
B. Current financial receivables	**-**
C. Current bank liabilities	4,289
D. Current portion of non-current liabilities	-
E. Other short-term loans	10,550
F. Current financial liabilities (C)+(D)+(E)	**14,839**
G. Net current liabilities (F)–(A)–(B)	**9,467**
H. Hire-purchase agreements	-
I. Other long-term loans	-
J. Long-term debt (H)+(I)	**0**
K. Net debt (G)+(J)	**9,467**

The Company has an overdraft facility with a credit limit of SEK 5,000 thousand with Danske Bank. The interest on the overdraft facility is DBU (Danske Basränta Ut) + 2.85 percentage points. On April 30th, 2010, SEK 4,289 thousand of the overdraft facility had been drawn.

On August 25th, 2009, Oasmia S.A. made a SEK 30.0 million credit facility available to the Company. On February 25th, 2010, Oasmia S.A. replaced the existing credit facility with a new SEK 60.0 million facility. (See section "Financial loan transactions with related parties" in the chapter "Legal information and complementary information). The annual interest rate on this credit facility is 6 per cent. On April 30th, 2010, SEK 10,550 thousand of this credit had been drawn.

Oasmia's goal in respect of capital structure is to secure the Company's ability to continue its operations with a view to generating a return for the shareholders and benefits for other stakeholders. Another goal is to maintain an optimal capital structure that minimises the cost of capital.

EXCHANGE RATE SENSITIVITY

Oasmia has concluded licensing and distribution agreements with the euro as currency. This means that Oasmia will receive license revenues and future royalties in euro. The cost of the future production of Oasmia's products will be denominated in euro. However, the cost for some of the Company's clinical trials is already being paid in euro. This means that revenues and costs are being matched in euro, resulting in the smallest possible net exposure for the Company. The net exposure is expected to be positive, which the company will need to protect through currency hedging.

Oasmia has also concluded a distribution agreement with US dollars as currency and further agreements may be concluded in the same currency. Some of the Company's clinical trials are already being paid for and will in future be paid for in US dollars. Although this means that revenues and expenses will be matched in US dollars to a limited extent, the net exposure is expected to be significant and positive and will need to be protected through currency hedging.

Oasmia's exposure to other currencies than Swedish kronor is currently irregular and difficult to plan for. No regular hedging in the futures market therefore takes place today.

The procedures for futures hedging will be reviewed when the Company is able to predict regularities in euro and US dollar transactions.

SIGNIFICANT EVENTS AFTER APRIL 30TH 2010

Other than what has been stated above and in the Company's year-end statement for the financial year 2009/10 no significant changes have occurred in respect of Oasmia's financial position or its position in the market.

TENDENCIES

Cancer is an age-related disease, and the number of patients is growing in line with the increasing average age of the population. Among drug firms in the market there is a growing interest in cytostatics in new dosage forms. Clinical trials are underway in the cancer field and there is competition for patients for these. Companies are also experiencing a degree of price pressures, as the number of drugs whose patients are expiring is increasing while public authorities worldwide are becoming increasingly cost-aware.

OUTLOOK

Oasmia's prospects are deemed to be very good by the Board of Directors and management. Work on finding new drug candidates has recently been intensified, and Oasmia now has several promising drug candidates in its development portfolio.

The licensing and distribution agreements concluded with Orion Corporation, Abbott Laboratories and Nippon Zenyaku Kogyo Co. Ltd show that the Company's product candidates are commercially interesting and valuable for large multinational drug firms. A high priority is to expand the number of partnerships by signing several new licensing and distribution agreements for further indications and/or other geographic markets and for the Company's other product candidates, partly to fund continued research and development activities and partly to secure the Company's sales strategy. The Board of Directors deems the prospects for further licensing deals to be very good, both in the relatively short term and longer-term.

The Company's growth is expected to come primarily from the products Paclical® and Paccal® Vet and subsequently from the Company's other drug candidates that are currently approaching the clinical phase. The Company expects to obtain approval for marketing Paccal® Vet in the US and EU in the second half of 2010. For Paclical® the Company expects to obtain marketing approval in the EU before the end of the third quarter of 2011 and in the US in 2012. This assessment, coupled with further milestone payments that are expected in the interim, constitute the basis for the Company's financial targets for net sales, earnings and cash flow (see "Financial targets" below).

In view of this background, and based on the Company's current liquidity situation, the existing trial and registration plan, and milestone payments from existing licensing agreements as well as expected future milestone payments under new agreements, the Board of Directors believes the Company is well equipped to meet the market's need for improved cancer drugs and to achieve its financial targets.

FINANCIAL TARGETS

The Company is conducting discussions on licensing and distribution agreements with various parties for additional indications and/or other geographic markets and for the Company's other product candidates. Oasmia's goal is to conclude at least one new significant licensing and distribution agreement before the end of August 2010. The Company estimates that it will, during the rolling twelve-month period commencing with the signing of the first such agreement, increase its net sales significantly and achieve a positive operating result and cash flow by signing further significant licensing and distribution agreements.

In addition to the growth target, another goal defined by the Board is a debt-to-equity ratio not exceeding 50 per cent. On April 30th, 2010, the debt-to-equity ratio was 7 per cent.

Board of Directors, management and auditor

BOARD OF DIRECTORS

The Board of Directors of Oasmia currently consists of four Directors including the Chairman. No directorships are limited in time, other than what is provided for in the Swedish Companies Act (2005:551). The names, years of birth, years of appointment to the Board, positions and shareholdings in the Company of the current Directors are shown in the following table.

Name	Year of birth	Year of election	Position	No. of shares in Oasmia
Bo Cederstrand	1939	2000	Chairman	126,000[1]
Peter Ström	1952	2006	Director	178,886
Claes Piehl	1950	2005	Director	124,940
Julian Aleksov	1965	1999	Director and CEO	148,650[2)]

[1] Refers to private ownership. In addition to privately held shares, Bo Cederstrand also has an indirect shareholding in the Company through Oasmia S.A., which owns 24,109,625 shares. See also the section "Main owners" in the chapter "Shares and ownership".
[2] Refers to private ownership. In addition to privately held shares, Julian Aleksov also has an indirect shareholding in the Company through Oasmia S.A., which owns 24,109,625 shares. See also the section "Main owners" in the chapter "Shares and ownership".

Bo Cederstrand.

Born 1939. Chairman of the Board since 2000 and one of the founders.

Bo Cederstrand has been Managing Director and a shareholder of a number of small to medium-sized companies, mainly in retailing, for almost 40 years, giving him a long experience of international business. He also has extensive experience of production and has had a very active involvement in trade associations. Bo Cederstrand is a Director of Oasmia S.A. and Deputy Director of Fruges AB. In the last five years he has been a Director of Arken Hemdjurshandlarna AB. Bo Cederstrand is dependent in relation to major shareholders, and independent in relation to the Company and management.

Peter Ström

Born 1952. Director since 2006.

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, partly with responsibility for International, England and VP Europe. Peter Ström is a Director of Active Biotech AB, Comtax AB, Lidds AB (Chairman) and Stockholm Corporate Finance AB. In the last five years Peter Ström has also been a Director of Peridoc AB (Chairman) and P.U.L.S. AB. Peter Ström is independent in relation to major shareholders, the Company and management. Peter Ström holds an M.Sc. in Economics and Business.

Claes Piehl

Born 1950. Director since 2005.

Claes Piehl has extensive knowledge about financial and capital markets and currently works as an active investor in smaller companies. He is also a Director of Alfaros Aktiebolag. In the last five years Claes Piehl has worked as a management consultant for PA Management Consulting and Indevo, among other clients, and as Managing Director for Alfred Berg UK Ltd, Alfred Berg Norge AS and Orkla Securities Ltd. He is independent in relation to major shareholders, the Company and management. Claes Piehl holds an M.Sc. in Economics and Business.

Julian Aleksov

Born 1965. Director since 1999, Chief Executive Officer of Oasmia.

Julian Aleksov is one of the co-founders of Oasmia and has long experience of coordinating research projects and of strategic development in bio-organic chemistry and strategic development of global intangible assets. He is also Chairman of Qdoxx Pharma AB and GlucoGene Pharma AB and is a Director and Managing Director (Tägliche geschäftsführung) at Oasmia S.A. Julian Aleksov is dependent in relation to major shareholders, the Company and management.

The Nominating Committee's proposal for new Director

The Nominating Committee of Oasmia has decided to propose to the coming Annual General Meeting that Björn Björnsson be appointed as a new Director. Björn Björnsson runs a financial consulting business and is, among other positions, Chairman of Bure Equity AB and a Director of AcadeMedia Aktiebolag, Carnegie Investmentbank AB and H. Lundén Kapitalförvaltning Aktiebolag.

MANAGEMENT

Oasmia's management team consists of four individuals. The names, years of birth, years of employment, positions and shareholdings in the Company of the current management team are shown in the following table.

Name	Year of birth	Position	Year of employment	No. of shares in Oasmia
Julian Aleksov	1965	Chief Executive Officer	1999	148,650[1]
Hans Sundin	1945	Director of Quality & Technology	2008	1,372
Weine Nejdemo	1948	Director of Finance	2009	20,714[2]
Annette Ljungmark	1950	Director of HR & Accounting	2005	-

[1] Refers to private ownership. In addition to privately held shares, Julian Aleksov also has an indirect shareholding in the Company through Oasmia S.A., which owns 24,109,625 shares. See also the section "Main owners" in the chapter "Shares and ownership".
[2] Privately and through companies.

Julian Aleksov

Chief Executive Officer

See above under Board of Directors.

Hans Sundin

Director of Quality & Technology

Born 1945. Employed by Oasmia since 2008.

Hans Sundin has more than 30 years' experience of drug production, quality control and project management as well as long international experience from the industry through senior positions in Swedish drug companies. He has worked at Pharmacia, Kabi Pharmacia, Pharmacia Upjohn and Pharmadule Emtunga AB, and has also worked as a representative of international associations operating in the field of drug production and technology. In the last few years Hans Sundin has been running his own management consulting form, Loxia Consulting, of which he is still the sole owner. Through his consulting firm Hans Sundin has worked as hired Managing Director for one and a half years for Vitamex Production AB, a company in the Midelfart Sonesson group. In the last five years he has also been Head of Business Development at Pharmadule Emtunga AB and a Director of Pharmadule Development. Hans Sundin has previously worked as a consultant for Oasmia.

Weine Nejdemo

Chief Financial Officer

Born 1948. Employed[1] since 2009.

Weine Nejdemo has a background as Director of Finance, Managing Director and Board Director of several companies operating in the field of life science, including Pharmacia, Pharmacia Diagnostics, Allergon, Scanditronix, Medisan, AlphaHelix and Sörmland County Council. Since 1997 Weine Nejdemo has worked as a management consultant in his own company, Blackberry Management AB, mainly in the field of life science, providing services to suppliers and clients (including county councils) as well as in other industries, including IT, telecom and engineering. This has given him extensive experience of managerial work. He is a Director of Blackberry Management AB and is also the owner of the sole proprietorship Weine, Ekonomikonsult. In addition to his employment with Oasmia, Weine Nejdemo works as a contracted consultant through Blackberry Management AB and part-time as Director of Finance for Österby Marine AB. His consulting assignment for Österby Marine AB runs until 31 March 2010 and will then cease. In the last five years Weine Nejdemo has been a Director of AlphaHelix Molecular Diagnostics AB (publ) and, as a consultant in Blackberry Management AB, has also served as Director of Finance for Hemocue AB.

Annette Ljungmark

Director of Human Resources & Accounting

Born 1950. Employed since 2005.

Annette Ljungmark has previously worked in the pharmaceutical industry where her tasks have included preparing monthly and annual financial statements, finance analysis, VAT, pensions and human resources issues. She has been Director of Human Resources & Accounting at Oasmia since 2005.

[1] Weine Nejdemo works as Director of Finance for Oasmia on a permanent part-time (60%) contract.

AUDITOR

At the Annual General Meeting in 2008 Ernst & Young were appointed auditors, with the authorised public accountant Björn Ohlsson as chief auditor. The mandate period is four years and expires at the AGM in 2012. During the period covered by the financial information the Company has changed auditors from Öhrlings PricewaterhouseCoopers AB to Ernst & Young AB. This was done as part of a drive to strengthen the company's stock market expertise in preparation for a listing on the main list of NASDAQ OMX Stockholm.

Ernst & Young AB
Portalgatan 2 B
Box 23036, 750 23 Uppsala
Phone +46 (0)18-19 42 00
Fax +46 (0)18-19 42 50

Chief auditor:
Björn Ohlsson
Uppsala, born 1960
Authorised Public Accountant and member of FAR SRS

Previous auditors

The Company's previous auditors were Öhrlings Pricewaterhouse-Coopers AB with Bo Åsell as chief auditor. Bo Åsell is an Authorised Public Accountant and member of FAR SRS. The address of Öhrlings PricewaterhouseCoopers AB is Wennerbergsgatan 10, 112 58 Stockholm.

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

At the 2008 AGM the shareholders resolved that each non-executive Director should receive a fee of SEK 5,000 for each Board meeting he or she attends. No other fees currently exist for the Board of Directors. Bo Cederstrand, Peter Ström and Claes Piehl have relinquished the right to receive Directors' fees for the financial year 2008/09. As an employee of the Company, Julian Aleksov was not entitled to Directors' fees. No remuneration or benefits in kind were paid or granted to the Board in the financial year 2008/09.

At the 2009 AGM it was decided that each non-executive Director should receive an annual fee of SEK 25,000. The AGM also adopted guidelines for fixing the salary and other remuneration to senior executives. The remuneration paid to senior executives shall consist of a fixed salary in addition to which no other remuneration or benefits shall be paid and no provisions for pensions shall be made. The Chief Executive Officer, Julian Aleksov, is paid a salary of SEK 50,000 per month. Under a previously concluded employment contract, Julian Aleksov has the right to sick pay and a pension, but he has expressly relinquished his right to these and has thus not received any sick pay or pension payments.

Salaries of senior executives are set on an individual basis. The fundamental principle is that the remuneration should be consistent with market conditions so as to enable the Company to recruit, develop and retain senior executives. In the last financial year remuneration totalling SEK 2,135 thousand was paid to the Chief Executive Officer and other senior executives.

Remuneration paid to the Chief Executive Officer and other senior executives

	Remuneration 2008/09			Remuneration 2007/08		
SEK '000	**Fixed salary**	**Variable pay**	**Pension cost**	**Fixed salary**	**Variable pay**	**Pension cost**
Chief Executive Officer	598	-	-	578	-	-
Other senior executives	1,357	-	-	2,055	-	-
Total	**2,135**	**-**	**-**	**2,633**	**-**	**-**

The Company has no outstanding share- or share price-related incentive schemes aimed at the Chief Executive Officer or other senior executives. Decisions on any such schemes are made by the general shareholders' meeting.

TERMINATION AND SEVERANCE PAY

At the 2009 AGM it was resolved that the period of notice for the Chief Executive Officer should be no more than 24 months in case of termination by the Company and no more than six months in case of termination by the Chief Executive Officer. However, under his employment contract, Julian Aleksov has the right to terminate his employment upon three months' notice.

The general shareholders' meeting furthermore decided that the period of notice for other senior executives should normally be six months when notice is given by the Company and three months when notice is given by the executive, and that no severance payments be made. Under his employment contract, Hans Sundin has a right to terminate his contract upon six months' notice. The period of notice upon termination by the Company is 24 months. The employment contracts of other senior executives are subject to notice by either party, generally upon three months' notice.

Hans Sundin's employment contract is limited in time to June 30th 2011. The contract contains a change of ownership clause giving Hans Sundin the right, in the event of significant changes in the ownership or operations of the Company, to terminate his employment and retain his salary until June 30th 2011.

In other respects, no Director or person in the Company's management team has concluded an agreement on post-employment benefits with the Company or its subsidiaries.

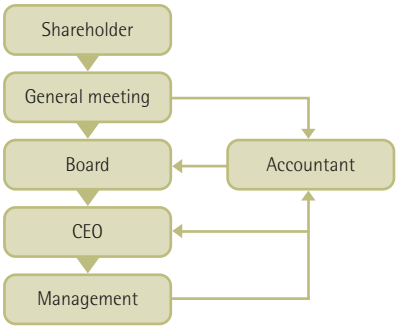
OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS AND MANAGEMENT

None of the Company's Directors or senior executives has been involved in any bankruptcy, bankruptcy administration or liquidation in the capacity of Director or senior executive in the last five years. No Director or senior executive has in the last five years been convicted of fraud or been subject to an official accusation or sanction by a supervisory or legislative authority and none of the said persons has been forbidden by a court of law to act as a member of a Board of Directors or management or otherwise engage in business activities in the last five years. There are no conflicts of interest between the duties of the Board of Directors or management in relation to Oasmia and their private interests and/or other duties. None of the Directors has any family relationship with any other Director or senior executives.

The address of the Company's management and senior executives is: Vallongatan 1, 752 28 Uppsala, Sweden.

Corporate governance

Governance, management and internal control are shared between the shareholders (the general shareholders' meeting), Board of Directors, Chief Executive Officer and management in accordance with applicable legislation, the Company's Articles of Association and the internal instructions adopted by Oasmia's Board of Directors. The Company's auditor is responsible for the external control of the Company.



THE SWEDISH CORPORATE GOVERNANCE CODE

As of July 1st, 2008, all companies listed on NGM Equity or NASDAQ OMX Stockholm AB are required to apply the Swedish Corporate Governance Code (the "Code"). The Code supplements the external rules affecting corporate governance, which mainly comprise the Companies Act, accounting legislation and applicable listing agreements. The Board of Directors decided, at a meeting on May 23rd, 2008, to implement the Code during the financial year 2008/2009. Oasmia has reported departures from the Code in a corporate governance report, which constitutes a separate section in the Company's annual report for 2008/2009.

The Company has chosen to make the following departures from the Code: (i) The Company has not established a remuneration committee (Code rule 9.1). The Board considers, in view of the size of the Board, that it is more appropriate that the Board should fulfil the tasks that would otherwise be assigned to a remuneration committee. (ii) Oasmia's criteria for the election of a nominating committee cannot be adapted so as to meet the Code's rules on independence (Code rule 2.3). (iii) The Company has not published the names of the members of the nominating committee within the timeframe provided for in the Code (Code rule 2.5). The reason for this is that the intended members of the nominating committee did not notify their participation in time.

THE GENERAL SHAREHOLDERS' MEETING

The AGM and EGM

The Company's highest decision-making body is the general shareholders' meeting, where the shareholders' influence in the Company is exercised. Shareholders who are registered in the register of shareholders maintained by Euroclear at the record date and who have given notice of attendance in the manner prescribed in the Articles of Association have the right to participate in general shareholders' meetings, personally or by proxy. At general shareholders' meetings all shareholders have the same right to make proposals, take part in deliberations and vote. The Annual General Meeting (AGM) adopts resolutions on the election of the Board of Directors and, where applicable, auditors, the procedure for appointment of the Nominating Committee and release from liability for the Board of Directors and Chief Executive Officer in respect of the past year. Resolutions are also passed on the adoption of financial statements, appropriation of profits, fees for the Board of Directors and auditors, guidelines for remuneration of the Board of Directors and other senior executives as well as other important matters requiring resolutions by the general shareholders' meeting. Normally, resolutions at a general shareholders' meeting are adopted by simple majority but the Companies Act prescribes other decision-making criteria for certain matters.

The Nominating Committee

The Nominating Committee's task is, among other things, to prepare and present proposals for the appointment of Directors and a Chairman as well as fees payable to the same. The Nominating Committee also presents proposals to the AGM on any remuneration for committee work and fees payable to external auditors. The Nominating Committee's proposals are published no later than in connection with the notice of

AGM. The Nominating Committee's mandate period runs until the composition of the following Nominating Committee has been published. The Nominating Committee for the 2009 AGM consisted of Bo Cederstrand, Julian Aleksov and Johan Edin. The 2009 AGM adopted the Nominating Committee's criteria for election of a Nominating Committee for the following AGM. The criteria were the following: one member shall represent the largest shareholders, one member shall be independent in relation to the largest shareholders and independent in relation to the management and Board of Directors of the Company, and one member shall be the Chairman of the Board. The members of the Nominating Committee for the 2010 AGM are Bo Cederstrand, Julian Aleksov and Johan Edin. The Nominating Committee has decided to propose to the coming Annual General Meeting that Björn Björnsson be appointed as a new Director. Björn Björnsson runs a financial consulting business and is, among other positions, Chairman of Bure Equity AB and a Director of AcadeMedia Aktiebolag, Carnegie Investmentbank AB and H. Lundén Kapitalförvaltning Aktiebolag.

THE BOARD OF DIRECTORS

The duties of the Board of Directors

The Board of Directors is appointed by the general shareholders' meeting with the remit of administering the Company's affairs on behalf of the shareholders. The Board of Directors acts in accordance with the Companies Act, the Articles of Association and internal regulations, and continuously assesses the Group's financial situation and evaluates the Company's operational management. The Board of Directors appoints the Chief Executive Officer and decides on significant changes in the Company's organisation and operations. The Board is also responsible for ensuring that the Company's internal control over its financial situation is satisfactory and that information relating to the Company's financial performance and its development in other respects are communicated correctly in the Company's financial reports.

Composition of the Board

Under the Articles of Association, Oasmia's Board shall consist of at least three and no more than eight members, with up to three deputies. Directors are elected by the AGM for the period until the end of the next AGM. At the 2009 AGM Bo Cederstrand, Peter Ström, Claes Piehl and Julian Aleksov were elected to the Board. Bo Cederstrand was elected Chairman of the Board. Of the Directors, all except Julian Aleksov, Chief Executive Officer, are independent in relation to the Company and management. All Directors, with the exception of Julian Aleksov, Chief Executive Officer, and Bo Cederstrand, Chairman, are independent in relation to Oasmia's major shareholders, which refers to shareholders controlling more than ten percent of the total number of shares or votes in the Company. Except for what has been stated above, all Directors are independent in relation to the Company's customers, suppliers and other parties.

The work of the Board

In accordance with the Companies Act, Oasmia's Board of Directors has adopted written rules of procedure for its work. The currently applicable rules of procedure, and the associated instructions for the Chief Executive Officer and reporting instructions, which were adopted at the Board meeting on March 10th, 2010, regulate the division of responsibilities between the Board and Chief Executive Officer. The rules of procedure also regulate the division of responsibility among the members of the Board, how often the Board should convene (at least four times a year in addition to the constituent meeting) and the division of responsibilities between the Board and Audit Committee. The instructions for the Chief Executive Officer contain restrictions relating to decisions on investments and acquisitions. The reporting instructions, which supplement the rules of procedure for the Board and the instructions for the Chief Executive Officer's instructions, regulate the day-to-day reporting to the Board as well as the Board's external reporting.

In the financial year 2009/10 the Board held four ordinary meetings. In addition to these meetings the Board made several decisions by e-mail/letter/telephone relating to the share offerings that were implemented during the financial year, the publication of the annual report and the notice of AGM. After the 2009 AGM the Board also held a constituent meeting. At the constituent meeting the Board designated persons

who are authorised to sign on behalf of the company and adopted the Company's internal governance documents. The Board also decided to initiate a risk identification process. The Board has held one meeting in the current financial year.

Chairman of the Board

The duties of the Chairman of the Board include monitoring the Company's performance through regular contacts with the Chief Executive Officer and ensuring that the Directors receive the information they require to fulfil their duties. The Chairman leads the work of the Board and ensures that decisions taken by the Board are executed. He or she also ensures that the Board's activities are evaluated on an annual basis and that the Nominating Committee is informed of the results of the evaluations. Such an evaluation was made at the last ordinary Board meeting prior to the 2009 AGM. The Chairman is responsible for preparing the corporate governance report and a report on the organisation of internal control in respect of financial reporting and the adequacy of such control in the past financial year. The Chairman, Bo Cederstrand, is not a member of the senior management team.

BOARD COMMITTEES

On September 11th, 2008, the Board of Oasmia decided to establish an Audit Committee. The Audit Committee consists of Bo Cederstrand (chairman), Claes Piehl and Peter Ström. The Audit Committee is a drafting body for the Board. Its responsibilities include preparing the Board's work by quality-assuring the Company's internal governance and control in respect of financial reporting, risk management and risk control, compliance, other internal governance and control, and any issues that the Board refers to the Audit Committee. The Audit Committee's responsibilities and duties are described in a separate set of instructions drawn up by the Board. In the financial year 2009/10, the Audit Committee convened on two occasions. The Audit Committee held its first meeting on September 10th, 2009, where the main issue deliberated was the internal control of the Company. It was decided that a meeting should be held with the Company's auditors to discuss priority measures. At the latest meeting, on December 8th, 2009, the Company's auditors, the Accounting Department, Director of Finance and CEO also participated. The auditors presented a report on their audit of the interim statement for the second quarter, which was then discussed. The continued audit work was also discussed and planned. The audit comittee has not held any meetings in the current financial year.

Oasmia's Board has made the assessment that a separate remuneration committee is not currently necessary. The Board believes it is able to perform the work that would otherwise fall on a remuneration committee.

MANAGEMENT

Management team

As of February 1st, 2009, Oasmia's management team consists of the CEO, Julian Aleksov, the Director of Quality & Technology, Hans Sundin, the Director of Finance, Weine Nejdemo, and the Director of Human Resources & Accounting, Annette Ljungmark. The management holds regular meetings where the Company's day-to-day activities are discussed. Control over the operations of the Group as a whole is exercised partly through financial reporting by the subsidiaries and regular contacts with the management teams of the subsidiaries.

CEO

The Chief Executive Officer, Julian Aleksov, leads the activities in accordance with the Board's guidelines and adopted instructions. The CEO is responsible for the day-to-day administration of the Company and ensures that the Board receives information and the documentation necessary for making decisions. The CEO also presents reports at Board meetings and keeps the Board and its Chairman up-to-date on the Group's financial position and performance. Julian Aleksov has held the position of CEO since 2000.

AUDITOR

The external auditing of the Company's accounts and of the Board of Directors' and CEO's administration is performed in accordance with generally accepted auditing standards in Sweden. The Company's chief auditor participates in at least one Board meeting per year, where the year's auditing activities are reviewed and a discussion is held by the Directors without the presence of the CEO.

COMMUNICATIONS POLICY

Publicly Oasmia is in the first hand represented by the CEO on all issues. The CEO has delegated a certain responsibility to the Director of Communications. The CEO, Director of Quality & Technology and Director of Communications are authorised, as representatives of the Company, to issue information or make statements on issues concerning the Company's activities. The Director of Finance is permitted to make statements on financial issues.

Shares and ownership

THE OASMIA SHARE

Oasmia's shares have been issued in one series, called series A. Oasmia's Articles of Association contain a reconciliation clause and the Company's shares are connected to the Euroclear system, which means that the Company's register of shareholders is administered by Euroclear. Shareholders do not receive physical share certificates. Instead, transactions in the shares are made electronically through registration in the Euroclear system by authorised banks and other securities dealers. All shares are denominated in Swedish kronor (SEK).

The shares are regulated by the Swedish Companies Act (2005:551), and the rights of shareholders can only be changed in accordance with the provisions of this act. At general shareholders' meetings each share entitles the holder to one vote. Shareholders have the right to vote for the full number of shares held with no restrictions on the right to vote.

All shares carry the same rights to a share in the Company's assets and earnings and are freely transferable. Under the Swedish Companies Act (2005:551), shareholders have pre-emption rights to subscribe for new shares, warrants and convertible bonds, but this right can be set aside by a decision of the Annual General Meeting. The shares of Oasmia are not subject to any offer made under a duty to make a public takeover bid or under squeeze-out or sell-out provisions. No public takeover bids have been made in respect of the Company's shares during the current or preceding financial year.

SHARE CAPITAL

Oasmia's registered share capital is SEK 3,761,285.80, represented by 37,612,858 fully paid-up shares. The quotient value is SEK 0.10 per share. Under the Company's Articles of Association, the share capital shall be at least SEK 3,350,000 and no more than SEK 13,400,000, represented by at least 33,500,000 shares and no more than 134,000,000 shares.

Share information

Share capital	SEK 3,761,285.80
No. of shares	37 612 858
ISIN code	SE0000722365
Stock symbol	OASM
Share currency	SEK
Share quotient value	SEK 0.10

Share capital history

Year	Event	Quotient value	Increase in no. of shares	Increase in share capital (SEK)	Total no. of shares	Total share capital (SEK)
1988	Incorporation	100.00	500	50,000.00	500	50,000.00
1999	Issue of new shares[1]	100.00	500	50,000.00	1,000	100,000.00
1999	Share split	0.10	999,000	-	1,000,000	100,000.00
1999	Issue of new shares[1]	0.10	30,000,000	3,000,000.00	31,000,000	3,100,000.00
2006	Issue of new shares[1]	0.10	851,310	85,131.00	31,851,310	3,185,131.00
2007	Issue of new shares[1]	0.10	1,523,690	152,369.00	33,375,000	3,337,500.00
2008	Issue of new shares[1]	0.10	125,000	12,500.00	33,500,000	3,350,000.00
2009	Rights issue	0.10	2,392,858	239,285.80	35,892,858	3,589,285.80
2009	Issue of new shares[2]	0.10	1,720,000	172,000.00	37,612,858	3,761,285.80

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

SHAREHOLDERS

On April 30th, 2010, the Company had approximately 1,800 shareholders, of which the ten largest are listed in the following table.

Owner	No. of shares	Share of capital and votes
Oasmia S.A.	24,109,625	64.1%
Svenska Handelsbanken S.A.	1,112,670	3.0%
Avanza Pension	640,398	1.7%
Christer Ericson (privately and through companies)	541,213	1.4%
Banque Öhman S.A.	484,444	1.3%
Banque Carnegie Luxembourg S.A.	432,548	1.2%
SIX SIS AG	424,531	1.1%
Handelsbanken Svenska Småbolagsfond	410,000	1.1%
SEB Private Bank S.A.	353,966	0.9%
Almi Företagspartner	333,333	0.9%
Other shareholders	8,770,130	23.3%
Total	**37,612,858**	**100.0%**

MAIN OWNERS

Oasmia is 64.1 per cent owned by Oasmia S.A., a holding company with registered office in Luxembourg. Oasmia S.A. is owned and controlled together with Oasmia's founders: Bo Cederstrand, Julian Aleksov and Oleg Strelchenok. Oasmia S.A. was founded in 1992 by Bo Cederstrand, Julian Aleksov and Oleg Strelchenok for the purpose of developing and commercialising the research that would later lead to the founding of Oasmia. Oasmia S.A.'s remit is to administer its shareholding in the Company and otherwise assist in the funding of Oasmia. Oasmia S.A.'s assets comprise its shareholding in Oasmia. It has no other shareholdings or interests in other companies.

Oasmia S.A. has a controlling influence over the Company, which means that Oasmia S.A. is able, for instance, to influence issues that are voted upon at general shareholders' meetings, such as the appointment and dismissal of Directors, proposals on mergers, consolidation or the sale of all or virtually all of the Company's assets. Oasmia S.A. also has the ability to prevent or obstruct the acquisition of the Company through a public takeover bid. The Company deems that it is an asset to have a strong main owner, not least because Oasmia S.A. has helped to provide funding. Oasmia S.A.'s influence over the Company is limited by the fact that the Company applies the Code (as stipulated in the listing agreements for NGM Equity and NASDAQ OMX Stockholm) and the requirement contained therein that a majority of Directors must be independent in relation to the Company and management and that at least two of these must also be independent in relation to the Company's major shareholders. In other respects these issues are regulated in the Companies Act.

AUTHORISATIONS TO ISSUE SHARES

At the Annual General Meeting on September 25th, 2009, the Board of Directors was authorised, during the period up to the next Annual General Meeting, to decide, on one or several occasions, to issue new shares. This decision was to be made with or without pre-emption rights for existing shareholders and for a cash or non-cash consideration or by offset or in another manner subject to terms and conditions in accordance with Chapter 13, Section 7 of the Companies Act, and to issue convertible bonds for a cash for cash or non-cash consideration or by offset or in another manner subject to terms and conditions in accordance with Chapter 15, Section 5 of the Companies Act. The new shares and convertible bonds must be issued at a price that is close to the share price at the time of implementing the issue of shares, less any discount, consistent with prevailing market conditions, deemed necessary by the Board. The reason for the authorisation is a desire to create more leeway when there is a need to raise working capital. The reason for a potential derogation from shareholders' pre-emption rights is to enable a widening of ownership. The total number of shares issuable under the authorisation is limited to 3,000,000. The total number of convertible bonds issuable under the authorisation is limited to the number of convertible bonds that are convertible into 3,000,000 shares.

Upon conclusion of the private placement authorised by the Board on November 4th, 2009, the number of remaining shares, or convertible bonds convertible into the same number of shares, which can be issued under the above-mentioned authorisation is 1,280,000.

SHAREHOLDER AGREEMENTS

Oasmia's Board of Directors is not aware of any shareholder agreements or other agreements between existing or prospective shareholders of Oasmia that are designed to ensure a joint influence over the Company.

PERSONS SUBJECT TO INSIDER REPORTING REQUIREMENTS

Other than those persons included in the Company's Board of Directors or Oasmia S.A., there are no persons holding ten per cent or more of the capital or votes of Oasmia. The management, persons responsible for various functions and a small number of other employees of the Company in positions that could give them access to undisclosed price-sensitive information are deemed to be insiders and are therefore subject to reporting requirements under applicable insider trading regulations.

DIVIDENDS

Dividend payments are authorised by the general shareholders' meetings and the payments are managed by Euroclear. If a shareholder cannot be reached through Euroclear such share¬holder's claim on the Company in respect of the dividend payment will remain and is limited only by rules on statutes of limitations. Upon expiration of the statute of limitations the dividend accrues to the Company. There are no specific restrictions or procedures applying to shareholders domiciled outside Sweden in respect of the right to receive dividends. However, a withholding tax on dividends known as "coupon tax" is deducted at source from dividends paid to shareholders who are not domiciled in Sweden for tax purposes. Shareholders registered in the register of shareholders administered by Euroclear at a record date appointed by a general shareholders' meeting of the Company have a right to receive a dividend.

As Oasmia will over the next few years be in a phase where the Company's product portfolio is developed, any excess capital will be invested in the business. The Board of Directors therefore does not intend to propose that a dividend be paid for the current year or commit itself to a fixed dividend payout ratio. If Oasmia's cash flow from operating activities subsequently increases and exceeds the Company's capital requirements the Board intends to propose that the general shareholders' meeting approve the payment of dividends.

LIQUIDITY PROVIDER AGREEMENT

The Company has concluded a liquidity provider agreement with Remium AB to reduce the spread between buy and sell prices in order to facilitate trading in the shares. Remium AB will, in its capacity as liquidity provider, ensure buy and sell volumes of SEK 10,000 each in trading on NGM Equity. The buy and sell prices offered by Remium AB at any given time may differ from each other by a percentage of no more than three per cent of the offered sell price. A round lot on NGM Equity comprises 100 shares, but smaller numbers of shares can also be traded.

MARKETPLACE

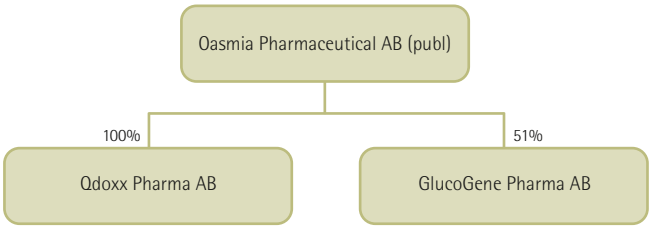
The Company's shares have been listed on NGM Equity since September 18th, 2007. Oasmia has decided to apply and subsequently applied for listing on the main list of NASDAQ OMX Stockholm. The first day of trading on the main list of NASDAQ OMX is expected to be June 24th, 2010.

Legal information and supplementary information

THE ISSUER

The Company, Oasmia Pharmaceutical AB (publ) (registration number 556332-6676), was incorporated in accordance with Swedish law on April 15th, 1988, and registered with the Swedish Companies Registration Office on September 22nd, 1988. The Articles of Association state that the Company shall have its registered office in the municipality of Stockholm, Sweden. The Company is a public limited liability company and intends to engage in business activities in this legal form of business, which is regulated by the Swedish Companies Act (2005:551).

GROUP STRUCTURE



Oasmia Pharmaceutical AB (publ)

Oasmia Pharmaceutical AB (publ) is the parent company of the Oasmia Group. The management team and finance function, which deal with issues concerning business development, strategy, production and the governance of subsidiaries, operate through the parent company. The parent company's operations comprise research and development of drugs and licensing of market licenses. The parent company also owns and manages the Group's intellectual property rights.

Qdoxx Pharma AB

(registration number 556609-0154)

Oasmia owns 100 per cent of the subsidiary company Qdoxx Pharma AB. Qdoxx Pharma AB is a parallel import business focusing on pharmaceutical drugs for the Swedish market. The company started operating in 2004 as part of Oasmia's effort to build its future logistics operation.

GlucoGene Pharma AB

(registration number 556519-8818)

Since May 2006 Oasmia has owned 51 per cent of the shares of GlucoGene Pharma AB. GlucoGene Pharma AB is a research and development company focusing on the use of xylosides in treating cancer, with a particular emphasis on brain tumours. The company was incorporated in 1994 by a group of researchers in Lund.

PROPERTIES AND LEASE AGREEMENTS

Oasmia does not own any properties. All lease agreements for the Company's existing premises at Vallongatan 1 in Uppsala run from January 1st, 2009, to December 31st, 2013.

MATERIAL AGREEMENTS

Licensing and distribution agreements with Orion Corporation, Finland

Oasmia has concluded licensing and distribution agreements with Orion Corporation, Finland ("Orion") granting exclusive sales and marketing rights for Paclical® and Paccal® Vet, respectively. The agreements for each product cover an initial contract term of 15 years from the date at which sales of the product commence or until the expiry of all of the Company's patent rights in respect of the product, whichever occurs later.

The agreement for Paclical® is dated November 22nd, 2007, and applies to sales in Denmark, Finland, Iceland, Norway and Sweden. Orion will be launching Paclical® in the countries concerned and will have sole responsibility for sales and marketing expenses. The agreement contains a provision stating that the selling price may not be less than Oasmia's cost for the sold product plus a certain percentage as well as undertakings from Orion to purchase certain minimum quantities of the product. However, the agreement also contains a provision stating that the cost of production must be consistent with production costs in the market. The agreement contains provisions on milestone payments of up to EUR 4.0 million in total, of which Oasmia has already received EUR 2.0 million. Orion has also undertaken to pay milestone payments of up to EUR 2.0 million in accordance with the following:

- 1.5 million to Oasmia upon submission of an application for marketing approval for ovarian cancer in all countries covered by the agreement, and
- a further EUR 0.1 million per country in the agreement upon approval of the applications in each country (for a total of EUR 0.5 million).

The parties have also concluded an agreement on royalty revenues from all sales of Oasmia's products through Orion. Oasmia may be forced to repay EUR 1.0 million to Orion if it does not submit applications for marketing licenses in accordance with the agreed timetable, i.e. by June 2011, and Orion chooses to terminate the agreement on this basis. Orion also has a unilateral right to terminate the agreement on several grounds, notably if a license to market the products is not obtained before the end of the third quarter of 2011, if the granted marketing license is revoked or if a dispute arises concerning intellectual property rights or product liability. Orion also has the right to terminate the agreement if it is no longer commercially feasible for Orion to fulfil the agreement.

The agreement also contains a provision on standardised compensation in the event that the Company does not deliver defect-free products in time, up to a maximum of ten per cent of the value of the delayed products.

The Company has also concluded agreements with Orion in respect of Paccal® Vet. The first agreement was concluded on March 19th, 2008, and was subsequently expanded and replaced by a second agreement dated June 24th, 2008. The agreement applies to sales in Denmark, Finland, Iceland, Norway, Poland, the Czech Republic, Slovakia, Sweden and Hungary ("Region 1"), and, after expansion, also Albania, Belgium, Bosnia-Herzegovina, Bulgaria, Cyprus, Estonia, France, Greece, Ireland, Italy, Croatia, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Rumania, Switzerland, Slovenia, Spain, the United Kingdom, Serbia, Montenegro, Germany and Austria ("Region 2"). Orion will be launching Paccal® Vet in the countries concerned and will have sole responsibility for sales and marketing expenses. The agreement contains a provision stating that the selling price may not be less than Oasmia's cost for the sold product plus a certain percentage as well as undertakings from Orion to purchase certain minimum quantities of the product.

The agreement relating to Paccal® Vet contains provisions on milestone payments, of which Oasmia has already received a total of EUR 4.0 million. Orion has also undertaken to pay milestone payments of up to EUR 6.25 million in accordance with the following:

- EUR 0.5 million to Oasmia when marketing licenses have been received in all countries in Region 1,
- EUR 1.5 million when marketing licenses have been received in all countries in Region 2,
- and a total of up to EUR 4.25 million when Orion achieves certain levels in respect of net sales in Region 1 and Region 2.

The parties have also concluded an agreement on royalty revenues from all sales of Oasmia's products through Orion. Oasmia may be forced to repay EUR 525,000 and EUR 1.5 million to Orion if Oasmia does not apply for and receive marketing licenses in accordance with the timetable annexed to the agreement, i.e. applies no later than December 2010 and obtains licenses no later than June 30th, 2011, and if Orion chooses to terminate the agreement on this basis. Orion also has the right to royalties of five per cent of net sales of Paccal® Vet in the stated territories if Oasmia cancels the exclusivity under the agreements because Orion has not achieved the contracted purchase levels. Orion also has a unilateral right to terminate the agreement on several other grounds, notably if a license to market the products is not obtained before the end of the second quarter of 2011, if the granted marketing license is revoked or if a dispute arises concerning intellectual property rights or product liability. Orion also has the right to terminate the agreement if it is no longer commercially feasible for Orion to fulfil the agreement.

The agreement also contains a provision on standardised compensation in the event that the Company does not deliver defect-free products in time, up to a maximum of ten per cent of the value of the delayed products.

Distribution agreement with Abbott Laboratories, USA

Oasmia has concluded a distribution agreement with Abbott Laboratories, USA ("Abbott"). The agreement, which is dated July 8th, 2009, grants exclusive sales rights for Paccal® Vet in the United States and Canada. The agreement covers an initial contract term of 15 years from the date at which Oasmia obtains marketing licenses or until the expiry of all of the Company's patent rights, whichever occurs later.

Under the agreement, Abbott has undertaken to launch Paccal® Vet in the United States and Canada and assume sole responsibility for sales and marketing expenses. Under the agree¬ment, Abbott will buy the product from Oasmia for delivery at a predefined price, which may be adjusted after two years subject to certain limitations.

The agreement contains provisions on five milestone payments of up to USD 19.0 million in total, of which Oasmia has already received USD 5.0 million upon concluding the agreement. Abbott has also undertaken to pay:

- up to USD 5.0 million to Oasmia when final marketing licenses have been received in the US and Canada,
- and three payments of USD 3.0 million each, for a total of up to USD 9.0 million, when annual net sales through Abbott reach certain levels.

The second milestone payment above that is linked to the receipt of a marketing license is also dependent on the date at which such marketing approval is received. If approval for marketing is received after November 1st, 2011, the second milestone payment will be reduced in stages and forfeited entirely after November 1st, 2013.

Abbott also has a right to repayment of USD 2.0 million of the USD 5.0 million that Abbott has paid to Oasmia in an initial milestone payment under the agreement. Oasmia will be required to make the repayment if it fails to obtain marketing approval in accordance with the agreement by May 1st, 2014. In such case Abbott also has the right to terminate the agreement and automatically receive an exclusive, irrevocable, fully paid and royalty-free license and right to Oasmia's patents, other intellectual property rights and improvements attributable to Paccal® Vet to use, manufacture, sublicense, import and sell the product in the US and Canada. A similar but non-exclusive right applies also if Abbott terminates the agreement on the grounds of breach of contract by or the insolvency of Oasmia.

The parties have also concluded an agreement on royalty revenues from all sales through Abbott. Royalty revenues will be reduced by the amount invoiced at the time of delivery of products to Abbott in accordance with the above.

The agreement is terminable by either party on several grounds, notably if either party violates the provisions of the agreement or if either party becomes insolvent or bankrupt. In the event that the agreement is terminated by Abbott due to a material breach of contract or insolvency, Oasmia would be required to repay all milestone payments received from Abbott. Abbott also has the right to terminate the agreement at any time if, in Abbott's own assessment, it is no longer possible for Abbott to fulfil the agreement.

Distribution agreement with Nippon Zenyaku Kogyo Co. Ltd, Japan

Oasmia has concluded a distribution agreement with Nippon Zenyaku Kogyo Co. Ltd ("Nippon Zenyaku Kogyo"). The agreement, which is dated April 21st, 2010, grants exclusive sales rights for Paccal® Vet in Japan. It also gives Nippon Zenyaku Kogyo a right of first refusal in respect of the distribution of all future veterinary products introduced by Oasmia in Japan. The agreement covers an initial contract term of 10 years from the conclusion of the agreement or until the expiry of all of the Company's patent rights, whichever occurs later. After that, the agreement will be extended by one year at a time unless terminated by either party.

Under the agreement, Nippon Zenyaku Kogyo has undertaken to launch Paccal® Vet in Japan and assume sole responsibility for sales and marketing expenses. Nippon Zenyaku Kogyo has also assumed responsibility for all necessary clinical development aimed at obtaining marketing approval. Under the agreement, Nippon Zenyaku Kogyo will purchase the product from Oasmia for delivery at a predefined price that may be adjusted annually subject to certain limitations.

The agreement contains provisions on four milestone payments of up to EUR 3.25 million in total, of which Oasmia has already received EUR 0.55 million in connection with the conclusion the agreement. Nippon Zenyaku Kogyo has also undertaken to pay:

- EUR 0.7 million to Oasmia upon receipt of marketing approval in Japan, and

- two payments of EUR 1.0 million each, for a total of up to EUR 2.0 million, when annual net sales through Nippon Zenyaku Kogyo reaches certain levels.

Oasmia may be required to repay the first milestone payment in accordance with the above if marketing approval cannot be obtained due to unavoidable circumstances that are beyond the control of Nippon Zenyaku Kogyo. Oasmia may also, for instance in the event that the Company commits a breach of contract resulting in the termination of the agreement or negligence that makes it impossible to obtain marketing approval, be required to repay the two milestone payments linked to the conclusion of the agreement and receipt of marketing approval, respectively, and may also be required to compensate Nippon Zenyaku Kogyo for costs incurred in relation to the receipt of marketing approval.

The parties have also concluded an agreement on royalty revenues from all sales through Nippon Zenyaku Kogyo. The agreement is terminable by either party on several grounds, notably if either party violates the provisions of the agreement or if either party becomes insolvent or bankrupt. In the event that the agreement is terminated, regardless of which party terminates the agreement and the grounds therefor, the marketing approval received in Japan shall be transferred to Oasmia.

Other agreements

Oasmia has concluded agreements with various clinics in respect of clinical trials of the Company's drug candidates. The Company has also concluded customary commercial agreements of a standard character with suppliers and business partners. However, no agreement, other than the licensing and distribution agreements, are of such significance for the Company that it could not be deemed replaceable by an agreement with equivalent content with another party.

INTELLECTUAL PROPERTY RIGHTS

Oasmia's product portfolio consists of the trademark-protected drug candidates Paclical®, Carbomexx®, Docecal®, Doxophos® and Paccal® Vet. These drug candidates are all based on the Company's nanotechnologically developed excipient model and are protected by international patents. Oasmia has patents in force in 26 countries based on six different patent families. The Company has submitted a further 11 patent applications in the aforementioned patent families. In addition to the patent families where it has obtained patents, the Company has submitted international patent applications, PCT applications, in a further three patent families. These are in the evaluation phase. Oasmia's intellectual property strategy is aimed at protecting the company's core technologies and their application. In addition, Oasmia has several registered domain names, including oasmia.se, oasmia.com and qdoxx.com. The Company's protection for intellectual property rights is monitored continuously and is currently deemed to be adequate.

TANGIBLE ASSETS

Through a hire-purchase agreement the Company has acquired the technical facility in the premises in which it operates. The occupancy date for the facility under the agreement was July 1st, 2005 and the lease runs until June 30th, 2010. On March 31st, 2010, the Company made the last tent payment according to this agreement and has thereby paid the full amount of the SEK 18.0 million hire purchase. Under the agreement, the lessor has the right to terminate the agreement and repossess the facility if the Company fails to pay rent on time or otherwise fails to meet its obligations under the agreement.

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Oasmia has provided a floating charge in favour of Danske Bank as collateral for the SEK 5 million overdraft facility made available to the Company.

INSURANCES

Oasmia has insurance policies in all areas of operation. General insurance policies comprise property, liability, patient, CEO/Board of Directors liability, transport, employee and business travel insurance policies. The Company works with an insurance consultant, who continually reviews the Company's insurance requirements. Oasmia's Board deems that the Company's current insurance coverage is satisfactory in view of the nature and scope of the business.

DISPUTES

Oasmia is not, and has not in the last twelve months, been party to any legal dispute, trial, arbitration proceeding or other legal case that is expected to have any significance for the Company's or Group's financial position or profitability. Nor are there, as far as the Board is aware, any circumstances that could lead to such legal proceedings or that could materially affect the Company's or Group's financial position or profitability.

GOVERNMENT LICENSES

Oasmia's area of business is subject to significant government regulation. Drug development is subject to extensive controls, and government agencies in all parts of the world work to ensure compliance with applicable laws governing the development, production and sale of pharmaceuticals, and also examine the quality, safety and effectiveness of drugs.

License for the production of trial drugs

Oasmia holds a license from the Swedish Medical Products Agency to manufacture trial drugs in Sweden. The license covers production of Paclical® and Paccal® Vet. This license, which is of central importance for Oasmia's business, expires on November 18th, 2010.

License for parallel imports

Parallel import of drugs requires a license for wholesale trading in pharmaceutical drugs. The current license for parallel imports of drugs expires on September 27th, 2011.

Other licenses

Other licenses cover activities such as the handling of flammable goods and the purchase of denatured alcohol.

Application and registration of pharmaceutical products

Oasmia currently has no registered products. Oasmia's drug candidates are undergoing clinical trials and work on preparing product registrations is underway.

The registration of a drug in the market requires licenses from the relevant drug regulators in the countries where market registration is being applied for. The documentation examined by the authorities concerned is information about the drug's quality, effect and safety. It is important to ensure that all information submitted in support of an application for a marketing license meets the applicable national and international requirements. In the EU there are four different procedures by which to apply for a license to sell a new drug. The central procedure is obligatory for drugs whose therapeutic indication includes the treatment of cancer. In the central procedure the application is sent directly to the European drug regulator, EMEA. An approval in the central procedure covers all member states of the EU.

In the US there are also different procedures by which to apply for a license to sell a new drug. An application is submitted to the US drug regulator, the FDA. An approval covers the US market.

RELATED-PARTY TRANSACTIONS

Transactions with key individuals in senior positions

For information on salaries and remuneration to the Board of Directors and senior executives, see Note 11 in the chapter "Historical financial statements". Other than what is stated there, no transactions with related natural persons have taken place. Hans Sundin has previously worked as a consultant for Oasmia through a company. No Director or senior executive of Oasmia has or has had, other than what is stated in the section "Financial loan transactions with related parties", any direct or indirect participation in any business transaction with the Company which is or has been unusual in terms of its character or its terms and conditions or which, individually or jointly, is or has been significant for the Company.

Financial loan transactions with related parties

As stated in Note 23 in "Historical financial statements", the Company had, on April 30th, 2008, a long-term loan of SEK 3,500 thousand from the largest owner of the Company, Oasmia S.A. At the Annual General Meeting on September 11th, 2008, it was decided that the aforementioned loan should be repaid through a private placement of 125,000 shares to Oasmia S.A. The total value of the issued shares was SEK 3,500 thousand, of which SEK 3,488 thousand constituted a premium.

During the period December 2008 to July 2009, the Company received short-term loans from Oasmia S.A. The outstanding loan receivables, totalling SEK 28,739 thousand, were used in payment for shares subscribed for by Oasmia S.A. in the rights issue completed in August, 2009. On August 25th, 2009, Oasmia S.A. made a SEK 30.0 million credit facility available to Oasmia. On February 25th, 2010, the facility was replaced by a new credit facility in the amount of SEK 60.0 million. The interest rate on the credit facility, which has an initial term of about 13 months, is six per cent in the event that the facility is used. The credit facility will automatically be extended by twelve months at a time unless terminated by either party.The parties intend to extend this credit facility by at least 12 months. On April 30th, 2010, SEK 10,550 thousand of this credit had been used. In order to secure its credit undertaking to Oasmia in accordance with the above, Oasmia S.A. has obtained a committed line of credit from Banque Carnegie Luxembourg S.A. The committed line of credit is in the amount of SEK 60.0 million and Oasmia S.A. has put down 18,431,640 shares as collateral for the credit facility. The value of the collateral must, at all times, amount to at least SEK 60 million plus accrued interest of utilized part and shall be calculated as the market value of the collateral after deduction of a margin requirement. The margin requirement, which is calculated on a daily basis by a lender, cannot amount to more than 80 per cent of the market value of the collateral. The value of the collateral that Oasmia S.A. puts down consequently varies with the price of Osamia's share when the collateral consists of such shares. In case that the value of the collateral would fall short of SEK 60 million plus accrued interest of utilized part, the lender can request that Oasmia S.A. puts down further collateral or otherwise request for immediate pay back of the credit in full

Other transactions with related parties

Ardenia Investment Ltd ("Ardenia"), which is owned and controlled in equal parts by Oasmia's founders, Bo Cederstrand, Julian Aleksov and Oleg Strelchenok, is the applicant as well as the holder of all patent rights that form the basis for Oasmia's business. Under an agreement between Ardenia and Oasmia, concluded in 2001, the rights to all existing and future patents, patent applications and know-how have been transferred to Oasmia for a one-off payment of SEK 1,000 plus variable supplementary payments. Under a supplementary agreement dated January 27th, 2003, the Company is no longer required to make supplementary payments. Oasmia has no remaining obligations to Ardenia.

PROVISION OF DOCUMENTS

Historical financial information, reports and other documents that are wholly or partially included or referred to in this prospectus can, be obtained in paper format from Oasmia upon request throughout the period of validity of the prospectus. Annual reports, interim reports and the Articles of Association are available on the Company's website, along with other published material.

Articles of Association

OASMIA PHARMACEUTICAL AB

1. Name
The company's name is Oasmia Pharmaceutical AB. The company is a public company (publ).

2. Registered office
The Board of Directors has its registered office in the municipality of Stockholm.

3. Business
The object of the company's activities is development, manufacture, research, marketing and sales in human and veterinary medicine and activities compatible therewith.

4. Share capital and number of shares
The share capital shall be at least SEK 3,350,000 and no more than SEK 13,400,000. The minimum number of shares shall be 33,500,000 and the maximum number 134,000,000.

5. Share class
Shares shall be issuable in one series, called series A.

6. Board of Directors
The Board of Directors shall consist of at least 3 and no more than 8 Directors and no more than 3 Deputy Directors.

7. Auditors
One or two auditors with up to two deputies or one or two registered auditing firms shall be appointed to examine the company's annual report and financial statements as well as the Board of Directors' and Chief Executive Officer's administration.

8. Notice
Notice of a general shareholders' meeting shall be given by advertisement in Post- och Inrikes Tidningar and Dagens Nyheter. Notice of an ordinary general shareholders' meeting shall be given no earlier than six weeks and no later than four weeks before the meeting. Notice of an extraordinary general shareholders' meeting shall be given no earlier than six weeks and no later than two weeks before the meeting. Notice of an extraordinary general meeting at which resolutions on changes to the Articles of Association will be passed shall be given no earlier than six weeks and no later than four weeks before the meeting
Shareholders wishing to participate in deliberations at a general shareholders' meeting must be included in a transcript of the complete register of shareholders, as reflecting actual circumstances five weekdays before the meeting, and notify their intention to attend to the company no later than 4 p.m. on the day stated in the notice of the meeting. Such day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and may not be earlier than the fifth weekday before the meeting.
Shareholders may invite one or two assistants to a general shareholders' meeting, subject to giving notice thereof in accordance with the previous paragraph.

9. General shareholders' meetings
General shareholders' meetings shall be held in the municipality of Uppsala or in Stockholm.
At the Annual General Meeting the following business shall be transacted:

1. Election of a chairman for the AGM.
2. Preparation and approval of the list of voters.
3. Approval of the agenda.
4. Election of one or two persons to check the minutes along with the chairman.
5. Determination of whether the AGM has been duly convened.
6. Presentation of the annual report and audit report and, where applicable, the consolidated financial statements and consolidated audit report.
7. Resolutions on
   a. the adoption of the income statement and balance sheet, and the consolidated income statement and consolidated balance sheet.

b. the treatment of the company's profit or loss, as stated in the adopted balance sheet.
c. release from liability for Directors and the Chief Executive Officer.

8. Determination of the number of Directors, Deputy Directors, auditors and deputy auditors.
9. Determination of the fees payable to the Directors and, where applicable, auditors' fees.
10. Election of a Board of Directors and, where required, auditors and deputy auditors.
11. Other business that is incumbent upon the general shareholders' meeting under the Companies Act (2005:551) or the company's Articles of Association.

The Chairman of the Board or a person appointed thereto by the Board shall open the general shareholders' meeting and lead the deliberations until a chairman for the meeting has been elected.

10. Financial year

The financial year shall be May 1st, to April 30th.

11. Reconciliation clause

Under the Swedish Financial Instruments Act (1998:1479), the company's shares are required to be registered in a central securities depository register.

Adopted at the general shareholders' meeting on September 25th, 2009

Tax issues in Sweden

The following summary of certain Swedish tax issues is based on currently applicable and adopted legislation. Unless otherwise stated, the summary is only intended to provide general information for shareholders who are resident in Sweden for tax purposes. The description is not intended to exhaustively address all tax issues that may arise in the context. It does not, for instance, cover situations where securities are held as inventory in a business operation or by a trading partnership. Nor does it address the special rules that may apply to holdings in companies that have been close companies or the rules relating to tax-free capital gains and dividends on commercial interests ("näringsbetingade andelar"), which apply in certain cases in the corporate sector. Special tax consequences that are not described in the following may arise also for other categories of taxpayer, such as investment companies and investment funds. The tax situation for a shareholder depends on the circumstances applying in each individual case, and special tax consequences, not described in the following, may arise. Each shareholder should therefore consult a tax adviser regarding the tax consequences that may arise as a result of the shareholding.

TAXATION ON THE SALE OF SHARES

Natural persons

Capital gains and losses on the sale of shares are taxed as capital gains. The tax rate is 30 per cent. The capital gain or loss is the difference between the compensation received for the sale, after deducting for selling expenses, and the cost basis. The cost basis for all shares of the same class and type is aggregated and calculated jointly by applying the average cost method. Alternatively, in case of the sale of exchange-listed shares, the standard rate method may be used. Under this method, the cost basis may be defined as 20 per cent of the compensation received for the sale after deducting for selling expenses.

Capital losses incurred on the sale of exchange-listed shares are deductible. Such losses can be fully offset against capital gains in the same year from the sale of shares, exchange-listed equity securities that are taxed as shares (with the exception of shares in Swedish collective investment schemes that only contain Swedish debt instruments, known as Swedish fixed income funds). Capital losses that have not been used to offset capital gains in the manner described above are 70 per cent deductible against other capital income.

In case of a net capital loss, such loss may be used to reduce the tax on earned income as well as central government and municipal property taxes. The loss is 30 per cent tax-deductible up to SEK 100,000 and 21 per cent tax-deductible for any loss in excess of SEK 100,000. The loss cannot be carried forward to future tax years.

Limited liability companies

In limited liability companies capital gains on shares are normally taxed as business income. The tax rate is 26.3 per cent.[1] Capital gains and losses are calculated in the same manner as for natural persons, as described above.

Deductible capital losses on shares may only be offset against taxable capital gains on other shares and equity securities. In certain cases such capital losses can be offset against capital gains on equity securities in the same corporate group if a right to make Group contributions exists between the companies and both companies request this in the tax assess-

[1] A corporate tax rate of 26.3% applies for financial years beginning after December 31st, 2008.

ment for the same year. A capital loss can, to the extent that it is not deductible in a certain year, be carried forward (in the limited liability incurring the loss) and used to offset taxable capital gains on shares and other equity securities that are taxed as shares in later years without limitation in time.

TAXATION OF DIVIDENDS

Natural persons

For natural persons dividends are normally subject to capital gains tax at a rate of 30 per cent. The tax is withheld for natural persons as preliminary tax by Euroclear or, if the shares are registered in the name of a nominee, by the nominee.

Limited liability companies

For limited liability companies dividends are taxed as business income at a rate of 26.3 per cent.1 Special rules apply to certain legal entities. The company assumes no responsibility for ensuring that any withholding tax is deducted at source.

SHAREHOLDERS WITH LIMITED TAX LIABILITY IN SWEDEN

For shareholders with limited tax liability in Sweden who receive dividends from a Swedish limited liability company a withholding tax on dividends known as "coupon tax" is normally deducted at source. The tax rate is 30 per cent, although this rate is generally reduced through tax treaties concluded between Sweden and other countries for the purpose of avoiding double taxation. Coupon tax is deducted at source by Euroclear upon payment of the dividend. If the shares are nominee-registered the nominee is responsible for deducting the tax.

Shareholders with limited tax liability in Sweden who do not conduct activities from a permanent establishment in Sweden are not normally liable for tax in Sweden on capital gains from the sale of shares. Shareholders may be liable for tax in their country of residence, however. Under a special rule, natural persons with limited tax liability in Sweden may be liable for capital gains tax on the sale of shares in Swedish shares if they at some point during the calendar year in which the sale took place or during the preceding ten calendar years were resident in Sweden or stayed in Sweden on a permanent basis. However, the applicability of the rule is in many cases limited through tax treaties.

[1]A corporate tax rate of 26.3% applies for financial years beginning after 31 December 2008.

Documents incorporated by way of reference

Investors should study all information incorporated in the prospectus by way of reference and referenced information should be read as a part of this prospectus. The information listed in the following shall be deemed to be incorporated in the prospectus by way of reference.

Information	Source
All parts of the year-end statement for the financial year May 1st, 2009 to April 30th, 2010, which has not been audited or reviewed by the Company's auditors	Year-end statement for the financial year May 1st, 2009–April 30th, 2010
Audited income statements and balance sheets, cash flow statements, notes and information on accounting policies for the financial year 2008/09	Annual Report May 1st, 2008–April 30th, 2009, pp. 37–61
Audit report for the financial year 2008/09	Annual Report May 1st, 2008–April 30th, 2009, pp. 62

The information is available on Oasmia's website, www.oasmia.com, and on request in paper format from the Company's head office throughout the period of validity of the prospectus. Historical financial information for the financial years 2007/08 and 2006/07 respectively, as well as audit report for said years, has not been incorporated into this prospectus by reference, partly due to the fact that the company started applying IFRS as of the financial year 2007/08 and partly due to that the company changed auditors at the Annual General Meeting 2008 (see also the section "Autitor" in the chapter "Board of Directors, management and Auditor").

Historical financial statements

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The information in the historical financial statements has been adjusted in relation to previously published annual reports. The Company has applied IFRS as of the financial year 2007/08. Notes for the financial year 2006/07 (which were included in the Annual Report 2007/08) have thus only been prepared as comparison figures and have therefore been adjusted in relation to the previously published annual report (2006/07). The cash flow statements have been adjusted so that non-cash items are reported in financing activities. In the cash flow statements in this report Change in liabilities to credit institutions is reported in a separate row under Financing activities. In the Annual Report this item was included in the row Change in other current operating liabilities under Cash flow from operating activities. Tax losses have been adjusted in Note 24. Related-party transactions, Note 31, has been adjusted to include all transactions with related parties. Oasmia has restated historical financial information as of 1 May 2005. In connection with the transition to IFRS the Company became aware that previous accounting policies had been incorrectly applied. Note 33 of this report includes a clarification of which restatements refer to corrections of errors and which refer to the transition to IFRS as well as the tax effects of these restatements.

CONSOLIDATED INCOME STATEMENT

SEK '000	Note	May 1st, 2007– Apr 30th, 2008	May 1st, 2006– Apr 30th, 2007
Net sales	5	71,158	22,387
Capitalised production costs	6	9,675	14,484
Other operating income	7	65	-
Raw materials, consumables and merchandise	8	–45,310	–22,621
Other external expenses	9,10	–20,187	–12,154
Staff costs	11	–17,530	–10,559
Depreciation, amortisation and impairment	12,13	–2,727	–2,521
Operating loss	14,15	**–4,855**	**–10,986**
Financial income		462	21
Financial expense		–674	–787
Net financial expense	14,16	**–212**	**–766**
Loss before tax		–5,067	–11,752
Income tax	17	0	0
Loss for the year		**–5,067**	**–11,752**
Attributable to:			
Shareholders of the parent		–5,057	–11,748
Minority interest		–9	–4
Earnings per share before and after dilution, based on earnings attributable to shareholders of the parent during the year (SEK per share)	18	–0.16	–0.37

CONSOLIDATED BALANCE SHEET

SEK '000	Note	April 30th 2008	April 30th 2007
ASSETS			
Non-current assets			
Tangible fixed assets	12	19,180	19,416
Capitalised development costs	6	24,159	14,484
Other intangible assets	13	8,284	7,849
Total fixed assets		**51,624**	**41,749**
Current assets			
Inventories	8	19,121	18,318
Trade receivables	19	4,059	4,386
Other current receivables	20	772	833
Prepaid expenses and accrued income	19	1,717	1,373
Cash and cash equivalents	21	10,379	22,170
Total current assets		**36,048**	**47,081**
TOTAL ASSETS		**87,672**	**88,830**
EQUITY			
Capital and reserves attributable to shareholders of the parent			
Share capital	22	3,338	3,185
Other contributed capital		95,767	95,919
Retained earnings		–34,389	–29,331
Minority interest		**97**	**106**
Total equity		**64,812**	**69,879**
LIABILITIES			
Non-current liabilities			
Borrowing	23	6,433	5,513
Deferred tax liabilities	24	8	8
Total non-current liabilities		**6,441**	**5,521**
Current liabilities			
Liabilities to credit institutions	25	5,241	2,461
Borrowing	23	2,814	2,933
Trade payables		3,933	4,564
Other current liabilities	26	2,153	1,966
Accrued expenses and deferred income	27	2,277	1,506
Total current liabilities		**16,418**	**13,430**
Total liabilities		**22,859**	**18,951**
TOTAL EQUITY AND LIABILITIES		**87,672**	**88,830**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Parent company's shareholders				
SEK '000	Share capital	Other capital provided	Retained earnings	Minority interest	Total equity
Opening balance on May 1st, 2006	**3,100**	**34,904**	**–17,422**	**-**	**20,582**
Loss for the year	-	-	–11,752	-	–11,752
Total recognised income and expenses	**-**	**-**	**–11,752**	**-**	**–11,752**
Correction of errors[1]	-	-	–158	-	–158
Shareholder contribution repaid	-	–34,904	-	-	–34,904
Issue of new shares	85	34,819	-	-	34,904
Shareholder contribution received	-	61,100	-	-	61,100
Minority interest[2]	-	-	-	106	106
Total transactions with shareholders	**85**	**61,015**	**-**	**106**	**61,206**
Closing balance on April 30th, 2007	**3,185**	**95,919**	**–29,331**	**106**	**69,879**
Opening balance on May 1st, 2007	**3,185**	**95,919**	**–29,331**	**106**	**69,879**
Loss for the year	-	-	–5,057	–9	–5,067
Total recognised income and expenses	**-**	**-**	**–5,057**	**–9**	**–5,067**
Shareholder contribution repaid	-	–61,100	-	-	–61,100
Issue of new shares	152	60,948	-	-	61,100
Total transactions with shareholders	**152**	**–152**	**-**	**-**	**-**
Closing balance on April 30th, 2008	**3,338**	**95,767**	**–34,389**	**97**	**64,812**

[1] Correction of errors refers to the correction of incorrect accounting in connection with the acquisition of GlucoGene Pharma AB.
[2] Minority interest refers to the minority owners' share of equity in the subsidiary company GlucoGene Pharma AB. GlucoGene was integrated in Oasmia's consolidated financial statements as of May 7th, 2006.

CONSOLIDATED CASH FLOW STATEMENT

SEK '000	Note	May 1st, 2007– Apr 30th, 2008	May 1st, 2006– Apr 30th, 2007
Operating activities			
Operating loss before financial items		–4,855	–10,986
Depreciation and amortisation	12,13	2,727	2,521
Interest received	16	462	21
Interest paid	16	–674	–787
Cash flow from operating activities before change in working capital		**–2,340**	**–9,231**
Change in inventories	8	–803	–15,645
Change in trade receivables	19	327	–4,087
Change in other current receivables	19,20	–302	–12
Change in trade payables		–631	3,937
Change in other current operating liabilities	26,27	959	2,192
Cash flow from operating activities		**–2,770**	**–22,846**
Investing activities			
Investments in intangible assets	6,13	–10,901	–15,519
Investments in tangible fixed assets	12	–1,700	–1,136
Investments in financial assets		-	-
Cash flow from investing activities		**–12,601**	**–16,655**
Financing activities			
Change in liabilities to credit institutions	25	2,779	–476
Shareholder contribution received		-	61,100
New loans	23	3,500	-
Repayment of loans	23	–2,699	–2,589
Cash flow from financing activities		**3,580**	**58,035**
Cash flow for the year		**–11,791**	**18,534**
Cash and cash equivalents at beginning of year		**22,170**	**3,635**
Cash and cash equivalents at end of year	21	**10,379**	**22,170**

PARENT COMPANY INCOME STATEMENT

SEK '000	Note	May 1st, 2007– Apr 30th, 2008	May 1st, 2006– Apr 30th, 2007
Net sales		26,246	973
Capitalised production costs	6	9,675	14,484
Other operating income	7	31	-
Raw materials and consumables	8	–1,241	–1,516
Other external expenses	9,10	–19,188	–11,431
Staff costs	11	–17,510	–10,373
Depreciation, amortisation and impairment of tangible and intangible fixed assets	12,13	–2,505	–2,312
Operating loss		**–4,492**	**–10,175**
Other interest and similar income		460	21
Interest and similar expenses		–324	–486
Net financial income/expense	16	**136**	**–465**
Loss before tax		**–4,356**	**–10,640**
Tax on profit for the year	17	0	0
Loss for the year		**–4,356**	**–10,640**

PARENT COMPANY BALANCE SHEET

SEK '000	Note	April 30th 2008	April 30th 2007
ASSETS			
Non-current assets			
Tangible fixed assets	12	19,180	19,413
Capitalised development costs	6	24,159	14,484
Other intangible assets	13	7,386	6,737
Financial fixed assets	28,29	2,118	2,100
Total fixed assets		**52,843**	**42,734**
Current assets			
Inventories	8	37	37
Trade receivables	19	-	93
Receivables from Group companies		14,825	17,676
Other current receivables	20	713	763
Prepaid expenses and accrued income	19	1,373	1,117
Cash and bank balances	21	10,352	20,280
Total current assets		**27,300**	**39,967**
TOTAL ASSETS		**80,143**	**82,701**

PARENT COMPANY BALANCE SHEET, Continued

SEK,'000	Note	April 30th 2008	April 30th 2007
EQUITY			
Restricted,equity			
Share capital	22	3,338	3,185
Statutory reserve		4,620	4,620
Total restricted equity		**7,958**	**7,805**
Non-restricted equity			
Share premium account		95,767	34,819
Retained earnings		–32,139	39,601
Loss for the period		–4,356	–10,640
Total non-restricted equity		**59,272**	**63,780**
Total equity		**67,229**	**71,585**
LIABILITIES			
Non-current liabilities			
Borrowing	23	6,433	5,513
Total non-current liabilities		**6,433**	**5,513**
Current liabilities			
Borrowing	23	2,814	2,933
Trade payables		650	656
Other current liabilities	26	740	508
Accrued expenses and deferred income	27	2,277	1,506
Total current liabilities		**6,481**	**5,603**
Total liabilities		**12,914**	**11,116**
TOTAL EQUITY AND LIABILITIES		**80,143**	**82,701**
Contingent liabilities	30	8,000	8,473

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK '000	Share capital	Statutory reserve	Non-restricted equity	Total equity
Opening balance on May 1st, 2006	**3,100**	**4,620**	**14,724**	**22,444**
Correction of errors[1]	-	-	–119	–119
Shareholder contribution received	-	-	61,100	61,100
Shareholder contribution repaid	-	-	–34,904	–34,904
Issue of new shares	85	-	34,819	34,904
Group contribution made[2]	-	-	–1,200	–1,200
Loss for the year	-	-	–10,640	–10,640
Closing balance on April 30th, 2007	**3,185**	**4,620**	**63,780**	**71,585**
Opening balance on May 1st, 2007	**3,185**	**4,620**	**63,780**	**71,585**
Shareholder contribution repaid	-	-	–61,100	–61,100
Issue of new shares	152	-	60,948	61,100
Loss for the year	-	-	–4,356	–4,356
Closing balance on April 30th, 2008	**3,338**	**4,620**	**59,272**	**67,229**

[1] Correction of errors refers to the correction of incorrect accounting in connection with the acquisition of GlucoGene Pharma AB
[2] The tax effect of Group contribution made is SEK 336 thousand.

PARENT COMPANY CASH FLOW STATEMENT

SEK '000	Note	May 1st, 2007– Apr 30th, 2008	May 1st, 2006– Apr 30th, 2007
Operating activities			
Operating loss before financial items		–4,492	–10,175
Depreciation and amortisation	12,13	2,505	2,312
Interest received	16	460	21
Interest paid	16	–324	–486
Cash flow from operating activities before change in working capital		**–1,851**	**–8,329**
Change in inventories	8	-	–37
Change in trade receivables	19	93	52
Change in other current receivables	19,20	2,628	–17,380
Change in trade payables		–7	415
Change in other current operating liabilities	26,27	1,003	850
Cash flow from operating activities		**1,867**	**–24,428**
Investing activities			
Investments in intangible assets	6,13	–10,896	–14,994
Investments in tangible fixed assets	12	–1,700	–1,136
Investments in subsidiaries	28	-	–104
Cash flow from investing activities		**–12,596**	**–16,233**
Financing activities			
Shareholder contribution received		-	61,100
Group contribution made		-	–1,200
Borrowing	23	3,500	-
Repayment of loans	23	–2,699	–2,589
Cash flow from financing activities		**801**	**57,311**
Cash flow for the year		**–9,927**	**16,649**
Cash and cash equivalents at beginning of year		**20,280**	**3,630**
Cash and cash equivalents at end of year	21	**10,352**	**20,280**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The main owner, with 72 per cent of the votes, of the Group's parent company, Oasmia Pharmaceutical AB (the "Parent Company"), is Oasmia S.A., with registered office in Luxembourg. The Parent Company and its subsidiaries (jointly the "Group") produce new, patented formulations of existing pharmaceutical drugs with an emphasis on human and veterinary oncology. Oasmia also conducts research in infection, asthma and neurological diseases. The Parent Company's office and research and production facilities are located in Uppsala. The Group sells parallel-imported drugs in Sweden through the subsidiary company Qdoxx Pharma AB. The Parent Company is a limited liability company with registered office in Stockholm, Sweden. The address of the Company is Vallongatan 1, Uppsala, where the Parent Company's office and research and production facilities are located. The Parent Company is listed on NGM Equity. These consolidated financial statements were approved for publication by the Board of Directors on August 29th, 2008.

NOTE 2 SUMMARY OF ESSENTIAL ACCOUTING POLICIES

GROUP

The key accounting policies applied in preparing these consolidated financial statements are described in the following. These policies have been applied for the last three financial years.

BASIS FOR PREPARING THE STATEMENTS

The consolidated and parent company financial statements have been prepared in accordance with the Swedish Annual Accounts Act, Recommendation RR 30:06 Supplementary Accounting Rules for Corporate Groups of the Swedish Financial Accounting Standards Council and the International Financial Reporting Standards (IFRS), as adopted by the EU. The consolidated financial statements have been prepared using the cost method. Oasmia has restated historical financial information as of May 1st, 2005, which is also the date of transition to IFRS. Explanations for the transition from previously applied accounting policies to IFRS and of the effects of restatements of income statements and balance sheets at the transition date, May 1st, 2005, and on the financial years 2005/06 and 2006/07 are given in Note 33.

The preparation of financial statements in compliance with IFRS requires the use of important accounting estimates. Management is also required to make certain assessments in applying the Group's accounting policies. Areas that involve a high degree of assessment, are complex or where assumptions and estimates have a material impact on the consolidated financial statements are described in Note 4.

INTRODUCTION OF NEW ACCOUNTING POLICIES

In preparing the consolidated financial statements as of April 30th, 2008, several standards and interpretations have been published that have not yet come into effect. The following is a preliminary assessment of the impact that the implementation of these standards and statements could have on the consolidated financial statements:

IFRS 8 Operating Segments

The standard takes effect on January 1st, 2009, and applies to financial years beginning as of this date. The standard deals with the division of the Company's operations into different segments. Under the standard, the Company is required to determine its reportable segments based on the structure of its internal reporting. The Group's assessment is that this standard will not involve any changes compared with the current segment reporting.

IFRIC 12 Service Concession Arrangements (applies from January 1st, 2008)

The interpretation has not yet been adopted by the EU. It deals with arrangements where a private company has been commissioned to build infrastructure for the provision of public services during a specified period of time. The company has a right to receive payment for this ser-

vice during the term of the agreement. The interpretation has no impact on the consolidated financial statements.

IFRIC 13 Customer Loyalty Programmes (applies from July 1st, 2008)

The interpretation has not yet been adopted by EU. It deals with the accounting of revenue in cases where an initial revenue-generating transaction gives the customer certain discounts or other benefits in connection with future purchases from the company or from other companies linked to the same customer loyalty programme. The Group will apply IFRIC 13 from May 1st, 2009, but this is not expected to have any impact on the consolidated financial statements, as such customer loyalty programmes are not used in the Group.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applies from January 1st, 2008)

This revision is still subject to the EU's approval process. IFRIC 14 addresses three issues: (1) how a company should determine the limit defined in IAS 19 Employee Benefits in respect of the surplus in a pension plan that can be recognised as an asset; (2) how a future minimum funding requirement for defined benefit plans affects this limit, and (3) when a minimum funding requirement results in an obligation which the company is required to recognise as a liability on top of the liability recognised in accordance with IAS 19. This change has no impact on the consolidated financial statements, as the Group does not have any defined benefit pension plans.

IFRIC 15 Agreements for the Construction of Real Estate (applies from January 1st, 2009)

The interpretation has not yet been adopted by the EU. IFRIC 15 is applicable to the accounting of revenue and the associated expenses in companies that have undertaken to build real estate directly or through subcontractors. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognised. IFRIC 15 has no impact on the consolidated financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (applies from October 1st, 2008)

The interpretation has not yet been adopted by the EU. IFRIC 16 applies to companies that hedge exchange-rate risks arising from net investments in foreign subsidiaries, associated companies, joint ventures or branches and wishes to qualify for hedge accounting in accordance with the rules in IAS 39. The interpretation provides guidance on the exchange-rate risk that may constitute the hedged risk in a hedge of a net investment, which companies in the Group that may hold hedge instruments and how a company should determine the amount to be reclassified from equity to profit or loss. The interpretation has no impact on the consolidated financial statements.

IAS 1 (Amendment) Presentation of Financial Statements (applies from January 1st, 2009)

This amendment of the standard is still subject to the EU's approval process. The revisions refer mainly to changes in the presentation and naming of financial statements. The presentation of future consolidated financial statements will thus be affected by the implementation of this standard.

IAS 23 (Amendment) Borrowing Costs (applies from January 1st, 2009)

This revision of the standard is still subject to the EU's approval process. Under the revision, borrowing costs that are directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to get ready for its intended use or sale must be included in the original cost of the asset. The alternative of charging these borrowing costs to expense immediately has been removed. The Group will apply IAS 23 (Amendment) as of May 1st, 2009, but it is currently not relevant for the Group, as there are no assets for which borrowing costs can be capitalised.

IAS 27 (Amendment) Consolidated and Separate Financial Statements (applies from July 1st, 2009)

This amendment of the standard is still subject to the EU's approval process. This amendment states, inter alia, that earnings attributable to minority shareholders must always be accounted for if this would result in a negative minority in-

terest, that transactions with minority shareholders must always be recognised in equity, and that any remaining interest must be restated at fair value in cases where a parent company loses its controlling influence. The amendment of the standard will affect the accounting of future transactions.

IFRS 2 Share-based Payments (Amendment) Vesting Conditions and Cancellations (applies from January 1st, 2009)
This amendment of the standard is still subject to the EU's approval process. The amendment affects the definition of vesting conditions and introduces a new concept, "non-vesting conditions". The standard states that non-vesting conditions must be taken into account in estimating the fair value of equity instruments. Goods or services received from a counterparty that meet all other vesting conditions must be accounted for regardless of whether the non-vesting conditions have been fulfilled or not. This amendment has no impact on the consolidated financial statements.

IFRS 3 (Amendment) Business Combinations (applies from July 1st, 2009)
This amendment of the standard is still subject to the EU's approval process. The amendment applies prospectively for acquisitions made after the entry into force of the amendment. The application of the amendment will result in a change in how future acquisitions are accounted for, notably as regards accounting of transaction costs, any contingent considerations and successive purchases. The Group will apply the standard as of the financial year beginning on May 1st, 2010. The amendment of the standard will not have any impact on previous acquisitions but will affect the accounting of future transactions.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (Amendment) - Puttable Financial Instruments and Obligations Arising on Liquidation (applies from January 1st, 2009)
This amendment of the standard is still subject to the EU's approval process. The amendment aims to improve the financial reporting of certain types of financial instruments that have characteristics similar to those of ordinary shares but have previously been classified as financial liabilities. Under the amendment, these should be classified as equity, provided that they have specific characteristics and meet certain specified criteria.

The financial instruments covered by the amendment are: a) instruments that are redeemable at fair value and b) instruments requiring the Company to deliver a pro rata portion of the net assets of the Company upon liquidation. The amendment has no impact on the consolidated financial statements, as the Group does not have this type of instruments.

CONSOLIDATION

Subsidiaries
Subsidiary companies are those companies in which the Group has the right to formulate financial and operational strategies in a manner that is normally consistent with a shareholding of more than half of the votes. Subsidiaries are included in the consolidated financial statements as of the date at which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements as of the date at which the controlling influence ceases.

The purchase method is used in accounting for the Group's acquisition of subsidiaries. The cost of an acquisition is the fair value of all assets provided as compensation and liabilities incurred or assumed at the transfer date plus costs that are directly attributable to the acquisition. Identifiable acquired assets and assumed liabilities and contingent liabilities in the acquisition of an operation are initially stated at fair value at the acquisition date regardless of the size of any minority interest. The surplus consisting of the difference between cost and fair value of the Group's share of identifiable acquired assets, liabilities and contingent liabilities is recognised as goodwill. If the cost is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities the difference is recognised directly in the income statement. Intercompany transactions and balance sheet items and unrealised gains on transactions among Group companies are eliminated.

Transactions with minority interests
The Group applies the policy of reporting transactions with minority shareholders as transactions with third parties.

Segment reporting

An operating segment (primary segment) is a group of assets and operations engaged in providing products or services that is subject to risks and returns that are different from those of other operating segments. The Group has two primary segments:

- Development of drugs
- Sales of parallel-imported drugs

The Group's current operations are conducted only in Sweden, and there are therefore no geographic segments.

Sales between segments are made on market terms and refer to premises expenses and administration. These expenses are assessed annually and distributed through invoicing between the segments, based on estimated resource use. Intercompany sales are eliminated in the consolidated financial statements.

Translation of foreign currencies

The companies in the Group have SEK as their functional and reporting currency. Transactions in foreign currencies are translated to the functional currency at transaction date exchange rates. Foreign exchange gains and losses arising from such transactions and upon translation of monetary assets and liabilities in foreign currencies at closing rates are recognised in the operations. Foreign exchange gains and losses arising upon translation of EUR bank accounts are recognised in net financial income/expense.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost does not include expenditure that is directly attributable to the acquisition of the asset.

Any additional expenditure is added to the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost can be reliably measured. The carrying amount of the replaced portion is removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the income statement in the periods in which they are incurred.

Tangible fixed assets acquired under a hire-purchase agreement are carried at cost, i.e. at the total discounted value of all future payments. A liability in respect of the unpaid consideration is recognised at the same time. The liability is initially valued at fair value and subsequently at amortised cost using the effective interest method. In the balance sheet the liability is divided into a current and non-current portion and recognised under Borrowing.

The Group applies component depreciation, which means that each portion of a tangible fixed asset with a cost that is significant in relation to the total cost of the asset is depreciated separately. Component depreciation is applied primarily for the Group's production equipment.

To distribute the cost of assets over their estimated useful lives down to the estimated residual value, assets are depreciated on a straight-line basis as follows:

• Vehicles	3 years
• Equipment	5 years
• Production equipment	12–15 years
• Expenses relating to improvements to third party's property	20 years

Residual values and useful lives of assets are tested at each closing date and adjusted where required. An asset's carrying amount is written down to the recoverable amount immediately if the carrying amount exceeds the estimated recoverable amount.

Gains and losses from the sale of assets are determined by comparing the sale proceeds and carrying amount. The difference is recognised under Other operating income or Other operating expenses.

Intangible assets

Capitalised development costs

Costs for research are expensed immediately. Costs relating to development projects attributable to the construction and testing of new or improved products are capitalised in the consolidated balance sheet to the extent that such expenditure is expected to generate future economic benefits. The assets are amortised on a straight-line basis over the period in which the benefits are expected to accrue to the Company and from

the time when commercial production is initiated. The useful life of such capitalised development costs is not expected to exceed 10 years.

The criterion for determining the value of capitalised development costs is the Group's cost for a development project in phase III.

Drugs under development belong to one of two stages: the preclinical stage and the clinical stage. In the preclinical stage drug candidates are selected from among a number of potential future drugs. The priorities that determine the selection are demand- and profitability-related. The stage also includes activities aimed at producing a test version of the new drug and testing of the drug with regard to specificity, efficacy and safety. This stage is concluded with the submission of an application (IND = Investigative New Drug application) to the drug regulator for permission to test the drug in humans.

When the application has been approved the clinical stage begins. This stage can in turn be divided into four phases. In phase I the drug is tested in healthy volunteers. In phase II tests are conducted on a group of people with the disease that the drug is intended to treat, and in phase III tests are conducted on a larger group of people to study the efficacy and safety. The same procedure is followed for drugs intended for animals. After the market launch the finished drug is monitored with respect mainly to rare side effect symptoms in phase IV.

The Company has adopted a policy of capitalising development costs for drugs in phase III. Amortisation commences when the product has been registered, which is deemed to be in a near future. Other development costs are expensed as incurred. Previously expensed development costs are not capitalised in later periods.

Other intangible assets

The Group capitalises fees paid to government regulators for patents and sales rights to the extent that these are expected to generate future economic benefits. The assets are recognised at cost less accumulated amortisation and amortised on a straight-line basis in order to distribute the cost over the expected useful life. The useful lives applied are:

– Patents	20 years
– Sales rights	5 years

Patents are amortised as of the month in which the patent was approved. Sales rights are amortised as of the first day of the following financial year. Capitalised expenditure for patents comprises registration costs such as fees to regulators and lawyer's fees. Sales rights comprise fees paid to regulators for the right to sell parallel-imported drugs.

Impairment of non-financial assets

Assets with indefinite useful lives and capitalised development costs relating to assets that are not yet ready to be taken into use are not amortised but tested annually for impairment. At each closing date the Group makes an assessment of the expected useful lives of assets. If there are indications that an asset has been impaired the Group will determine the recoverable amount. The recoverable amount is the higher of the asset's net realisable value less selling expenses and its value in use. An impairment loss equal to the difference between the carrying amount and recoverable amount of the asset is then recognised. In testing for impairment, assets are grouped into cash-generating units. A cash-generating unit is the smallest group of assets generating positive cash flows that are essentially independent of cash flows from other assets or groups of assets. The Group currently has no assets with indefinite useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first in, first out method (FIFO). The cost of merchandise comprises the cost of purchases of merchandise and costs for repackaging. Net realisable value is the estimated selling price in the company's operating activities less any applicable variable selling expenses.

Trade receivables

Trade receivables are initially stated at cost and subsequently at amortised cost by applying the effective interest method, less any provisions for impairment. A provision for impairment of trade receivables is made when there is objective evi-

dence that the Group will not be able to recover all overdue amounts in accordance with the original terms and conditions for the receivables. Significant financial difficulties of the debtor, a probability that the debtor will be forced into bankruptcy or undergo financial reorganisation and non-payments or delayed payments (more than 30 days overdue) are regarded as indications of impairment of a trade receivable. The size of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced using an impairment account and the loss is recognised in the income statement in Other external expenses. When a trade receivable is uncollectable it is written off to the impairment account for trade receivables. Recovery of previous impairment losses are credited to Other operating income, which is part of Net sales in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash and bank deposits. In the balance sheet overdraft facilities are recognised in Liabilities to credit institutions.

Share capital

Ordinary shares are classified as shareholders' equity. Transaction costs that are directly attributable to the issue of new shares or options are recognised, net of tax, in equity less a deduction from the proceeds of the issue.

Trade payables

Trade payables are initially stated at fair value and subsequently at amortised cost by applying the effective interest method.

Borrowing

Loans are initially stated at fair value, net of transaction costs. Subsequently loans are carried at amortised cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognised in the income statement over the term of the loan by applying the effective interest method. Loans are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date. The current and non-current portions of Borrowing include a liability to another company that was incurred under a hire-purchase agreement.

Deferred income tax

Deferred tax is accounted for, by applying the balance sheet liability method, for temporary differences between the carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. Deferred tax is not recognised if it is incurred as a result of a transaction that constitutes the initial recognition of an asset or liability which is not a business combination and which at the time of the transaction affects neither the accounting profit nor the tax profit. Deferred income tax is calculated by applying tax rates (and tax laws) that have been adopted or announced at the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be wholly or partially offset.

Remuneration of employees

Retirement benefit obligations

The Group companies have no retirement benefit obligations.

Compensation in case of termination

Compensation in case of termination is paid when an employee's employment has been terminated by the Group before the normal time of retirement or when an employee accepts voluntary redundancy in exchange for such compensation. The Group recognises severance pay when it is demonstrably obliged either to give notice to employees under a detailed formal plan without possibility of retraction or provide compensation upon termination as a result of an offer to encourage voluntary redundancy. Benefits expiring more than 12 months after the balance sheet date are discounted to present value.

Revenue recognition

Revenues comprise the fair value of what has been obtained or will be obtained for sold goods and services in the Group's operations. Revenue is recognised exclusive of value-added tax and after elimination of intercompany sales.

The Group recognises income when the amount can be reliably measured, it is probable that future economic benefits will accrue to the company and specific criteria have been met for each of the Group's businesses, as described in the following.

(a) Sales of in-house-developed drugs

The Parent Company, Oasmia Pharmaceutical AB, sells its drugs before they have been registered. This is called named-patient prescription but involves delivery and invoicing of products based on a price list. Delivery and invoicing take place at the same time and the revenue is recognised at this time.

Drugs can be sold prior to registration in two cases. One is where the buyer is a hospital pharmacy or veterinary clinic where our clinical trials are being conducted. The other is where the buyer is a treating clinic which has decided to test a drug (in cancer treatment) that has not yet been approved because the registered drugs have not produced the desired results.

(b) License revenues

The Parent Company concludes licensing and distribution agreements with other companies, granting rights to market and sell drug candidates in specified regions around the world. Such agreements refer to drug candidates that are in phase III and where the risk of non-registration is deemed to be very small. The licensing and distribution agreements provide for milestone payments and royalties from sales. Revenue from milestone payments is recognised when licensing has been contractually agreed and other contractual criteria have been met by Oasmia. Going forward, royalty revenues will be recognised as sales are reported.

(c) Sales of parallel-imported drugs

The subsidiary company Qdoxx Pharma AB imports drugs from EU countries where the price is lower than for the corresponding drug in Sweden. Qdoxx Pharma is required to have an approved registration of the drug issued by the Swedish Medical Products Agency or EMA (European Medicines Agency).

Selling prices to the pharmacies are set once a month by the Swedish Medical Benefits Board (Läkemedelsförmånsnämnden). The pharmacies have a duty to always provide the least expensive drug provided.

Qdoxx Pharma owns the goods, which are stored in a central warehouse on the premises of Tamro, a wholesaler. Tamro is responsible for distribution from the central warehouse to the distribution warehouses and from there to the pharmacies. Until February 29th, 2008, the right of ownership was transferred from Qdoxx to Tamro upon transport from the central warehouse to the distribution warehouses. As of March 1st, 2008, Qdoxx also owns the goods at the distribution warehouses and the right of ownership is thus transferred from Qdoxx only when the goods leave the distribution warehouses. Invoices are issued to Tamro once a month for that month's sales and it is at this time that Qdoxx recognises the revenue.

Leasing

Leases in which a significant share of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made during the lease term (after deducting for any incentives from the lessor) are recognised as an expense in the income statements on a straight-line basis over the lease term. The Company has no finance leases.

Dividends

Dividend payments to the shareholders of the parent are recognised as a liability in the consolidated financial statements in the period in which the payment is approved by the shareholders of the parent.

Cash flow

Cash flow statements have been prepared using the indirect method.

PARENT COMPANY ACCOUNTING POLICIES

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554)

and Recommendation RR 32:06 Accounting for Legal Entities of the Swedish Financial Accounting Standards Council. Under RR 32:06, the Parent Company must apply all EU-adopted IFRS and interpretations in the annual accounts for the legal entity insofar as this is possible under the Annual Accounts Act and with regard to the connection between accounting and taxation. The recommendation specifies which exemptions and additions should be made in relation to IFRS. Differences between the Group and Parent Company accounting policies are described in the following. Under the transition rules in RR 32:06, the Company has chosen not to apply Chapter 4, Sections 14a-e of the Annual Accounts Act, which allows for recognition of certain financial instruments at fair value.

The following accounting policies for the Parent Company have been applied consistently for all periods presented in the Parent Company's financial statements.

Revised accounting policies

The Parent Company's revised accounting policies have been reported in accordance with the transition rules in each standard or, alternatively, in accordance with the rules in IAS 8. The Parent Company's application of revised accounting policies is shown in the list below.

Revenue

Dividends

Dividend income is recognised when the right to receive payment is deemed to be secure.

Financial instruments

The Parent Company does not apply the valuation rules in IAS 39, although what has been stated about financial instruments elsewhere in this prospectus also applies in the Parent Company. In the Parent Company financial fixed assets are recognised at cost less any impairment while current financial assets are recognised in accordance with the lower of cost or market method.

Tangible fixed assets

Owned assets

Tangible fixed assets in the Parent Company are recognised at cost less accumulated depreciation and any impairment losses in the same way as for the Group but plus any revaluation.

Leased assets

In the Parent Company all leases are reported in accordance with the rules for operating leases.

Tax

In the Parent Company untaxed reserves are recognised inclusive of deferred tax liability. In the consolidated financial statements untaxed reserves are divided into deferred tax liability and equity.

Group contributions and shareholder contributions for legal entities

The Company reports Group contributions and shareholder contributions in accordance with the statement of the Urgent Issue Committee of the Swedish Financial Accounting Standards Council. Shareholder contributions are recognised directly in equity in the receiving entity and converted into shares and interests in the contributing entity, insofar as no impairment loss is required. Group contributions are recognised on the basis of their economic significance. This means that Group contributions which have been made for the purpose of minimising the Group's total tax expense are recognised directly in retained earnings after deduction of their current tax effect.

Group contributions that are equivalent to dividends are recognised as dividends. This means that received Group contributions and their current tax effect are recognised through the income statement. Group contributions made and their current tax effect are recognised directly in retained earnings.

Group contributions that are equivalent to shareholder contributions are recognised directly in retained earnings in the receiving entity, taking account of the deferred tax effect. The contributing entity recognises the Group contribution and its current tax effect as an investment in interests in Group companies, insofar as no impairment loss is required.

NOTE 3 FINANCIAL RISK MANAGEMENT

Through its operations the Group is exposed to various financial risks, including market risk, credit risk and liquidity risk. The Group's policy is to continuously identify and manage these risks insofar as this is possible. The Group is also exposed to operational risks, which are described in the Risks section of the prospectus.

(a) Market risk

(i) Currency risk

Currency risks arise when future business transactions or recognised assets or liabilities are expressed in a currency that is not the functional currency of the unit. The Group purchases goods and services from other countries than Sweden, which exposes it to currency risks arising through transactions, mainly in euro. The Group currently does not use currency hedging, as it is deemed that the values of currency risks do not warrant the cost of currency hedging.

If the Swedish krona had lost/gained 5 per cent against the euro, earnings after tax on April 30th, 2008, would, holding all other variables constant, have been SEK 16 (178) thousand lower/higher as a result of restatement of trade payables and bank deposits.

There was no currency risk in respect of outstanding trade receivables on April 30th, 2008, or on April 30th, 2007.

(ii) Price risk

The Group is exposed to price risk in respect of parallel-imported drugs. This price risk arises from changed purchase prices. The Group does not deem this risk to be significant.

(iii) Interest risk in respect of cash flows

As the Group does not hold any significant interest-bearing assets, the Group's revenues and cash flow from operating activities are essentially independent of changes in market interest rates. The Group's interest risk arises through the use of overdraft facilities and credits in sales ledgers. Credits in sales ledgers refer to factoring. Such credits bear variable interest and expose the Group to interest risk in respect of cash flows.

If variable interest rates had been 1.0 percentage point higher/lower, earnings after tax on April 30th, 2008, would, holding all other variables constant, have been SEK 52 thousand (25) lower/higher as a result of restatement of used credits in sales ledgers.

(b) Credit risk

Parallel-imported drugs are sold only to one large pharmaceutical wholesaler in Sweden. Drugs prescribed on a named-patient basis are sold mainly to pharmacies. No credit limits were exceeded during the reporting period.

(c) Liquidity risk

Liquidity risk is managed by ensuring that the Group has sufficient liquid assets, sufficient available funding through agreed credit facilities and the ability to close market positions. The Group retains flexibility of funding by maintaining agreements on committed lines of credit.

Used bank credits at the balance sheet date are shown in the following table (SEK '000).

	Apr 30th, 2008			Apr 30th, 2007		
Counterparty	Credit limit	Drawn	Liquidity reserve	Credit limit	Drawn	Liquidity reserve
Bank	8,000	5,241	2,759	8,000	2,461	5,539

The Group's short-term liquidity is secured by maintaining a liquidity reserve consisting of the undrawn portion of confirmed bank credits, which the Group aims to maintain at a long-term level of at least 5 per cent of consolidated annual sales. The following table shows the Group's financial liabilities by remaining maturity from the closing date (SEK '000).

On April 30th, 2008	Less than 1 year	1–2 years	2–5 years	More than 5 years
Liabilities to credit institutions	5,241	-	-	-
Trade payables and other liabilities[1]	8,363	-	-	-
Borrowing[2]	6,500	3,000	-	-

On April 30th, 2007	Less than 1 year	1–2 years	2–5 years	More than 5 years
Liabilities to credit institutions	2,461	-	-	-
Trade payables and other liabilities[1]	8,036	-	-	-
Borrowing[2]	3,000	3,000	3,000	-

[1] Trade payables and other liabilities comprise Trade payables, Other current liabilities and Accrued expenses and deferred income.
[2] Borrowing comprises a hire-purchase agreement and long-term loan to Oasmia's main owners (Note 23).

(d) Capital risk

The Group's goal in respect of capital structure is to secure the Group's ability to continue its operations with a view to generating a return for the shareholders and benefits for other stakeholders. Another goal is to maintain an optimal capital structure that minimises the cost of capital. The debt/equity ratio should not exceed 12 per cent.

SEK '000	Apr 30th, 2008	Apr 30th, 2007
Total borrowing	14,488	10,907
Less cash and cash equivalents	–10,379	–22,170
Net debt	**4,109**	**–11,263**
Total equity	64,812	69,879
Total capital	**68,921**	**58,616**
Debt/equity ratio	6%	0%

NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSESSMENTS

Estimates and assessments are evaluated continuously and based on historical experiences and other factors, including expectations of future events that are deemed reasonable under existing circumstances.

Significant accounting estimates and assumptions

The Group makes estimates and assumptions about the future. The accounting estimates resulting from these will, by definition, rarely agree with actual outcomes. Estimates and assumptions that involve a significant risk of material adjustments to the carrying amounts of assets and liabilities in the coming financial year are described in the following.

The Company recognises production equipment bought under hire-purchase agreements by discounting the value of future payments. Instalments are discounted at a fixed discount rate of 4.25 per cent. Nominal payment streams in 2005–2010 were SEK 18 million.

(a) Impairment testing of intangible assets
The Company develops new pharmaceutical drugs and uses its full cost base for this purpose. Capitalised development costs for the year were SEK 9,675 (14,484) thousand. The Company regularly tests capitalised development costs for impairment. Oasmia has deemed that no impairment has occurred due to the expected near-term registration of a drug candidate in phase III. Oasmia has capitalised development costs for a drug that is close to submission of an application for approval. If approval is not obtained, or if it is deemed that the probability of approval has decreased, the capitalised costs would be charged to expense. On April 30th, 2008, capitalised costs represented 37 per cent of equity at the same date.

Each year the Group tests all intangible assets for impairment in accordance with the accounting policies described in Note 2.

(b) Income tax
The Group is liable to pay tax in Sweden. The Group's companies have so far reported negative taxable earnings, which means that significant tax losses exist in the Group. There are currently no sufficiently compelling reasons to expect that taxable profits will be available in future that would warrant recognising the losses as assets. Accumulated tax losses in the Group are described in Note 24.

Significant assessments made in applying the Company's accounting policies
The Group capitalises expenditure for patents and sales rights, as these are expected to generate future economic benefits. If the Group were to make the assessment that these are no longer expected to generate future economic benefits these assets would be written off in the consolidated income statement. On April 30th, 2008, the carrying amount for patents and sales rights in the Group was SEK 8,284 (7,849) thousand.

NOTE 5 SEGMENT REPORTING

On April 30th, 2008, the Group had two primary segments (operating segments):
- Development of pharmaceutical drugs (Development)
- Sales of parallel-imported drugs (Parallel Imports)

The Group has no geographic (secondary) segments.

Sales between segments refer to rent for premises and administrative expenses and are based on estimated use of resources. Segment earnings are shown below.

Financial year May 1st, 2007–April 30th, 2008:

SEK '000	Development	Parallel Imports	Group
Total segment revenues	35,953	45,426	81,379
Sales between segments	–480	-	–480
External revenues	**35,473**	**45,426**	**80,899**
Segment operating profit/loss	–4,990	135	–4,855
Financial income	461	2	462
Financial expense	–327	–347	–674
Net financial income/expense	**134**	**–346**	**–212**
Loss before tax	–4,856	–211	–5,067
Income tax	0	-	0
Loss for the year	**–4,856**	**–211**	**–5,067**

Depreciation and amortisation for the year were SEK -2,521 (-2,321) thousand in Development and SEK -206 (-200) thousand in Parallel Imports. The Group's revenues comprise revenues from licensing and distribution agreements concluded during the year and sales of parallel-imported drugs. Of total revenues in the Development segment, SEK 9,675 (14,484) thousand refers to capitalised production costs.

Financial year May 1st, 2006–April 30th, 2007:

SEK '000	Development	Parallel Imports	Group
Total segment revenues	15,457	21,894	37,350
Sales between segments	–480	-	–480
External revenues	**14,977**	**21,894**	**36,870**
Segment operating loss	–10,660	–326	–10,986
Financial income	21	0	21
Financial expense	–490	–298	–787
Net financial expense	**–469**	**–297**	**–766**
Loss before tax	–11,129	–623	–11,752
Income tax	0	-	0
Loss for the year	**–11,129**	**–623**	**–11,752**

The segments' assets comprise tangible fixed assets, intangible assets, inventories, trade receivables, other current receivables, cash and cash equivalents, and prepaid expenses and accrued income. The segments' liabilities comprise liabilities to credit institutions, borrowing, trade payables, other current liabilities, and accrued expenses and deferred income. The segments' assets and liabilities and investments are shown below.

Assets and liabilities on April 30th, 2008 and investments in the financial year May 1st, 2007 – April 30th, 2008:

SEK '000	Development	Parallel Imports	Group
Assets	63,469	24,203	87,672
Liabilities	12,946	9,914	22,859
Investments	12,596	6	12,601

Assets and liabilities on April 30th, 2007 and investments in the financial year May 1st, 2006 – April 30th, 2007

SEK '000	Development	Parallel Imports	Group
Assets	63,213	25,616	88,830
Liabilities	11,149	7,803	18,951
Investments	16,222	433	16,655

NOTE 6 CAPITALISED DEVELOPMENT COSTS

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Cost at beginning of year	14,484	-	14,484	-
Capitalised costs for the year, internal development	9,675	14,484	9,675	14,484
Cost at end of year	**24,159**	**14,484**	**24,159**	**14,484**
Accumulated amortisation at beginning of year	-	-	-	-
Amortisation for the year	-	-	-	-
Accumulated amortisation at end of year	**-**	**-**	**-**	**-**
Carrying amount at end of year	**24,159**	**14,484**	**24,159**	**14,484**

Research and development costs charged to expense were SEK 30,769 (11,148) thousand.

NOTE 7 OTHER OPERATING INCOME

SEK '000	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
Insurance compensation[1]	34	-
Foreign exchange gain	31	-
Total	**65**	**-**

[1]Refers to goods damaged during transport, which was compensated for by the transport company.

NOTE 8 INVENTORIES

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Stated at cost				
Raw materials	5,801	17,960	37	37
Merchandise	13,320	358	-	-
Total	**19,121**	**18,318**	**37**	**37**

The expenditure for merchandise recognised in Raw materials, consumables and merchandise and in Other external expenses was SEK 44,419 (21,387) thousand. An impairment loss on inventories of SEK 181 (10) thousand was recognised in the consolidated financial statements during the period.

NOTE 9 REMUNERATION TO AUDITORS

	Group		Parent company	
SEK '000	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
Öhrlings PricewaterhouseCoopers				
Audit assignments	314	263	314	263
Other assignments	518	127	518	127
Total	**832**	**390**	**832**	**390**

Audit assignments refer to the examination of the annual report and accounts and the administration of the Board of Directors and Chief Executive Officer, other duties that are incumbent on the company's auditors and advice or other assistance occasioned by observations made in the course of such examination or the performance of such duties. Everything else is other assignments.

NOTE 10 LEASING

The Group has no financial leasing agreements but has operating leasing agreements, which essentially consist of leases of premises. No contingent rents are present. Future minimum lease payments under operating leases are as follows (TSEK):

Financial year	Operating leases
2008/2009	3,802
2009/2010	3,802
2010/2011	3,746
2011/2012	3,723
Total	**15,073**

Lease expenses (minimum lease payments) in the financial year 2007/08 were SEK 3,045 thousand (2,498).

NOTE 11 EMPLOYEES AND REMUNERATION

	Group		Parent company	
	May 1st, 2007- Apr 30th, 2008	May 1st, 2006- Apr 30th, 2007	May 1st, 2007- Apr 30th, 2008	May 1st, 2006- Apr 30th, 2007
The average number of employees, broken down between women and men, was:				
Women	22	11	22	10
Men	15	12	15	12
Total	**37**	**23**	**37**	**22**
Salaries and remuneration were (SEK '000):				
CEO and other senior executives	2,633	543	2,633	543
Other employees	10,470	7,201	10,470	7,075
Total salaries and remuneration	**13,103**	**7,744**	**13,103**	**7,618**
Statutory and contractual social-security contributions	4,111	2,512	4,111	2,458
Total salaries, remuneration and social-security contributions	**17,214**	**10,256**	**17,214**	**10,076**

No salaries, remuneration, pensions, fees or other benefits have been paid to the Directors. The remuneration paid to the CEO was SEK 578 thousand (543). Remuneration paid to other senior executives, 4 individuals, was SEK 2,055 thousand (-).

Directors and senior executives

	Apr 30th, 2008		Apr 30th, 2007	
	No. at balance sheet date	Of which, men	No. at balance sheet date	Of which, men
Group				
Directors	4	4	4	4
CEOs and other senior executives	5	2	1	1
Parent company				
Directors	4	4	4	4
CEOs and other senior executives	5	2	1	1

Health care

The Group has agreements with occupational health providers, which means that all staff are given regular health checks. Other than this, staff has no health care benefits.

Sick leave

	Parent company	
	May 1st, 2007 -Apr 30th, 2008	May 1st, 2006 -Apr 30th, 2007
Total sick leave	1.0%	2.1%
- long-term sick leave*	0.0%	0.0%
- sick leave for men	0.5%	0.7%
- sick leave for women	1.4%	3.7%
- employees aged –29	1.5%	2.0%
- employees aged 30–49	1.1%	3.2%
- employees aged 50–	0.5%	0.1%

* Long-term sick leave refers to sick leave during a continuous period of 60 days or more.

Employment terms for the Chief Executive Officer

Remuneration paid to the CEO comprises a fixed salary and statutory pension and insurance benefits. The remuneration is reviewed annually as from April 1st. The CEO's contractual right to individual health insurance and pension benefits has not been exercised. The CEO's employment contract is terminable on 24 months notice in case of termination by the employer or 3 months in case of termination by the CEO.

Employment terms for other senior executives

The remuneration paid to other senior executives consists only of a fixed salary. Salaries are reviewed annually as from April 1st

NOTE 12 TANGIBLE FIXED ASSETS

Tangible fixed assets comprise vehicles, equipment, production equipment and costs for improvements to property of third parties.

	Group April 30th, 2008				
SEK '000	Vehicles	Equipment	Production equipment	Improvements to property of third parties	Total
Cost at beginning of year	148	4,215	16,613	3,014	23,990
Investments for the year	0	1,239	0	462	1,700
Increase through acquisition of businesses	0	0	0	0	0
Cost at end of year	**148**	**5,454**	**16,613**	**3,476**	**25,691**
Depreciation at beginning of year	–41	–2,213	–1,821	–502	–4,577
Depreciation for the year	–49	–744	–993	–146	–1,933
Accumulated depreciation at end of year	**–91**	**–2,957**	**–2,814**	**–648**	**–6,510**
Carrying amount at end of year	**58**	**2,497**	**13,798**	**2,828**	**19,180**

	Group April 30th, 2007				
SEK '000	Vehicles	Equipment	Production equipment	Improvements to property of third parties	Total
Cost at beginning of year	0	3,917	16,613	2,325	22,855
Investments for the year	148	298	0	689	1,136
Increase through acquisition of businesses	0	3	0	0	3
Cost at end of year	**148**	**4,218**	**16,613**	**3,014**	**23,993**
Depreciation at beginning of year	0	–1,615	–828	–374	–2,817
Depreciation for the year	–41	–598	–993	–128	–1,760
Accumulated depreciation at end of year	**–41**	**–2,213**	**–1,821**	**–502**	**–4,577**
Carrying amount at end of year	**107**	**2,005**	**14,792**	**2,512**	**19,416**

	Parent company 30th, 2008				
SEK '000	Vehicles	Equipment	Production equipment	Improvements to property of third parties	Total
Cost at beginning of year	148	4,215	16,613	3,014	23,990
Investments for the year	0	1,239	0	462	1,700
Cost at end of year	**148**	**5,454**	**16,613**	**3,476**	**25,690**
Depreciation at beginning of year	–41	–2,213	–1,821	–502	–4,577
Depreciation for the year	–49	–744	–993	–146	–1,933
Accumulated depreciation at end of year	**–91**	**–2,957**	**–2,814**	**–648**	**–6,510**
Carrying amount at end of year	**58**	**2,497**	**13,798**	**2,828**	**19,180**

	Parent company April 30th, 2007				
SEK '000	Vehicles	Equipment	Production equipment	Improvements to property of third parties	Total
Cost at beginning of year	0	3,917	16,613	2,325	22,855
Investments for the year	148	298	0	689	1,136
Cost at end of year	**148**	**4,215**	**16,613**	**3,014**	**23,990**
Depreciation at beginning of year	0	–1,615	–828	–374	–2,817
Depreciation for the year	–41	–598	–993	–128	–1,760
Accumulated depreciation at end of year	**–41**	**–2,213**	**–1,821**	**–502**	**–4,577**
Carrying amount at end of year	**107**	**2,002**	**14,792**	**2,512**	**19,413**

NOTE 13 OTHER INTANGIBLE ASSETS

Other intangible assets comprise expenditure for patents and sales rights.

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Cost at beginning of year	12,349	11,156	11,029	10,519
Capitalised expenditure for the year	1,226	1,035	1,220	510
Increase through acquisition of businesses	-	158	-	-
Cost at end of year	**13,575**	**12,349**	**12,249**	**11,029**
Accumulated amortisation at beginning of year	4,500	3,740	4,291	3,740
Amortisation for the year	791	760	572	551
Accumulated amortisation at end of year	**5,291**	**4,500**	**4,863**	**4,291**
Carrying amount at end of year	**8,284**	**7,849**	**7,386**	**6,737**

NOTE 14 FOREIGN EXCHANGE DIFFERENCES – NET

Foreign exchange differences have been recognised in the income statement as follows:

SEK '000	May 1st, 2007– Apr 30th, 2008	May 1st, 2006– Apr 30th, 2007
Other operating income	31	-
Raw materials, consumables and merchandise	–242	-
Net financial income/expense	179	–23
Total	**–32**	**–23**

NOTE 15 OPERATING PROFIT/LOSS

Out of total recognised operating expenses in the consolidated financial statements of SEK 85,754 thousand (47,855), SEK 9,675 thousand (14,484) refers to capitalised development costs.

NOTE 16 FINANCIAL INCOME AND EXPENSES

	Group		Parent company	
SEK '000	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
Financial income:				
Interest income, bank accounts	265	8	264	8
Foreign exchange differences, bank accounts	197	13	197	13
Total	**462**	**21**	**460**	**21**
Financial expenses:				
Interest expense, overdraft facility				
Other interest expenses	355	341	7	75
Interest expense, hire-purchase agreements	301	411	301	411
Foreign exchange differences, bank accounts	18	36	16	-
Total	**674**	**787**	**324**	**486**

NOTE 17 INCOME TAX

All companies in the Group report negative taxable earnings and therefore pay no income tax. All companies are tax-domiciled in Sweden, where the tax rate is 26.3 per cent (28%). Income tax on the Group's earnings before tax is shown in the following table:

SEK '000	May 1st, 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
Loss before tax	–5,067	–11,752
Income tax based on applicable tax rates in Sweden	0	0
Non-taxable income	–1	–1
Non-deductible expenses	95	92
Tax losses for which no deferred tax asset has been recognised	4,973	11,661
Tax expense	**0**	**0**

NOTE 18 EARNINGS PER SHARE

Earnings per share are calculated by dividing earnings attributable to shareholders of the parent by a weighted average number of outstanding ordinary shares during the period. Earnings per share are calculated before and after dilution, as there are no outstanding potential ordinary shares that could cause dilution.

SEK '000	May 1st 2007–Apr 30th, 2008	May 1st, 2006–Apr 30th, 2007
Loss attributable to shareholders of the parent	–5,057	–11,748
Weighted average number of outstanding ordinary shares (thousands)	32,613	31,424
Earnings per share (SEK per share)	–0.16	–0.37

NOTE 19 TRADE AND OTHER RECEIVABLES

The carrying amount of trade receivables represents fair value, as no provision for doubtful trade receivables is required.

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Trade receivables	4,059	4,386	0	93
Prepaid expenses and accrued income	1,717	1,373	1,373	1,117
Total	**5,776**	**5,759**	**1,373**	**1,210**

The Group's foreign currency trade receivables at the balance sheet date were SEK 0 thousand (0). Trade receivables past due were SEK 0 thousand (0).

Prepaid expenses and accrued income comprise the following:

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Prepaid rents	522	478	522	478
Prepaid lease payments	0	7	0	7
Prepaid insurance premiums	165	36	165	36
Other items	1,031	852	686	596
Total	**1,717**	**1,373**	**1,373**	**1,117**

NOTE 20 OTHER CURRENT RECEIVABLES

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Interest income, tax account	27	26	0	0
VAT receivable	733	807	713	763
Receivable from supplier	11	-	-	-
Total	**772**	**833**	**713**	**763**

NOTE 21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank deposits. The deposit rate is STIBOR 7 DAY -0.5 per cent.

NOTE 22 SHARE CAPITAL

Statements of changes in equity for the Group and Parent Company are included in this report immediately after the respective balance sheets. The total number of shares on April 30th, 2008, was 33,375,000 A shares (31,851,310) with a quotient value of SEK 0.10 per share. All issued shares are fully paid-up. Changes in the number of shares in the last two financial years are shown below.

No. of shares	
Opening number, May 1st 2005	31,000,000
Issue of new shares, Oct 30th 2006	851,310
Issue of new shares, Oct 31st 2007	1,523,690
Closing number, Apr 30th 2008	**33,375,000**

NOTE 23 BORROWING

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Long-term				
Hire-purchase agreements	2,933	5,513	2,933	5,513
Long-term loan	3,500	-	3,500	-
Total	**6,433**	**5,513**	**6,433**	**5,513**
Short-term				
Hire-purchase agreements	2,814	2,933	2,814	2,933
Total	**2,814**	**2,933**	**2,814**	**2,933**

Out of the liability relating to hire-purchase agreements, SEK 2,814 thousand will be paid in the 2008/09 financial year with a final payment of SEK 2,933 thousand in the financial year 2009/10. The effective interest rate is 4.25 per cent. Long-term loan refers to a loan from the largest owner of Oasmia. The loan is interest-free and the term of the loan had not been determined at the balance sheet date, April 30th, 2008.

NOTE 24 DEFERRED INCOME TAX

The recognised deferred tax liability of SEK 8 thousand (8) refers to a temporary difference between the fair value of acquired Other intangible assets (patents) and their tax basis at the time of the acquisition of GlucoGene Pharma AB on May 7th, 2006.

The Group has accumulated tax losses of SEK 73,190 thousand (27,780). These are deductible against future profits without limitation in time. Out of total tax losses, SEK 16,107 thousand is frozen for the Group for use as Group contributions. This restriction will cease in connection with the 2014 taxation. There are currently no sufficiently compelling reasons to expect that taxable profits will be available in future that would warrant recognising the losses as assets. Accumulated tax losses in the Parent Company are SEK 70,577 thousand (25,879).

NOTE 25 LIABILITIES TO CREDIT INSTITUTIONS

The credit available under overdraft facilities is SEK 2,500 thousand (2,500) in the Group and SEK 0 thousand (0) in the Parent Company. Granted credits in sales ledgers, which refer to factoring, are SEK 5,500 (5,500) thousand and SEK 0 thousand (0) in the Parent Company. The interest rate on granted credits is STIBOR 7 day + 1.75 per cent. Use of credits is shown in the following table.

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Credits in sales ledgers	5,236	-	-	-
Overdraft facilities	4	2,461	-	-
Total	**5,241**	**2,461**	**0**	**0**

NOTE 26 OTHER CURRENT LIABILITIES

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
VAT liability	1,390	1,427	-	-
Employee withholding tax / social-security contributions	740	508	740	508
Other items	24	31	-	-
Total	**2,153**	**1,966**	**740**	**508**

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Accrued holiday pay	1,629	1,047	1,629	1,047
Accrued social-security contributions	528	339	528	339
Other items (Note 9)	120	120	120	120
Total	**2,277**	**1,506**	**2,277**	**1,506**

NOTE 28 INTERESTS IN GROUP COMPANIES

	Parent company			
SEK '000	Capital share, %	Voting share, %	Carrying amount 30 Apr 2008	Carrying amount 30 Apr 2007
Qdoxx Pharma AB	100	100	1,920	1920
GlucoGene Pharma AB	51	51	198	180
Total			**2,118**	**2,100**

	Parent company	
	Apr 30th, 2008	Apr 30th, 2007
Cost at beginning of year	2,100	1,920
Purchase of interests	-	104
Capital contributions	18	76
Cost at end of year	**2,118**	**2,100**
Carrying amount at end of year	**2,118**	**2,100**

NOTE 29 ACQUISITION OF BUSINESSES

No businesses were acquired during the financial year May 1st 2007 – April 30th 2008.

On May 7th 2006 Oasmia acquired 51 per cent of the shares of GlucoGene Pharma AB for a consideration of SEK 104 thousand. No transaction costs were incurred. The acquisition gave rise to a fair value adjustment in respect of patents of SEK 31 thousand and a deferred tax liability of SEK 9 thousand.

NOTE 30 CONTINGENT LIABILITIES

	Group		Parent company	
SEK '000	Apr 30th, 2008	Apr 30th, 2007	Apr 30th, 2008	Apr 30th, 2007
Contingent liabilities on behalf of other Group companies	-	-	8,000	8,000
Surety guarantee on behalf of employee	-	473	-	473
Total	**0**	**473**	**8,000**	**8,473**

At year-end the Group had no surety guarantees on behalf of employees.

NOTE 31 RELATED-PARTY TRANSACTIONS

Companies in the Group

The Group consists of the Parent Company, Oasmia Pharmaceutical AB, and the subsidiary companies Qdoxx Pharma AB and GlucoGene Pharma AB. The Parent Company has a controlling influence over the subsidiaries, which are therefore not regarded as related parties. The Parent Company's holdings of shares and interests in subsidiaries are shown in Note 28. Acquisitions of businesses are shown in Note 29.

Intercompany transactions

The Company's sales to the subsidiaries are shown below. The sales refer to premises and administration provided by Oasmia to Qdoxx Pharma AB. There were no purchases from subsidiaries.

SEK '000	2007/08	2006/07
Share of parent company's net sales that refers to sales to subsidiaries	480	480

Transactions with key individuals in senior positions

For information on salaries and remuneration to Directors and senior executives, see Note 11. Other than what is stated there, no transactions with related natural persons have taken place.

Financial loan transactions with related parties

As stated in Note 23, the Company has a long-term loan of SEK 3,500 thousand from the Company's largest shareholder, Oasmia S.A. The loan is interest-free and the term of the loan had not been determined at the balance sheet date, April 30th 2008.

During the period Oasmia made an injection of working capital into Qdoxx, which has partly been repaid. The size of the transactions is shown in the following table.

SEK '000	2007/08	2006/07
Lending	-	17,127
Repayment	2,834	-

Private placements

At general shareholders' meetings of Oasmia it has been resolved to authorise private placements to Oasmia S.A., as shown below.

	2007/08	2006/07
No. of shares	1,523,690	851,310

SEK '000	2007/08	2006/07
Increase of share capital	152	85
Share premium	60,948	34,819
Total value of issued shares	**61,100**	**34,904**

Group contributions from Oasmia to Qdoxx

In the financial year 2006/07 Group contributions of SEK 1,200 thousand were made.

Shareholder contributions from Oasmia to subsidiaries

For information on shareholder contributions from Oasmia to subsidiaries, see Note 28.

Other transactions with related parties

Ardenia Investment LTD is registered as the owner and holder of the patents that form the basis for Oasmia's business. Under an agreement between Ardenia and Oasmia concluded in 2001, the rights to these patents have been transferred to Oasmia. Oasmia has no obligations to Ardenia.

NOTE 32 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied for the following items (SEK '000):

April 30th 2008

Assets in balance sheet	Loans and trade receivables
Trade receivables	4 059
Other current receivables	772
Cash and cash equivalents	10 379
Total	**15 210**

Liabilities in balance sheet	Other financial liabilities
Borrowing	9 247
Liabilities to credit institutions	5 241
Trade payables	3 933
Other current liabilities	2 153
Accrued expenses and deferred income	2 157
Total	**18 421**

April 30th 2007

Assets in balance sheet	Loans and trade receivables
Trade receivables	4 386
Other current receivables	833
Cash and cash equivalents	22 170
Total	**27 389**

Liabilities in balance sheet	Other financial liabilities
Borrowing	8 446
Liabilities to credit institutions	2 461
Trade payables	4 564
Other current liabilities	1 966
Accrued expenses and deferred income	1 386
Total	**18 823**

NOTE 33 TRANSITION TO IFRS AND CORRECTION OF ERRORS FROM PREVIOUS PERIODS

As of May 1st 2007 the Group prepares its annual accounts in accordance with IFRS. Until April 30th 2007 the Group applied the recommendations of the Swedish Financial Accounting Standards Council. The transition to IFRS took place on 1 May 2005 (transition date) and has been accounted for in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The accounting policies applied by the Group in accordance with IFRS are described in Note 2. In connection with the transition to IFRS the Company became aware that previous accounting policies had been incorrectly applied. In the reconciliations presented below the correction of these errors is distinguished from effects of the transition to IFRS. The character of the errors in the previous periods and the correction amounts as well as the effects of the transition to IFRS are explained in connection with the reconciliations.

In connection with the Group's transition to IFRS the Parent Company changed its accounting policies to Recommendation RR 32:06 (Note 2).

The effects of the correction of errors and the transition to IFRS for each financial year are shown in the relevant rows in the income statements. In the balance sheets the effects are shown in each balance sheet item for the financial years. The correction of errors and the transition to IFRS have not had any impact on consolidated cash flow.

Reclassifications in the income statement as a result of the transition to IFRS

Name under previously applied accounting policies	Name after transition to IFRS
Interest and similar income	Financial income
Interest and similar expenses	Financial expense
Tax on profit for the year	Income tax

Under previously applied accounting policies minority interest was not included in consolidated earnings. After the transition to IFRS minority interest is included in the consolidated income statement. The inclusion of minority interest in the consolidated income statement had the effect of reducing reported earnings by SEK 4 thousand for the financial year 1 May 2006–30 April 2007. A specification of which portions of reported earnings after tax are attributable to the owners of the Parent Company and the minority owners of the subsidiary company GlucoGene Pharma AB is shown under the income statement.

Reclassifications in the balance sheet as a result of the transition to IFRS

Name under previously applied accounting policies	Name after transition to IFRS
Concessions, patents, licenses, trade marks and similar rights	Other intangible assets
Cash and bank balances	Cash and cash equivalents
Overdraft facility	Liabilities to credit institutions

Equity

After the transition to IFRS consolidated equity is no longer divided into restricted and non-restricted equity. Instead, equity is divided into the items Share capital, Other contributed capital and Retained earnings. The statutory reserve that was previously recognised as restricted equity is now included in Retained earnings, as the statutory reserve refers to previously retained earnings. Moreover, shareholder contribution received has been recognised in Other contributed capital rather than in Retained earnings, as previously.

Minority interest was recognised in accordance with the previously applied accounting policies as a separate item between equity and liabilities in the balance sheet. After the transition minority interest is recognised as a separate component in consolidated equity. The effect of including the minority interest in equity was to increase consolidated equity by SEK 106 thousand as of April 30th 2007.

Effects of corrected errors and the transition to IFRS

Financial year May 1st 2006–30th April 2007

SEK '000	Note	Previously applied accounting policies	Correction of errors	Effect of transition to IFRS	IFRS
Net sales		22,387	0	0	22,387
Capitalised production costs	b	14,430	54	0	14,484
Raw materials and consumables		–22,621	0	0	–22,621
Other external expenses	b,c	–12,070	–84	0	–12,154
Staff costs		–10,560	0	0	–10,560
Depreciation, amortisation and impairment	a,c,d	–968	–1,552	–2	–2,521
Operating loss		**–9,402**	**–1,583**	**–2**	**–10,986**
Financial income		21	0	0	21
Financial expense	a	–376	–411	0	–787
Net financial expense		**–355**	**–411**	**0**	**–766**
Loss before tax		–9,757	–1,994	–2	–11,752
Income tax		0	0	0	0
Loss for the year		**–9,757**	**–1,994**	**–1**	**–11,752**
Attributable to:					
Shareholders of the parent		–9,757	–1,990	–1	–11,748
Minority interest		0	–4	0	–4
Earnings per share, based on earnings attributable to shareholders of the parent during the year					
(expressed in SEK per share):		–0.31	–0.06	–0.00	–0.37

Effects of corrected errors and the transition to IFRS

Financial year May 2005 1st-April 30th 2006

SEK '000	Note	Previously applied accounting policies	Correction of errors	Effect of transition to IFRS	IFRS
Net sales		853	0	0	853
Capitalised production costs	b	10,518	–10,518	0	0
Raw materials and consumables		–5,446	0	0	–5,446
Other external expenses	c	–6,371	–100	0	–6,471
Staff costs		–5,850	0	0	–5,850
Depreciation, amortisation and impairment	a,c	–615	–1,354	0	–1,969
Operating loss		**–6,912**	**–11,972**	**0**	**–18,883**
Financial income		10	0	0	10
Financial expense	a	–406	–422	0	–828
Net financial expense		**–395**	**–422**	**0**	**–818**
Profit/loss before tax		–7,307	27,008	0	19,701
Income tax		0	0	0	0
Loss for the year		**–7,307**	**–12,394**	**0**	**–19,701**
Attributable to:					
Shareholders of the parent		–7,307	–12,394	0	–19,701
Earnings per share, based on earnings attributable to shareholders of the parent during the year					
(expressed in SEK per share):		–0.24	–0.40	0.00	–0.64

Effects of corrected errors and the transition to IFRS in the consolidated balance sheet at April 30th 2007

SEK '000	Note	Previously applied accounting policies	Correction of errors	Effect of transition to IFRS	IFRS
ASSETS					
Non-current assets					
Tangible fixed assets	a	13,624	5,792	0	19,416
Capitalised development costs	b	47,828	–33,345	0	14,484
Other intangible assets	c,d	12,260	–4,440	30	7,849
Current assets					
Inventories		18,318	0	0	18,318
Trade receivables		4,386	0	0	4,386
Other current receivables		833	0	0	833
Prepaid expenses and accrued income		1,373	0	0	1,373
Cash and cash equivalents		22,170	0	0	22,170
Total assets		**120,793**	**–31,993**	**30**	**88,830**
EQUITY					
Capital and reserves attributable to shareholders of the parent					
Share capital		3,185	0	0	3,185
Other contributed capital		34,819	0	61,100	95,919
Statutory reserve		4,620	0	–4,620	0
Retained earnings		67,557	–40,430	–56,459	–29,331
Minority interest		**116**	**–9**	**0**	**106**
Total equity		**110,297**	**–40,439**	**21**	**69,879**
LIABILITIES					
Non-current liabilities					
Borrowing	a	0	5,513	0	5,513
Deferred tax liabilities	e	0	0	8	8
Current liabilities					
Liabilities to credit institutions		2,461	0	0	2,461
Borrowing	a	0	2,933	0	2,933
Trade payables		4,564	0	0	4,564
Other current liabilities		1,966	0	0	1,966
Accrued expenses and deferred income		1,506	0	0	1,506
Total equity and liabilities		**120,793**	**–31,993**	**30**	**88,830**

Effects of corrected errors and the transition to IFRS in the consolidated balance sheet on April 30th 2006

SEK '000	Note	Previously applied accounting policies	Correction of errors	Effect of transition to IFRS	IFRS
ASSETS					
Non-current assets					
Tangible fixed assets	a	10,253	9,785	0	20,038
Capitalised development costs	b	33,345	–33,345	0	0
Other intangible assets	c	11,256	–3,721	0	7,535
Current assets					
Inventories		2,674	0	0	2,674
Trade receivables		299	0	0	299
Other current receivables		1,173	0	0	1,173
Prepaid expenses and accrued income		1,066	0	0	1,066
Cash and cash equivalents		3,630	0	0	3,630
Total assets		**63,695**	**–27,281**	**0**	**36,414**
EQUITY					
Capital and reserves attributable to shareholders of the parent					
Share capital		3,100	0	0	3,100
Other contributed capital		0	0	34,904	34,904
Statutory reserve		4,620	0	–4,620	0
Retained earnings		51,178	–38,316	–30,284	–17,422
Minority interest		**0**	**0**	**0**	**0**
Total equity		**58,898**	**–38,316**	**0**	**20,582**
LIABILITIES					
Non-current liabilities					
Borrowing	a	0	8,102	0	8,102
Deferred tax liabilities		0	0	0	0
CURRENT LIABILITIES					
Liabilities to credit institutions		2,938	0	0	2,938
Borrowing	a	0	2,933	0	2,933
Trade payables		627	0	0	627
Other current liabilities		353	0	0	353
Accrued expenses and deferred income		879	0	0	879
Total equity and liabilities		**63,695**	**–27,281**	**0**	**36,414**

Effects of corrected errors and the transition to IFRS in the consolidated balance sheet on May 1st 2005 (transition date)

SEK '000	Note	Previously applied accounting policies	Correction of errors	Effect of transition to IFRS	IFRS
ASSETS					
Non-current assets					
Tangible fixed assets		207	0	0	207
Capitalised development costs	b	22,826	–22,826	0	0
Other intangible assets	c	10,559	–3,095	0	7,464
Current assets					
Inventories		0	0	0	0
Trade receivables		0	0	0	0
Other current receivables		283	0	0	283
Prepaid expenses and accrued income		214	0	0	214
Cash and cash equivalents		1,971	0	0	1,971
Total assets		**36,060**	**–25,921**	**0**	**10,139**
EQUITY					
Capital and reserves attributable to shareholders of the parent					
Share capital		3,100	0	0	3,100
Other contributed capital		0	0	0	0
Statutory reserve		4,620	0	–4,620	0
Retained earnings		23,654	–25,921	4,620	2,353
Minority interest		**0**	**0**	**0**	**0**
Total equity		**31,374**	**–25,921**	**0**	**5,453**
LIABILITIES					
Non-current liabilities					
Borrowing		0	0	0	0
Deferred tax liabilities		0	0	0	0
Current liabilities					
Liabilities to credit institutions		0	0	0	0
Borrowing		0	0	0	0
Trade payables		557	0	0	557
Other current liabilities		3,393	0	0	3,393
Accrued expenses and deferred income		736	0	0	736
Total equity and liabilities		**36,060**	**–25,921**	**0**	**10,139**

Effects of corrected errors and the transition to IFRS in the consolidated statement of changes in equity

SEK '000	Note	Apr 30th 2007	Apr 30th 2006	May 1st 2005
Equity under previously applied policies		**110,297**	**58,898**	**31,374**
Tangible fixed assets	a	5,792	9,785	0
Funding of purchases made under hire-purchase agreements	a	–8,446	–11,036	0
Recognition of capitalised development costs	b	–33,345	–33,345	–22,826
Amortisation and impairment of other intangible assets	c	–4,440	–3,721	–3,095
Total adjustment of equity due to corrected errors		**–40,439**	**–38,317**	**–25,921**
Acquisition of businesses	d	31	0	0
Amortisation of intangible assets	d	–2	0	0
Tax effects of the above	e	–8	0	0
Total adjustment of equity		**–40,418**	**–38,317**	**–25,921**
Equity under IFRS		**69,879**	**20,582**	**5,453**

Effects of corrected errors and the transition to IFRS in the consolidated income statement

Financial year May 1st 2006–April 30th 2007

SEK '000	Note	Operating profit/loss	Profit/loss before tax	Profit/loss for the year
Loss under previously applied policies		**–9,402**	**–9,757**	**–9,757**
Intangible assets charged to expense		–30	–30	–30
Depreciation of tangible fixed assets	a	–993	–993	–993
Amortisation of other intangible assets	c	–559	–559	–559
Interest expense for hire-purchase agreements	a	-	–411	–411
Total adjustment of profit/loss due to corrected errors		**–1,582**	**–1,993**	**–1,993**
Amortisation of fair value adjustment in respect of patents	d	–2	–2	–2
Tax effect of the above		0	0	0
Loss under IFRS		**–10,986**	**–11,752**	**–11,752**

Effects of corrected errors and the transition to IFRS in the consolidated income statement

Financial year May 1st 2005-April 30th 2006

SEK '000	Note	Operating profit/loss	Profit/loss before tax	Profit/loss for the year
Loss under previously applied policies		**–6,912**	**–7,307**	**–7,307**
Intangible assets charged to expense		–10,618	–10,618	–10,618
Depreciation of tangible fixed assets	a	–828	–828	–828
Amortisation of other intangible assets	c	–526	–526	–526
Interest expense for hire-purchase agreements	a	-,	–422	–422
Total adjustment of profit/loss due to corrected errors		**–11,971**	**–12,394**	**–12,394**
Loss under IFRS		**–18,883**	**–19,701**	**–19,701**

In connection with the transition to IFRS the Company became aware that previous accounting policies had been incorrectly applied. The errors consisted in the fact that items relating to capitalised development costs and other intangible assets had been recognised as assets, and that a hire-purchase agreement had been restated in accordance with points a-c below. Minor errors have also been identified in respect of the analysis of the acquisition of GlucoGene Pharma AB. These, too, have been corrected retroactively.
Unless otherwise stated, the effects of corrected errors for the Parent Company were the same as for the Group in accordance with points a-c below.

a) Tangible fixed assets

With occupancy from July 1st 2005 the Parent Company concluded a hire-purchase agreement in respect of a facility located in the property where the company conducts its operations. The facility was constructed by a company operating in the field of bioscience and is a production facility. The hire-purchase agreement runs until June 30th 2010, i.e. over five years. In the financial years 2005/06 and 2006/2007 the Group, using the previously applied accounting policies, recognised the facility as an asset valued at the total value of payments made to date. No depreciation charges had been recognised. The agreement with the seller contained no expressly stated interest portion and no liability or interest expense was recognised in the consolidated financial statements.

The error has been corrected so that the transaction is recognised as a purchase made under a hire-purchase agreement. The facility has been stated at cost, at the total discounted value of all future payments. A financial liability in respect of the unpaid consideration has also been recognised. The financial liability is initially stated at fair value and subsequently at amortised cost by applying the effective interest method. In the balance sheet the financial liability is divided into a current and non-current portion and recognised under Borrowing.

The Group applies component depreciation for this facility, which means that each component of the facility that has a significant historical cost in relation to the total historical cost is depreciated separately. For information on accounting policies, see Note 2.

The correction of the error had the following effects:

- As of the occupancy date the total amount of future payments is recognised as Borrowing.
- The original fair value of the liability was SEK 16,613 thousand. The applied effective interest rate was 4.25 per cent. Upon occupancy the Group's liabilities thus increased by 16,613 thousand.
- Upon occupancy the asset was carried at fair value, which agrees with the value of the financial liability, i.e. SEK 16,613 thousand. At the end of the financial year 2005/06 Tangible fixed assets therefore increased by SEK 9,785 thousand.
- Depreciation charges have been recognised from the date of acquisition. The Group's depreciation expense thus increased by SEK 828 thousand in the financial year 2005/06 and by SEK 993 thousand in the financial year 2006/07.
- Interest expenses for the financial liability have been recognised from the date of acquisition. The Group's interest expense thus increased by SEK 422 thousand in the financial year 2005/06 and by SEK 411 thousand in the financial year 2006/07.

b) Capitalised development costs

Under previously applied policies, the Group capitalised expenditure on development activities in earlier phases than phase III.

Recommendation RR 15 Intangible Assets of the Swedish Financial Accounting Standards Council states that only capitalised expenditure for development activities that are in phase III or higher should be recognised as assets, as it is only in this phase that the company is able to demonstrate that it is technically possible to complete production and ensure that the product can be used or sold.

Capitalised development costs prior to 1 May 2006 have thus been charged to expense, as these costs did not refer to projects that had reached phase III.

Upon correcting the error the Group thus wrote off SEK 22,826 thousand directly against equity. In the financial year 2005/06 the Group also wrote off SEK 10,518 thousand of that year's capitalised development costs through the income statement, as these development activities were not deemed to be in phase III or higher.

As all capitalised development costs related to products that were not yet ready to be taken into use, no amortisation charges had been recognised. The derecognition of these assets therefore does not affect the amortisation expense for the years concerned.

c) Other intangible assets

Previously Other intangible assets comprised patents, sales rights, manufacturing licenses, licenses for clinical trials and wholesale licenses. Amortisation charges had only been recognised for sales rights. The useful life was 5 years. Sales rights refer to the right to sell pharmaceutical drugs imported from other countries ("parallel import") in Sweden.

The correction of the error had the following effects:

- The derecognition of a wholesale license acquired in 2005/06 that was previously capitalised at SEK 100 thousand and the derecognition of a capitalised license fee of SEK 30 thousand that was received in 2006/07.
- At the transition date accumulated amortisation charges in the amount of SEK 3,095 thousand on patents that should have been recognised previously were recognised directly in equity as at May 1st 2005. Additional amortisation charges for patents were SEK 526 thousand in the financial year 2005/06 and SEK 560 thousand in the financial year 2006/07. All amortisation charges refer to the Parent Company's patents, with the exception of the financial year 2006/07, when SEK 9 thousand referred to amortisation charges in the subsidiary company GlucoGene Pharma AB.

d) Acquisition of businesses

In the financial year 2006/07 the Parent Company acquired 51 per cent of the shares of GlucoGene Pharma AB.

No analysis of the fair value of the acquired assets was made at the time of the acquisition.

Upon transition to IFRS the Group made a full analysis of the acquisition, in accordance with IFRS 3. This resulted in the identification of a higher fair value attributable to patents than had previously been recognised. The difference is SEK 31 thousand. The difference between fair value and the previously recognised value will be amortised over the remaining term of the patent. An amortisation charge of SEK 2 thousand was recognised in the financial year 2006/07.

e) Deferred tax

Transition effects attributable to d) above have given rise to temporary differences between carrying amounts and tax bases. These temporary differences are described in Note 24.

As the Group intends to correct its tax accounting in respect of points a-c above in time for its Tax 2009 tax return so that the tax bases agree with the carrying amounts, there are no temporary differences for these adjustments, and no deferred tax has therefore been recognised for these items.

NOTE 34 DEFINITIONS OF KEY PERFORMANCE INDICATORS

Earnings per share before and after dilution

Earnings attributable to shareholders of the parent divided by a weighted average number of outstanding ordinary shares, before and after dilution, during the period.

Equity per share

Equity divided by the number of shares at the end of the period.

Equity/assets ratio

Equity and untaxed reserves (less deferred tax), divided by total assets.

Return on total capital

Earnings before interest expense, divided by average total assets.

Return on equity

Earnings after net financial income/expense, divided by average equity and untaxed reserves (less deferred tax).

AUDIT REPORT ON REVISED HISTORICAL FINANCIAL STATEMENTS

To the Board of Directors of Oasmia Pharmaceutical AB (Publ)

Registration no. 556332-6676

We have examined the financial statements for Oasmia Pharmaceutical AB (publ) on pages 68–112, which comprise the balance sheets as at April 30th 2007 and April 30th 2008 and the income statements and cash flow statements for these years as well as a summary of significant accounting policies and other supplementary information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for ensuring that the financial statements are prepared and presented in a manner that provides a true and fair view in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and in compliance with the Prospectus Directive for implementation of the Prospectus Regulation (EC) No 809/2004. This responsibility comprises the structuring, implementation and maintenance of internal control that is relevant for the preparation and presentation of a true and fair view of the financial statements without material errors, regardless of whether these are due to irregularities or mistakes.

The auditor's responsibility

Our responsibility is to express an opinion on the financial statements on the basis of our audit. We have performed our audit in accordance with FAR SRS' proposal for Recommendation RevR5 Examination of Prospectuses. This means that we have planned and conducted our audit in a manner that allows us to obtain a high but not absolute degree of certainty that the financial statements are free from material errors.

Audit activities

In accordance with FAR SRS' proposal for Recommendation RevR5 Examination of Prospectuses, an audit involves performing examination activities aimed at obtaining audit evidence that confirm amounts and information contained in the financial statements. The selected audit activities are based on our assessment of the risk of material errors in the financial statements regardless of whether these are due to irregularities or mistakes. In our risk assessment we consider the internal control that is relevant for the company's preparation and true and fair presentation of the financial statements as a basis for designing the audit activities that are applicable under these circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves an assessment of the applicability of the accounting policies applied and of the reasonableness of significant estimates made by the Board of Directors and Chief Executive Officer as well as an evaluation of the overall presentation in the financial statements.

We believe that the audit evidence obtained is sufficient and adequate as a basis for our opinion.

Opinion

We consider that the financial statements give a true and fair view, in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, of the position of Oasmia Pharmaceutical AB (publ) on 30 April 2007 and April 30th 2008 and its earnings, changes in equity and cash flow for these years.

Stockholm, March 26th 2010
Öhrlings PricewaterhouseCoopers AB

Bo Åsell
Authorised 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.

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