oasmia

OASMIA PHARMACEUTICAL AB
ANNUAL REPORT 2017/2018

WWW.OASMIA.COM

CONTENTS

OASMIA PHARMACEUTICAL AB
Vallongatan 1, 752 28 Uppsala
Switchboard +46 18 50 54 40 • Fax +46 18 51 08 73
Email address info@oasmia.com
Corporate ID number 556332-6676 • www.oasmia.com

Oasmia has decided not to print and distribute the Annual Report, for environmental reasons. It may be ordered via Oasmia's website.

YEAR IN BRIEF

FINANCIAL YEAR MAY 1, 2017 – APRIL 30, 2018

- Consolidated net sales amounted to TSEK 3,169 (172)
- Operating income was TSEK -103 ,724 (-140,481)
- Net income after tax amounted to TSEK -118,013 (-160,243)
- Earnings per share were SEK -0.71 (-1.39)
- Comprehensive income was TSEK -118,036 (-160,230)
- All patients treated in the company's Docecal study, which will form the basis of the application for registration
- Loan of MSEK 108 secured to replace the loan from Nexttobe AB
- Doxophos approved in Ryssland
- Paclical approved in Kazakhstan
- New exclusive distributor contracted for Russia and CIS
- Strategic changes in veterinary medicine
- A number of financing measures were taken during the year, including a rights issue of MSEK 163.9
- Oasmia held a well-attended capital markets day

EVENTS AFTER CLOSING DAY

- The spin-out of veterinary oncology assets to AdvaVet completed
- Results from Oasmia's phase III study was presented at ASCO
- Terms for the Oasmia's existing and replacing loans were adjusted
- Application of orphan designation of Apealea in EU was withdrawn
- The market authorisation application of Apealea in EU is in final phase

KEY FIGURES

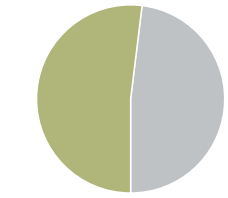
MSEK 881

COMPANY'S MARKET CAPITALIZATION AT END OF FINANCIAL YEAR

SEK -0.71

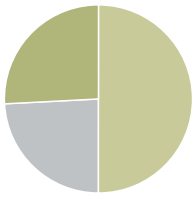
EARNINGS PER SHARE

OASMIA'S EMPLOYEES



- Men 52 %
- Women 48 %

EDUCATION



- Ph.D. 26 %
- Other academic education 50 %
- Other education 24 %

HISTORY

1999
Oasmia Pharmaceutical AB founded.

2004
Clinical trials on Paclical initiated.

2005
Clinical trials on Paccal Vet® initiated.

2006
Oasmia obtains SME status from EMA.

Paclical granted orphan drug status by EMA.

2007
Clinical phase III studies on Paccal Vet initiated.

2008
Clinical phase III studies on Paclical initiated.

2009
Distribution agreement entered into with Abbott Laboratories for Paccal Vet in the US and Canada.

The US Food and Drug Administration (FDA) grants Paclical orphan drug status for the treatment of ovarian cancer in the US.

2010
Licensing agreement entered into with Nippon Zenyaku Kogyo Co. Ltd. for Paccal Vet in Japan.

Oasmia changes trading platform from NGM Equity to NASDAQ Stockholm.

Oasmia submits registration documentation for Paccal Vet to FDA (US).

2011
Oasmia listed on Frankfurt Stock Exchange.

Agreement entered into with Baxter Oncology GmbH for contract manufacturing.

Results from interim analysis demonstrate that Paclical meets the clinical requirement of non-inferiority vis-à-vis Taxol®.

2012
FDA grants MUMS designation to Paccal Vet for the treatment of mammary carcinoma and to Doxophos Vet for the treatment of lymphoma.

2013
Development of OAS-19 initiated, the first drug candidate with two active cytostatics in one infusion.

Oasmia and Pharmasyntez sign an agreement regarding the rights to Paclical in Russia and the CIS.

2014
Paccal Vet obtains conditional approval from the FDA.

Oasmia's production facility approved by both the FDA and EMA.

Oasmia moves to the Mid Cap segment of NASDAQ Stockholm.

2015
Paclical receives market approval for treatment of ovarian cancer in Russia.

Oasmia regains rights to Paccal Vet and Doxophos Vet from Zoetis Inc.

Oasmia listed on Nasdaq Capital Market in New York.

2016
Oasmia applies for market approval for Apealea (Paclical) in EU.

The company receives positive clinical results for XR17.

Oasmia applies for market approval for Doxophos in Russia.

Clinical trials on Docecal initiated.

New cancer project acquired from Karo Pharma.

2017
Positive results for Apealea reported for breast cancer with weekly treatment.

The company enters into a new exclusive marketing and distribution agreement with Hetero Group for Russia and the CIS.

Doxophos approved in Russia.

Paclical approved in Kazakhstan.

2018

All patients treated in the pivotal study with Docecal

The company's veterinary assets are transferred to the American subsidiary AdvaVet Inc.

COMMENTS FROM THE CEO

MIKAEL ASP
M.Sc. in Chemical Engineering. Assumed role of CEO in 2015 having worked at Oasmia since 2013.

DEAR SHAREHOLDERS,

During the financial year we have worked intensely on developing Oasmia from being a company focusing on development into a company with an increasingly strong commercial focus. We have reached several important milestones during the financial year and the work on commercialization will be further intensified during the years to come.

The approval process for Apealea® (Paclical) at the European Medicines Agency (EMA) has taken considerable time, with many detailed questions from their expert committee (CHMP). Over the past year we have answered all the questions in a convincing manner and we are currently waiting for the authority's final decision. In parallel with this we have been working on the application that is to be submitted to the corresponding authority in the US, the FDA. The clarification that the CHMP has sought during the European approval process will also lead to our FDA application being more robust. The work on preparing for the coming product launch and securing production capacity is continuing with unabated strength.

The company obtained orphan drug status for Apealea for the indication of ovarian cancer as early as 2006. In the final stages of EMA's approval process, it is examined whether the product's status should be made permanent or not. We decided to withdraw our application for orphan drug status for Apealea in July 2018 as more and more women in Europe are contracting ovarian cancer and the number of women is now greater than the limit EMA has for a product to be able to be classified as an orphan drug. The clinical program for Apealea remains unchanged and this has no practical impact on the approval process.

This year we were able to present our results from the phase 3 study for treatment of ovarian cancer using Apealea at the annual meeting of the American Society of Clinical Oncology (ASCO). The study included 789 patients and met all its objectives. The follow-up results include survival statistics and relapse rates in groups of patients included in the study.

The Russian Ministry of Healthcare approved Doxophos as a hybrid drug in August 2017 and the preparations for a launch were initiated immediately. Doxophos is a nanoparticulate formulation of doxorubicin in combination with Oasmia's patented technology XR17. Doxorubicin is one of the most widely used cancer drugs in the world and it is used to treat a number of different forms of cancer, for example leukemia, cancer of the urinary bladder, breast cancer, gastric cancer, lung cancer, ovarian cancer, thyroid carcinoma, soft tissue sarcoma and multiple myeloma. Our product Doxophos may now be marketed and used for all these diseases in Russia. Oasmia has an agreement with Hetero Group regarding sales of this product in the country.

"During the past year we have answered all of EMA's questions and we are currently waiting for the authority's final decision."

In the past financial year Docecal passed an important milestone when treatment of the last patients in both ongoing clinical studies was completed in February. The studies, which had been ongoing in 17 clinics in five countries, form the basis of an application as a hybrid drug in Russia, which is planned to be submitted towards the end of 2018. In addition, data will be presented to EMA and the US Federal Drug Administration (FDA) in order to plan an approval process. Docetaxel is one of the most used anti-cancer substances in oncology and is the standard treatment for most cancer indications, including prostate cancer, breast cancer, lung cancer and gastric cancer, and is the active substance in the cytostatic Taxotere®, which is marketed by Sanofi. Before the patent started to expire in 2010, Sanofi achieved sales of the product of USD 3.1 billion. Even after the expiry of the patent, there has continued to be great demand for the drug Taxotere. We have high hopes that Docecal can be a competitive product in this segment.

Our collaboration with Hetero Group, with whom we had previously entered into a new, exclusive marketing and distribution agreement regarding Russia and the rest of the CIS, is now up and running after a few initial supply problems. Hetero are responsible for marketing and distribution of Paclical in Russia and the other CIS countries and have given their sales force training on Paclical and started sales in Russia. Hetero has an extensive sales and distribution network in the region and will allocate considerable resources to the marketing of Paclical and Oasmia's coming products Doxophos and Docecal, for which they have an exclusive distribution option. During the spring of 2018 Oasmia's production facility was successfully inspected by the Russian authorities and during the summer a GMP certificate was obtained, which enables us to produce in Uppsala and deliver to Hetero. We hope that we will also soon see the effects of this in the form of substantial revenues.

Oasmia's rights to use XR17-technology in the treatment of pets were separated, as planned, from the Parent Company and transferred in May to the subsidiary AdvaVet, Inc., which is based in the US. The American market is the largest, and at the same time, unlike in Europe, a short-cut to the market can be obtained by receiving so-called MUMS status ("Minor Use, Minor Species") from the authorities. Such status means that after a confirmatory phase II study, conditional approval can be received, which allows the drug to be sold for a period of up to five years while a phase III study is ongoing, the results of which are then used to obtain full market approval. For the first product candidate, Doxophos Vet for the treatment of lymphoma in dogs, a phase II study was completed during the year. As soon as the results have been evaluated, AdvaVet will begin the work leading to such conditional approval. By offering effective cancer treatment that can be managed by general practitioner veterinarians, there is a significant opportunity to broaden the market for canine cancer in the US. In our assessment, Doxophos Vet can be managed by a broader group of veterinarians outside today's specialist market.

During the year AdvaVet has taken many steps to become an independent company. Amongst other things, a largely American Board of Directors has been appointed, consisting of people with a high level of competence in the veterinary, pharmaceutical and financial fields. A CEO and a CFO have now been appointed and other important managerial positions have also been filled.

We hope that the spin-off of the veterinary assets to AdvaVet will enable us to take full advantage of the opportunities that our products entail in this market, thanks to the subsidiaries' focus, presence, and specialist competence. Initially, AdvaVet will secure its own financing, which will form the basis of the future development of the company.

We are pleased to note that Oasmia's cost-cutting program over the past year has resulted in considerably reduced costs. Net income after tax for the year is SEK 42 million better than last year and the loss per share for the full year was halved. Lower cost volumes in combination with the effects of increasing commercialization will significantly improve the financial results in a positive direction.

The past financial year came up with many challenges, but also clear progress and success. None of this would have been possible without the fantastic work our personnel do each day. I would like to express my great gratitude for their everyday work. Many thanks as well to our shareholders, who through their trust in us, our technology and our product candidates provide a foundation so that we can develop Oasmia and drive improvements in the care of cancer patients forwards.

MIKAEL ASP
CEO

THE SHARE

LISTING AND TRADING

The Oasmia share has been listed on NASDAQ Stockholm since 2010 (ticker OASM), on the Frankfurt Stock Exchange since 2011 (ticker OMAX) and on the NASDAQ Capital Market in New York since October 2015 (ticker OASM). Most of the turnover of shares takes place in Stockholm, while the listings in Frankfurt and New York are part of the preparations for Oasmia's launch of commercial products on the international pharmaceutical market. The total turnover of Oasmia shares during the financial year was 163,566,222 on NASDAQ Stockholm, 22,902 on the Frankfurt Stock Exchange and 4,252,519 ADS, which corresponds to 12,757,527 shares, on the NASDAQ Capital Market.

PRICE TREND

The company's market capitalization increased from MSEK 783 to MSEK 881 during the financial year. The chart below shows the share price on NASDAQ Stockholm throughout the financial year and on the last day of the year.

DIVIDEND POLICY

Oasmia has never paid any dividends and the Board does not intend to propose any dividend for the past financial year or to commit to a fixed dividend rate.

AUTHORIZATIONS

At the Annual General Meeting held on September 25, 2017, an authorization was granted to the Board, effective until the next Annual General Meeting, to be held on September 25, 2018. The authorization referred to the issuing of shares, warrants and convertible instruments whereby the share capital would not increase by more than SEK 6,200,000. The authorization was adopted in order to enable issuance of the convertible of MSEK 28 which was communicated on November 30, 2017. The Board also decided to use the authorization to issue warrants to the new lenders who are to take over the loan from Nexttobe AB and for the convertibles totalling MSEK 26 that were communicated on April 19, 2018.

FINANCING DURING THE YEAR, SHARE ISSUES AND CONVERTIBLE LOANS

A number of measures have been taken during the year with regard to financing:

- A convertible loan of MSEK 26 was issued in April 2018 which replaced the convertible loan issued in April 2017.
- Nexttobe AB extended its loan to Oasmia during the year. In January 2018 Arwidsro Investment AB and MGC Capital agreed to replace the loan from Nexttobe under certain conditions with a new loan of MSEK 108.
- In November 2017 a convertible loan of MSEK 28 was issued.
- In July 2017 a rights issue of MSEK 163.9 was carried out.

SHARE CAPITAL

The total number of shares at April 30, 2018 was 176,406,372. Each share has a nominal value of SEK 0.10 and the share capital at April 30, 2018 was SEK 17,640,637.20. The increase in the number of shares and votes is attributable to the above-mentioned transactions carried out during the financial year. According to the Articles of Association, the share capital shall be no less than SEK 8,500,000 and no more than SEK 34,000,000, divided into a minimum of 85,000,000 shares and a maximum of 340,000,000 shares.

OASMIAS SHARE MAY 2017 – MAY 2018

4,95
SEK
30 april, 2018

PRODUCTION

Oasmia has approval from, amongst others, the Swedish Medical Products Agency and the FDA in the US to manufacture drugs for both clinical trials and sales. Manufacturing approval requires the maintenance of cGMP (current Good Manufacturing Practice). GMP ensures that the patient is given drugs that are safe and of the right quality. The authorities carry out regular inspections to ensure cGMP. The inspections at Oasmia have been successful and this means that the quality system and processes are satisfactory and meet cGMP. Work is constantly ongoing at Oasmia to secure and improve the quality system.

The production facility in Uppsala is dimensioned for manufacturing of all the company's products on a small scale, including chemical synthesis of the excipient XR17 and manufacture of the oncology products Apealea/Paclical, Paccal Vet, Doxophos, Doxophos Vet and Docecal. So as to be able to supply the pharmaceutical market worldwide for both human and veterinary use, a successful scaling up of the manufacturing process has been carried out.

Manufacture of Oasmia's oncology products is done by mixing the company's patented and proprietary XR17 with the active substance and a water solution of the product is prepared. In the water solution micelles are formed where the excipient encloses the active substance. The water solution is sterile filtered, filled in vials and freeze-dried. All manufacturing processes are carried out in premises classified as clean rooms, and are constantly monitored to secure the aseptic process and a product of high quality. All labelling, storage and distribution of the finished products also takes place in Uppsala.

XR17

– NEW GENERATION FORMULATION TECHNOLOGY

A large problem in today's pharmaceutical industry is that many promising substances are insoluble in water. As an adult human body consists of approximately 60% water, insoluble substances must be made water-soluble in order to achieve the desired effect and not cause undesirable adverse effects. In many cases the promising substance is scrapped when it is seen that it is insoluble or that different additives must be used in the form of polymers, for example. These additives can at worst give rise to severe adverse effects. This is a common problem in oncology, where many proven effective substances are insoluble and additives are required for these to have an effect. Adverse effects caused by the additives have been accepted as these substances are effective and the alternative would otherwise be that the patient dies.

Oasmia's patented nanotechnology XR17 is able to make insoluble substances soluble in water. This is done through the formation of nanoparticles in the magnitude of 20 to 60 nanometres. By way of comparison, it can be mentioned that a strand of DNA is two nanometres wide, a red blood cell approximately 7,000 nanometres and a human hair approximately 70,000 nanometres. As XR17 in itself is non-toxic, treatments can be made more effective and adverse effects eliminated. This leads to reduced costs for the healthcare service, as the time the patient needs to spend in hospital can be reduced, and also to a health benefit for the patient, as adverse effects are mitigated.

Nanoparticles such as XR17 form so-called micelles and have a water-soluble exterior and a fat-soluble interior, which means that molecules that are insoluble in water are enclosed in the micelle and the result is a water solution of nanoparticles. This flexibility means that XR17 can be used for a number of different pharmaceutical substances and furthermore a formulation of XR17 can contain more than one active substance.

ADVANTAGES OF XR17

XR17 technology makes it possible to encapsulate both individual APIs and combinations of most APIs with different solubility profiles. The beneficial properties of XR17 have been confirmed by the company's toxicological and clinical studies. The company assesses that possible advantages of XR17 are that it:

- Improves solubility, which results in a safer way of giving APIs to animals and humans;
- Shortens the infusion time, which makes the treatment more convenient for patients;
- Reduces severe hypersensitivity, which makes it possible to give a higher dose of APIs due to reduced toxicity; and
- Improves dosage profiles and combinations of treatments by enabling double encapsulation of water soluble and non-water soluble APIs in a nanoparticle.

RESEARCH, DEVELOPMENT AND PROJECT PORTFOLIO

HUMAN HEALTH

APEALEA/PACLICAL

Apealea is a water-soluble formulation of XR17 and paclitaxel. Paclitaxel is one of the most widely used anti-cancer substances in the world and is included in the standard treatment of a variety of cancers such as lung cancer, breast cancer and ovarian cancer. Apealea consists of a freeze-dried powder dissolved in a conventional solution for infusion. The product is approved for the treatment of ovarian cancer in Russia, where it is called Paclical. Furthermore, it has orphan drug status in the US for the indication of ovarian cancer. In Russia Paclical is distributed by Oasmia's partner Hetero Group. In Turkey and Israel Medison Pharma owns the distribution rights.

During 2016 Oasmia applied for market approval of Apealea in the EU for the treatment of ovarian cancer, based on published positive results concerning Progression Free Survival and a positive risk/benefit profile. In April 2016 the company presented overall survival data for the product which were in line with the previously published results for progression-free survival and these results enable an application for marketing approval to the FDA for the US market and have been added to the EU application. Furthermore, the company has also published results from a study on patients with breast cancer which show that Apealea and the approved drug Abraxane display largely identical pharmacokinetics.

Reporting on a dose-finding study for weekly treatment of metastatic breast cancer was completed at the end of 2016.
In addition to the development of Apealea for the treatment of ovarian cancer, the company also intends to increase the commercial potential of Apealea by demonstrating its potential in relation to other paclitaxel-based treatments through more clinical studies. The company assesses that data from the planned studies will support its strategy of getting Apealea approved for a number of cancer indications. Moreover, these data can be used in the company's discussions with authorities and doctors so as to contribute to broader market acceptance of Apealea.

DOXOPHOS

Doxophos is a patented formulation of XR17 and doxorubicin. Doxorubicin has been used in the treatment of cancer since the 1950s. It is used, amongst other things, to treat leukaemia, breast cancer and lymphoma.

The company is planning the clinical programme but is waiting for safety data from the ongoing study on Doxophos Vet to be reported before it starts this programme. Oasmia received market approval for Doxophos in Russia in August 2017.

PROJECT PORTFOLIO HUMAN HEALTH

Candidate	Indication	Pre-clinical	Phase I	Phase II	Phase III	Registration/ Approval	Rights	
							Region	Partner
Apealea / Paclical (paclitaxel)	Ovarian cancer					Preparing submission	USA	Oasmia
	Ovarian cancer					Application submitted	EU	Oasmia
	Ovarian cancer					Approved*	RUS	HETERO
	Metastatic breast cancer						Global	Oasmia
Doxophos (doxorubicin)	All doxorubicin indications						RUS	HETERO
Docecal (docetaxel)	Breast cancer	Ongoing	Ongoing **			Global	Globala	Oasmia
OAS-19 (combination)	Various cancers	Ongoing					Global	Oasmia
KB9520 (New chemical entity)	Various cancers	Ongoing					Global	Oasmia

Additional partners: Paclical partnered with Medison Pharma in Turkey & Israel
* Russia, Kazakhstan, the Ivory Coast and countries in French West Africa
** Treatment of all patients completed

DOCECAL

Docecal is a patented formulation of XR17 and docetaxel. Docetaxel is a further development of paclitaxel and is widely used, above all in the treatment of prostate cancer, lung cancer and breast cancer. The market for docetaxel is estimated to be twice the size of the paclitaxel market. A safety and tolerance study and a clinical phase I study on Docecal are are in the final stages and all patients have been treated.

Docecal is the company's patented formulation of docetaxel, the active substance in Taxotere (Sanofi). Taxotere is a widely used chemotherapeutic preparation that generated global sales revenues exceeding USD 3 billion in 2010, the same year as the patent for the drug expired. Taxotere contains ethanol that is given intravenously. Ethanol may have negative effects on patients and the FDA has specifically issued warnings about injectable drugs containing ethanol. Taxotere also contains the solvent Polysorbate 80, which is associated with severe adverse effects such as acute hypersensitivity and oedema. To minimize these effects of Polysorbate 80 patients often undergo premedication with steroids. Like Apealea, Docecal does not contain any toxic solvents. The company assesses that Docecal can carry equivalent or potentially larger amounts of docetaxel compared with Taxotere without the adverse effects caused by Polysorbate 80 and, if it is approved, can compete with Taxotere and generic versions of Taxotere.

OAS-19

A unique formulation of two very widely used and effective cytostatics together with XR17 which can be given in an infusion. It is a completely new concept and has the potential to make today's combination treatments more effective and also to become a new choice of therapy for indications and patient groups that today have not been the subject of combination therapies.

Cytostatic preparations have historically been used as individual preparations. Today combination therapies have become standard treatment for many forms of cancer such as ovarian cancer, first-line breast cancer, prostate cancer and lung cancer. OAS-19 is a combination of XR17 and two frequently used cytostatic substances in one and the same micelle. OAS-19 utilizes a mechanism for double encapsulation and release of the cytostatic substances in one and the same infusion and can form a new platform for future development of product candidates. By combining two cytostatics in one formulation, the company assesses that OAS-19 can give doctors the opportunity to dose cytostatics in one single infusion instead of through two consecutive infusions. The company assesses that infusion times can thus be reduced, time spent in hospital shortened and treatment costs lowered. The company is at present evaluating OAS-19 in pre-clinical studies.

KB9520

In November 2016 the company acquired the substance KB9520 from Karo Pharma for MSEK 25 plus future royalty payments of 20% of all of Oasmia's future revenues generated on the basis of the substance. In pre-clinical studies the substance has shown that it contributes to reduced adverse effects of cytotoxic treatment when intake of KB9520 and cytotoxic treatment are combined. KB9520 has also proved to have a good effect on several different types of cancer in pre-clinical models. In these disease models, treatment has proved to result in a significant reduction in tumour size by stimulating apoptosis (programmed cell death) and inhibiting cell growth.

RESEARCH, DEVELOPMENT AND PROJECT PORTFOLIO

The company has transferred the veterinary division to the company's wholly-owned subsidiary in the US, AdvaVet Inc.
Product development in veterinary medicine concerns pharmaceuticals for the treatment of cancer in dogs.
Oasmia has two drug candidates in the area, Paccal Vet and Doxophos Vet.

ANIMAL HEALTH

PACCAL VET

Paccal Vet is a new XR17-based formulation of paclitaxel. Paclitaxel is a well-established and widely used cytostatic that by itself is practically insoluble in water. Paccal Vet is the company's first product in the field of veterinary oncology. The company previously had a business partner Abbott Animal Health (the veterinary medicine division of Abbott Laboratories), a leading company in the field of animal health, who launched the product in the summer of 2014. Early in 2015 Abbott Animal Health was bought by Zoetis (formerly Pfizer Animal Health). Shortly afterwards and for other reasons Zoetis implemented a comprehensive rationalization programme in its business whereby they went back to focusing on their main areas, of which this type of medicine for pets was not a part. Oasmia thus regained all rights to Paccal Vet and Doxophos Vet free of charge.

Paccal Vet is the first injectable cytostatic to be approved for sale for treatment of squamous cell carcinoma and mammary carcinoma in dogs. In February 2014 the company received conditional approval under MUMS designation for the American market from the FDA for Paccal Vet for treatment of non-operable mammary tumours in stages III, IV or V and operable and non-operable squamous cell carcinoma. For both indications the tumours must not have been previously treated with either cytostatics or radiation. Conditional approval allows veterinarians to treat dogs with Paccal Vet for approved cancer diseases.

During the time that Abbot Animal Health and Zoetis sold the product, Oasmia noted that the adverse effect profile for treated dogs was of concern to veterinarians as they often had to help pet owners to treat their dogs' nausea, which is a natural consequence of treatment with strong doses of cytostatics. To improve this situation but hopefully maintain efficacy at a good level, the company is preparing a new study using a lower dose. To enable this, Oasmia withdrew its conditional approval in January 2017.

Based on the planned study in the US, the company will then make a decision as to how to proceed to obtain full registration in the US and Europe.

In addition to the commercialization and development of Paccal Vet for dogs, the company may also investigate the use of Paccal Vet for cats.

Apart from Paccal Vet there is at present no injectable cytostatic specifically approved for pets, although drugs for humans are often used outside their intended area of use.

DOXOPHOS VET

Doxophos Vet is a patented formulation of doxorubicin in combination with XR17. Oasmia is developing Doxophos Vet for the treatment of lymphoma, one of the most common forms of cancer in dogs. Doxophos Vet has been granted MUMS designation in the US for the indication of lymphoma.

Oasmia has conducted a phase-I study on Doxophos Vet to determine the dosage for the coming clinical program. Oasmia has completed the study report for the phase I study, which will be part of the application for conditional approval from the FDA.

In February 2015 a phase II study was begun whose primary objective is response frequency in the treated dogs. The study was ongoing throughout 2016. The phase II study will form the basis of an application for conditional approval in the US for the treatment of lymphoma in dogs. The dogs will be followed to progression in a follow-up study. All of the dogs have been treated with at least one dose and recruitment has been completed. The results are expected during 2018.

If the results are positive, the company plans to initiate a major field study on Doxophos Vet, which is necessary to obtain full approval. This study is planned to begin after the "proof of concept" study has been completed and discussions have been held with the FDA and EMA.

PROJECT PORTFOLIO ANIMAL HEALTH

Candidate	Indication	Pre-clinical	Phase I	Phase II	Phase III*	Registration/ Approval	Rights	
							Region	Partner**
Paccal Vet® (paklitaxel)	Mast cell			Planned			Global (ex-JAP)	oasmia
Doxophos Vet (doxorubicin)	Lymphoma			Ongoing			Global	oasmia

Partners: Paccal Vet partnered with Nippon Zenyaku Kogyo in Japan

* MUMS status in US; conditional approval may be received on basis of phase II data

** Transferred to wholly-owned subsidiary AdvaVet Inc.

INFOBOX

A clinical phase III study compares a product candidate with the standard product according to clinical practice. The choice of a so-called endpoint depends on the directives published by the regulatory authorities, primarily the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA), and is to some extent dependent on the purpose of the study: this may be to demonstrate a similarity or difference in efficacy. A safety parameter may also be an endpoint.

The main purpose of the study is defined as an endpoint that forms the basis of the statistical calculation of how many patients are necessary to demonstrate in a statistically significant manner the difference/similarity that is the main purpose of the study.

Time To Progression (TTP) or Progression Free Survival (PFS) are common endpoints in the clinical development of cancer drugs. TTP is defined as the time from randomization until progression occurs. PFS includes not only the time to progression but also the time until death independent of cause. Both of these endpoints are so-called surrogate endpoints, that is substitutes for what you really want to measure, in this case the time until death (Overall Survival, OS). Surrogate endpoints are used for example when what really should have been measured prolongs the study period, such as time until death, which in the final analysis means that it takes longer before the product becomes available for patients with the disease. Using a surrogate endpoint thus means that the drug becomes available for all patients quicker than if you had waited until the real endpoint had occurred.

In cancer studies the balance between risk and benefit is also important. This means that a certain degree of discomfort for the patient may be accepted if it results in some form of advantage. Several factors are weighed up when considering how to arrive at a positive balance between risk and benefit in the study.

The considerations regarding endpoints are the same independent of whether the patient is a human being or a dog, but with one important exception: dogs with an incurable disease, or in severe pain, are put down. It may also be the case that dogs (and other animals) are put down for reasons that have nothing to do with the dog's health, which makes OS a somewhat uncertain measure of treatment efficacy. Nonetheless, PFS is used in dog studies, on the understanding that when calculating the number of patients, it is taken into consideration that dogs may be put down for non-medical reasons.

All our phase III studies are discussed with the appropriate authorities before the study design is determined.

MARKET FOR HUMAN HEALTH

CANCER MARKET – AN OVERVIEW

Cancer is a serious and widespread disease. According to WHO, an estimated 8.8 million people died of cancer in 2015, which is almost every sixth person who dies in the world. The number of cases of cancer in the world over the two coming decades is expected to increase by 70%. In particular, it is the increased life expectancy worldwide which contributes most to the increase in cancer rates. The market for cancer drugs exceeds USD 100 billion and in terms of value is the largest segment in the pharmaceutical industry. The market is expected to amount to almost USD 150 billion in 2018[1]. Despite the development and introduction of new drugs for the treatment of cancer, cytostatics are still, in combination with other treatments such as surgery and radiation treatment, the primary form of treatment for cancer worldwide. Cytostatics usually work by preventing the division of cells. The reproduction of cancer cells is thus inhibited and the growth of tumours is suppressed. Many new drugs for the treatment of cancer which have been approved for sale are used together with one or more cytostatics. Furthermore, many drug candidates under development are not water-soluble and require innovative formulations to be able to be used intravenously.

COMPETITION

The main competitor for Oasmia's product Apealea is Abraxane, which is marketed by Celgene in most parts of the world and by Taiho Pharmaceutical Co. Ltd. in Japan. Abraxane contains human albumin bound to paclitaxel. For Celgene alone the product generated revenues of MUSD 992 in 2017[2]. The active substance in Docecal is docetaxel, whose patent started to expire in 2010. At present competition comes from a number of generic preparations together with the original product Taxotere, which is marketed by Sanofi. Before the patent expired the product had sales of approximately USD 3 billion in 2010.

OVARIAN CANCER

Cancer of the ovaries or fallopian tubes is a serious disease that often leads to death if it is detected too late and metastases have formed. The symptoms are vague, which makes the disease difficult to diagnose. It is often discovered too late. 11.7 women per 100,000 are estimated to contract the disease each year and 46.5% of these women live with the disease for more than five years. Just over 700 cases are reported each year in Sweden[3]. The largest regional market in terms of money is the US, which was expected to have just over 22,400 cases in 2017 and just over 14,000 deaths from the disease.[4]

BREAST CANCER

Breast cancer is one of the most common cancers and 124.9 women per 100,000 contract the disease each year, which according to WHO is approximately 1.38 million women. Survival has increased substantially and in 1975 approximately 75% of all patients survived more than five years, whereas today the figure is just over 90%. Roughly 500,000 women worldwide die from the disease annually. In Sweden, 9,400 women were affected in 2015.[5]

1) IMS Institute for Healthcare Informatics 2013
2) Celgenes Full Year Results 2017
3) Cancerfonden
4) NIH, National Cancer Institute
5) Cancerfonden

MARKET DRIVERS

+

AGEING POPULATION WITH INCREASED INCIDENCE OF CANCER

IMPROVED DIAGNOSTIC AND TREATMENT POSSIBILITIES

RAPIDLY GROWING GLOBAL MIDDLE CLASS

–

THE PATENT HAS EXPIRED FOR SEVERAL BEST-SELLING DRUGS. THIS OPENS UP THE MARKET FOR GENERIC PREPARATIONS AND CONSTITUTES A SIGNIFICANT THREAT FOR THE LARGE MANUFACTURERS

MANY NEW MOLECULES ARE EXPECTED TO BE LAUNCHED IN UPCOMING YEARS, WHICH WILL INCREASE COMPETITION, BUT MOST NEW DRUGS ARE USED IN COMBINATION WITH EXISTING CYTOSTATICS

CHANGES ARE EXPECTED IN THE HEALTH AND MEDICAL CARE SYSTEMS IN THE EU

MARKET FOR ANIMAL HEALTH

VETERINARY MEDICINE

The US is the single largest market for domestic pets, with 78 million dogs and 86 million cats, according to the American Pet Products Association (APPA) 2015-2016 National Pet Owners Survey. 44% of American households have a dog and 35% have a cat. The market for veterinary services for pets was estimated to be USD 15.9 billion in 2016 according to APPA. According to the European Pet Food Industry Federation 2014 Facts & Figures, an estimated 80 million dogs and 97 million cats are kept as pets in Europe.

Dogs in particular are treated with veterinary medicine to a greater and greater degree. According to APPA an estimated 78 percent of all dog owners in the US treated their dogs with pharmaceutical drugs in 2010, compared with 50 percent in 1998. The increased willingness to pay is largely due to a changed attitude among owners to their pets, which are increasingly regarded as a member of the family. Owners are consequently willing to seek high-quality veterinary care for their pets.

CANCER IN ANIMALS

According to the Center for Cancer Research and CanineCancer.com an estimated six million dogs are diagnosed with cancer each year in the US. Approximately one third of these have skin cancer. Cancer in animals is similar to cancer in humans. The risk increases with age. Some cancers are more common in certain species, for example lymphoma is the most prevalent cancer in dogs. Most existing cytostatics for intravenous use have been designed for humans and have not been optimized or clinically tested for animals. This means that it is difficult to make an accurate assessment of the overall market and to predict its growth. Among veterinarians, there is a strong interest in pursuing new methods of treatment specifically adapted to animals.

More drugs are being approved for use in animals and this is expected to contribute positively to the development of the market. Improved knowledge about diagnosing cancer and about the treatment of cancer is leading to more dogs receiving treatment. In addition, access to oncology specialists is improving, and veterinarians tend to be more and more willing to refer to specialists.

MASTOCYTOMA

Mastocytoma is a type of skin cancer that arises when so-called mast cells start dividing uncontrollably. The treatment for mastocytoma is primarily by surgery, but in many cases a tumour can be inoperable. Cytostatics are then necessary. Today, there are two registered products for the treatment of mastocytoma, Masivet and Palladia. These two products inhibit a specific protein (tyrosine kinase) but require lifelong treatment in order to keep the disease at bay. If the disease cannot be treated, it leads to death, but many dogs are put down earlier.

LYMPHOMA

Lymphoma is the most common cancer in dogs. There is no registered drug for broad treatment of lymphoma in dogs, but veterinarians use human therapies that have been adapted for pets.

MARKET DRIVERS

+

AGEING POPULATION

STRONGER RELATIONSHIP BETWEEN DOGS AND THEIR OWNERS

INCREASED AWARENESS IN VETERINARIANS

MORE DRUGS APPROVED FOR USE IN ANIMALS

NUMBER OF INSURED ANIMALS INCREASING

–

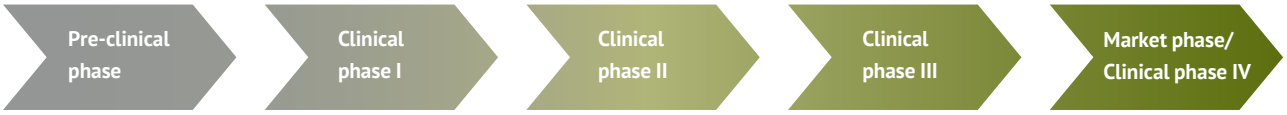
PET OWNERS HAVE A NEGATIVE PERCEPTION OF CANCER TREATMENT FOR ANIMALS DUE TO THE FACT THAT THERE HAVE NOT BEEN ANY GOOD DRUGS

ACCESS TO CYTOSTATICS THAT CAN BE USED IN DOGS IS STILL EXTREMELY LIMITED

EXTENSIVE TREATMENTS ASSOCIATED WITH HIGH COSTS

UNDEVELOPED MARKET – MORE EDUCATION IS NEEDED

THE ROUTE TO MARKET APPROVAL FOR HUMAN DRUGS



PRE-CLINICAL PHASE

During the pre-clinical phase the substance is investigated experimentally, first in tissue and cell cultures, to see if the substance has the potential to inhibit growth of cancer cells. Toxicological studies are performed on animals to detect any harmful effects of the new substance before it is given to people. Pharmacokinetic studies are carried out to investigate what happens with the substance in the patient's body in terms of absorption, distribution, metabolism and excretion. Furthermore the optimal form of preparation is studied. A patent application is normally made as early as possible in order to protect the drug candidate.

CLINICAL PHASE I

During phase I the drug is tested on humans for the first time, which requires approval from the relevant regulatory authority on the basis of documentation from the pre-clinical studies and the prospective study design. The experimental group usually consists of healthy individuals but cytostatics, for example, may not be given to healthy individuals. The study comprises safety, tolerance, pharmacokinetics and pharmacodynamics (for example the drug's effect on blood pressure).

CLINICAL PHASE II

When the safety of the substance has been confirmed by phase I studies, phase II studies are performed on patients with the disease that is intended to be treated when the product is on the market. The phase II study is designed to demonstrate the drug's effect on a particular disease and the dosages that were investigated in phase I to further confirm safety and tolerance in the intended group of patients.

CLINICAL PHASE III

In the phase III study, the drug is compared with other drugs for treatment of the same disease. The aim is often to demonstrate a similar or better effect but the phase III study also includes gathering further information regarding safety, tolerance, etc. After the phase III studies, documentation from the clinical studies is compiled in a market registration application to relevant regulatory authorities so as to obtain market approval in the countries in question.

MARKET PHASE

When the drug has been approved and registered, it can be introduced on the market and begin to be used commercially.

CLINICAL PHASE IV

Phase IV studies may be performed after the drug has been introduced on the market so as to increase detailed knowledge of the product's efficacy and safety profile. Attempts are made, for example, to ensure that no new, rare adverse effects are discovered. Phase IV studies may also be required by an authority.

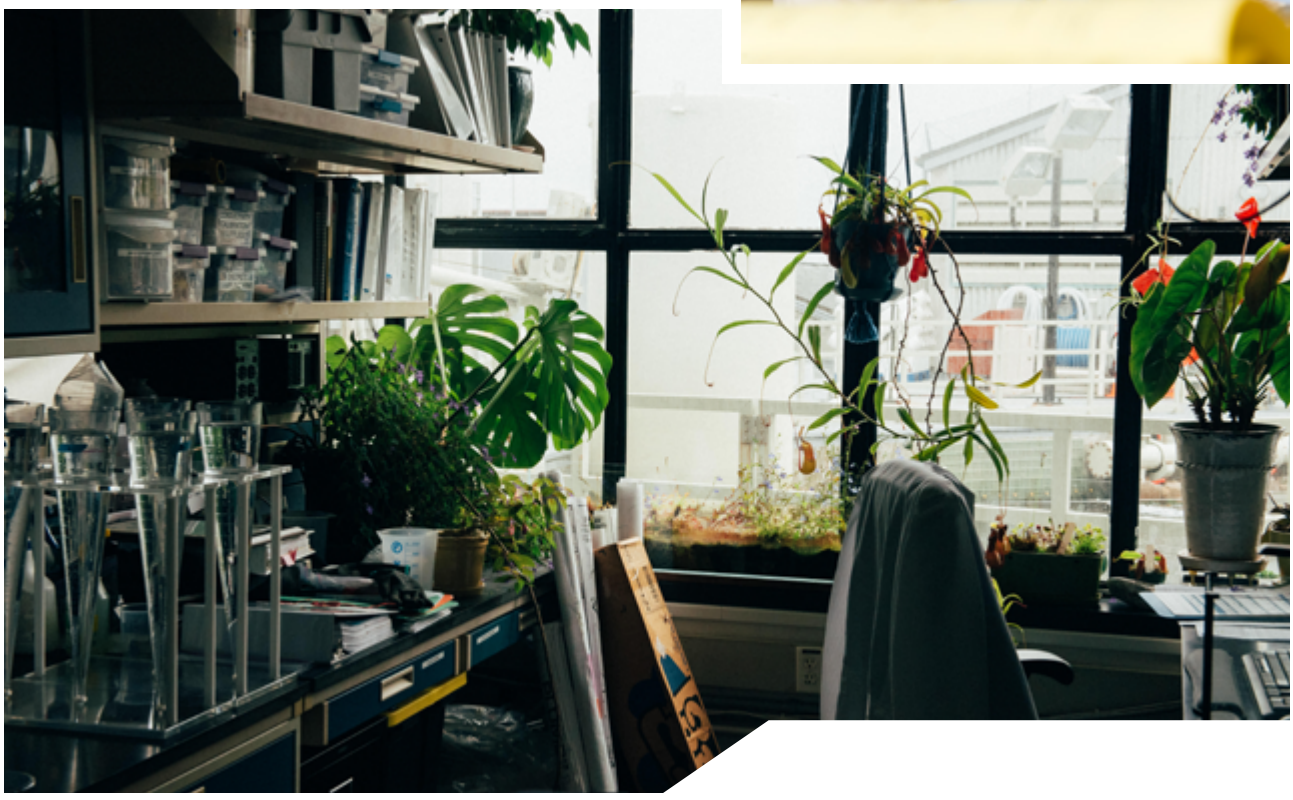
THE ROUTE TO APPROVAL FOR VETERINARY DRUGS

The process of obtaining market approval for veterinary drugs is largely the same as for human drugs. In addition to what is stated in the "Market – The route to market approval for human drugs" section, the following should be taken into consideration: Clinical studies may be shorter for veterinary drugs.

As there are few comparative drugs in veterinary medicine, it is possible to compare with placebo. The effect is presumed to be "better than" placebo and thus fewer patients are required to carry out a study on a veterinary drug.

No studies are performed on people, only on animals.

The FDA may give conditional approval in certain special cases. Phase IV studies, after market approval has been granted, are not as common for veterinary drugs.



PHARMACEUTICALS AND AUTHORITIES

GENERAL RULES

If a pharmaceutical is to be approved for sale in a market, for example in a country, it must first be approved by the country's regulatory authority. As pharmaceuticals are meant for use in people or animals, it is necessary that the pharmaceuticals are safe and have the intended effect. The authorities therefore place high demands on pharmaceuticals and pharmaceutical companies must ensure that their products can meet these demands. The demands are extensive and include how a pharmaceutical is developed and produced, pre-clinical and clinical studies, marketing and follow-up of safety.

Orphan drugs: If a sufficiently small number of people contract a disease and a pharmaceutical displays considerable benefits in the treatment of the disease, a pharmaceutical may be approved as a so-called orphan drug. The aim is to support the development of pharmaceuticals for less common diseases (minor indications) where the number of patients is low. Applications for orphan drug status in the EU are handled in a central EU procedure while orphan drug status in the US is handled by the FDA.

If a pharmaceutical has obtained orphan drug status, this means:

- Ten years of exclusive marketing rights in the EU.
- Seven years of exclusive marketing rights in the US.

Apealea has orphan drug status for the treatment of ovarian cancer in the US. Apealea obtained orphan drug status in Europe in 2006, but in connection with the EMA process for marketing authorization of the product a new assessment was made in July 2018 where the company withdrew its application for orphan drug status. The reason for this was primarily that the prevalence of ovarian cancer is several times higher than the limit that the EU has to classify a drug as an orphan drug.

Off-label prescription: Off-label prescription means that a doctor prescribes a pharmaceutical to be used for a medical purpose whichdeviates from use in accordance with the approved product information. Off-label prescription is common in veterinary medicine, for example due to the fact that there are considerably fewer approved veterinary pharmaceuticals for a certain indication compared to human pharmaceuticals for the corresponding indication. This type of prescription presupposes, however, that there is scientific support for this.

RULES FOR THE US

In the US it is the FDA that regulates the pharmaceuticals market. The authority is responsible for control of everything related to pharmaceuticals for humans and animals. That part of the FDA which handles pharmaceutical applications is to be found in the Center for Drug Evaluation and Research (CDER) (for non-biotechnological human pharmaceuticals), the Center for Veterinary Medicine CVM (for veterinary pharmaceuticals) and the Center for Biologics Evaluation and Research (CBER) (for biotechnological pharmaceuticals). The FDA has somewhat differing application procedures for pharmaceuticals depending on the type of pharmaceutical and the area of use.

Minor use/minor species (MUMS): MUMS status for veterinary pharmaceuticals is similar to orphan drug status for human pharmaceuticals. "Minor use" means when a pharmaceutical is intended for treatment of a "major species" (e.g. horses, dogs, pigs, chickens etc.) for a disease that is non-frequent, is found in a limited area or only affects a few animals each year. Minor species are all animals apart from humans that are not a "major species", e.g. aquarium fish, sheep, guinea pigs, bees etc. A company that has applied for and obtained MUMS designation for its pharmaceutical gains certain advantages such as seven years of exclusive marketing rights and being able to apply for conditional approval. Paccal Vet has MUMS designation for mastocytoma and Doxophos Vet has MUMS designation for lymphoma.

Conditional approval: Conditional approval can only be given to a pharmaceutical that has previously been granted MUMS designation. This type of limited approval can be given to a pharmaceutical before all the clinical requirements have been met. The requirements that must have been met are primarily those concerning safety. Approval is also restricted to a certain indication and the pharmaceutical may not be used outside this indication. Conditional approval is valid for five years, by which time the company must have applied for normal approval to be able to continue selling the product.

RULES FOR THE EU

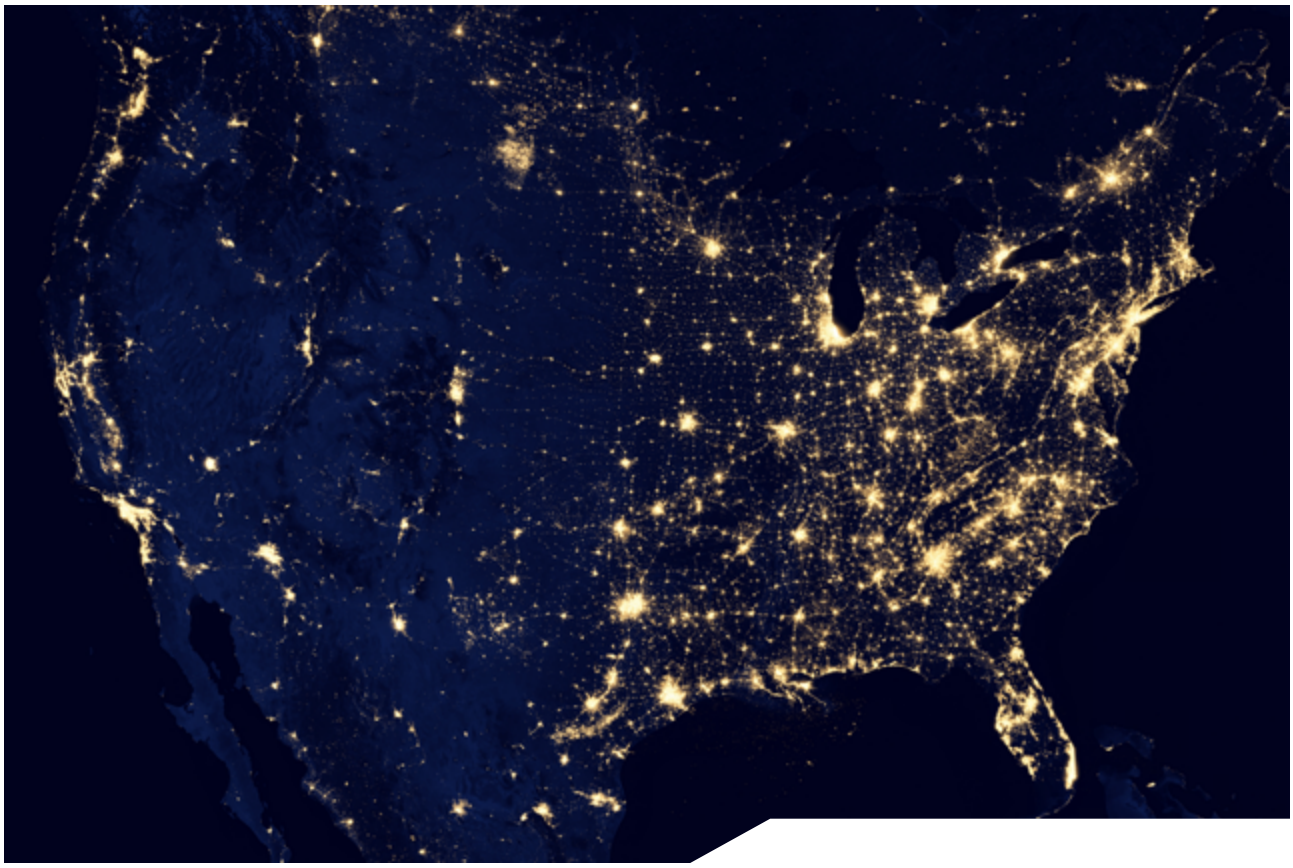
In general approval may be applied for using the central procedure (administrated by the European Medicines Agency, EMA) for the whole of the EU or in the form of national applications in selected EU countries via the decentralized procedure, the mutual recognition procedure or national procedures. Approval via the central procedure is issued by the European Commission and is valid for all EU countries, while approval via the other procedures is national and issued by the respective country's regulatory authority. The national regulatory authorities provide the centralized and non-centralized approval procedures with assessment resources and carry out controls after approval, for example via inspections and by following up safety. The Medical Products Agency is the responsible national authority in Sweden.

If the CHMP's (Committee for Medicinal Products for Human Use) assessment is positive, the product information is then translated into all of the EU's official languages and the matter proceeds to the European Commission for approval.

RULES FOR RUSSIA

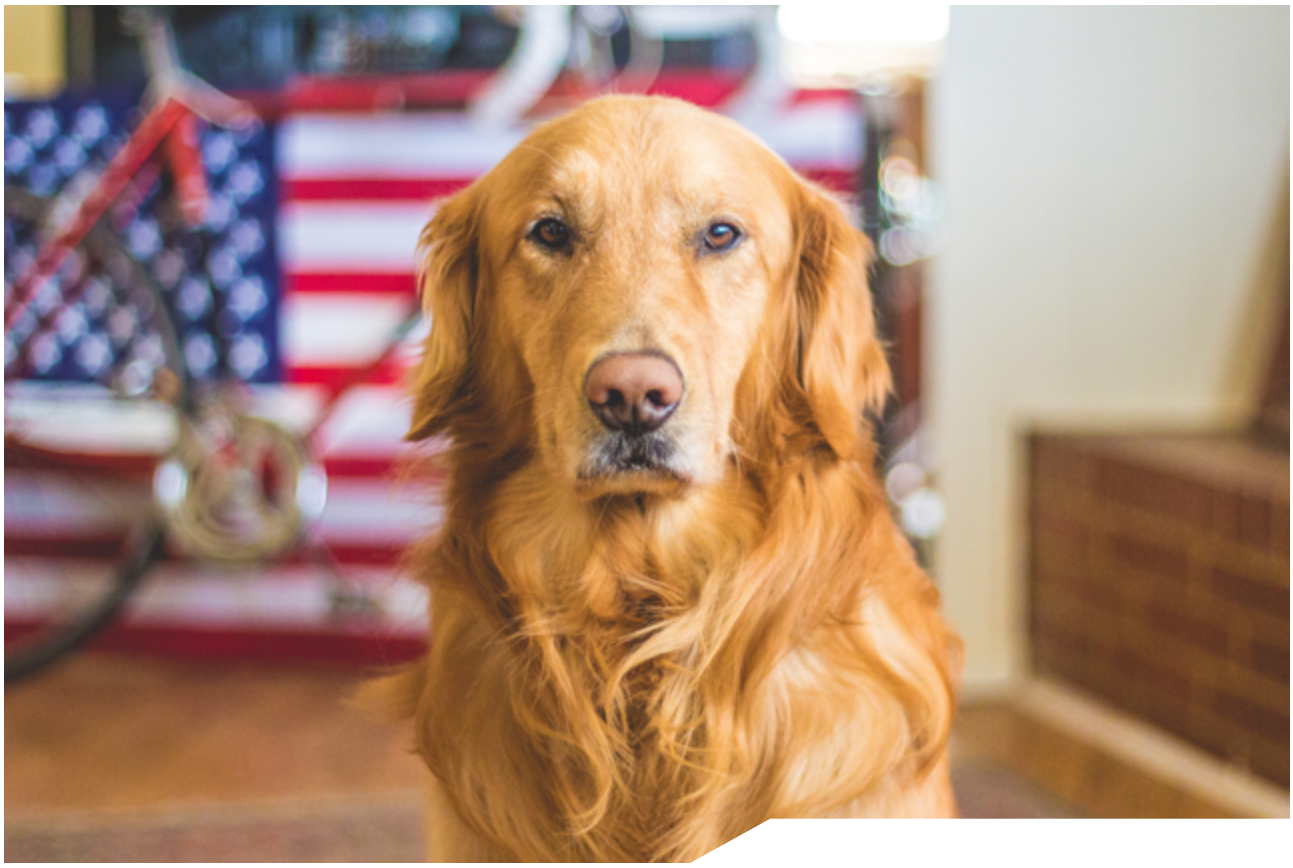
Approval of a pharmaceutical in Russia is granted by the Russian Ministry of Health and results in a registration certificate. The application procedure in Russia begins with an application dossier being sent to a national group of experts that has the task of scientifically reviewing the application. If the FGU experts on quality, safety and efficacy are positive to the application, the final dossier is sent in the next step for final assessment, approval and issuance of a registration certificate. The timetable for an application up until approval is officially 18 months but can vary.

Paclical is approved in Russia for the treatment of epithelial ovarian cancer in humans and Doxophos is approved for all indications that generic doxorubicin is approved for. This includes leukaemia, prostate cancer and lung cancer.



ADVAVET INC.

In 2017 Oasmia decided to transfer all its veterinary assets to its at the time wholly-owned subsidiary in the US, AdvaVet Inc., previously called Oasmia Pharamceutical inc. The transaction was carried out to give AdvaVet a stable financial foundation, thus enabling further development and commercialization, primarily in the American market. In the spring of 2018 the company has built up an American management team. The plan is to list AdvaVet on the Nasdaq Capital Market in New York during 2018.



The American market is the largest, at the same time as, unlike in Europe, a shortcut can be taken to the market by obtaining MUMS (Minor Use Minor Species) status from the FDA, which means that after a confirmatory phase II study conditional approval can be obtained. If conditional approval is granted, a pivotal phase III study must then be performed within five years, but the product may be sold during that period.

The European market is also of great interest to AdvaVet. In Europe a much larger percentage of dogs are insured compared to the US, which means that it is cheaper for owners to treat their animals. Due to the cascade principle, veterinarians in the EU must only use approved veterinary drugs, which is not the case in the US, where veterinarians are also allowed to use human drugs on dogs in similar situations. In order to obtain approval in the EU, Paccal Vet and Doxophos Vet must undergo phase III studies.

COMPETENCE AND EXPERIENCE

One of Oasmia's most important assets is the employees' competence and experience. Together we develop pharmaceuticals, which is a complicated process where many specialist competences work together. The level of education at Oasmia is high: 76% of Oasmia's employees have a university degree and 26% of these have a Ph.D. Oasmia works to achieve diversity and Oasmia thus has many employees of different nationalities. This makes Oasmia a dynamic workplace, with a positive and supportive work environment.

Oasmia actively works on improving and ensuring a healthy and safe work environment for its employees. It is important for Oasmia to be an attractive and professional employer where employees thrive and have the opportunity to develop.

The aim is to create a team of employees whose strength drives the company forwards, aided by an efficient organization with short decision paths.

At the end of the financial year 2017/18, the Group had 58 employees, of whom 48% are women and 52% men. The gender breakdown between managers at Oasmia is 50% women and 50% men. Oasmia's management team consists 100% of men.

EDUCATION

- Ph.D. 36 %
- Other academic education 46 %
- Other education 24 %

OASMIA'S MANAGERS

- Men 50 %
- Women 50 %

OASMIA'S EMPLOYEES

- Men 52 %
- Women 48 %

OASMIA'S MANAGEMENT TEAM

- Men 100 %

ADMINISTRATION REPORT

The Group consists of the Parent Company Oasmia Pharmaceutical AB (publ), the Swedish subsidiaries Oasmia Incentive AB (formerly Animal Health AB), Qdoxx Pharma AB, the American subsidiary AdvaVet Inc. (formerly Oasmia Pharmaceutical, Inc.), a subsidiary in Hong Kong, Oasmia Pharmaceutical Asia Pacific Ltd and a subsidiary in Russia, Oasmia RUS LLC. The Parent Company develops, produces, markets and sells a new generation of drugs within human and veterinary oncology. Product development aims to manufacture novel formulations based on well-established cytostatics which, in comparison with current alternatives, show improved properties, a reduced side-effect profile and an expanded therapeutic area. Product development is based on original research within nanotechnology and company patents. The Swedish subsidiaries do not currently conduct any operations, while the purpose of the American subsidiary is to develop and market the company's veterinary products.

Oasmia has two approved products, Paclical, which has been approved in Russia, Kazakhstan and the Ivory Coast for the treatment of ovarian cancer, and Doxophos, which has been approved in Russia for a large number of indications.

BUSINESS ACTIVITIES

XR17

A large problem for many of today's cancer drugs is that their APIs (active pharmaceutical ingredients) are insoluble in water. As the human body largely consists of water, insoluble substances must be made water-soluble in order to achieve the desired effect and not cause severe adverse effects. In many cases different additives must therefore be used, but these may give rise to adverse effects. Furthermore, in some cases these additives mean that the desired concentration of the API cannot be incorporated, and this in its turn leads to having to give more and longer infusions, with greater discomfort for the patient.

Oasmia has developed a nanotechnology called XR17 that forms so-called micelles. These consist of a combination of molecules with a fat-soluble interior and a water-soluble exterior which encapsulate the molecules that are insoluble in water. Water-soluble substances can thus be produced even though the API itself is not water-soluble.

XR17 can be used for a number of different pharmaceutical ingredients, but Oasmia focuses its research and development on cancer drugs for both humans and animals.

HUMAN HEALTH

Product development within human oncology focuses on the commonly occurring indications ovarian cancer and breast cancer. Oasmia has four proprietary drug candidates in the area as well as one acquired substance.

Apealea/Paclical

Paclical/Apealea is a water-soluble formulation of XR17 and paclitaxel. The product is called Paclical in Russia and the CIS but Apealea in the rest of the world. Paclitaxel is one of the most widely used anti-cancer substances in the world and is included in the standard treatment of a variety of cancers, such as lung cancer, breast cancer and ovarian cancer. Apealea consists of a freeze-dried powder dissolved in a conventional solution for infusion. The product is approved for the treatment of ovarian cancer in Russia, Kazakhstan and the Ivory Coast. Furthermore, it has orphan drug status in the EU and the US for the indication of ovarian cancer.

During 2016 Oasmia applied for market approval of Apealea in the EU for the treatment of ovarian cancer based on published positive results concerning Progression Free Survival and a positive risk/ benefit profile. In April 2016 the company presented overall survival data for the product which were in line with the previously published results for progression-free survival. These results enable a future application for marketing approval to the FDA for the US market and have been added to the EU application. Furthermore, the company has been able to demonstrate in a study on patients with breast cancer that Apealea and the approved drug Abraxane display largely identical pharmacokinetics.

Reporting on a dose-finding study for weekly treatment of metastatic breast cancer was completed at the end of 2016. In addition to the development of Apealea for the treatment of ovarian cancer, the company also intends to increase the commercial potential of Apealea by demonstrating its potential in relation to other paclitaxel-based treatments through more clinical studies. The company assesses that data from the planned studies will support its strategy of getting Apealea approved for a number of cancer indications. Moreover, these data can be used in the company's discussions with pharmaceutical financiers and doctors so as to contribute to market acceptance of Apealea.

Doxophos

Doxophos is a patented formulation of XR17 and doxorubicin. Doxorubicin is one of the most effective and commonly used substances for the treatment of different forms of cancer, such as leukaemia, breast cancer and lymphoma.

The company is planning a clinical phase I study for the indication of metastatic breast cancer but is waiting for safety data from an ongoing study on Doxophos Vet (see below). The company has market approval for Doxophos in Russia for a large number of indications.

Docecal

Docecal is a patented formulation of XR17 and docetaxel. Docetaxel is a cytostatic that is very widely used, above all in the treatment of prostate cancer, lung cancer and breast cancer. A safety and tolerance study and a clinical phase I study are at present ongoing on Docecal. All patients completed treatment in spring 2018.

OAS-19

OAS-19 is the first cancer drug with two active cytostatics in a single infusion. It is the unique properties of XR17 that make this combination possible. This concept gives Oasmia a further dimension for the development of drugs with several active substances in one micelle, where substances with or without water solubility can also be combined. Preclinical studies have shown promising results.

KB9520

In October 2016 the company acquired the substance KB9520 from Karo Pharma. The substance has shown in preclinical studies that it contributes to reduced adverse effects from cytotoxic treatment when intake of KB9520 and cytotoxic treatment are combined. KB9520 has also proved to have a good effect on several different types of cancer in preclinical models. In these disease models, treatment has proved to result in a significant reduction in tumour size by stimulating apoptosis (programmed cell death) and inhibiting cell growth.

ANIMAL HEALTH

Product development within veterinary medicine concerns treatments for cancer in dogs. Oasmia has two drug candidates in the area, Paccal Vet and Doxophos Vet. After closing day all the company's rights in the veterinary field were transferred to Oasmia's subsidiary in the US, AdvaVet Inc.

Paccal Vet

Paccal Vet is a proprietary formulation of paclitaxel in combination with XR17 intended for use in dogs. Paccal Vet is the first injectable cytostatic to be approved for sale for treatment of squamous cell carcinoma and mammary carcinoma in dogs. In February 2014 the company received conditional approval under MUMS designation for the American market from the FDA for Paccal Vet for treatment of certain mammary tumours and some squamous cell carcinoma. Conditional approval entitles Oasmia to market/sell the product on the American market before all the efficacy data required for full approval are available.

During the financial year the company revised the treatment strategy for Paccal Vet. The company plans to change the product from a treatment focused on use in specialized oncologies to a more easily handled product that can be used by a larger number of veterinary clinics. One step in this direction is the introduction of a lower dose which has less severe adverse effects and which can thus be used by a broader market. In order to achieve this objective, the company has withdrawn the conditional approval received from the FDA so as to allow a new study to be started to confirm a new treatment regimen.

Oasmia has been granted MUMS status (see "Pharmaceuticals and Authorities") by the US Food and Drug Administration, FDA, for Paccal Vet for the treatment of mammary carcinoma and squamous cell carcinoma, as well as for mastocytoma.

Doxophos Vet

Doxophos Vet is a patented formulation of doxorubicin in combination with XR-17. Oasmia is developing Doxophos Vet for the treatment of lymphoma, one of the most common forms of cancer in dogs. Doxophos Vet has been granted MUMS designation (see below) in the US for the indication of lymphoma.

In February 2015 a phase II study was begun whose primary objective is response frequency in the treated dogs. All the dogs included in the study have been treated and the dogs included in a follow-up study have been followed to progression. This study will form the basis of the application for approval from the FDA. The results of the study are expected during 2018.

Business activities in the subsidiaries

Oasmia Pharmaceutical AB's subsidiaries in Sweden and Hong Kong are dormant.

The Russian subsidiary that was set up in the 2017/18 financial year works on regulatory issues in Russia and certain other countries in the Commonwealth of Independent States (CIS). These are purely intra-Group services and the subsidiary has thus not had any external revenues. All its services have been invoiced to the Parent Company.

The subsidiary in the US has been dormant but after closing day (in May 2018) the Group's veterinary medicine development business was transferred to this company (see under the Animal Health heading above). Further development, financing of the subsidiary and commercialization of the veterinary drugs will be carried out in this company.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

The company decided to transfer its veterinary assets

The Board decided to transfer all the company's veterinary assets, including Paccal Vet and Doxophos Vet, to its wholly-owned subsidiary in the US. The transaction is being carried out so as to give the company a stable financial foundation which will enable further development and commercialization focusing on the American market.

Oasmia entered into a new exclusive marketing and distribution agreement for Russia and the CIS

The company entered into a new exclusive marketing and distribution agreement with Hetero Group for Russia and the other countries comprising the CIS. Hetero will be responsible for the marketing and distribution of Paclical, Doxophos and Docecal in Russia and the other countries comprising the CIS, including the Ukraine and Kazakhstan. Hetero has an extensive sales and distribution network in the region. The terms and conditions of the agreement reflect the previous distribution agreement that Oasmia had for the region.

Oasmia received market approval for Doxophos in Russia

Doxophos is approved as a hybrid and is a unique nanoparticulate formulation of doxorubicin, one of the most widely used anti-cancer substances in the world. Doxophos was approved for the treatment of acute lymphoblastic leukaemia, acute myeloblastic leukaemia, chronic leukaemia, Hodgkin's disease and non-Hodgkin's lymphoma, multiple myeloma, osteogenic sarcoma, Ewing's sarcoma, soft tissue sarcoma, neuroblastoma, rhabdomyosarcoma, Wilms' tumour, breast carcinoma, endometrial cancer, ovarian carcinoma, germ cell tumours, prostatic carcinoma, lung cancer, gastric carcinoma, head and neck cancer and thyroid carcinoma.

Paclical approved in Kazakhstan

Oasmia received sales and marketing approval for Paclical in Kazakhstan. Paclical is the first completely water-soluble cancer drug containing paclitaxel to be approved for sales. Paclical will be sold via Hetero Group.

Docecal reached an important milestone

Since 2016 Oasmia has conducted a pharmacokinetic cross-over, phase I study and a randomized clinical study on Docecal for metastatic breast cancer. Both studies compare Docecal and Taxotere®. Treatment of the 228 patients in total at 17 different clinics in five countries participating in the studies is now complete and the final report is now being compiled.

Financing during the year

A number of measures have been taken during the year with regard to financing:

- A convertible loan of MSEK 26 was issued in April 2018 which replaced the convertible loan issued in April 2017.
- Nexttobe AB extended its loan to Oasmia during the year. In January 2018 Arwidsro Investment AB and MGC Capital agreed to replace the loan from Nexttobe under certain conditions with a new loan of MSEK 108.
- In November 2017 a convertible loan of MSEK 28 was issued.
- In July 2017 a rights issue of SEK 163.9 was carried out.

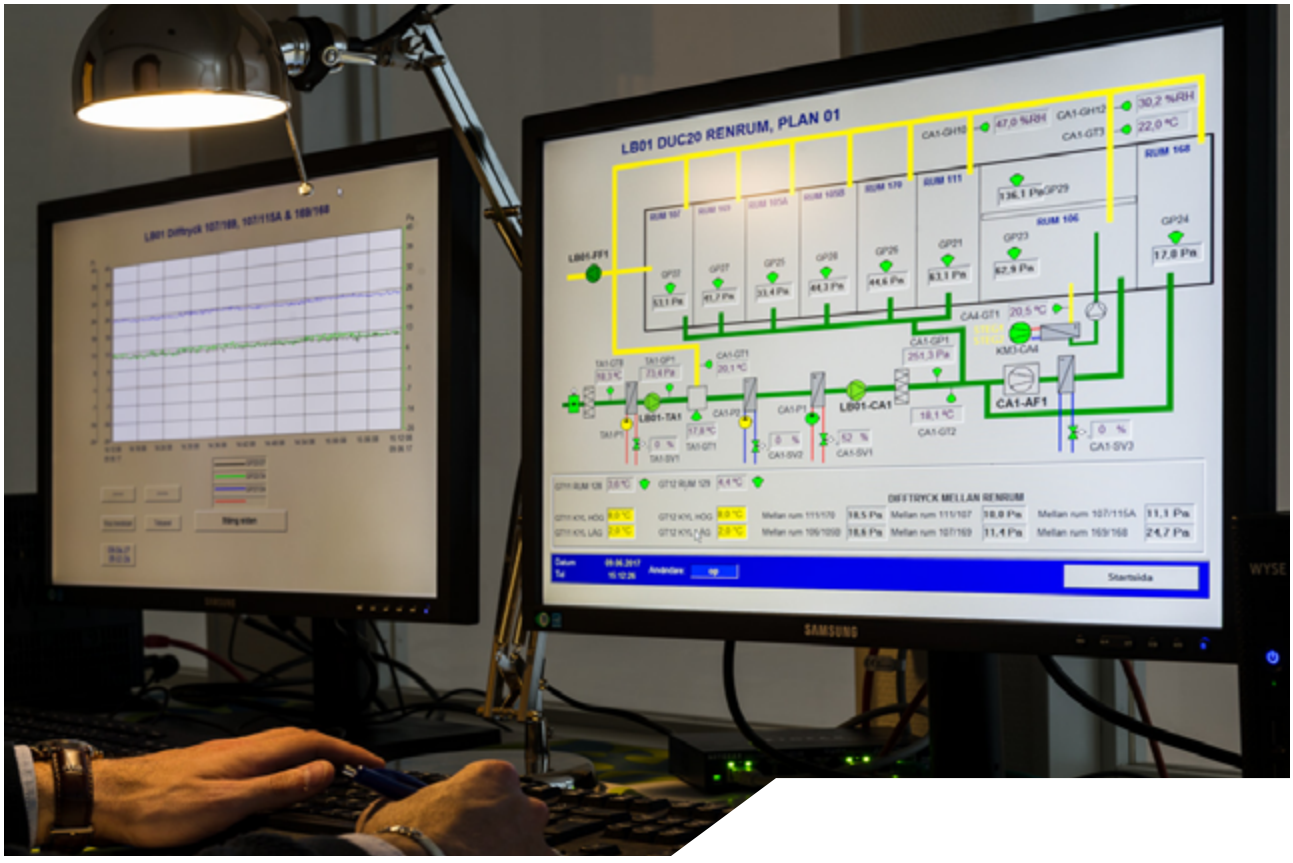
These financing measures are described in more detail under the heading "Financing".

Changes in ownership

Per Arwidsson strengthened his ownership during the year through his company Arwidsro Investment AB and at closing day Per Arwidsson owned 17.2 percent of the company through private ownership, through related entities and through a company.

New CFO

Fredrik Gynnerstedt, Chief Financial Officer, left his position in October 2017 and was replaced by Anders Blom, who has been employed at the company since 2014 in the capacity of Deputy CEO.



FINANCIAL INFORMATION

Net sales

Net sales amounted to TSEK 3,169 (172). These consisted of invoiced distribution rights of TSEK 1,595 (0) in connection with the signing of an agreement with the Russian distributor, invoiced deliveries of goods to the tune of TSEK 630 (0) and a share of the profits to the tune of TSEK 783 stemming from sales of these goods. Sales of supplies comprised TSEK 162 (172).

Change in inventories of products in progress and finished goods

The change in inventories of products in progress and finished goods amounted to TSEK -1,450 (-1,405). This derives from the production of semi-finished products to be included in the production of goods intended for sale.

Capitalized development costs

Capitalized development costs, which refer to phase III clinical trials for the product candidates Paclical and Paccal Vet, amounted to TSEK 9,157 (7,023). Most of the capitalization comprised Paclical both this year and the previous year.

Other operating income

Other operating income amounted to TSEK 1,753 (420). Oasmia has been involved in an ongoing legal dispute for a number of years with a supplier concerning delivery of defective production equipment. An account of this was given in the 2016/2017 Annual Report. This dispute was settled in November 2017 by means of conciliation whereby Oasmia was awarded compensation of TSEK 1,300, which has been recorded as other operating income.

Operating expenses

Operating expenses, including depreciation, amortization and impairments, were considerably lower than for the previous year and amounted to TSEK 116,352 (146,691). The decrease is mainly attributable to lower costs for bad debt losses, clinical studies and employees. The decrease in employee benefit expenses is largely due to the fact that the rationalization programme which was started the previous financial year has had an impact this year.

The number of employees at the end of the year was 58 (66).

Income for the year

Income after tax was TSEK -118,013 (-160,243). The improvement in the net loss was primarily attributable to lower operating expenses, see above, and to higher net sales. Furthermore, net financial items for the year involved an improvement, TSEK -14,289 (-19,762), which is attributable to the on average lower interest-bearing liabilities this year.

The Group's business activities were not affected by seasonal variation or cyclical effects.

Inventories

Inventories amounted to TSEK 9,746 at the end of the financial year, compared to TSEK 13,685 at the same point in time last year. The decrease is primarily due to consumption in connection with the production of goods for the Russian market.

Cash flow and capital expenditure

Cash flow from operating activities was TSEK -123,634 (-133,011). The difference compared to last year is explained primarily by considerably lower operating expenses, which were counteracted to a certain extent, however, by higher interest payments and the negative development of working capital.

Cash flow from investing activities was TSEK -21,452 (12,038). During the previous year short-term investments of TSEK 20,000 were divested, and therefore there was a cash inflow from investments then. These short-term investments were frozen as security for a bank loan that was repaid when the investments were divested. Capital expenditure during the year comprised investments in intangible assets of TSEK 21,037 (7,445) and consisted of capitalized development costs of TSEK 9,157 (7,023) and of patents of TSEK 11,880 (422). The majority, TSEK 10,550, of this year's investments in patents comprise acquisitions of new patent rights which extend protection of XR17 by a further 8 years up until 2036. Investments in property plant and equipment were TSEK 415 (516).

Cash flow from financing activities amounted to TSEK 132,656 (122,755). A new share issue generated a gross amount of TSEK 159,282 for the company while the outflow for issue expenses amounted to TSEK 11,356. A convertible loan of TSEK 42,000 matured during the year and was replaced at maturity by non-negotiable promissory notes. Of this debt, TSEK 39,000 has been repaid while new loans totalling TSEK 3,000 have been taken, see below.

In November 2017 a convertible loan of TSEK 28,000 was issued, of which TSEK 21,000 had been paid to the company up until April 30, 2018. Issue expenses of TSEK 470 had been paid by the company at this date.

Financing

Oasmia has a loan of TSEK 102,419 from Nexttobe AB, which up until October 31, 2016 was Oasmia's second largest shareholder. This loan carries interest of 8.5 percent and at April 30, 2018 was due to mature on May 30, 2018. However, after closing day the loan has been renegotiated with new due date. During the year a binding promise of credit was received to cover repayment of this loan. When this promise of credit was received, 34,838,709 warrants were issued to the parties who had granted the promises of credit. Their market value has been calculated to be TSEK 12,542, and this figure has been included in equity. The warrants mature on August 15, 2019 and can be redeemed in exchange for 34,838,709 shares at a price of SEK 3.10 per share.

In April 2017, a convertible loan comprising 26 convertible instruments was issued at a price of TSEK 1,000 each, in total TSEK 26,000. These convertible debt instruments carried interest of 8.5% and matured on April 18, 2018. Upon maturity accrued interest was paid while the principal was replaced by short-term promissory notes which carry interest of 8.5% until maturity on May 31, 2018.

In June 2017 a convertible loan of TSEK 42,000 matured, and upon maturity was replaced by non-negotiable promissory notes. Of these promissory notes, TSEK 39,000 was repaid during the year and new promissory notes of TSEK 3,000 were issued. At April 30, there were thus non-negotiable promissory notes of TSEK 6,000 in total carrying 8.5 percent interest and maturing on June 30, 2018.

In order to replace repaid promissory notes, a new convertible loan of TSEK 28,000 was issued in November 2017. This loan consists of 28 convertible instruments of TSEK 1,000 each. The loan carries 8.0 percent interest and matures on November 30, 2018 unless there is prior conversion. These convertible instruments can be converted at a price of SEK 3.10 per share. In the event of full conversion, 9,032,258 new shares would be issued. TSEK 21,000 had been received for these instruments at April 30, 2018. The remaining TSEK 7,000 was received at the beginning of May.

In April 2018, a convertible loan comprising 26 convertible instruments was issued at a price of TSEK 1,000 each, in total TSEK 26,000. The loan carries 8 percent interest and matures on April 22, 2019, unless there is prior conversion. These convertibles can be converted at a price of SEK 4.90 per share. Full conversion would entail the issue of 5,036,122 new shares. At April 30, 2018 the company had not yet received funds for this loan.

In July 2017 a rights issue was carried out, whereby 50,308,206 shares were issued at a price of SEK 3.25 kronor per share, which generated new equity of TSEK 163,503, minus issue expenses. Of this new equity TSEK 159,282 led to a cash inflow, see "Cash flow and capital expenditure" above. Issue expenses of TSEK 15,500 arose in connection with the new share issue. Of these issue expenses TSEK 11,356 led to a cash outflow, see "Cash flow and capital expenditure" above.

During the year 5,543,182 warrants were issued to the Board and senior management for between SEK 0.17 and SEK 0.22 per warrant, depending on the market value at the time of each individual issue. This has generated increased equity of TSEK 1,171 for Oasmia.

Outstanding warrants and convertible instruments

At April 30, 2018 the following instruments were outstanding:

	NUMBER OF WARRANTS AND CONVERTIBLE INSTRUMENTS	TOTAL POSSIBLE NUMBER OF SHARES
Warrants that can be converted to three shares	1,280,750	3,842,250
Warrants which can be converted to one share, Board and management	5,543,182	5,543,182
Warrants which can be converted to one share, others	34,979,061	34,979,061
Convertible instruments	54	14,338,380
Maximum number of shares		**58,702,873**

At April 30, 2018 these do not entail any dilution effect, but may do so in the future.

Financial position

Consolidated cash and cash equivalents at the end of the year were TSEK 15,580 (28,001). Interest-bearing debt was TSEK 187,260 and consists of a loan from Nexttobe, convertible loans and non-negotiable promissory notes. The corresponding figure the previous year was TSEK 168,726 and consisted of a loan from Nexttobe and convertible loans.

At the end of the financial year unutilized credit was TSEK 5,000 (5,000) from a bank and TSEK 40,000 (40,000) from the principal shareholder Alceco International S.A.

At the end of the financial year equity amounted to TSEK 345,036 (300,371), the equity/assets ratio was 61 % (58 %) and the debt/equity ratio was 50% (47 %).

Parent Company

The Parent Company's net sales for the financial year amounted to TSEK 3,169 (172) and income before taxes was TSEK -118,964 (-160,073). At the end of the financial year the Parent Company had cash and cash equivalents of TSEK 15,227 (26,312).

Future financing

Oasmia has two products approved, but this does not allow the company's business operations to generate sufficient cash flow. Work is therefore continuously conducted on finding other financing alternatives. This works includes the company engaging in discussions with potential collaboration partners about the licensing of distribution and sales rights, negotiations with new and existing investors, financiers and lenders, and the company securing resources so that future forecast revenue flows from regions where the company's products are registered materialize.

The Group's available cash and cash equivalents and unutilized credit facilities at April 30, 2018 do not provide the liquidity necessary to run the planned business operations in the coming 12 months. In the light of the ongoing work on possible financing alternatives and the recent development of the company, it is the Board's assessment that the outlook is good for financing the company's business operations during the coming year. If sufficient financing is not obtained, there is a risk that it may not be possible to continue operations.

Key ratios and other information

For definitions and calculations of key ratios, see Note 30

TSEK	MAY 1, 2017 -APR 30, 2018	MAY 1, 2016 -APR 30, 2017
Number of shares at end of year, before and after dilution, in thousands *	176,406	128,620
Weighted average number of shares, before and after dilution, in thousands *	166,196	115,254
Earnings per share, before and after dilution, SEK *	-0.71	-1.39
Equity per share, SEK	1.96	2.34
Equity/assets ratio, %	61	58
Net liability, TSEK	171,680	140,724
Debt/equity ratio, %	50	47
Return on total assets, %	neg	neg
Return on equity, %	neg	neg
Number of employees at end of period	58	66

Five-year highlights – Group

TSEK	2017/18	2016/17	2015/16	2014/15	2013/14
Net sales	3,169	172	6,373	2,070	60
Change in inventories of products in progress and finished goods	-1,450	-1,405	9,509	-	-
Capitalized development costs	9,157	7,023	16,727	16,797	29,464
Operating expenses	-116,352	-146,691	-165,301	-127,313	-132,069
Operating income	-103,724	-140,481	-132,691	-108,225	-98,091
Income after tax	-118,013	-160,243	-141,539	-117,497	-105,112
Earnings per share, SEK *	-0.71	-1.39	-1.36	-1.26	-1.24
Weighted average number of shares, in thousands *	166,196	115,254	103,788	93,488	84,505
Equity per share, SEK	1.96	2.33	2.98	3.76	3.21
Equity/assets ratio, %	61	58	63	73	60
Net liability	171,680	140,724	93,730	30,010	96,759
Debt/equity ratio,%	50	47	29	8	34
Number of employees at year-end	58	66	75	79	78

* Recalculation of historical values has been done taking into account capitalization issue elements in the rights issues carried out in the financial years 2014/2015 and 2017/18.

THE SHARE

Oasmia's shares are listed on the Small Cap list of NASDAQ Stockholm, the Frankfurt Stock Exchange and on the NASDAQ Capital Market in New York. The share capital at the end of the financial year amounted to SEK 17,640,637.20, divided into 176,406,372 shares with a par value of SEK 0.10 per share. Each share has one vote and all shares have equal rights to the company's assets and earnings. There are no restrictions on the transfer of shares, voting rights or the right to attend the Annual General Meeting. Neither are there any agreements to which the company is a party that would come into effect, be altered or be terminated if control of the company changes following a takeover bid. Otherwise, Oasmia has no knowledge of any agreements between shareholders which may restrict the right to transfer shares. Furthermore, there are no provisions in the Articles of Association concerning the appointment and dismissal of members of the Board of Directors, or agreements between the company and Board members or employees that entitle them to receive compensation if they resign from their positions, are given notice of termination without reasonable grounds, or their employment is terminated as a consequence of a public takeover bid.

As of April 30, 2018, shareholders numbered 7,435. The largest shareholder was Arwidsro Investment AB with 16.1% of the votes and shares, followed by Alceco International S.A. with 11.0%.

LEGAL ISSUES

Oasmia is not and has not over the past twelve months been a party in any legal proceedings or arbitration that has had or could have a significant impact on Oasmia's financial position or profitability, with the following two exceptions:

- A dispute with Irth Communication LLC which has now been resolved, where Oasmia compensated them to the tune of TUSD 65, corresponding to TSEK 549, in July 2017.
- A dispute with BWT Pharma AB & Biotec AB which was settled during the year by means of conciliation whereby Oasmia was awarded compensation of TSEK 1,300
- Oasmia has inadvertently failed to fulfil one of the listing rules of the Frankfurt Stock Exchange. This was noted by the Frankfurt Stock Exchange during the year and they thus suspended trading of the share. Oasmia applied for delisting from the Frankfurt Stock Exchange in April 2018.

ENVIRONMENTAL ACTIVITIES

Oasmia's business activities consist of research, development and production at the facility in Uppsala, where large quantities of chemicals are handled.

The activities are subject to registration in accordance with the regulation (1998:899) on environmentally hazardous activities and protection of health. The Environmental Office of Uppsala Municipality has made the assessment that there are no objections to the activities, subject to the condition that the activities are conducted in accordance with the information disclosed in the registration.

The impact of the company's activities on the wider environment is minimal. Chemicals and solvents used in the activities do not seep into the surroundings from ventilation systems or via sewage. The ventilation in the building's laboratories is not connected to the general ventilation plant. The processes are closed to a high degree and residual chemicals and solvents are managed by the recycling company Ragn Sells for final destruction and recycling.

The company meets environmental standards and seeks to conduct its activities in a way which benefits sustainable development within the environmental field. In addition to complying with the norms, guidelines and regulations which govern the work, the company does its utmost to continuously improve the business, for example by offering internal training within quality and the environment.

PERSONNEL

The average number of employees during the financial year was 59 (75). Of these, 28 (37) are women and 31 (38) are men. The number of employees at year-end was 58 (66). Salaries, benefits and social security expenses totalled TSEK 47,655 (58,785). For more information, see Note 10.

For information on the guidelines for remuneration to senior executives adopted at the 2017 Annual General Meeting, please refer to the Corporate Governance Report on pages 26-29. Regarding compensation paid to senior executives for the financial year 2017/2018, see Note 10.

ANNUAL GENERAL MEETING 2018

The Annual General Meeting of Oasmia Pharmaceutical AB (publ) will be held on Tuesday, September 25, 2018 at the company's headquarters in Uppsala.

Proposals for 2018 Annual General Meeting

The Board's proposed agenda for the 2018 Annual General Meeting will be submitted in combination with the notice.

Dividend

The Board does not intend to propose a dividend for the past financial year.

Guidelines for remuneration to senior executives

The Board proposes that the 2018 Annual General Meeting adopt the following guidelines for remuneration to senior executives at Oasmia, which will apply from the 2018 Annual General Meeting to the 2019 Annual General Meeting. By senior executives is meant the CEO and other members of the management team at Oasmia, as well as members of the Board to the extent they receive remuneration for other work than their Board assignment.

Salary and other benefits

Remuneration to senior executives shall consist of a salary in line with market rates, pension provisions and health insurance.

Notice and severance pay

Upon termination by the company, notice for the CEO shall be no more than 12 months. If the CEO gives notice, this shall not exceed three

months. For other senior executives, the notice period shall normally be six months if notice is given by the company and three months if notice is given by the employee. No special severance pay shall be paid.

Incentive programs

Decisions regarding any potential share and share-based incentive schemes for members of the Board and for senior executives shall be made by the Annual General Meeting.

Policy

The more detailed principles for salary payment for senior executives are to be found in a policy established by the Board.

Deviation in individual cases

The Board shall be entitled to deviate from these guidelines if there are special grounds in an individual case. If such a deviation is made, information on this and the reason for the deviation shall be reported at the next Annual General Meeting.

Risk and risk management

All business involves risk and risk management is an important part of decision making at all levels. The risks entailed by Oasmia's activities can be divided into financial and operational risks. The most significant operational risks and, when appropriate, their management are described below. The financial risks and their management are described in Note 18.

Operational risks are assessed from the perspective of probability and impact. Not all risks have a high probability of occurrence, but the risks of outcomes described below could materially affect the company in terms of the timing of entering markets, the rate of expansion and therefore the financial position of the company.

Risk management measures can be classified in the following categories: avoid, reduce, share or accept.

Development and registration of drugs

Oasmia's future growth is dependent on the ability to develop new products and further develop existing products. Research and development of drugs and the regulations relating to research and development, manufacturing, trials, marketing and sales are complex and may change over time.

Development and registration of drugs is a capital-intensive, complicated, time-consuming and risky process. A large number of conditions and regulations means that there is a risk of both delays and failure. Below are some stages in the process where such risks are evident.

The development of pharmaceuticals requires preclinical and clinical trials approved by regulatory authorities and independent ethics committees before they can begin.

Patients must be recruited for clinical studies via clinics and hospitals and various pharmaceutical companies compete for access to these patients. It is common for recruited patients to withdraw, requiring them to be replaced with other patients. Both of these factors can entail that a study takes longer and is more expensive than anticipated. The result of a study may be unfavourable and can lead to the discontinuation, reconsideration or supplementation of the study.

For a drug to be marketed and sold, approval is required from the relevant drug authority in the geographic territory. Application for market approval includes very extensive documentation. The company must be able to prove that the products are safe and effective. Drug authorities have broad discretion regarding processing times. In different territories, there are different procedures and interpretations of data. This review process concerns both the product and its production.

Authorities usually request supplementary information and raise questions to be answered by the company and this can happen in several stages. The management of these requests makes the estimated time for approval highly uncertain. Additions to applications and the withdrawal and resubmission of an application may be necessary. It also cannot be ruled out that approval may not be granted at all for certain applications.

Oasmia seeks to reduce the risks associated with the development and registration of drugs by using already well-known compounds (cytotoxins) and the same excipient (XR17) in each product candidate and by operating with the same product content for both dogs and humans.

Transfer of veterinary assets within the Group

In May 2018, that is after closing day, the Parent Company transferred the rights to the two veterinary products Paccal Vet and Doxophos Vet to AdvaVet, Inc., a wholly-owned subsidiary in the US as of April 30, 2018. The aim of the transaction is to create conditions for new financing, which will be used to complete the development of and commercialize these products. This will mean that the Parent Company's ownership with regard to AdvaVet will be diluted.

A certain change in the risk profile of these assets can be identified in connection with this transaction. These intangible assets are only reported as intangible assets in the consolidated statement of financial position to a certain extent, see notes 2 and 3. Despite this, they are important assets which may in future be of great value in the event of continued successful development. A transaction of this nature, especially if it is combined with dilution of ownership, involves a risk that the control of the Parent Company's management, and thus of the Parent Company's shareholders, over the assets may be weakened. The further development and commercialization of the veterinary products in AdvaVet and the local financing of the subsidiary will also involve increased exposure to currency risks.

Collaborations and partnerships

Oasmia's business model includes collaborations with other companies for clinical trials, manufacturing, marketing, distribution and sale of products. The company is therefore highly dependent on the establishment of such collaborations and on its partners' success in penetrating markets. One risk of partnerships is that the principal does not have an alternative in place in case a partnership does not function satisfactorily or that the partner is unsuccessful.

The company is responsible for the manufacture and supply of Apealea and our other product candidates for our commercial partners and for use in clinical trials. Manufacture of our products and product candidates requires compliance with the FDA, EMA and international cGMP and other international legal requirements. Problems in our manufacturing process, failure to follow current regulations when manufacturing or unexpected increases in our manufacturing costs can harm our business, results and financial position.

An increase in the value of inventories over time regarding both raw materials and finished and semi-finished goods can naturally increase the risk of obsolescence. There is always a risk that the goods will not be sold or further refined before their shelf life expiration date.

The agreement with contract manufacturers obliges the company to order certain minimum volumes in the years ahead. If the expected volumes of sold goods are not achieved, the obsolescence risk increases.

The company seeks to reduce risks associated with collaborations and partnerships by being the manufacturer of drugs for clinical trials, being able to manufacture on a small scale for the market, seeking partnerships with well-established companies and identifying alternatives to suppliers and manufacturers.

Intellectual property protection and patent risk

Oasmia has patent protection for its technology. In the pharmaceutical industry there are a number of risks associated with intellectual property and patents.

There is a risk that:

- product development leads to a product that cannot be patented
- current or future patent applications do not lead to patents
- approved patents do not offer sufficient protection
- another patent supersedes the company's own patent
- substances or processes are used that are patented or patent pending by someone else

Oasmia has reduced the risks above by use of the technical platform XR17 for each product candidate. XR17 is patented in the form of a so-called New Chemical Entity, which is the highest level of intellectual property protection for pharmaceuticals.

There is also a risk that competitors will violate Oasmia's patent rights. So far Oasmia has not been involved in any patent or trademark dispute. This is a risk that Oasmia accepts because the company believes that its patents have full protection in all relevant markets.

Market risks

As a relatively new player in the market, Oasmia faces competitors who have advantages in that they already have established products and market channels. This makes it difficult to predict the rate at which Oasmia's drug candidates can be established after market approval. There is also uncertainty about appropriate pricing levels for Oasmia's product candidates compared to competing products in the market, where currently many generic products exist.

Many pharmaceutical sales depend on the ability of the end user to obtain reimbursement from a paying third party such as the public sector or private insurance companies. Changes in such third party policies and their ability to affect the prices and demand for pharmaceuticals may affect Oasmia either negatively or positively.

The market for cancer medicines for dogs is relatively new and untested. Consequently, it is difficult to assess the extent and the speed at which anti-cancer medicines may be accepted by veterinarians.

Oasmia's business model includes licensing and distribution agreements which entail milestone payments. These payments fall unevenly over time and result in fluctuations in sales and earnings. Milestone payments are unsustainable revenues, so in the longer term Oasmia is dependent on the successful market introduction of its pharmaceutical candidates if it is to achieve stable revenues.

Key personnel and recruitment

Oasmia is highly dependent on key employees and skilled labour. If Oasmia were to lose key employees and/or fail to recruit such additional skilled employees at a desired rate for future needs, business performance could be delayed or disrupted.

The company seeks to reduce the risk of losing key employees by creating a good working environment with good working conditions.

Oasmia is located in Uppsala, where there are many people with the competencies needed in the pharmaceutical industry, thereby making the recruitment risk as low as it possibly can be.

PROPOSAL FOR ALLOCATION OF NON-RESTRICTED EQUITY

The following non-restricted equity is available for distribution by the Annual General Meeting:

	KR
Share premium reserve	1,232,603,020
Retained earnings	-808,607,126
Income for the year	-118,963,649
Total	**305,032,245**

The Board of Directors proposes that the 2018 Annual General Meeting adopt a resolution to dispose of the above amounts as follows:
Carry forward of SEK 305,032,245.

CORPORATE GOVERNANCE REPORT 2017/2018

Oasmia Pharmaceutical AB (publ) ("Oasmia" or "the company") is the Parent Company of the wholly-owned Swedish subsidiaries Qdoxx Pharma AB and Oasmia Incentive AB (formerly Animal Health AB), which are at present dormant companies, and AdvaVet Inc, Oasmia Pharmaceutical Asia Pacific Limited and Oasmia Rus LLC. Oasmia is a public limited liability company listed on NASDAQ Stockholm, the NASDAQ Capital Market, New York, and the Frankfurt Stock Exchange and is governed by a number of laws and regulations. The most important of these are the Swedish Companies Act, the Swedish Annual Accounts Act, NASDAQ Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code and the SEC's rules and regulations.

Management, guidance and internal control are divided between the shareholders (via the Annual General Meeting), the Board of Directors, the CEO and corporate management. Oasmia also works in accordance with the internal instructions and guidelines adopted by Oasmia's Board and management team. In addition, Oasmia's auditors are responsible for the external control of the company.

This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code.

SWEDISH CORPORATE GOVERNANCE CODE

The Swedish Corporate Governance Code is based on the principle of "comply or explain", which means that companies applying the Code may choose to deviate from individual rules, but must then report the deviation and the reason for this. Oasmia chose to make the following deviations from the Code during the financial year 2017/2018:

i) Code rule 1.5. A shareholder and employee of the company was appointed to verify the minutes of the general meeting of shareholders. The reason for this is that none of the non-shareholders and non-employees at the meeting was willing to take on the task of verifying the minutes, and therefore the shareholder and employee was elected to verify the minutes of the meeting.

ii) Code rule 2.3. The majority of the Nomination Committee members are not independent in relation to the company and management and the Executive Chairman of the Board is a member. The reason for this is that the independent Chairman of the Board departed from the company and the resolution adopted by the meeting of shareholders thus entails such a composition of the Nomination Committee.

iii) Code rule 2.4. The majority of the Nomination Committee members consist of Board Members who are dependent in relation to the company's major shareholders. The reason for this is that the principal owners considered themselves best represented by their representatives on the company Board.

iv) Code rule 9.7. The company has issued warrants that the Board has been able to acquire. The warrants mature in less than 3 years. The reason for this is that the company considered that such an incentive structure is that which is most appropriate for achieving the aims of the company's incentive programmes.

THE SHARE AND SHAREHOLDERS

Oasmia's share has been listed on NASDAQ Stockholm since June 24, 2010, on the Frankfurt Stock Exchange since January 24, 2011 and on the NASDAQ Capital Market since October 23, 2015. The total number of shares on April 30, 2018 amounted to 176,402,372 and each share carries one vote at the general meeting of shareholders. The number of shareholders was 7,435 and Arwidsro Invest AB was the principal shareholder with 16.1%, followed by Alceco International S.A. with 11.0%. The ten largest shareholders owned 49.7 % of the total number of shares. For additional information on the ownership structure, see "The Share" section on page 27.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held within six months after the end of the financial year. Notice of the Annual General Meeting shall be published in Post- och Inrikes Tidningar and by a notice made available on the company's website. Announcement of the notice shall be advertised in Dagens Nyheter. Shareholders who wish to participate in the Annual General Meeting must be recorded in the share register maintained by Euroclear Sweden AB at least five business days before the meeting.

Annual General Meeting 2017

The 2017 Annual General Meeting was held on September 25 on Oasmia's premises in Uppsala. The resolutions adopted included the following:

- Adoption of the income statement and balance sheet for the financial year 2016/2017, a resolution on the allocation of non-restricted equity and discharge of the Board and CEO from liability.
- The Board shall consist of five members without any deputies.
- Re-election of the Board members Julian Aleksov, Bo Cederstrand, Alexander Kotsinas and Lars Bergkvist and election of the new Board member Per Langö. Julian Aleksov was elected Chairman.
- Remuneration to Board members who are not employees of the company shall be SEK 150,000 per annum, the Chairman's remuneration shall be SEK 300,000 per annum and the auditors' fees shall be paid as invoiced.
- Criteria for the composition of the Nomination Committee for the 2018 Annual General Meeting.
- Guidelines for the determination of salary and other remuneration for the CEO and other members of Oasmia's management.
- Authorization for the Board to repurchase and transfer the company's own shares.
- Authorization for the Board to adopt a resolution to issue new shares, warrants and convertible bonds, to be paid for in cash and/or in kind or by offsets.

Extraordinary General Meeting 2017

The company held an Extraordinary General Meeting on June 2, 2017 on Oasmia's own premises in Uppsala. The resolutions adopted included the following:

- Resolution to issue warrants 2017:1 and to cancel 2016:1.
- Resolution to issue warrants 2017:2 and to cancel 2016:2.
- Authorization for the Board to adopt a resolution to issue new shares, warrants and convertible bonds, to be paid for in cash and/or in kind or by offsets.

Annual General Meeting 2018

The 2018 Annual General Meeting will be held on Tuesday, September 25, 2018 at Oasmia's headquarters in Uppsala. Notice of the Annual General Meeting shall be published no earlier than six and no later than four weeks before the meeting. Shareholders are entitled to have matters considered at the meeting. In order for the company to be certain that it has sufficient time to include all matters in the notice, any request for a matter to be considered at the Annual General Meeting should reach the Board no later than 7 weeks before the meeting. Requests to have a matter considered at the meeting should be addressed to the Board and mailed to the address below.

Oasmia Pharmaceutical AB
Att. Styrelsen
Vallongatan 1
752 28 Uppsala

NOMINATION COMMITTEE

The main task of the Nomination Committee is to draw up and make proposals concerning Board members and the Chairman of the Board and their fees. The Nomination Committee also presents proposals to the Annual General Meeting on any remuneration for committee work and remuneration for the external auditor. The Nomination Committee's proposals are made public in connection with the notice of the Annual General Meeting.

The Nomination Committee's proposal regarding the selection criteria for the Nomination Committee for the next Annual General Meeting was adopted at the 2017 Annual General Meeting. The criteria were as follows: one member shall be the Chairman of the Board (convener) and two members shall be appointed by the two shareholders who have the largest shareholding in Oasmia Pharmaceutical AB on September 30, 2017 in terms of the number of votes. The Nomination Committee's mandate extends to when the next Nomination Committee has been appointed. The Nomination Committee members for the 2018 Annual General Meeting consist of Bo Cederstrand (Chairman), Julian Aleksov and Per Arwidsson. The full proposal for the 2018 Annual General Meeting will be presented in the Annual General Meeting notice. Bo Cederstrand was appointed by Alceco International S.A. and Per Arwidsson was appointed by Arwidsro Investment AB.

BOARD OF DIRECTORS

Oasmia's Board consists of five members, including the Chairman. Board assignments are for a fixed term in accordance with the Swedish Companies Act, which means that the mandate will last until the first Annual General Meeting after the year the Board members were appointed.

ATTENDANCE, FINANCIAL YEAR 2017/2018

	INDEPENDENT*	BOARD MEETINGS	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Julian Aleksov	No/No	25/25		
Bo Cederstrand	No/No	25/25		
Alexander Kotsinas	Yes/Yes	25/25	6/6	1/1
Lars Bergkvist	Yes/Yes	25/25	6/6	1/1
Per Langö	Yes/Yes	12/25	3/6	1/1

* Independent of the company and its management and independent of major shareholders.

** Up until the AGM in 2017, the Remuneration Committee consisted of Bo Cederstrand, Alexander Kotsinas and Lars Bergkvist. In conjunction with the AGM on September 26, 2017 Per Langö joined the Remuneration Committee.

Board duties

The Board has the overall task of managing the company's affairs on behalf of the shareholders. The Board operates in accordance with the Swedish Companies Act, the Articles of Association and internal regulations and continually assesses the Group's financial situation and the operational management. The Board appoints the CEO and decides on significant changes in the company's organization and operations. The Board is also responsible for ensuring that the company's internal control of financial conditions is satisfactory and that the information regarding financial and overall performance is communicated accurately in the company's financial reports.

Chairman of the Board

The Chairman follows, by regular contact with the CEO, the company's development and is responsible for ensuring that Board members regularly receive the information needed to fulfil their duties. In addition, the Chairman leads the Board's work and ensures that the Board's decisions are implemented. The Chairman also ensures that the work of the Board is evaluated annually and that the Nomination Committee is informed about the evaluation results. In addition, the Chairman is responsible for preparing the Corporate Governance Report and a report on how internal controls, as they relate to financial reporting, are organized and how effectively they worked during the last financial year.

Board procedures

In accordance with the Swedish Companies Act, Oasmia's Board has adopted a formal written work plan and related CEO instructions that are reviewed once a year or as needed. This formal work plan governs how the work should be distributed between the Board members, the frequency of Board meetings (at least four times a year in addition to the statutory Board meeting), and how the work is divided between the Board and the Audit Committee. The CEO instructions contain, amongst

other things, restrictions regarding decisions on investments and acquisitions. The instructions on reporting, which complement the Board's formal work plan and the CEO's instructions, regulate the CEO's regular reporting to the Board and the Board's external reporting.

Evaluation of the Board's work

The Board annually evaluates its work regarding its procedures and work climate, the focus of the Board's work, and access to and the need for special competencies on the Board. The results of the evaluation are reported to the Nomination Committee and form the basis of the Committee's work on evaluating the composition of the Board and its remuneration.

Board's work during the financial year

During the financial year 2017/18 the Board met on 25 occasions. On these occasions the Board mainly addressed issues relating to the continued funding of the Group's business operations and negotiations for/the signing of new partnership agreements, carefully monitored liquidity forecasts and updates regarding ongoing regulatory processes and made a decision regarding the transfer of veterinary assets.

Audit Committee

Since the 2017 Annual General Meeting the Audit Committee has consisted of Lars Bergkvist, Alexander Kotsinas and Per Langö. The Audit Committee's primary task is assisting the Board in overseeing the accounting and financial reporting processes and ensuring the quality of these reports and processes. The Audit Committee shall also monitor the auditors' work and the choice of auditing firm and scrutinize the auditors' objectiveness and independence and that the costs for services over and above the auditing assignment are at an appropriate level in relation to the auditing fee so as to not run the risk of impacting independence. The Audit Committee's responsibilities and tasks appear in specially prepared internal instructions. During the financial year, the Audit Committee held 6 meetings, with the auditors in attendance. In addition to this, the company had quarterly contact with the auditors during the financial year.

Remuneration Committee

The Remuneration Committee is the drafting committee for the company's Board and shall be responsible for preparing the Board's proposal to the Annual General Meeting regarding principles for remuneration and other terms of employment for senior executives. The Remuneration Committee shall also submit draft resolutions to the Board regarding salary and other forms of remuneration for the CEO, and make proposals for resolutions regarding warrant programs and other reward or compensatory matters that are intended to be directed to a broader group of employees within the company. The Committee has consisted of Alexander Kotsinas, Per Langö and Lars Bergkvist. During the year the Remuneration Committee held 1 meeting.

REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Board

At the 2017 Annual General Meeting, it was decided that the remuneration to a Board Member who is not an employee of the company shall amount to SEK 150,000 per year. Remuneration to the Chairman shall be SEK 300,000 per year. After December 31, 2017 Board members may no longer invoice their Board member fee through a wholly-owned company.

Salaries and other benefits

Remuneration to the CEO and other senior executives shall consist of a fixed salary, pension provisions and private health insurance.

Terms of notice and severance pay

If notice is given by the company, the term of notice for the CEO will be no more than 12 months. If notice is given by the CEO, the term of notice shall be no more than three months. For other senior executives, the term of notice shall normally be six months if notice is given by the company, and three months if notice is given by the executive. No special severance pay shall be given.

Incentive programme

Oasmia currently has two incentive programmes. Decisions on any incentive scheme for senior executives are to be made by the Annual General Meeting. Resolutions were adopted at the Extraordinary General Meeting held on June 2, 2017 regarding the ongoing warrant programmes.

Deviation in specific cases

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

Auditors

According to the Articles of Association, the company shall have one or two external auditors. The accounting firm EY was re-elected at the 2017 Annual General Meeting. Authorized Public Accountant Fredrik Norrman will serve as principal auditor.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Oasmia's process for internal control is designed to manage and minimize the risk of errors in financial reporting. The Board annually evaluates the need for an internal audit procedure and has determined that the company's current size and risk exposure do not justify a separate internal audit procedure. The following description explains how internal controls are organized. The description is limited to internal controls over financial reporting.

Control environment

The basis of the internal controls concerning financial reporting is the overall control environment. The control environment requires that the organizational structure, decision-making processes and authorities are clearly defined and communicated in the form of internal policy documents such as policies, guidelines, manuals and codes. The control environment also includes laws and external regulations.

The Board has ultimate responsibility for internal controls over financial reporting. Effective Board work is therefore the basis for sound internal control. Oasmia's Board has established a formal work plan and clear instructions for its work, including the work of the Audit Committee. The Audit Committee's primary task is assisting the Board in overseeing the accounting and financial reporting processes and ensuring the quality of these reports and processes.

The Audit Committee's duties are supervisory. Responsibility for maintaining an effective control environment and the ongoing work regarding risk management and internal control over financial reporting is delegated to the CEO. Managers at various levels of the company are in turn responsible for their respective areas. Responsibility and authority are defined in the CEO instructions, instructions for authorization, manuals, other policies, procedures and codes.

The Board determines the company's major policies on information/communication, financing and risk management. Company management establishes instructions and the responsible managers issue guidelines and monitor implementation of all policies and instructions. The company's accounting and reporting instructions are defined in an accounting manual which is available to all financial staff. Along with laws and other external regulations, the organizational structure and the internal guidelines constitute the control environment.

Risk assessment

The goal of risk assessment is to identify areas of high risk within the business and to define the controls needed to manage these risks. Balance sheet and income statement items that are based on estimates or generated by complex processes are relatively more prone to error than other items.

The Board initiates an annual risk identification process and the results of the risk identification are evaluated by the Board in order to make an assessment of what steps need to be taken. The Board believes that the company has effective internal controls over financial reporting.

Control activities

Control activities are designed to prevent, detect and correct errors and deviations. The controls are integrated into the company's processes for payments, accounting and financial reporting and include authorization and approval procedures, reconciliation, performance analysis, division of administrative control and performance functions, and controls embedded in IT systems.

Information and communication

Information that it is assessed will affect the company's share price (price-sensitive information) is made public in a rapid and non-discriminatory manner. Company publications are done through press releases sent simultaneously to the Stock Exchange, established news agencies and newspapers. The information will also be simultaneously published on the company website. Oasmia is represented publicly in all matters primarily by the CEO. The CEO has delegated certain responsibilities to the Communications Officer. The CEO and Communications Officer may, on behalf of the company, inform/comment on matters relating to the company's operations.

The company applies quiet periods, which occur thirty days before the publication of annual and interim reports. In the instance of a leak of price-sensitive information or other special situations that may affect the valuation of the company, the Stock Exchange is to be notified, followed by a press release containing the same information. The company's public disclosures are governed by an information policy that is intended to ensure the quality of both internal and external information. Furthermore, the policy should facilitate compliance with applicable laws, regulations and agreements. The management of insider information is regulated by specific guidelines stated in the company's insider policy and insider list policy (formerly logbook policy).

BOARD OF DIRCTORS

JULIAN ALEKSOV

Executive Chairman of the Board since 2015 and Board member since 1999.
Vice Executive Chairman of the Board from November 2016 up until February 2017.
(born 1965)
One of the founders of the company. Extensive experience in coordination of research projects and strategic development of global intellectual property. Also Chairman of the Board of Oasmia Incentive AB, Chairman of the Board of Qdoxx Pharma AB and Board member of AdvaVet Inc.
Shareholding: 148,650 shares personally and 19,417,801 shares through the company Alceco International S.A.

ALEXANDER KOTSINAS

Board member since 2013.
(born 1967)
Vice President and CFO at Q-Med 2008-2011. Alexander has also served as CFO at Life Europe AB and the mobile provider 3. He has been Vice President at Investor AB and has worked at Ericsson. He has an MSc from the Royal Institute of Technology in Stockholm and a BSc from the Stockholm School of Economics.
Shareholding: -

BO CEDERSTRAND

Chairman of the Board 2000-2011.
Board member since 2011.
(born 1939)
Approximately 40 years' experience as CEO and partner in a number of small and medium-sized businesses, mainly within trade. Extensive experience in international trade and production. He has been very active in trade associations. Currently deputy member of the Board of Fruges AB and previously member of the Board of Arken Hemdjurshallarna.
Shareholding: 126,000 shares personally and 19,417,801 shares through the company Alceco International S.A.

LARS BERGQVIST

Board member since 2015.
(born 1964)
Lars is a business administration graduate and has previously worked in managerial positions in a number of successful companies. He has amongst other things worked as CEO of Arken Zoo and Hidden Dinosaur. He also has many years' experience of Board work from FDT AB, Master Design AB and Svensk Franchise.
Shareholding: -

PER LANGÖ

Board member since 2017.
(born 1969)
Board member since autumn 2017. Per Langö has extensive international and commercial experience in launching and establishing global products in various therapeutic areas. During his career, he has been responsible for a large number of international business development efforts, including major licensing and public transactions. At present Per Langö is employed by Nestle Skin Health. He holds a Masters Degree in Economics from Uppsala University. Chairman of the Board of AdvaVet Inc.
Shareholding: 30,000.

MANAGEMENT

JULIAN ALEKSOV

Executive Chairman of the Board since 2015 and Board member since 1999.
Vice Executive Chairman of the Board from November 2016 up until February 2017.
(born 1965)
One of the founders of the company. Extensive experience in coordination of research projects and strategic development of global intellectual property. Also Chairman of the Board of Oasmia Incentive AB, Chairman of the Board of Qdoxx Pharma AB and Board member of AdvaVet Inc.
Shareholding: 148,650 shares personally and 19,417,801 shares through the company Alceco International S.A.

MIKAEL ASP

CEO
(born 1962)
Mikael Asp has an MSc in Chemical Engineering and has been an employee at Oasmia since 2013. He has 25 years of experience from several companies within the international pharmaceutical industry in research and development, production, quality assurance and as a Qualified Person (QP). He is a member of the Board of Oasmia Incentive AB.
Shareholding: 8,020 shares personally.

ANDERS BLOM

Executive Vice President and CFO
(born 1969)
Employee since 2014. Anders has more than 20 years' previous experience of international strategic business development and financing from Q-Med, Galderma and Pharmacia. He is a business administration graduate from Uppsala University. Most recent employment was as partner at Nexttobe AB. He is also a Board member of Oasmia Incentive AB and Qdoxx Pharma AB.
Shareholding: 116,850 shares personally.

FINANCIAL STATEMENTS 2017/2018

CONSOLIDATED INCOME STATEMENT

TSEK	NOTE	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Net sales	4	3,169	172
Change in inventories of products in progress and finished goods	7	-1,450	-1,405
Capitalized development costs	5	9,157	7,023
Other operating income	6, 13	1,753	420
Raw materials, consumables and goods for resale	7, 13	-2,953	-2,984
Other external expenses	8, 9, 13	-60,235	-79,904
Employee benefit expenses	10	-48,371	-59,295
Depreciation, amortization and impairment	11, 12	-4,794	-4,508
Operating income	14	**-103,724**	**-140,481**
Financial income		101	85
Financial expenses		-14,390	-19,847
Financial income and expenses - net	13, 15	**-14,289**	**-19,762**
Income before taxes		**-118,013**	**-160,243**
Income taxes	16	-	-
Income for the year		**-118,013**	**-160,243**
Income for the year attributable to:			
Parent Company shareholders		-118,007	-160,243
Non-controlling interests		-6	-
Earnings per share before and after dilution, SEK*	17	-0.71	-1.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Income for the year		**-118,013**	**-160,243**
Other comprehensive income			
Items that may subsequently be transferred to the income statement:			
Translation differences		-23	13
Total other comprehensive income		**-23**	**13**
Comprehensive income for the year		**-118,036**	**-160,230**
Income for the year attributable to:			
Parent Company shareholders		-118,030	-160,230
Non-controlling interests		-6	
Earnings per share before and after dilution, SEK*		-0.71	-1.39

* Recalculation of comparative figures has been done taking into account capitalization issue elements in the rights issue carried out in July 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TSEK	NOTE	APR 30, 2018	APR 30, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	15,527	18,368
Capitalized development costs	5	426,079	416,922
Other intangible assets	12	45,957	36,171
Financial non-current assets		2	2
Total non-current assets		**487,565**	**471,464**
Current assets			
Inventories	7	9,746	13,685
Accounts receivable - trade	18	1,578	35
Other current receivables	18, 20	34,371	1,390
Prepaid expenses and accrued income	18, 19	19,234	7,008
Cash and cash equivalents	18	15,580	28,001
Total current assets		**80,509**	**50,119**
TOTAL ASSETS		**568,075**	**521,583**
EQUITY			
Equity and reserves attributable to Parent Company shareholders			
Share capital	21	17,641	11,904
Non-registered share capital		-	706
Other capital provided		1,232,290	1,074,619
Reserves		-29	-6
Retained earnings, including income for the year		-904,860	-786,853
Equity attributable to Parent Company shareholders		**345,042**	**300,371**
Equity attributable to non-controlling interests		-6	-
Total equity		**345,036**	**300,371**
LIABILITIES			
Current liabilities			
Convertible loans	17, 18	52,841	66,307
Other borrowings	18, 25	134,419	102,419
Accounts payable	18	9,256	20,837
Other current liabilities	22	3,504	5,356
Accrued expenses and deferred income	18, 23	23,019	26,294
Total current liabilities		**223,039**	**221,212**
Total liabilities		**223,039**	**221,212**
TOTAL EQUITY AND LIABILITIES		**568,075**	**521,583**

Contingent liabilities and pledged assets are reported in Note 24.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS							
TSEK	NOTE	SHARE CAPITAL	NON-REGISTERED SHARE CAPITAL	OTHER CAPITAL PROVIDED	RESERVES *)	RETAINED EARNINGS	TOTAL EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Opening balance as of May 1, 2016		**10,721**	**0**	**941,961**	**-19**	**-626,610**	**326,053**	**-**	**326,053**
Comprehensive income for the year		-	-	-	13	-160,243	-160,230	-	-160,230
Warrants		-	-	-	-	-	-	-	0
Equity component in issue of convertible loan	18	-	-	1,152	-	-	1,152	-	1,152
New share issue	21	1,183	706	135,111	-	-	137,000	-	137,000
Issue expenses		-	-	-3,605	-	-	-3,605	-	-3,605
Closing balance as of April 30, 2017		**11,904**	**706**	**1,074,619**	**-6**	**-786,853**	**300,371**	**0**	**300,371**
Opening balance as of May 1, 2017		**11,904**	**706**	**1,074,619**	**-6**	**-786,853**	**300,371**	**0**	**300,371**
Income for the year		-	-	-	-	-118,007	-118,007	-6	-118,013
Other comprehensive income		-	-	-	-23	-	-23	-	-23
Comprehensive income for the year		**0**	**0**	**0**	**-23**	**-118,007**	**-118,031**	**-6**	**-118,036**
Warrants		-	-	13,713	-	-	13,713	-	13,713
Equity component in issue of convertible loans	18	-	-	985	-	-	985	-	985
New share issues	21	5,737	-706	158,472	-	-	163,503	-	163,503
Issue expenses		-	-	-15,500	-	-	-15,500	-	-15,500
Closing balance as of April 30, 2018		**17,641**	**0**	**1,232,290**	**-29**	**-904,860**	**345,042**	**-6**	**345,036**

* Translation differences

CONSOLIDATED CASH FLOW STATEMENT

TSEK	NOTE	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Operating activities			
Operating income before financial items		-103,724	-140,481
Adjustments for non-cash items	25	6,420	15,310
Interest received	15	101	92
Interest paid	15	-10,126	-2,515
Cash flow from operating activities before changes in working capital		**-107,329**	**-127,595**
Changes in working capital			
Change in inventories	7	2,869	-2,783
Change in accounts receivable - trade	18	-1,543	-198
Change in other current receivables	18, 19, 20	335	-3,584
Change in accounts payable	18	-11,755	-6,616
Change in other current liabilities	18, 22, 23, 25	-6,211	7,764
Cash flow from operating activities		**-123,634**	**-133,011**
Investing activities			
Investments in intangible assets	5, 12	-21,037	-7,445
Investments in property, plant and equipment	11	-415	-515
Divestment of short-term investments	18	-	20,000
Cash flow from investing activities		**-21,452**	**12,039**
Financing activities			
Decrease in liabilities to credit institutions	18	-	-20,000
Loans raised	26	3,000	-
Loans repaid	26	-39,000	-
Convertible loans	17, 18, 25	21,000	84,000
Convertible loans repaid	18	-	-2,000
Warrants	17	199	-
New share issues	18, 21	159,282	70,000
Issue expenses	21	-11,826	-9,245
Cash flow from financing activities		**132,656**	**122,755**
Cash flow for the year		**-12,430**	**1,783**
Translation differences		**10**	**10**
Cash and cash equivalents at beginning of year		**28,001**	**26,208**
Cash and cash equivalents at end of year	18	**15,580**	**28,001**

PARENT COMPANY INCOME STATEMENT

TSEK	NOTE	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Net sales	4	3,169	172
Change in inventories of products in progress and finished goods	7	-1,450	-1,405
Capitalized development costs	5	9,157	7,023
Other operating income	6, 13	2,078	420
Raw materials and consumables	7	-2,953	-2,984
Other external expenses	8, 9, 13	-60,499	-79,669
Employee benefit expenses	10	-47,851	-59,295
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	11, 12	-4,794	-4,508
Operating income		**-103,143**	**-140,246**
Income from holdings in Group companies	25, 26	-1,532	-65
Other interest income and similar income	13, 15	101	85
Interest expenses and similar expenses	13, 15	-14,390	-19,847
Financial income and expenses - net		**-15,821**	**-19,827**
Income before taxes		**-118,964**	**-160,073**
Income taxes	16	-	-
Income for the year		**-118,964**	**-160,073**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

TSEK	NOTE	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Income for the year		-118,964	-160,073
Comprehensive income for the year		**-118,964**	**-160,073**

PARENT COMPANY BALANCE SHEET

TSEK	NOTE	APR 30, 2018	APR 30, 2017
ASSETS			
Non-current assets			
Intangible non-current assets			
Capitalized development costs	5	426,079	416,922
Concessions, patents, licences, trademarks and similar rights	12	45,957	36,171
Property, plant and equipment			
Equipment, tools and installations	11	15,381	18,222
Construction in progress and advance payments for property, plant and equipment	11	146	146
Financial non-current assets			
Holdings in Group companies	26	355	110
Other securities held as non-current assets		1	1
Total non-current assets		**487,919**	**471,573**
Current assets			
Inventories			
Raw materials and necessities	7	3,093	5,581
Work in progress	7	6,653	8,104
		9,746	**13,685**
Current receivables			
Accounts receivable - trade	18	1,578	35
Receivables from Group companies		597	-
Other current receivables	18, 20	34,270	1,388
Prepaid expenses and accrued income	18, 19	19,224	7,008
		55,669	**8,431**
Cash and bank balances	18	15,227	26,312
Total current assets		**80,643**	**48,428**
TOTAL ASSETS		**568,562**	**520,001**

PARENT COMPANY BALANCE SHEET

TSEK	NOTE	APR 30, 2018	APR 30, 2017
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	21	17,641	11,904
Non-registered share capital		-	706
Statutory reserve		4,620	4,620
Reserve for development costs		16,940	7,783
		39,201	**25,013**
Non-restricted equity			
Share premium reserve		1,232,603	1,074,619
Retained earnings		-808,607	-639,378
Income for the year		-118,964	-160,073
		305,032	**275,168**
Total equity		**344,232**	**300,181**
Current liabilities			
Convertible loans	17, 18	52,841	66,307
Other borrowings	18, 25	134,419	102,419
Accounts payable	18	9,256	20,837
Liabilities to Group companies	25	2,784	1,664
Other current liabilities	22	2,022	2,303
Accrued expenses and deferred income	23	23,008	26,290
Total current liabilities		**224,330**	**219,820**
TOTAL EQUITY AND LIABILITIES		**568,562**	**520,001**

Contingent liabilities and pledged assets are reported in Note 24.

PARENT COMPANY CHANGES IN EQUITY

		RESTRICTED EQUITY				NON-RESTRICTED EQUITY		
TSEK	NOTE	SHARE CAPITAL	NON-REGISTERED SHARE CAPITAL	STATUTORY RESERVE	RESERVE FOR DEVELOPMENT COSTS	SHAREPREMIUM RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Opening balance as of May 1, 2016		**10,721**	**0**	**4,620**	**0**	**941,961**	**-631,594**	**325,707**
Equity component in issue of convertible loan	18	-	-	-	-	1,152	-	1,152
Adjustment of non-restricted and restricted equity		-	-	-	7,783	-	-7,783	0
New share issues	21	1,183	706	-	-	135,111		137,000
Issue expenses		-	-	-	-	-3,605	-	-3,605
Income for the year		-	-	-	-	-	-160,073	-160,073
Closing balance as of April 30, 2017		**11,904**	**706**	**4,620**	**7,783**	**1,074,619**	**-799,450**	**300,181**
Opening balance as of May 1, 2017		**11,904**	**706**	**4,620**	**7,783**	**1,074,619**	**-799,450**	**300,181**
Warrants		-	-	-	-	14,026	-	14,026
Equity component in issue of convertible loans	18	-	-	-	-	985	-	985
Adjustment of non-restricted and restricted equity		-	-	-	9,157	-	-9,157	0
New share issues	21	5,737	-706	-	-	158,472	-	163,503
Issue expenses		-	-	-	-	-15,500	-	-15,500
Income for the year		-	-	-	-	-	-118,964	-118,964
Closing balance as of April 30, 2018		**17,641**	**0**	**4,620**	**16,940**	**1,232,603**	**-927,571**	**344,232**

PARENT COMPANY CASH FLOW STATEMENT

TSEK	NOTE	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Operating activities			
Operating activities before financial items		-103,143	-140,246
Adjustments for non-cash items	25	6,420	15,310
Interest received	15	101	92
Interest paid	15	-10,126	-2,515
Cash flow from operating activities before changes in working capital		**-106,748**	**-127,360**
Changes in working capital			
Change in inventories	7	2,869	-2,783
Change in accounts receivable - trade	18	-1,543	-198
Change in other current receivables	18, 19, 20	-163	-3,593
Change in accounts payable	18	-11,621	-6,602
Change in other current liabilities	22, 23, 25	-4,592	6,065
Cash flow from operating activities		**-121,798**	**-134,470**
Investing activities			
Capital contribution provided	25, 26	-292	-65
Investments in intangible assets	5, 12	-21,037	-7,445
Investments in property, plant and equipment	11	-415	-515
Divestment of short-term investments	18	0	20,000
Cash flow from investing activities		**-21,744**	**11,975**
Financing activities			
Decrease in liabilities to credit institutions	18	0	-20,000
Loans raised	26	3,000	-
Loans repaid	26	-39,000	-
Convertible loans	17, 18, 25	21,000	84,000
Convertible loans repaid	18	0	-2,000
New share issues	21	159,282	70,000
Issue expenses	21	-11,826	-9,245
Cash flow from financing activities		**132,457**	**122,755**
Cash flow for the year		**-11,085**	**259**
Cash and cash equivalents at beginning of year		**26,312**	**26,053**
Cash and cash equivalents at end of year	18	**15,227**	**26,312**

NOTES

NOTE 1 GENERAL INFORMATION

Oasmia Pharmaceutical AB (Reg. No. 556332-6676 and the Parent Company of the Oasmia Group) is a limited company domiciled in Stockholm, Sweden. The address of the company is Vallongatan 1, Uppsala, where the Parent Company has its office, research and manufacturing facilities.

The company's shares are listed on NASDAQ Stockholm, NASDAQ Capital Market in New York and on the Frankfurt Stock Exchange. The Group's operations are described in the Administration Report on pages 23-31. The Annual Report for Oasmia Pharmaceutical AB for the financial year ending April 30, 2018 was approved for publication by the Board on August 23, 2018. The Group and Parent Company financial statements will be submitted to the Annual General Meeting on September 25, 2018 for adoption.

NOTE 2 ACCOUNTING POLICIES

The principal accounting policies applied in these financial statements are set out below.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Furthermore, the recommendation RFR 1, Supplementary accounting regulations for Groups, issued by the Swedish Financial Reporting Board, has been applied.

The Parent Company applies the same accounting policies as the Group except in the cases listed below under "Parent Company accounting policies". The differences between the Parent Company and the Group are a result of limitations in the application of IFRS in the Parent Company as a result of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and in some cases for tax reasons.

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates for accounting purposes. It also requires management to exercise its judgment in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

THE GROUP'S ACCOUNTING POLICIES

Changes in accounting policies

New policies 2017/18

None of the standards and interpretations required for the first time for the financial year that began on May 1, 2017 had a material impact on the consolidated financial statements.

New IFRS standards and interpretations effective financial year 2018/19 or later that may impact Oasmia's financial reporting:

IFRS 15 Revenue from Contracts with Customers

This standard comes into force on January 1, 2018 and will thus be applied by Oasmia as from the financial year 2018/2019.

The standard first and foremost replaces IAS 18 Revenue, which is the standard that has regulated the reporting of revenues so far. Under IFRS 15 the basic principle for when a revenue may be recognized is when the acquiring party can use a good or can draw benefit from a service, while IAS 18 concentrates more on when risk is transferred from the vendor to the purchaser. IFRS 15 also requires considerably more disclosures than IAS 18. When it is introduced, IFRS 15 shall also be applied retroactively to previous periods in accordance with one of the following methods:

- Complete retroactive application to previous periods.
- The combined effect of a first application is reported as an adjustment of the opening balance of equity.

Oasmia has applied the second method, that is to only adjust the opening balance of equity. The impact of this adjustment on equity involves a decrease in equity of approximately MSEK 1.4.

IFRS 9 Financial instruments

This standard came into force on January 1, 2018, which means it will be applied by Oasmia as from the financial year 2018/2019.

IFRS 9 Financial Instruments replaces IAS 39 and concerns the reporting of financial assets and liabilities. As regards the classification and measurement of financial instruments IFRS 9 involves simplifications compared to IAS 39. To assess how financial instruments are to be reported under IFRS 9, the company shall take into account the contractual cash flows and the business model within which the instrument is held.

One effect of IFRS 9, compared to IAS 39, is that credit losses will be reported earlier. The criteria for hedge accounting have also been changed.

The introduction of this standard has not had any significant impact on Oasmia's financial reports.

IFRS 16 Leases

This standard will come into force on January 1, 2019, which means that it will be applied by Oasmia as from the financial year 2019/2020.

IFRS 16 states that at the beginning of a leasing agreement the lessee shall recognize the right to use the leased assets in the balance sheet and at the same time a leasing liability shall be recognized. As far as Oasmia is concerned, this will primarily mean that the lease agreements that are now reported as operational lease agreements will be reported in the balance sheet. Depreciation will be applied to the assets during the time they are used and leasing rates will be recognized as part-payment of the leasing liability and as an interest expense in the income statement.

The leasing liability may also be revalued during the duration of the contract depending on whether certain circumstances, such as new leasing terms and conditions, are introduced.

However, there will be two exceptions. Leased assets of a low value and short-term leasing (with a duration of no more than 12 months) will be exempted from the obligation to capitalize the right to use an asset and to enter the expected leasing payments as a liability.

It is estimated that the balance sheet total will consequently increase by approximately MSEK 20-25. It will also mean that expenses of approximately MSEK 6-7 per year, which are now reported in the income statement under Other external expenses, will be recognized as depreciation and as interest expenses.

None of the other standards and interpretations which have not yet come into force are expected to have a material impact on the Group.

Subsidiaries

Subsidiaries are companies where the Parent Company has a controlling interest. The Parent Company has a controlling interest in a company when it is exposed to or is entitled to variable return from its holding in the company and is able to affect the return through its controlling interest in the company.

Subsidiaries are included in the consolidated accounts as from the day on which the controlling interest is transferred to the Group. They are excluded from the consolidated accounts as from the day on which the controlling interest ends.

The acquisition method is applied to the recognition of acquisitions of subsidiaries. This means that acquired assets and liabilities are initially measured at fair value. If a deviation then arises against the acquisition cost, this is recognized as goodwill in the consolidated balance sheet when the deviation is positive and in the income statement if it is negative.

Eliminations are made for intra-Group transactions and balance-sheet items, and for unrealized gains on transactions between Group companies.

Translation of foreign currencies

The Parent Company uses SEK as its functional currency and reporting currency. Transactions in foreign currency are translated to the functional currency according to the exchange rates on the transaction date. Translation profits or losses arising from payments for such transactions and from translation of monetary assets and liabilities in foreign currency at closing day exchange rates are recognized in operations. Currency gains and losses arising from the translation of bank accounts in foreign currencies are recognized under Net financial items.

Individual subsidiaries have another functional currency than SEK. In the presentation of the consolidated balance sheet the current rate method is used, whereby assets and liabilities are translated to the closing day rate of exchange while revenues and expenses are translated using the average exchange rate for the year. The translation differences that thus arise are recognized in other comprehensive income.

Segment reporting

An operating segment is a part of a company that conducts business activities from which revenues can be generated and costs can be incurred, and for which independent financial information is available. Furthermore, the operating results of the segment are reviewed on a regular basis by the company's chief operating decision maker as the basis for the decision on allocation of resources to the segment and the evaluation of its result. The Group management has been identified as the chief operating decision maker. Group management assesses the business as a whole, that is as one segment, and therefore does not include information by segment in the accounts. Note 4 reports the division of revenues into product groups and geographic markets as well as the value of non-current assets in Sweden and in other countries. Information is also provided about the customer structure in the same note.

Property, plant and equipment

Property, plant and equipment are recognized at acquisition cost, with deductions for depreciation. The acquisition cost includes expenses directly attributable to the acquisition of the asset.

Additional expenses are added to the carrying amount of the asset or are recognized as a separate asset, depending on what is most suitable, only when it is probable that the future economic benefits connected with the asset will accrue to the Group and the acquisition cost of the asset can be measured in a reliable way. The carrying amount of the replaced part will be removed from the balance sheet. All other types of repairs and maintenance are recognized as expenses in the income statement in the period in which they arise.

Assets are depreciated on a straight-line basis in order to distribute their acquisition cost to the calculated residual value over the calculated utilization period, as follows:

• Vehicles	3-5 years
• Inventories and production equipment	5-15 years
• Leasehold improvements	20 years

The residual values and utilization period of the assets are reviewed at every closing day and are adjusted as required. A carrying amount of an asset is immediately depreciated to its recoverable amount if the carrying amount exceeds its estimated recoverable amount. Profits and losses from divestments are established by a comparison between the sales revenue and the carrying amount and are recognized in Other operating income or Other operating expenses.

INTANGIBLE ASSETS

Capitalized development costs

Expenditures for research are expensed immediately. Development costs which are attributable to production and tests of novel or improved products are capitalized to the extent that they are expected to generate future economic benefits. Oasmia capitalizes development costs consisting of the company's work on clinical trials in phase III for the product candidates Paclical/Apealea and Paccal Vet and for which all the preconditions for capitalization pursuant to IAS 38 have been met.

It is the assessment of the company that it is technically possible to complete the product candidates and make them available for sale, and that the beginning of a phase III study is the earliest time when all criteria for capitalization can be met. This assessment is made in the light of several factors.

Both products are based on a well-known and well-documented substance, paclitaxel, and Oasmia's own excipient XR17. The company can therefore reuse data for both product candidates when applying for market approval and this can potentially lead to a shorter path to approval.

The company has both the resources and the competence to itself produce these two products for the clinical studies preceding a phase III study. Production takes place in approved premises with employed personnel.

The company both intends and is able to sell these products in various markets, both through existing distributors or through its own sales channels.

The oncology markets for both humans and pets are both large and growing, which means that the company assesses that it is possible that these products will be able to generate considerable economic benefits in the future.

Other development costs are recognized as an expense as and when they arise. Development costs previously recognized as an expense are not capitalized as an asset in subsequent periods. Straight-line amortization is applied to capitalized development costs over the period in which the expected benefits are expected to accrue to the company, and is begun when a normal level of commercial sales to end customers has been achieved.

Acquired research projects

The Group has acquired a research project that is still in a pre-clinical phase. This has been capitalized at acquisition cost minus any impairment.

Other intangible assets

The Group capitalizes fees to authorities for patents to the extent they are expected to generate future economic benefits. They are recognized at acquisition cost, reduced by the accumulated amortizations. Amortization is performed on a straight-line basis in order to distribute the cost over the estimated utilization period. The estimated utilization period for patents is a maximum of 20 years.

The capitalized patent expenses comprise registration costs such as initial expenses for e.g. authorities and legal fees. The gain or loss arising when an intangible asset is divested or disposed of is determined as the difference between the settlements received and the carrying amount and is recognized in Other operating income or Other operating expenses

Inventories

Inventories are recognized at the lowest of acquisition cost and net realizable value. The acquisition cost is established by using the first in, first out method (FIFO).

The acquisition cost for Raw materials and necessities consists of the purchase price invoiced by the supplier. The acquisition cost for Work in progress and for Finished goods consists of the costs for the constituent raw materials, with a mark-up for manufacturing costs and quality control costs.

The net realizable value is the estimated sales price in the operating activities, with deductions for applicable variable selling expenses.

Impairment of non-financial assets

The capitalized development costs and the capitalized research projects which are not yet current are not amortized, but are instead evaluated annually for any impairment needs. Group management performs an estimation of the expected utilization period of the assets at every financial statement. If there are indications that an asset's value has diminished, the recoverable amount of the asset is determined. This amount is the highest net realizable value of the asset, with deductions for selling expenses and its value in use. The asset is amortized down to the recoverable amount via the income statement. In order to establish the impairment need, the assets are grouped into cash generating units, which is the smallest group of assets that enables positive cash flows that are essentially independent of the cash flow from other assets or groups of assets. The Group presently has no assets with indeterminable utilization periods.

Financial instruments

Financial instruments are agreements that give rise to a financial asset or liability. Financial assets are cash, equity instruments in other companies and such agreements that give entitlement to cash or other financial assets. Financial liabilities are agreements that oblige the company to pay cash or other financial assets to another company.

This means that there are several receivables and liabilities that are not financial instruments. For example receivables or liabilities that can be expected to be settled other than in cash or through other financial assets are not dealt with in accordance with the accounting principles that apply to financial instruments. The same applies to receivables or liabilities that are not based on agreements.

Financial instruments are recognized in the statement of financial position when Oasmia is one of the parties in the conditions of the agreement governing the instrument. A financial asset is removed from the statement of financial position when the rights in the agreement are terminated, as they have been realized or Oasmia loses control of them. A financial liability is removed from the statement of financial position when the obligation in the agreement has been fulfilled or in some other way ceases to apply.

Each time a report is drawn up an assessment is made as to whether there are circumstances indicating that a financial asset needs to be written down. If there is a need for impairment, the amount written down is identified in the income statement.

Oasmia's financial instruments are reported at fair value or at amortized cost:

- Fair value is the price that would be obtained if an asset were sold or paid in the settling of a liability in an orderly transaction between knowledgeable and independent parties.
- Amortized cost is the value at which the asset or liability was valued when it was acquired plus or minus certain adjustments in value.

Financial instruments are divided into different categories depending on their nature and the method used in their valuation. Oasmia reports its financial instruments in two such categories:

- **Loans receivable and accounts receivable**
  This category includes:
  - *Cash and cash equivalents valued at nominal value. Where they are denominated in a currency other than SEK, they are translated at the closing day rate of exchange.*
  - *Accounts receivable, other current receivables and accrued revenues are valued at amortized cost.*
- **Financial liabilities valued at amortized cost**
  This category includes:
  - *Borrowings which are valued at nominal value as they have a short duration.*
  - *Convertible loans.*
  - *Accounts payable and accrued expenses valued at the value they are expected to be paid at.*

For further disclosures on Oasmia's financial instruments, please see Note 18 Financial instruments and financial risks.

Share capital

Common shares are classified as equity. Transaction costs which can be attributed directly to new share issues or warrants are recognized, net after tax, in equity as a deduction from the funds generated by the issue.

Relative to a bond loan, a convertible loan provides both the right to receive interest and the opportunity to receive a certain number of shares instead of repayment of the loan. This additional benefit means that the interest rate of the convertible loan is lower than the market interest rate for an equivalent bond loan. The fair value of the benefit Oasmia receives due to the lower interest rate is recorded, after a deduction for issue expenses, directly against equity.

Income tax

Tax revenues and expenses are constituted by current and deferred tax. Current tax is the tax calculated on the taxable income of each legal entity in the Group for the current or a previous period. Deferred tax is tax on temporary differences between assets' and liabilities' carrying amount and tax base. A deferred tax revenue also arises to the extent that the tax effect of loss carry-forward is entered as a deferred tax asset. However, a deferred tax asset is only recognized to the extent that there are convincing reasons that a future taxable surplus will be available, against which the deferred tax asset can be offset. As it is not yet possible to reliably calculate when Oasmia will achieve such a surplus, no deferred tax assets have been recognized.

EMPLOYEE BENEFITS

Current remuneration

Current remuneration to employees is calculated without discounting and is recognized as an expense when the services concerned are obtained.

Pension obligations

The Group has defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined contribution pension plan obligations are recognized as employee benefits as and when they are earned by employees carrying out services for the company in any given period. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available to the Group.

Severance pay

Severance pay is awarded when notice is given to an employee by Oasmia before the normal pension date, or when an employee accepts voluntary resignation in exchange for such payments. The Group recognizes severance pay when it is obliged either to give notice to the employee according to a detailed formal plan without the possibility of recall, or to pay remuneration when notice is given as a result of an offer made to encourage voluntary resignation. Benefits which are due more than 12 months after closing day are discounted to the present value.

Revenue recognition
Revenues comprise the fair value of what has been received or will be received for sold goods, services and necessities as a result of the Group's business operations. Revenue is recognized without value added tax, and after elimination of intra-Group sales. The Group recognizes revenue when the amount can be measured in a reliable manner, it is likely that future economic benefits will accrue to the Group and certain criteria have been fulfilled for each of the business activities of the Group described below.

(a) Sales of goods
Revenues from sales of goods are recognized at the time when they are delivered to customers, licensees or distributors. This is the time when ownership rights are transferred to the recipient of the goods.

Sales of goods during the year have consisted of deliveries to Oasmia's Russian partner, Hetero. These have been recognized as revenue upon delivery, that is when ownership rights to and control over the goods have been transferred to Hetero, at a price corresponding to Oasmia's production costs.

(b) Distribution rights and profit sharing
Hetero has acquired from Oasmia the rights to sell some of Oasmia's products in certain countries. Oasmia received a one-time payment for these rights during the year. The one-time payment is recognized as royalty revenue in its entirety when it is assessed that the conditions for receiving payment have been met.
When Hetero has sold the goods, profits are shared, which means that the profit is first calculated according to a procedure specified in the agreement with Hetero, whereby production and distribution costs are deducted from the net sales price. The profit thus calculated is then equally divided between Hetero and Oasmia. This profit sharing is recognized in the income statement as royalty when ownership rights have been transferred to a third party.

(c) Contract assignments
Contract assignments carried out are recognized as revenue to the extent that they have been completed at the end of the reporting period, that is by gradual revenue recognition.

(d) Sale of necessities
Oasmia sells necessities, in the form of sterile water that has been produced in the company's facility, to other companies. The resulting revenues are recognized upon delivery.

Leasing
Leasing whereby a significant part of the risks and benefits of ownership is retained by the lessor is classified as operational leasing. Payments made during the lease term (after deduction of any incentives from the lessor) are carried as an expense in the income statement on a straight-line basis over the term of the lease. Oasmia has no financial leasing.

Dividends
Dividends paid to the Parent Company's shareholders are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by Parent Company shareholders.

Cash flow
Cash flow statements are prepared using the indirect method.

PARENT COMPANY ACCOUNTING POLICIES
The Parent Company's accounts are presented in accordance with the Annual Accounts Act (1995:1554) and recommendation RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. RFR 2 states that in the annual report for the legal entity the Parent Company shall apply all IFRS and announcements adopted by the EU as far as possible within the framework of the Annual Accounts Act, and with regard to the connection between accounting and taxation. The recommendation lists which exceptions and additions are to be made from IFRS.

The differences between the accounting policies of the Group and the Parent Company are described below. The accounting policies stated below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial statements, unless otherwise stated.

Classification and forms of presentation
The Parent Company uses the terms Balance Sheet and Changes in Equity for the reports that in the Consolidated Accounts are named the Statement of Financial Position and Statement of Changes in Equity. The form of presentation of the Parent Company's income statement and balance sheet is based on the table presented in the Annual Accounts Act, which entails differences compared to the consolidated financial statements, as the presentations based on IAS 1, Presentation of Financial Statements, are mainly applicable to the classification of equity and the naming of certain items.

REVENUES
Dividends
Dividend revenue is recognized when the right to receive payment is judged to be safe.

Group and shareholder contributions for legal entities
Shareholder contributions are accounted for as equity by the recipient and as an increase in holdings in Group companies by the donor.

Group contributions made by the Parent Company to a subsidiary are reported as an increase in holdings in Group companies in the Parent Company accounts.

Group contributions from a subsidiary to the Parent Company are accounted for as financial revenue in the Parent Company.

Reserve for development costs
According to the Annual Accounts Act companies shall form a reserve under restricted equity corresponding to the value that has been recognized in the balance sheet as Capitalized development costs. This does not apply to Capitalized development costs as of April 30, 2016 and earlier but only to development costs capitalized after May 1, 2016.

NOTE 3 SIGNIFICANT ESTIMATES AND ASSUMPTIONS FOR ACCOUNTING PURPOSES
Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

Assessment regarding continued operations
Oasmia has two products approved, but this does not allow the company's business operations to generate sufficient cash flow. Work is therefore continuously conducted on finding other financing alternatives. This work includes the company engaging in discussions with potential collaboration partners about the licensing of distribution and sales rights, negotiations with new and existing investors, financiers and lenders, and the company securing resources so that future forecast revenue flows materialize in regions where the company's products are registered.

The Group's available cash and cash equivalents and unutilized credit facilities at April 30, 2018 do not provide the liquidity necessary to run the planned business operations in the coming 12 months. In the light of the ongoing work on possible financing alternatives and the recent development of the company, it is the Board's assessment that the outlook is good for financing the company's business operations during the coming year. If sufficient financing is not obtained, there is a risk that it may not be possible to continue operations.

Significant estimates and assumptions for accounting purposes
Group management makes estimates and assessments about the future. The resulting estimates for accounting purposes will by definition seldom correspond to the actual outcome. The estimates and assessments that entail a considerable risk of significant adjustments in the carrying amounts for assets and liabilities in the next financial year are listed below.

(a) Impairment tests for intangible assets
The Group capitalizes development costs for two drug candidates Paclical and Paccal Vet. The financial year's capitalized development costs amounted to TSEK 9,157 (7,898) and the Group's capitalized development costs, as of April 30, 2018, amounted to TSEK 426,079 (416,922). In addition there is an acquired research project which has been capitalized at acquisition cost. An assessment is performed annually of whether there is a need for impairment of these assets. Oasmia's impairment tests show that there is no need for impairment. Market approval has been received for Paclical in Russia for the indication of ovarian cancer in humans and market approval is expected within one to two years for Paccal Vet in the US for the indication of mastocytoma in dogs. In Oasmia's assessment, more market approvals can be expected in the foreseeable future and expected future profits justify the value of the assets. If the other market approvals were not to be received, if a considerably lower price than expected was received per treatment, if the market share was lower, or if the likelihood of receiving approval were to decrease, all or parts of the capitalized expenditure would be carried as expenses. As of April 30, 2018 capitalized expenditure amounted to 123 % (139) of equity at the same time.

(b) Income taxes
The Group is required to pay tax in Sweden. The Group's companies have so far showed negative taxable income, and as a result significant taxable deficits exist in the Group. There are at present no sufficiently convincing indications as to when loss carry-forward will be able to be utilized against future profits, and thus no deferred tax asset has been taken into consideration in the balance sheet.

Accumulated taxable deficits in the Group are described in Note 16.

(c) Contingent liabilities
A contingent liability is a possible liability whose occurrence will possibly be confirmed by future events which wholly or partly, are beyond Oasmia's control and whose probability of occurring is low or difficult to estimate. It may also be an existing liability, the size of which cannot be calculated or the settlement of which is unlikely to result in any outflow of resources.

It is obviously in the nature of contingent liabilities that their occurrence and size are particularly uncertain and therefore they are not recognized in the balance sheet. Instead information is given about them in Note 24. If it is at all possible to state any amounts for these contingent liabilities, they are, as can be seen above, largely dependent on management's assessments.

Important judgements when applying the company's accounting policies
The Group capitalizes development costs for two pharmaceutical candidates, Paclical/Apealea and Paccal Vet. The company assesses that the beginning of a phase III study is the earliest time when all criteria for capitalization can be fulfilled. It is at this time that the company can assess whether it is technically possible to complete the intangible asset so that it can be used or sold. If the Group should make the judgment that all capitalization criteria are no longer fulfilled, these assets would be written off against Group income.

At least once a year, normally when the annual financial statements are prepared, the Group's property, plant and equipment and non-current intangible assets are tested to see if there is a need for impairment. Tests may also be carried out if management assesses that there have been significant changes in the assumptions that can affect the result of the tests. The question is whether the recoverable amount of the asset is greater than its carrying amount. Usually these Group assets have no stated market value, and the company therefore applies the value in use method. One of the important assets that are the subject of impairment testing is the item capitalized development costs for Paccal Vet and Paclical/Apealea. The impairment testing is based on management's forecasts for the future economic development of the products Paccal Vet and Paclical/Apealea. These forecasts are partly based on available statistics, primarily on the incidence of cancer per type of cancer, but also on management's assessment of future development that cannot be supported by external statistics or comparative data. The result of the impairment testing consists of seeing if the value in use is greater than the carrying amount of the assets. If this is the case, no impairment is performed. If on the other hand the value in use is less than the carrying amount, the asset is written down to its recoverable amount.

Bearing in mind that Capitalized development costs in the consolidated statement of financial position as of April 30, 2018 constitute 75 percent (80) of total assets, impairment of this asset may have considerable consequences for the Group's financial position.

The Group capitalizes expenditures for patents because they are expected to generate future economic benefits. If the Group should make the judgment that they will no longer generate future economic benefits, these assets would be written off against the Group's income.

NOTE 4 SEGMENT INFORMATION

The Group currently has only one segment and therefore reports no information by segment.

The Group has its registered office in Sweden. All net sales derive from sales to external customers, and are shown below divided up into product categories and geographic area.

Net sales per product category

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Sales of necessities	162	172	162	172
Royalty revenues	2,377	-	2,377	-
Sales of goods	630	-	630	-
Total	**3,169**	**172**	**3,169**	**172**

Under the agreement with Oasmia's Russian partner, Oasmia is entitled to certain one-time payments as payment for the Russian partner's distribution rights. Such distribution rights were invoiced during the year in the amount of TUSD 200, which has been reported as royalty revenues of TSEK 1,595.

Sales to the Russian partner are divided up into two parts. Upon delivery a sum is invoiced for the goods corresponding to Oasmia's production costs. This part has been reported as sales of goods of TSEK 630. When the goods are then sold by the Russian partner, profits are shared, whereby Oasmia and the Russian partner share profits equally. This part is also reported as royalty revenues and amounts to TSEK 782.

Net sales per geographic area

The division into geographic areas below is based on where the customer is domiciled.

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Russia	3,007	-	3,007	-
Sweden	162	172	162	172
Total	**3,169**	**172**	**3,169**	**172**

Non-current assets located in Sweden amount to TSEK 483,297 (466,474) and non-current assets located in another country amount to TSEK 4,268 (4,990).

NOTE 5 CAPITALIZED DEVELOPMENT COSTS

Common to the Group and Parent Company

	MAY 1, 2017 – APR 30, 2018			MAY 1, 2016 – APR 30, 2017		
TSEK	PACLICAL	PACCAL VET	TOTAL	PACLICAL	PACCAL VET	TOTAL
Opening acquisition cost	307,647	109,275	416,922	300,088	109,812	409,900
Adjustment *)	-	-	0	-	-875	-875
Capitalized expenditure for the year	9,024	133	9,157	7,559	338	7,898
Closing accumulated acquisition cost	316,671	109,408	426,079	307,647	109,275	416,922
Opening accumulated amortization	-	-	0	-	-	0
Amortization for the year	-	-	0	-	-	0
Closing accumulated amortization	0	0	0	0	0	0
Closing carrying amount	**316,671**	**109,408**	**426,079**	**307,647**	**109,275**	**416,922**

*) In some cases the capitalization of development costs is based on assessments, which may deviate from the actual outcome and then have to be adjusted.

Capitalized development costs amounted to TSEK 9,157 (7,898) for the financial year and research and development costs which were not capitalized amounted to TSEK 56,389 (89,964), in total TSEK 65,546 (97,862).

NOTE 6 OTHER OPERATING INCOME

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Conciliation payment	1,300	-	1,300	-
Costs charged intra-Group	-	-	325	-
Exchange-rate differences	157	202	157	202
Other	296	218	296	218
Total	**1,753**	**420**	**2,078**	**420**

In a legal dispute with a supplier concerning defective production equipment, Oasmia has received a conciliation payment of TSEK 1,300.

NOTE 7 INVENTORIES

	GROUP		PARENT COMPANY	
TSEK	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Raw materials and necessities	3,093	5,581	3,093	5,581
Work in progress	6,653	8,104	6,653	8,104
Total	**9,746**	**13,685**	**9,746**	**13,685**

During the year goods of TSEK 0 (0) were carried as an expense and goods valued at TSEK 1,070 (5,736) were written down, which mainly drives from finished goods intended for the Russian market.

The change in the item "Work in progress" during the year is recognized in the income statement in "Change in inventories of products in progress and finished goods".

NOTE 8 REMUNERATION TO AUDITORS

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Ernst & Young AB				
Auditing	1,733	1,729	1,733	1,729
Auditing activities in addition to auditing	1,200	800	1,200	800
Tax consulting	0	10	0	10
Other services	19	59	19	59
Total	**2,952**	**2,598**	**2,952**	**2,598**

Auditing involves reviews of the Annual Report, of the accounting records, and of the management of the Board of Directors and CEO, and other tasks that the company's auditors are required to undertake. Auditing activities in addition to auditing include review of interim reports and quality assurance services.

NOTE 9 LEASING

The Group has no financial leasing agreements, but has operational leasing agreements that primarily consist of leases for facilities. Leasing costs were TSEK 6,370 (6,379) for the financial year. These consisted of minimum lease payments of TSEK 5,654 (5,678) and variable payments of TSEK 716 (701). Future minimum lease payments for operational leases are as follows:

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Leasing expensed during the financial year	6,370	6,379	6,370	6,379
Nominal value of future minimum leasing payments is divided up as follows:				
Due for payment within a year	5,654	5,654	5,654	5,654
Due for payment later than a year but within five years	7,184	11,889	7,184	11,889
Due for payment later than five years	587	1,535	587	1,535
Total	**13,424**	**19,078**	**13,424**	**19,078**

NOTE 10 EMPLOYEES AND REMUNERATION

Average number of employees

	GROUP		PARENT COMPANY	
	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Sweden				
Women	27	37	27	37
Men	31	38	31	38
Total Sweden	**58**	**75**	**58**	**75**
Russia				
Women	1	0	0	0
Total Russia	**1**	**0**	**0**	**0**
Total average number of employees	**59**	**75**	**58**	**75**

Salaries and benefits

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Board	2,269	2,821	2,269	2,821
CEO and other senior executives	4,712	4,505	4,385	4,505
Other employees	27,001	35,150	26,917	35,150
Defined contribution pension plans	2,978	3,057	2,877	3,057
Defined medical benefits	343	356	343	356
Total salary and remuneration	**37,302**	**45,890**	**36,792**	**45,890**
Social security contributions by law and agreement	9,551	12,076	9,541	12,076
Special employer's contribution, pension expenses	801	819	801	819
Total salaries, remuneration and social security	**47,655**	**58,785**	**47,135**	**58,785**

Health care and medical care

Oasmia offers its employees free medical care up to the cost ceiling and free medicines up to the cost ceiling. All Oasmia employees are covered by a health insurance and Oasmia has an agreement with a provider of occupational health services.

BENEFITS FOR SENIOR EXECUTIVES

Board of Directors and Board committees

Remuneration of the Chairman of the Board of Directors and Board members is decided by the Annual General Meeting. There is no remuneration for participation in the Nomination Committee.

The Executive Chairman of the Board Julian Aleksov is an employee of the company and receives a monthly salary. Remuneration is reviewed on April 1 each year. Under the terms of his employment contract he is entitled to pension insurance whereby the company annually pays an amount corresponding to 25 percent of his pensionable salary to a company of his choice. He is also entitled to individual health insurance and medical insurance.

Board fees for Lars Bergkvist were invoiced up until September 2017 through the company Axli AB, and Board fees for Alexander Kotsinas were invoiced between April 2017 and September 2017 through the company Windride AB, in accordance with a resolution adopted at a general meeting of shareholders and pursuant to a special agreement with Oasmia Pharmaceutical AB. As from October 2017 all Board members have their Board fees paid as earned income, which is subject to an employer's contribution from Oasmia.

Except for what is described in Transactions with key people in senior positions in Note 26, no other remuneration such as salary, pension premiums or other benefits has been paid.

CEO

Remuneration of the CEO consists of a fixed salary. The remuneration is reviewed annually on April 1. According to the CEO's employment contract he is entitled to pension insurance, whereby the company shall pay an annual amount corresponding to the ITP scale to a company of his choice. The CEO is also entitled to individual health insurance and medical insurance. If notice of termination is given by the employer, a 12-month term of notice applies. If notice of termination is given by the CEO, the term of notice is 3 months.

Terms of employment for other senior executives

Remuneration to other senior executives consists of a fixed salary. Salaries are reviewed annually on April 1. According to their employment contracts other senior executives are entitled to pension insurance, whereby the company shall pay an annual amount corresponding to the ITP scale. Other senior executives are also entitled to individual health insurance.

NOTE 10 cont. →

CONT. NOTE 10 EMPLOYEES AND REMUNERATION

Remuneration to board and other executives

	MAY 1, 2017 – APRIL 30, 2018				
TSEK	BASE SALARY/ BOARD FEES	REMUNERATION UPON TERMINATION OF EMPLOYMENT	SOCIAL SECURITY INCL. SPECIAL EMPLOYER'S CONTRIBUTION	PENSION/ SICKNESS BENEFITS	VARIABLE REMUNERATION
Chairman of the Board, Julian Aleksov	1,702	-	650	456	30
Board member, Bo Cederstrand	150	-	25	-	-
Board member, Lars Bergkvist	150	-	47	-	-
Board member, Alexander Kotsinas	150	-	47	-	-
Board member, Per Langö [1]	88	-	27	-	-
CEO Mikael Asp	1,378	-	510	334	4
Other senior executives (1 person at end of year, 2 people on average during financial year) [2]	2,787	202	1,107	675	15
Total, Parent Company	**6,405**	**202**	**2,414**	**1,465**	**48**
Senior executive in subsidiary	326	-	7	78	-
Total, Group	**6,732**	**202**	**2,421**	**1,543**	**48**

[1] As of September 2017

[2] One senior executive resigned during the year.

Common to the Group and Parent Company

	MAY 1, 2016 – APRIL 30, 2017			
TSEK	BASE SALARY/ BOARD FEES	SOCIAL SECURITY INCL. SPECIAL EMPLOYER'S CONTRIBUTION	PENSION/ SICKNESS BENEFITS	VARIABLE REMUNERATION
Chairman of the Board, Anders Lönner [1]	-	-	-	-
Chairman/Deputy Chairman of the Board, Julian Aleksov [2]	1,698	644	449	23
Board member, Bo Cederstrand	150	25	-	-
Board member, Horst Domdey [3]	96	30	-	-
Board member, Alexander Kotsinas	89	28	-	-
Board member, Hans Sundin [3]	537	88	-	16
Board member, Hans Liljeblad [4]	63	19	-	-
Board member, Lars Bergkvist	150	47	-	-
CEO, Mikael Asp	1,366	479	230	-
Other senior executives (2 people at end of year, 2 people on average during financial year) [5]	3,127	1,134	621	13
Total	**7,275**	**2,495**	**1,300**	**51**

[1] Took up position in November 2016 and resigned in February 2017.

[2] Elected Chairman of the Board in May 2015 and switched to Vice Chairman in November 2016 up until February 2017. Julian Aleksov is the Executive Vice Chairman and receives a salary.

[3] Resigned in November 2016.

[4] Resigned in September 2016.

[5] In November 2016 management was increased by one person. One senior executive resigned in March 2017.

NOTE 10 cont. →

CONT. NOTE 10 EMPLOYEES AND REMUNERATION

Gender distribution on the board and in managememt

	APR 30, 2018		APR 30, 2017	
	NUMBER ON CLOSING DAY	NUMBER OF MEN	NUMBER ON CLOSING DAY	NUMBER OF MEN
Group				
Board members	14	14	12	12
CEO and other senior executives	3	2	3	3
Parent Company				
Board members	5	5	4	4
CEO and other senior executives	2	2	3	3

The information on gender distribution for Board members in the Group shows all Board positions. Where the same person is on several company Boards in the Oasmia Group, this person is included for each Board position.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of vehicles, inventory and production equipment, leasehold improvements, and construction in progress and advance payments for machinery and equipment.

	Group and Parent Company May 1, 2017 – Apr 30, 2018				
TSEK	VEHICLES	INVENTORIES AND PRODUCTION EQUIPMENT	LEASEHOLD IMPROVEMENTS	CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENTS FOR MACHINERY AND EQUIPMENT	TOTAL
Opening acquisition cost	225	43,684	8,437	146	52,492
Investments for the year	-	415	-	-	415
Sales/disposals	-	-252	-	-	-252
Closing accumulated acquisition cost	**225**	**43,847**	**8,437**	**146**	**52,656**
Opening depreciation	-75	-30,712	-3,337	0	-34,124
Depreciation for the year	-75	-2,715	-440	-	-3,230
Sales/disposals	-	226	-	-	226
Closing accumulated depreciation	**-150**	**-33,201**	**-3,777**	**0**	**-37,129**
Closing carrying amount	**75**	**10,646**	**4,660**	**146**	**15,527**

	Group and Parent Company May 1, 2016 – Apr 30, 2017				
TSEK	VEHICLES	INVENTORIES AND PRODUCTION EQUIPMENT	LEASEHOLD IMPROVEMENTS	CONSTRUCTION IN PROGRESS AND ADVANCE PAYMENTS FOR MACHINERY AND EQUIPMENT	TOTAL
Opening acquisition cost	0	43,500	8,378	100	51,977
Investments for the year	225	184	60	46	515
Reclassifications	-	-	-	-	0
Sales/disposals	-	-	-	-	0
Closing accumulated acquisition cost	**225**	**43,684**	**8,437**	**146**	**52,492**
Opening depreciation	0	-27,898	-2,907	0	-30,805
Depreciation for the year	-75	-2,814	-430	-3,319	-3 654
Sales/disposals	-				0
Closing accumulated depreciation	**-75**	**-30,712**	**-3,337**	**0**	**-34,124**
Closing carrying amount	**150**	**12,972**	**5,100**	**146**	**18,368**

NOTE 12 OTHER INTANGIBLE ASSETS

Other intangible assets consist of the costs of patents and of acquired research projects.

	GROUP AND PARENT COMPANY MAY 1, 2017 - APR 30, 2018			GROUP AND PARENT COMPANY MAY 1, 2016 - APR 30, 2017		
TSEK	PATENTS	RESEARCH PROJECTS	TOTAL	PATENTS	RESEARCH PROJECTS	TOTAL
Opening acquisition cost	24,038	25,000	49,038	23,615	0	23,615
Purchases for the year	11,881	-	11,881	423	25,000	25,423
Disposals	-894	-	-894	-	-	0
Closing accumulated acquisition cost	**35,025**	**25,000**	**60,025**	**24,038**	**25,000**	**49,038**
Opening accumulated amortization	-12,867	-	-12,867	-11,679	0	-11,679
Amortization for the year	-1,538	-	-1,538	-1,188	-	-1,188
Disposals	338	-	338	-	-	0
Closing accumulated amortization	**-14,067**	**0**	**-14,067**	**-12,867**	**0**	**-12,867**
Closing carrying amount	**20,958**	**25,000**	**45,957**	**11,171**	**25,000**	**36,171**

NOTE 13 CURRENCY DIFFERENCES – NET

Currency differences are recognized in the income statement as follows:

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Other operating income	157	202	157	202
Other external expenses	-640	-1,591	-640	-1,591
Financial items - net	-55	-44	-55	-44
Total	**-538**	**-1,433**	**-538**	**-1,433**

NOTE 14 OPERATING INCOME

Operating income for the financial year May 1, 2017 – April 30, 2018 was TSEK -103,724 (-140,481). Of the Group's recognized operating expenses of TSEK 116,352 (146,691), TSEK 9,157 TSEK (7,898) was recognized as capitalized development costs.

NOTE 15 FINANCIAL INCOME AND EXPENSES

		GROUP		PARENT COMPANY	
TSEK	CATEGORY	MAY 1, 2017 -APR 30, 2018	MAY 1, 2016 -APR 30, 2017	MAY 1, 2017 -APR 30, 2018	MAY 1, 2016 -APR 30, 2017
Financial income					
Bank accounts	Loans receivable and accounts receivable	53	4	53	4
Short-term investments	Financial assets measured at fair value	-	30	-	30
Other	-	48	51	48	51
Total financial income		**101**	**85**	**101**	**85**
Interest expenses					
Liabilities to credit institutions	Financial liabilities measured at amortized cost	-66	-194	-66	-194
Convertible loans	Financial liabilities measured at amortized cost	-4,093	-6,728	-4,093	-6,728
Other borrowings	Financial liabilities measured at amortized cost	-8,014	-6,549	-8,014	-6,549
Accounts payable	Financial liabilities measured at amortized cost	-129	-6	-129	-6
Other	-	-9	-13	-9	-13
		-12,311	**-13,490**	**-12,311**	**-13,490**

NOTE 15 cont. →

CONT. NOTE 15 FINANCIAL INCOME AND EXPENSES

Other financial expenses and exchange-rate differences					
Bank accounts	Loans receivable and accounts receivable	-47	-10	-47	-10
Convertible loans	Financial liabilities measured at amortized cost	-1,923	-6,259	-1,923	-6,259
Other	-	-109	-88	-109	-88
		-2,079	-6,357	-2,079	-6,357
Total financial expenses		**-14,390**	**-19,847**	**-14,390**	**-19,847**

NOTE 16 INCOME TAXES

The Parent Company and two subsidiaries have their fiscal domicile in Sweden, where the tax rate for the 2017/18 financial year is 22 % (22 %). In addition, one subsidiary has its fiscal domicile in the USA, one in Russia and one in Hong Kong.

The income tax on Group earnings before tax is shown in the table below:

	GROUP		PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Income before taxes	-118,013	-160,243	-118,964	-160,073
Issue expenses not included in earnings	-15,500	-3,605	-15,500	-3,605
Non-taxable revenues	0	-1	0	-1
Non-deductible expenses	1,351	6,087	1,351	6,087
Impairment of holdings in subsidiaries	-	-	1,532	66
Taxable income	**-132,162**	**-157,762**	**-131,580**	**-157,526**
Income tax according to current tax rates in Sweden	29,076	34,708	28,948	34,656
Taxable deficits for which no deferred tax asset is recognized	-29,076	-34,708	-28,948	-34,656
Tax expense	**0**	**0**	**0**	**0**

At April 30, 2018 the Group had accumulated loss carry-forward from previous years and from the financial year amounting to TSEK 1,009,345 (877,183) and the Parent Company had such loss carry-forward of TSEK 998,361 (866,779). There are at present no sufficiently convincing reasons to assume that the loss carry-forward will be able to be utilized against future profits, and thus no deferred tax asset has been recognized in the balance sheet.

NOTE 17 EARNINGS PER SHARE

Earnings per share are calculated by dividing earnings attributable to Parent Company shareholders by the weighted average number of common shares outstanding during the period.

	GROUP	
	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Earnings attributable to Parent Company shareholders (TSEK)	-118,007	-160,243
Weighted average number of common shares outstanding (thousands)*	166,196	115,254
Earnings per share (SEK per share)*	-0.71	-1.39

* Recalculation of comparative figures has been done taking into account capitalization issue elements in the rights issue carried out in July 2017.

The following instruments outstanding did not give rise to any dilution effect at April 30, 2018, but may do so in the future:

	NUMBER OF WARRANTS AND CONVERTIBLES	MAXIMUM NUMBER OF SHARES
Warrants which can be converted to three shares	1,280,750	3,842,250
Warrants which can be converted to one share, Board and management	5,543,182	5,543,182
Warrants which can be converted to one share, others	34,979,061	34,979,061
Convertibles	54	14,338,380
Maximum number of shares		**58,702,873**

NOTE 18 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial risks

Oasmia's business, like all business activities, is subjected to a large number of risks. In general these may be divided into such risks that directly affect the Group's financial situation (financial risks) and such risks that only affect the financial situation indirectly (operational risks). What operational risks Oasmia is subjected to and how these are managed is described in the Administration Report.

The financial risks that Oasmia's financial instruments are to varying extents subjected to are primarily:

- **Credit risk,** meaning the risk that a debtor does not pay its liability to Oasmia.
- **Liquidity risk,** meaning the risk that Oasmia does not have sufficient funds to pay a liability when it falls due for payment or that a lack of liquidity significantly limits Oasmia in its business operations.
  In addition to the liquidity risk associated with individual financial instruments, and which is described together with these in this note, there is also a general liquidity risk. Oasmia does not yet find itself in a commercialization stage, which means that revenues and cash flows generated from sales are not yet sufficient to cover the Group's capital and liquidity requirements. This means that there is a risk that Oasmia cannot manage to find existing and new owners who are willing to contribute equity and creditors who are prepared to give loans to a sufficient extent until the company's own sales have reached a sufficient size. See also under the heading "Future financing" in the Administration Report.
- **Market risk,** meaning the risk that values that are dependent on the development of the financial markets affect the value of Oasmia's financial instruments negatively.

The market risk that affects Oasmia's financial instruments is primarily:

- *Currency risk: exchange rates for the currencies that Oasmia's financial instruments are denominated in.*
- *Interest-rate risk: the interest rates that Oasmia's financial instruments carry. However, as the interest rates of all financial instruments outstanding at April 30, 2018 are fixed until maturity, there is no interest-rate risk in these*

The following sensitivity analysis shows the currency risk in TSEK if exchange rates were to change by 10 percent:

		CURRENCY RISK	
FINANCIAL INSTRUMENT	CURRENCY	APR 30, 2018	APR 30, 2017
Accounts receivable – trade, accrued income and cash and cash equivalents	USD	226	-
	HKD	5	-
	RUB	82	-
Total currency risk		**313**	**-**

		CURRENCY RISK	
FINANCIAL INSTRUMENT	CURRENCY	APR 30, 2018	APR 30, 2017
Accounts payable and other current liabilities	EUR	375	1,507
	USD	318	167
	RUB	20	-
	GBP	26	28
Total currency risk		**739**	**1,702**

These risks, how they are managed and what financial instruments are affected by them are discussed further below in the sections "Financial risk management" and "Financial instruments".

Financial risk management

The Group financial policy determined by the Board regulates how management should identify financial risks and, when possible and necessary, take measures to limit risk.

Risk consists of two components:

- **The risk that a negative events occurs**
- **The risk that there are great consequences if a negative event were to**

A correct assessment of risk, and thus a decision on appropriate risk management measures, is based on a true assessment of both these components. Obviously there can be situations where it is not profitable to actively take measures to prevent a negative event even if there is a risk that it may occur, if at the same time the consequences of such a negative event are small. In such a case it is probably best to accept the risk.

In other cases, where the consequences of a negative event may be more extensive, risk management can consist of taking certain measures to try to minimize both components. Depending on the nature of the risk, these measures can be directed more at one or the other of them. In certain cases, above all where market risk is concerned, the individual company can often not influence the risk parameters at all. In those cases risk management is directed entirely at reducing the consequences of negative events.

Credit and liquidity risks are mainly largely governed by events that can be managed through active preventive work.

The dominant financial risks for Oasmia are financing and consequently liquidity risks, as described above. This means that most of the financial risk management work is directed at these two risks. In practice, this means that company management is constantly working on finding and developing different financing opportunities, through both creditors and owners.

NOTE 18 cont. →

CONT. NOTE 18 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Capital management

The company is still in a development phase and does not generate any profits or positive cash flow yet, which means that the company's capital management focuses exclusively on the external raising of capital. For the same reason, no dividend policy has been formulated yet.

The overarching objective of the company's capital management is to provide the business with capital and liquidity until such a time as profitability and a positive cash flow have been achieved. This is done by issuing new shares and convertible loans, supplemented by external loans. This management and this objective have not changed compared to the previous year and there are no external capital requirements that have to be taken into consideration.

Financial instruments

Oasmia's financial instruments can be divided into the following categories:

- **Loans receivable and accounts receivable**
- **Financial liabilities valued at amortized cost**

Oasmia has no financial instruments measured at fair value.

Financial instruments by category

GROUP April 30, 2018

TSEK	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	TOTAL
Financial assets			
Accounts receivable	1,578	-	1,578
Other current receivables	33,000	-	33,000
Accrued income	782	-	782
Cash and cash equivalents	15,580	-	15,580
Total financial assets	**50,940**	**0**	**50,940**
Financial liabilities			
Convertible loans	-	52,841	52,841
Other borrowings	-	134,419	134,419
Accounts payable	-	9,256	9,256
Other current liabilities	-	169	169
Accrued expenses	-	16,020	16,020
Total financial liabilities	**0**	**212,705**	**212,705**

GROUP April 30, 2017

TSEK	LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	TOTAL
Financial assets			
Accounts receivable	35	-	35
Other current receivables	14	-	14
Cash and cash equivalents	28,001	-	28,001
Total financial assets	**28,050**	**0**	**28,050**
Financial liabilities			
Convertible loans	-	66,307	66,307
Other borrowings	-	102,419	102,419
Accounts payable	-	20,837	20,837
Other current liabilities	-	197	197
Accrued expenses	-	15,823	15,823
Total financial liabilities	**0**	**205,583**	**205,583**

NOTE 18 *cont.* →

CONT. NOTE 18 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial assets measured at fair value

As of April 30, 2018 Oasmia has no financial instruments measured at fair value.

Financial instruments' fair value can be calculated according to different measurement techniques, which in turn are based on different inputs. These inputs may be observable to varying degrees. The calculated fair values are divided into three different levels, primarily depending on how observable these inputs are.

Level 1: Listed prices in an active market for identical assets or liabilities constitute the fair value of financial instruments at level 1.

Level 2: Inputs for fair value calculations at level 2 are constituted by other directly or indirectly observable inputs than listed prices.

Level 3: When calculating fair value at level 3, inputs are not observable but are based, for example, on reasonable estimates.

Loans receivable and accounts receivable

- Cash and cash equivalents to the tune of TSEK 15,580 (28,001) consist of bank balances of TSEK 15,279 (27,975) in Swedish commercial banks and of bank balances of TSEK 301 (26) in foreign commercial banks. Of cash and cash equivalents, TSEK 794 (47) is balances in foreign currency. These have been translated using the Swedish Riksbank's end-of-month quotation at closing day. That part of the liquid assets which are in other currencies than SEK has an underlying currency risk, which means that there is a risk that the exchange rates for these currencies develop negatively. However, as the absolute values are small, it is assessed that this risk is negligible.

- Accounts receivable of TSEK 1,578 (35).

Accounts receivable divided up by currency:

	APR 30, 2018		APR 30, 2017	
Currency	**Value in currency**	**Recognized in SEK**	**Value in currency**	**Recognized in SEK**
USD	179	1,555	0	0
SEK	23	23	35	35
Total		**1,578**		**35**

Age of accounts receivable relative to due date:

	APR 30, 2018	APR 30, 2017
Not yet due	23	35
Past due date:		
1- 30 days	502	0
31-60 days	186	0
Older than 60 days	867	0
Total	**1,578**	**35**

Accounts receivable are recognized at the value at which it is estimated they will be received. Accounts receivable in foreign currency are translated at the closing day exchange rate.

Accounts receivable include a credit risk and a currency risk. No provisions have been made for bad debt losses as the amounts due are expected to be received shortly.

Bad debt losses of TSEK 0 (5,066) were recognized during the year.

- Other current receivables TSEK 33,000 (14).

	GROUP		PARENT COMPANY	
TSEK	**APR 30, 2018**	**APR 30, 2017**	**APR 30, 2018**	**APR 30, 2017**
Portion of convertible loan 2017:3 not yet paid	7,000	-	7,000	-
Portion of convertible loan 2018:1 not yet paid	26,000	-	26,000	-
Other	-	14	-	14
Total	**33,000**	**14**	**33,000**	**14**

Of Other current receivables of TSEK 33,000 (14), TSEK 33,000 (0) was overdue at closing day. TSEK 0 (0) is denominated in foreign currency.

Convertible loan 2017:3 was issued in November 2017 to the tune of TSEK 28,000. Of this sum, TSEK 7,000 had not been paid as of April 30, 2018.

Convertible loan 2018:1 was issued on April 19, 2018 to the tune of TSEK 26,000 and as of April 30, 2018 had not been paid.

These financial instruments are reported at amortized cost, which in this case means the value at which it is estimated will be received. This value equals the fair value of these financial instruments. They include a credit risk, but no currency risk, as of April 30, 2018.

- Accrued income TSEK 782 (0). Profit sharing stemming from sales in Russia (see Note 4, Segment information) had not yet been invoiced at April 30, 2018. It has been recognized as accrued income. This accrued income involves both a credit risk and a currency risk.

NOTE 18 *cont.* →

CONT. NOTE 18 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial liabilities measured at amortized cost

- Borrowings to the tune of TSEK 134,419 (102,419) comprise a loan from Nexttobe AB, who previously were Oasmia's second largest shareholder, and non-negotiable promissory notes to the tune of TSEK 32,000, as follows:

	GROUP		PARENT COMPANY	
TSEK	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Loan from Nexttobe	102,419	102,419	102,419	102,419
Non-negotiable promissory notes issued in June 2017	6,000	-	6,000	-
Non-negotiable promissory notes issued in April 2018	26,000	-	26,000	-
Total	**134,419**	**102,419**	**134,419**	**102,419**

Nexttobe: The loan plus accrued interest amount to TSEK 107,475 and the fair value to TSEK 107,279 (100, 616). This has been calculated as the net present value of the future cash flow of the loan. A discount rate of 10 percent has been used, which is the assumed market rate for equivalent loans. This involves measurement in accordance with level 3, as described above.

This loan originally matured on September 30, 2017 and carried interest of 3.5%. The loan was then extended and at April 30, 2018 it had a maturity date of May 31, 2018. However, after closing day the maturity date has been extended until July 31, 2018. The loan carries interest of 8.5%.

During the year interest expenses for this loan amounting to TSEK 6,559 (6,549) were recognized in the income statement as financial expenses. As the interest rate up until maturity is pursuant to a written agreement, there is a liquidity risk but no interest-rate risk.

Oasmia has obtained promises of credit from another party to cover repayment of the loan from Nexttobe including accrued interest.

Non-negotiable promissory notes issued in June 2017: When convertible loan 2016:2 of TSEK 42,000 matured in June 2017 (see below), it was replaced by non-negotiable promissory notes in the same amount. Of these promissory notes, a net amount of TSEK 36,000 was repaid during the year so that a liability of TSEK 6,000 remained on April 30, 2018. This liability carries interest of 8.5% and matures on June 30, 2018. Its fair value amounted to TSEK 6,432 at April 30, 2018. Fair value has been calculated as described regarding the loan from Nexttobe above. This therefore also involves measurement in accordance with level 3, as described above.

The interest rate up until maturity is pursuant to a written agreement, and consequently there is a liquidity risk but no interest-rate risk.

Non-negotiable promissory notes issued in April 2018: When convertible loan 2017:2 of TSEK 26,000 matured in April 2018 (see below), it was replaced by non-negotiable promissory notes in the same amount. These carry interest of 8.5% and mature on May 31 2018. Their fair value was TSEK 26,033 at April 30, 2018. Fair value has been calculated as described regarding the loan from Nexttobe above. This therefore also involves measurement in accordance with level 3, as described above.

The interest rate up until maturity is pursuant to a written agreement, and consequently there is a liquidity risk but no interest-rate risk.

In addition to this loan, Oasmia also has a promise of credit of TSEK 40,000 (40,000) from the second largest shareholder, Alceco International S.A. and a granted but unutilized overdraft facility of TSEK 5,000 (5,000). None of the promise of credit from Alceco has been utilized. A chattel mortgage has been taken out with the bank as collateral for the overdraft facility. See Note 24 "Contingent liabilities and pledged assets".

- Convertible loans, TSEK 52,841 (66,307), comprise 2 convertible loans, as follows:

	GROUP		PARENT COMPANY	
TSEK	APRIL 30, 2018	APRIL 30, 2017	APRIL 30, 2018	APRIL 30, 2017
Convertible loans	52,841	66,307	52,841	66,307
Total	**52,841**	**66,307**	**52,841**	**66,307**

Divided up into the following convertible loans:

DESIGNATION	NUMBER	AMOUNT PER CONVERTIBLE, TSEK	TOTAL LOAN AMOUNT, TSEK	RECOGNIZED, TSEK	INTEREST	FALLS DUE	CONVERSION PRICE, SEK/SHARE	NUMBER OF NEW SHARES UPON FULL CONVERSION
2017:3	28	1,000	28,000	27,434	8.0%	Nov 30, 2018	3.10	9,032,258
2018:1	26	1,000	26,000	25,407	8.0%	Apr 22, 2019	4.90	5,306,122
Summa	**52**		**54,000**	**52,841**				**14,338,380**

The fair value of the loans amounts to TSEK 54,159 (65,253). This has been calculated as the net present value of the future cash flow of the loan. A discount rate of 10 percent has been used, which is the assumed market rate for equivalent loans. This involves measurement in accordance with level 3, as described above.

In addition to these open convertible loans at April 30, 2018, there have been two further convertible loans during the year:

DESIGNATION	DUE DATE	TOTAL LOAN AMOUNT, TSEK	
2016:2	June 9, 2017	42,000	This loan was replaced by non-negotiable promissory notes upon maturity, see above.
2017:2	Apr 18, 2018	26,000	This loan was replaced by non-negotiable promissory notes upon maturity, see above.
Total		**68,000**	

NOTE 18 cont. →

CONT. NOTE 18 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Compared to a bond loan, a convertible loan includes not only an entitlement to receive interest but also the opportunity to receive a certain number of shares instead of repayment of the loan. This additional advantage means that the rate of interest of the convertible loan is lower than the market interest rate for a corresponding bond loan. The fair value of the benefit to Oasmia due to this lower rate of interest is booked, after deductions for issue expenses, directly against equity. The pure loan part of the convertible instruments, that is to say excluding the above-mentioned equity part, is recognized, with deductions for issue expenses, at its fair value as a liability in the balance sheet when it is first booked. Interest expenses are subsequently calculated in accordance with the effective interest method and are charged to the income statement.

As the interest rate up until maturity is pursuant to a written agreement, there is a liquidity risk but no interest-rate risk.

- Accounts payable to the tune of TSEK 9,256 (20,837), Accrued expenses TSEK 16,020 (15,823) and Other current liabilities TSEK 169 (197), in total TSEK 25,445 (36,857), comprise small liabilities to a large number of suppliers and accrued interest for the above-mentioned loans. Amortized cost equals fair value. Of these amounts, TSEK 7,397 (17,016) is liabilities in a currency other than SEK. These involve a currency risk. In addition to this currency risk, there is also a liquidity risk attached to these liabilities.

Remaining time until maturity of financial liabilities

Group, as of April 30, 2018

TSEK	< 3 MONTHS	3 - 6 MONTHS	6 - 12 MONTHS	MORE THAN 1 YEAR
Convertible loans, including interest	-	-	58,337	-
Other borrowings, including interest	108,191	-	-	-
Accounts payable	9,256	-	-	-
Other current liabilities	42	42	85	-
Accrued expenses	9,508	-	-	-
Total	**126,997**	**42**	**58,422**	**0**

Group, as of April 30, 2017

TSEK	< 3 MONTHS	3 - 6 MONTHS	6 - 12 MONTHS	MORE THAN 1 YEAR
Convertible loans, including interest	45,580	-	28,210	-
Other borrowings, including interest	-	105,107	-	-
Accounts payable	20,837	-	-	-
Other current liabilities	49	49	99	-
Accrued expenses	11,392	-	-	-
Total	**77,858**	**105,157**	**28,309**	**0**

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
TSEK	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Prepaid interest expenses	12,542	-	12,542	-
Prepaid technical development expenses	2,562	-	2,562	-
Prepaid rent	1,045	1,030	1,045	1,030
Prepaid insurance premiums	473	553	473	553
Other prepaid expenses	1,830	1,782	1,821	1,782
Prepaid clinical studies	-	3,643	-	3,643
Accrued income	782	-	782	-
Total	**19,234**	**7,008**	**19,225**	**7,008**

NOTE 20 OTHER CURRENT RECEIVABLES

	GROUP		PARENT COMPANY	
TSEK	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Current financial receivables	33,000	-	33,000	-
VAT receivable	1,079	1,295	1,079	1,295
Other current receivables	292	95	191	93
Total	**34,371**	**1,390**	**34,270**	**1,388**

Current financial receivables consist of convertible loans issued but for which payment had not yet been received as of April 30, 2018.

NOTE 21 SHARE CAPITAL

Specifications of changes in equity are presented in this report for the Group immediately after the statement of financial position and for the Parent Company immediately after the balance sheet. The total number of shares as of April 30, 2018 was 176,406,372 type A (126,098,166 as of April 30, 2017) with a quota value of SEK 0.10 per share. All issued shares have been fully paid for. The development of the number of shares since May 1, 2016 is shown below.

	NUMBER OF SHARES	SHARE CAPITAL, SEK
Opening balance, May 1, 2016	**107,209,310**	**10,720,931**
2016 Private placement*	8,750,000	875,000
2016 Offset issue**	3,080,000	308,000
2017 Conversion of convertible loan	7,058,856	705,886
Closing balance, Apr 30, 2017	**126,098,166**	**12,609,817**
2017 Rights issue	50,308,206	5,030,821
Closing balance, Apr 30, 2018	**176,406,372**	**17,640,638**

* Private placement to a limited number of investors.

** Offset of liability deriving from acquisition of intangible assets.

NOTE 22 OTHER CURRENT LIABILITIES

	GROUP		PARENT COMPANY	
TSEK	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Cash payments for warrants that proved to be invalid	1,480	3,053	-	-
Employee withholding tax/social security contributions	1,848	2,106	1,848	2,106
Other	176	197	174	197
Total	**3,504**	**5,356**	**2,022**	**2,303**

NOTE 23 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
TSEK	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Accrued personnel costs	6,999	10,471	6,999	10,471
Accrued costs for clinical trials	5,057	7,747	5,057	7,747
Accrued interest expenses	6,579	4,431	6,579	4,431
Other accrued expenses	4,384	2,683	4,373	2,679
Deferred income	-	962	-	962
Total	**23,019**	**26,294**	**23,008**	**26,290**

NOTE 24 CONTINGENT LIABILITIES AND PLEDGED ASSETS

Contingent liabilities

During the financial year 2016/17 warrants were issued in programmes for the Board and management. As these were invalid, however, an Extraordinary General Meeting on June 2, 2017 adopted a resolution whereby these programmes were cancelled. A possible consequence of the programmes being invalid and cancelled could be that the company's income statement is negatively impacted. However, it is difficult to estimate or determine the sum total of this eventuality. This disclosure is therefore made without specifying any impact on the income statement.

The Parent Company has given a guarantee to a former employee regarding any costs deriving from employment at Oasmia that might possibly affect this former employee at a later date.

A claim has been filed against Oasmia by one of its suppliers which the company has contested in its entirety. It is difficult to evaluate a likely outcome or cost as a result of the claim. The best assessment of the Board and management is that the company might be impacted by a cost amounting to approximately MSEK 10 in the event of a negative outcome of a potential legal dispute.

Pledged assets

The Parent Company has taken out a chattel mortgage of TSEK 8,000 (8,000) with a bank as collateral for an overdraft facility of TSEK 5,000 (5,000) and as the limit for a foreign currency derivative of TSEK 3,000 (3,000).

NOTE 25 CASH FLOW STATEMENTS

Adjustments for non-cash items

		GROUP		PARENT COMPANY	
TSEK	NOTE	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Depreciation, amortization, impairment and disposals: non-current assets	11, 12	5,350	4,508	5,350	4,508
Impairment of inventories	7	1,070	5,736	1,070	5,736
Bad debt loss	18	-	5,066	-	5,066
Total		**6,420**	**15,310**	**6,420**	**15,310**

Inflow from convertible loan

		GROUP		PARENT COMPANY	
TSEK	NOTE	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Convertible loan 2016:2	18	-	42,000	-	42,000
Convertible loan 2017:1	18	-	42,000	-	42,000
Convertible loan 2017:3	18	21,000	-	21,000	-
Total		**21,000**	**84,000**	**21,000**	**84,000**

Inflow from new share issues

			GROUP		PARENT COMPANY	
TSEK	NUMBER OF SHARES	NOTE	APR 30, 2018	APR 30, 2017	APR 30, 2018	APR 30, 2017
Private placement in October 2016	8,750,000	21	-	70,000	-	70,000
Rights issue in July 2017	50,308,206	21	159,282	-	159,282	-
Summa			**159,282**	**70,000**	**159,282**	**70,000**

NOTE 26 TRANSACTIONS WITH RELATED PARTIES

Group companies

The Group consists of the Parent Company Oasmia Pharmaceutical AB, the Swedish subsidiaries Qdoxx Pharma AB and Oasmia Incentive AB (formerly Oasmia Animal Health AB), AdvaVet, Inc. (formerly Oasmia Pharmaceutical, Inc.) in the US, Oasmia Pharmaceutical Asia Pacific, Ltd based in Hong Kong, and Oasmia RUS LLC in Russia. The subsidiaries are 100% owned, except for Oasmia RUS, which is 80% owned. The subsidiaries are thus under the control of the Parent Company. For further information on the Group, please refer to Note 27 Holdings in Group companies.

Transactions between Parent Company and subsidiaries

There have been no sales of goods between the Parent Company and the subsidiaries, either during this year or the previous year.

Transactions between Parent Company and Swedish subsidiaries

The following table shows the loan transactions during the year between the Parent Company and the Swedish subsidiaries and the opening and closing liabilities:

	QDOXX PHARMA		OASMIA INCENTIVE	
TSEK	2017/18	2016/17	2017/18	2016/17
Parent Company's opening liabilities	62	99	1,601	204
Transactions during the year	-20	-37	1,140	1,397
Parent Company's closing liabilities	**42**	**62**	**2,741**	**1,601**

The Parent Company made a shareholders' cash contribution of TSEK 50 to Qdoxx during the year.

A shareholders' contribution was also made to Oasmia Incentive AB during the year. This consisted of 5,543,182 warrants with a value of TSEK 1,485. These warrants have been resold by Oasmia Incentive AB to the Board and management of Oasmia Pharmaceutical AB (see also under "Transactions with key people in senior positions".

Transactions between the Parent Company and AdvaVet, Inc, USA

The Parent Company paid a shareholders' contribution of TUSD 17 during the year, which was reported in the Parent Company as Holdings in Group companies of TSEK 145, and also issued a loan of TUSD 70, of which TUSD 7 has been repaid. The net amount of TUSD 63, the Parent Company's outstanding receivable at April 30, 2018, is reported as Receivables from Group companies of TSEK 545.

The Parent Company recharged expenses of TUSD 40 in total to AdvaVet during the year, corresponding to TSEK 325, which had been paid at April 30, 2018.

NOTE 26 cont. →

CONT. NOTE 26 TRANSACTIONS WITH RELATED PARTIES

Transactions between the Parent Company and Oasmia Pharmaceutical Asia Pacific, Ltd, Hong Kong
The Parent Company made a shareholders' contribution of THKD 87 to Oasmia Pharmaceutical Asia Pacific during the year. This was initially reported in the Parent Company as Holdings in Group companies of TSEK 97 but was written down by TSEK 47 to TSEK 50 at April 30, 2018. There were no dealings between the companies at April 30, 2018.

Transactions between the Parent Company and Oasmia RUS, Russia
The Russian subsidiary, which is 80 percent owned, was founded during the year. The Parent Company purchased services from this subsidiary for TEUR 60 during the year, which has been recorded as TSEK 591. There were no dealings between the two companies at April 30, 2018.

Transactions with key people in senior positions

For salaries and remuneration to the Board and senior executives, please refer to Note 10.

In accordance with a resolution adopted at the Extraordinary General Meeting on June 2, 2017 concerning the issue of warrants, 5,543,182 warrants were issued and paid as a shareholders' contribution to Oasmia Incentive (see above). These warrants were resold by Oasmia Incentive AB to Oasmia Pharmaceutical AB's Board and senior management for between SEK 0.17 and SEK 0.22 per warrant, depending on the market value at the time of each individual issue. These warrants generated equity of TSEK 1,171 for Oasmia.

There were no other transactions with key persons.

Financial loan transactions with related parties

At April 30, 2018 there was a credit facility of TSEK 40,000 (40,000) available to Oasmia from Alceco International S.A., the company's second largest shareholder. If the facility is utilized the interest rate is 5%. This credit facility was completely unused at April 30, 2018, as was the case at April 30, 2017.

After the rights issue carried out in July 2017, Arwidsro Investment AB is Oasmia's largest shareholder. In connection with the share issue Arwidsro guaranteed a certain amount and thus received a guarantee commission of TSEK 4,490. During the year Arwidsro also received 24,193,548 warrants with a carrying amount of TSEK 8,710 as compensation for a promise of credit.

Other transactions with related parties

Ardenia Investment Ltd, which is equally controlled by Oasmia's founders Bo Cederstrand and Julian Aleksov, is registered as the applicant for and the holder of the underlying patents for Oasmia's business. Pursuant to an agreement between Ardenia and Oasmia, the rights to these patents have been transferred to Oasmia. Ardenia recharged Oasmia for administrative expenses for these patents during the year. These invoices amounted to TSEK 1,524 (1,371). New patent rights extending protection of XR17 by a further 8 years until 2036 were acquired during the year for TSEK 10,550.

There were no open dealings between Oasmia and Ardenia at April 30, 2018. At April 30, 2017 Oasmia had unpaid invoices from Ardenia amounting to TSEK 721.

NOTE 27 HOLDINGS IN GROUP COMPANIES

PARENT COMPANY	REG. NO.	DOMICILE	OWNER-SHIP %	VOTES %	BOOK VALUE APR 30, 2018	BOOK VALUE APR 30, 2017
Qdoxx Pharma AB	556609-0154	Uppsala	100	100	150	100
Oasmia Incentive AB	556519-8818	Uppsala	100	100	10	10
AdvaVet, Inc (formerly Oasmia Pharmaceutical, Inc)	E0300362015-6	Nevada, USA	100	100	145	0
Oasmia Pharmaceutical Asian Pacific, Ltd	2383363	Hong Kong	100	100	50	0
Oasmia RUS, LLC	1177746442620	Moscow	80	80	0	0
Total					**355**	**110**

	PARENT COMPANY	
TSEK	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Opening acquisition cost	11,067	11,002
Investments during the year	1,777	65
Closing accumulated acquisition cost	**12,844**	**11,067**
Opening impairment	-10,957	-10,892
Impairment for the year	-1,532	-65
Closing accumulated impairment	**-12,489**	**-10,957**
Closing carrying amount	**355**	**110**

Impairment for the year, TSEK -1,532 (-65), is recognized in the Parent Company income statement under the item Income from holdings in Group companies.

NOTE 28 ALLOCATION OF NON-RESTRICTED EQUITY

The following non-restricted equity is available for distribution by the Annual General Meeting:

SEK	APR 30, 2018	APR 30, 2017
Share premium reserve	1,232,603 020	1,074,619 456
Retained earnings	-808,607 126	-639,377 516
Income for the year	-118,963 649	-160,072 959
Total	**305,032 245**	**275,168 981**

The Board proposes that the 2018 Annual General Meeting adopts a resolution that the above amount available of SEK 305,032,245 (275,168,981) be carried forward.

NOTE 29 EVENTS AFTER CLOSING DAY

Spin-off of veterinary oncology assets to AdvaVet completed
Oasmia completed the transfer of all veterinary assets into its wholly owned, US-based subsidiary, AdvaVet Inc.

Results from Oasmia Pharmaceutical's phase III study have been presented at ASCO annual meeting
Oasmia presented the follow-up results from the study including 789 patients with platinum-sensitive recurrent ovarian cancer.

Adjustment of loan terms
The Company, Arwidsro Investment and MGC Capital agreed to extend the payment of the loan, which was communicated January 2nd, until September 30th.

Application of orphan designation of Apealea in the European Union was withdrawn
The company withdrew its application for orphan medicine concerning Apealea based mainly on the fact that the prevalence for the indication several times exceeded the threshold sat by the authorities.

The market authorisation application of Apealea in the European Union is in final phase
European Medicines Agency (EMA) who processes the market authorization application for Apealea came back after the July meeting by the Committee for Medicinal Products for Human Use (CHMP), that the remaining list of outstanding issues should be responded to in written form. The company responded to the questions in August.

Financial development after closing day
Short-term loans of TSEK 26,000 matured on May 31, 2018. Of this sum, TSEK 17,000 has been repaid up until the day of the signing of this Annual Report. The remaining TSEK 9,000 has been extended after closing day to September 30, 2018.

Short-term loans of TSEK 6,000 matured on June 30, 2018. These have been extended after closing day to September 30, 2018.

On July 31, 2018 the loan from Nexttobe including interest and totalling TSEK 109,699 matured. This sum has not yet been paid. Negotiations are being held with Nexttobe and the loan will be repaid no later than September 30, 2018. As has been communicated previously as well as in this Annual Report (see note 18), Oasmia has promises of credit to cover repayment to Nexttobe. The prerequisites for these promises of credit are that the normal conditions are met, including that at the time Oasmia has sufficient financial means to conduct its business during the subsequent 12-month period (without taking the loans from Arwidsro and the other lender MGC Capital into consideration) and that there is no reason to believe that Oasmia will not be able to meet its obligations under the terms of the loan agreements.

NOTE 30 KEY DEFINITIONS

In addition to the key ratios that can be directly seen from the financial statements, the following key definitions are used in this Annual Report:

Equity per share:	Equity as a ratio of the number of shares at the end of the period.
Equity/assets ratio:	Equity as a ratio of total assets.
Net liability:	Total borrowings (comprising the balance sheet items Liabilities to credit institutions, Convertible loans and Other borrowings) with deduction of cash and cash equivalents and short-term investments.
Debt/equity ratio:	Net liability as a ratio of equity.
Return on total assets:	Operating income plus financial income as a percentage of the average balance sheet total.
Return on equity:	Income before taxes as a ratio of average equity.

The key definitions found above are generic definitions often used in analyses and comparisons between different companies. They are therefore given to enable the reader to rapidly and summarily evaluate Oasmia's financial situation and possibly compare with other companies.

These have been calculated as follows:

	MAY 1, 2017 - APR 30, 2018	MAY 1, 2016 - APR 30, 2017
Equity per share		
Equity at end of period, TSEK	345,042	300,371
Number of shares at end of period, in thousands	176,406	128,620
Equity per share, SEK	**1.96**	**2.33**
Equity/assets ratio		
Equity at end of period, TSEK	345,042	300,371
Balance sheet total at end of period, TSEK	568,074	521,583
Equity/assets ratio	**61%**	**58%**
Net liability, TSEK		
Convertible loans	52,841	66,307
Other borrowings	134,419	102,419
Total borrowings	**187,260**	**168,725**
Cash and cash equivalents	15,580	28,001
Total cash, cash equivalents and short-term investments	**15,580**	**28,001**
Net liability	**171,680**	**140,724**
Debt/equity ratio		
Net liability, TSEK	171,680	140,724
Equity, TSEK	345,042	300,371
Debt/equity ratio	**50%**	**47%**
Return on total assets		
Operating income plus financial income, TSEK	-103,623	-140,396
Balance sheet total at beginning of period, TSEK	521,583	515,579
Balance sheet total at end of period, TSEK	568,074	521,583
Average balance sheet total, TSEK	544,828	518,581
Return on total assets	**-19%**	**-27%**
Return on equity		
Income before taxes, TSEK	-118,013	-160,243
Equity at beginning of period, TSEK	300,371	326,053
Equity at end of period, TSEK	345,042	300,371
Average equity, TSEK	322,706	313,212
Return on equity	**-37%**	**-51%**

SIGNING OF THE ANNUAL REPORT

The Board of Directors and Chief Executive Officer hereby provide assurance that the consolidated accounts have been presented in accordance with international financial reporting standards, IFRS, as they have been adopted by the EU, and give a true and fair view of the financial position and results of the Group. The Annual Report is presented in accordance with generally accepted accounting principles and gives a true and fair view of the financial position and results of the Parent Company. The Administration Report for the Group and Parent Company gives a true and fair view of the development of the Group's and the Parent Company's activities, position and results, and describes significant risks and uncertainty factors to which the Parent Company and the companies that are part of the Group are subject.

The income statements and balance sheets will be presented for adoption by the Annual General Meeting on September 25, 2018.

Uppsala, August 23, 2018

JULIAN ALEKSOV
Board member and chairman

LARS BERGKVIST
Board member

BO CEDERSTRAND
Board member

ALEXANDER KOTSINAS
Board member

PER LANGÖ
Board member

MIKAEL ASP
CEO

Our audit opinion was submitted on August 24, 2018

ERNST & YOUNG AB

FREDRIK NORRMAN
Authorized Public Accountant

AUDITOR'S REPORT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF OASMIA PHARMACEUTICAL AB (PUBL), CORPORATE IDENTITY NUMBER 556332-6676

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Oasmia Pharmaceutical AB (publ) except for the corporate governance statement on pages 32-35 for the financial year 1 May 2017 – 30 April 2018. The annual accounts and consolidated accounts of the company are included on pages 23-68 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 April 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 32-35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the information in the administration report, note 3, 18 and 29, which describes that the company is dependent on capital contribution or other financing to be able to continue as going concern. If the company not obtains financing as the board of directors expect there is a significant risk for the company's ability to continue as going concern.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of capitalized development costs

Description

The company develops pharmaceuticals in human and veterinary oncology. The product development aims at producing new drugs that, compared with existing options, have improved properties, improved side effects profile, and wider uses. Product development is based on the company's own research and patents. The development of drugs takes many years to complete and is consuming a lot of time and resources from the company.

During the development phase of these drugs, expenses are activated if certain criteria are met. As of April 30, 2018, the company has around SEK 426 million in capitalized development costs in its balance sheet. The company conducts an impairment test annually, and at the time when impairment indicators have been identified, an impairment test is used to assess whether the recoverable amount of these assets exceeds the book value.

The recoverable amount of each type of drug candidate is determined as the value in use, which is calculated on the discounted present value of future cash flows. Key assumptions in these calculations are the date of approval of the supervisory authority, the risk of approval not being obtained, future growth, gross profit, and applied discount rate. The process is by nature based on estimates and assessments, not least because it is based on estimates of how the company's operations will be affected by future market developments, financial events, future research development and the underlying calculations are complex.

Impairment testing is a complex process and includes a high degree of assessment of future cash flows and other assumptions. The degree of assessment becomes extraordinarily high in a development company that has not yet received approval for its products and where there is no established sales history yet. We have therefore assessed that valuation of balanced development costs is a key audit matter.

How our audit addressed this key audit matter

In our audit, we have evaluated and reviewed key assumptions, application of recognized valuation theory, discount rate (referred to as WACC - Weighted Average Cost of Capital) and other source data used by the company by comparing with external data sources, such as expected inflation or assessments of future market growth and by assessing the sensitivity of the company's valuation model. We have used the required valuation specialists in our team in conducting our audit. We have specifically focused on the sensitivity of the calculations and have made an independent assessment of whether there is a risk that reasonably likely events will give rise to a situation where the recoverable amount would be less than the reported values. In this assessment, we also assessed the company's historical forecast ability. Finally, we have assessed whether the disclosures given in Note 5 ("Capitalized development costs") in the Company's notes are appropriate, especially as regards the information on which of the stated assumptions are most sensitive when calculating the value in use

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-22 and 71-74. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Oasmia Pharmaceutical AB (publ) for the financial year 01 May 2017 – 30 April 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 32-35 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 24 August, 2018
ERNST & YOUNG AB

FREDRIK NORRMAN
Authorized Public Accountant

QUARTERLY DATA – GROUP

TSEK		Q1 MAY-JUL	Q2 AUG-OCT	Q3 NOV-JAN	Q4 FEB-APR	FULL YEAR MAY-APR
Net sales	2017/18	20	1,651	656	843	3,169
	2016/17	36	56	36	44	172
Change in inventories of products in progress and finished goods	2017/18	-8	-7	-9	-1,427	-1,450
	2016/17	378	-1,377	1,906	-2,313	-1,405
Capitalized development costs	2017/18	2,204	1,998	2,483	2,472	9,157
	2016/17	1,680	1,718	2,203	1,421	7,022
Operating expenses	2017/18	-30,670	-27,217	-28,355	-30,204	-116,352
	2016/17	-34,647	-36,459	-39,107	-36,698	-146,691
Operating income	2017/18	-28,421	-22,129	-25,158	-28,017	-103,724
	2016/17	-32,343	-35,867	-34,861	-37,411	-140,482
Income after tax	2017/18	-31,713	-25,094	-29,120	-32,086	-118,013
	2016/17	-36,921	-41,343	-39,897	-42,082	-160,243
Earnings per share, SEK*	2017/18	-0.23	-0.14	-0.16	-0.18	-0.71
	2016/17	-0.33	-0.38	-0.33	-0.34	-1.39
Weighted average number of shares, in thousands*	2017/18	136,675	175,360	176,406	176,406	166,196
	2016/17	109,353	109,353	120,622	121,905	115,254
Equity per share, SEK*	2017/18	2.35	2.22	2.06	1.96	1.96
	2016/17	2.65	2.76	2.47	2.33	2.33
Equity/assets ratio, %	2017/18	65	69	65	61	61
	2016/17	56	57	57	58	58
Net liability	2017/18	32,400	69,402	113,618	171,680	171,680
	2016/17	133,813	131,503	141,597	140,724	140,724
Debt/equity ratio, %	2017/18	8	18	31	50	50
	2016/17	46	44	47	47	47
Number of employees at year-end	2017/18	61	58	58	58	58
	2016/17	77	77	77	66	66

* Recalculation of historical values has been done taking into account capitalization issue elements in the rights issues carried out in the financial year 2017/2018.

GLOSSARY

API	Active pharmaceutical ingredient.
Chemotherapy	Treatment of cancer using cytostatics (cytotoxins).
CIS	Commonwealth of Independent States. Consists today of Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldavia, Russia, Tajikistan, and Uzbekistan.
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, mainly with respect to rare side effect symptoms.
Cytostatics	Cytotoxins, drugs against tumour disease.
Cytotoxic	Toxic to cells.
EMA	European Medical Agency.
Excipient	Platform, carrier molecule.
FDA	Food and Drug Administration. The US drug regulator.
Incidence	Number of diagnosed cases of a 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.
Lymphoma	Lymph node cancer
Malignant melanoma	A serious and metastasizing form of skin cancer.
Mast cell	A type of cell found in connective tissue throughout the body.
Mastocytoma	A form of skin cancer.
Micelle	Spherical structures with the ability to form aggregates.
MUMS	Minor Uses / Minor species. FDA-designation that provides an incentive to develop drug candidates intended to treat rare diseases or diseases in a limited number of species.
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.
Orphan Drug	Pharmaceutical for treatment of a disease with a small patient group.
Paclitaxel	The first taxane to be isolated from a yew tree. One of the most common cytostatics used today.
Pharmacokinetics	The study of the distribution and metabolism over time of a drug or other substance in the body.
Pre-clinical phase	Selection of drug candidates. The selected candidate is tested with respect to specificity, efficacy and safety.
Retinoid	Vitamin A-like acid
SME	Small and medium enterprises.
Surfactant	Molecule consisting of one polar water-soluble component and one non-polar lipid-soluble component.
Taxane	A group of chemicals originally derived from the yew tree. The group is one of the compounds most commonly used against tumour diseases today.
Taxol	The first drug to contain paclitaxel.
Toxic	Poisonous.
WHO	World Health Organization, the UN agency for global health.

OASMIA PHARMACEUTICAL AB
Corporate ID number 556332-6676
Vallongatan 1, 752 28 Uppsala
Switchboard +46 18 50 54 40
Fax +46 18 51 08 73
Email address info@oasmia.com
www.oasmia.com