

# Oasmia Pharmaceutical AB (publ)

## Interim report for the period May–October 2007

Positive development and a strong 2008 for Oasmia

### The period May–Oct 2007 in brief

- Net sales for the group amounted to - 21 506 SEK, thousands (3 653 SEK, thousands)
- Operating profit/loss before depreciation amounted to - 15 129 SEK, thousands (-3 836 SEK, thousands)
- Operating profit/loss amounted to -16 453 SEK, thousands (- 5 066 SEK, thousands)
- Profit before tax for the period amounted to -16 803 SEK, thousands (- 5 390 SEK, thousands)
- Earnings per share after tax for the period amounted to - 0,53 SEK (- 0,17 SEK)

### Second Quarter Aug–Oct 2007

- Net sales for the group amounted to 13 960 SEK, thousands (2 313 SEK, thousands)
- The profit before tax for the period amounted to - 8 863 SEK, thousands (1 780 SEK, thousands)
- Earnings per share after tax for the period amounted to - 0,28 SEK (0,06 SEK)

### Key events during the period

On September 18 Oasmia was listed on NGM Equity. The purpose with the listing was to improve the prerequisites for trade with the company shares, especially for institutional and international investors.

During the month of September the results from the Phase I/II-study with the cancer drug Paclical® was presented at the European Cancer Conference (ECCO 14) in Barcelona.

During the same month, the results from the Phase I/II-study with the cancer drug Paclical® Vet were presented at the European Veterinary Congress ECVIM-CA Congress in Budapest.

The Oasmia general annual meeting on September 7th adopted the board's proposal of private placement. After the realization the share capital has increased with SEK 152 369 to a total of SEK 3 337 500 and the number of shares increased with 1 523 690 to 33 375 000 in total.

During the month of October a comparative pharmacokinetic study on Paclical® versus Taxol® (BMS) was started. The study is estimated to be finished in 2008. The company considers this study to be important for the future international registry process.

The company has increased the number of employees and strengthened its organization: Especially within clinical trials and production but also within the division of Regulatory Affairs. The number of employees has increased with 10 people during the period.



## Key events after the close of the period

Oasmia and Orion Corporation, Finland, has signed a license and distribution agreement for marketing and sales of Paclical® in the Nordic countries. The agreement states that Orion holds exclusive rights for distribution and sales in the region. Orion also holds first right of refusal to another pharmaceutical candidate from the Oasmia product portfolio in the same region. The agreement states that Oasmia receives 4 million Euro as an up-front payment and after successful development and registration of the pharmaceutical, as well as royalties on all sales. Oasmia will be responsible for clinical development, registration and production of Paclical®.

Several negotiations with international partners concerning licensing of Paclical® and Paclical® Vet which initiated earlier in the year are far-reaching. The company's aim is to close other negotiations with business partners during 2008.

The results from the clinical Phase I/II-study with Paclical® Vet were presented at the annual veterinary congress Veterinary Cancer Society Congress in Florida during the month of November.

The company has continued recruiting personnel, mostly within Quality Assurance but also within Research and Development.

## Share capital development

Year	Event	Quota value*	Increase in number of shares	Increase in share capital	Total number of shares	Total share capital
1988	Formation of company	100	1 000	100 000	1 000	100 000
2006	Issue of new shares	0,10	31 850 310	3 185 131	31 851 310	3 185 131
2007	Issue of new shares	0,10	1 523 690	152 369	33 375 000	3 337 500

\*Quota value replaces nominal amount. Quota value = Share capital/number of shares

## Future development

The company continues to develop the existing product portfolio for entrance in clinical phase in the best way. The pharmaceutical Paclical® and Paclical® Vet are both in an advanced stage of clinical testing reaching Phase III and registration.

## Business activities

The main business activity in the parent company Oasmia Pharmaceutical AB (publ) consists of research, development and production of in-house pharmaceuticals with an emphasis on oncology. Focus lies on human and veterinary oncology where the company has a solid product portfolio. The company office, research and production facility is situated in Uppsala, Sweden.



Oasmia owns 100 % of the subsidiary Qdoxx Pharma AB. The company's main business activity consists of parallel import of pharmaceuticals. The business idea of Qdoxx Pharma is to import and provide qualitative and price worthy pharmaceuticals on the Swedish market. Qdoxx Pharma has had a positive development trend during the period. Net sales has increased to 21 467 SEK, thousands (3 367 SEK, thousands). The management has a positive view on the company development during the coming year. Oasmia also holds a 51 % share of the company GlucoGene Pharma AB. GlucoGene is a research company that has developed a novel type of xyloside. The aim is future treatment of brain tumours. The xylosides is currently in pre-clinical phase.

## Research and Development

The Oasmia Pharmaceutical AB research and development activity is mainly directed towards human and veterinary oncology. The company research on the natural ageing and death of the cell has formed the platform for the development of the company's solid product portfolio, containing among others the unique pharmaceutical Paclical® and Paclical® Vet. The basis for the Oasmia product portfolio is a group of novel, unique and patented substances. One of these, XR-17, is specifically designed with the property to form micelles around the active part of the pharmaceutical. Oasmia's XR-17 can be used together with a variety of different substances in order to improve their profile and effect, especially substances that are sparsely water-soluble. The pharmaceuticals in the company product portfolio are all based the excipient XR-17.

## Product portfolio

The company product portfolio consists of Paclical® and Paclical® Vet for veterinary use as well as the products Docecal®, Doxophos® and Carbomexx®. Oasmia sees its main task to implement the progression of the clinical Phase III programme for Paclical® and Paclical® Vet during Q4-07/Q1Q2-08. Docecal®, Doxophos® and Carbomexx® are on the verge of entering clinical phase I/II- studies. These products covers theoretically 80 % of the standard treatments used today for the most common forms of cancer. Oasmia holds world-wide patents for all products.

## Market

Of the total market for cytostatics, Paclical® is part of the group taxanes to which pharmaceuticals such as Taxol®, Taxotere® and Abraxane® belongs. The market size for this group is about 2.5 billion USD in 2007 with an estimated annual growth of about 5 %. The prognosis for nanoparticle taxanes the coming five years are estimated to about 40 % of the total taxane market.

## FINANCIAL INFORMATION

### Group income statement in brief

	2007	2006	2007	2006	2006/07
SEK, thousands	Aug-Oct	Aug-Oct	May-Oct	May-Oct	May-April
Net sales	13 960	2 313	21 506	3 653	22 387
Profit after tax	-8 863	1 780	-16 803	-5 390	-11 752
Basic and diluted earnings per share, SEK	-0,28	0,06	-0,53	-0,17	-0,37

### Net sales

Group net sales for the period amounted to 21 506 SEK, thousands (3 653 SEK, thousands). The increase compared to the corresponding period previous year are attributable to an increase in sales of parallel imported pharmaceuticals in the subsidiary Qdoxx Pharma AB.



**Capitalized expenses for research**

During the period, costs amounting to 3 652 SEK thousands (6 594 SEK, thousands) have been capitalized with respect to Phase III-study.

**Purchase of raw materials and goods for resale**

Costs for purchase of raw materials and goods for resale are attributed in the most part to the activity parallel import.

**Other external costs**

External costs during the period are attributed to in the most part products under development that are in Phase I and II. Costs during the period are also attributed to material and labour costs for the construction of a new clean room and auditing and consulting costs in connection to change in accounting policies.

**Personnel costs**

During the period the number of employees has increased with 10 persons to 39 persons at the close of the period.

**Depreciation**

The depreciations for the period amounted to 1 325 SEK, thousands (1 230 SEK, thousands).

**Liquid assets**

The liquid assets amounted to 4 173 SEK, thousands (1 668 SEK, thousands) at the close of the period.



**Group Income statement**

SEK, thousands	Note	2007 Aug-Oct	2006 Aug-Oct	2007 May-Oct	2006 May-Oct	2007 May-April
Net sales	2	13 960	2 313	21 506	3 653	22 387
Work performed by the company for its own use and capitalized		1 855	6 594	3 652	6 594	14 484
Raw material, consumables and goods for resale		-14 068	-1 752	-22 608	-3 899	-22 621
Other external costs		-5 959	-2 348	-10 138	-5 745	-12 154
Employee benefit expenses		-3 802	-2 250	-7 541	-4 439	-10 559
Depreciation/amortization and impairment		-669	-592	-1 325	-1 230	-2 521
<b>Operating profit/loss</b>		<b>-8 683</b>	<b>1 964</b>	<b>-16 453</b>	<b>-5 066</b>	<b>-10 986</b>
Financial income		0	3	2	8	21
Financial expenses		-180	-187	-351	-332	-787
Financial items profit/loss		-180	-185	-349	-324	-766
<b>Profit before tax</b>		<b>-8 863</b>	<b>1 780</b>	<b>-16 803</b>	<b>-5 390</b>	<b>-11 752</b>
Income tax		0	0	0	0	0
<b>Profit/loss for the period</b>		<b>-8 863</b>	<b>1 780</b>	<b>-16 803</b>	<b>-5 390</b>	<b>-11 752</b>
Attributable to:						
Parent company owners		-8 862	1 781	-16 798	-5 387	-11 748
Minority share holding		-1	-1	-4	-2	-4
Basic and diluted earnings per share, calculated on the profit attributable to Parent company share holders during the period (SEK per share)		-0,28	0,06	-0,53	-0,17	-0,37



**Group Balance Sheet**

	2007 31 Oct	2006 31 Oct	2007 30 April
SEK, thousands			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19 363	19 803	19 416
Capitalized expenditure for development	18 136	6 648	14 484
Other intangible assets	7 424	7 515	7 849
<b>Current assets</b>			
Inventories	18 407	4 288	18 318
Accounts receivable – trade	8 166	1 614	4 386
Other current receivables	1 257	855	833
Prepaid expenses and accrued income	1 202	1 035	1 373
Liquid assets	4 173	1 668	22 170
<b>Total assets</b>	<b>78 128</b>	<b>43 425</b>	<b>88 830</b>
<b>EQUITY</b>			
<b>Equity and reserves attributed to parent company share holders</b>			
Share capital	3 338	3 185	3 185
Other paid-up capital	4 620	4 620	4 620
Profit/loss brought forward	45 017	19 408	61 967
<b>Minority shareholding</b>	<b>102</b>	<b>70</b>	<b>106</b>
<b>Total equity</b>	<b>53 076</b>	<b>27 284</b>	<b>69 879</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowing	8 177	6 821	5 513
Deferred tax liabilities	8	9	8
<b>Current liabilities</b>			
Liabilities to credit institutions	3 996	1 897	2 461
Borrowing	2 933	2 933	2 933
Accounts payable – trade	5 482	2 738	4 564
Other current liabilities	3 027	872	1 966
Accrued expenses and deferred income	1 428	871	1 506
<b>Total equity and liabilities</b>	<b>78 128</b>	<b>43 425</b>	<b>88 830</b>



Change in group equity

	2007 May-Oct	2006 May-Oct	2007 May-April
Bal. b/f according to the balance sheet	69 879	20 582	20 582
Profit/loss for the period	-16 803	-5 390	-11 752
Translation difference		-8	-51
Refunded share holder contribution	-61 100	-34 904	-34 904
Issue of new shares	61 100	34 904	34 904
Share holder contribution received		12 100	61 100
<b>Amount at the end of the period</b>	<b>53 076</b>	<b>27 284</b>	<b>69 879</b>



**Cash flow statement for the Group**

SEK, thousands	2007 Aug-Okt	2006 Aug-Okt	2007 Maj-Okt	2006 Maj-Okt	2007 Maj-April
<b>Operating activities</b>					
Operating profit/loss before financial items	-8 683	1 965	-16 453	-5 065	-10 984
Depreciations	668	592	1 324	1 229	2 520
Interest received	0	3	2	8	21
Interest paid	-180	-187	-351	-332	-787
<b>Cash flow from operating activities before working capital changes</b>	<b>-8 194</b>	<b>2 372</b>	<b>-15 478</b>	<b>-4 160</b>	<b>-9 231</b>
<b>Working capital change</b>					
Inventory change	1 685	-2 279	-89	-1 614	-15 645
Change in accounts receivables -trade	-3 121	-545	-3 780	-1 315	-4 087
Change in other current receivables	-289	253	-252	305	-12
Change in accounts payable -trade	2 776	1 395	920	2 112	3 937
Change in other current operating liabilities	-911	-4 833	2 517	-653	1 715
<b>Cash flow from operating activities</b>	<b>-8 055</b>	<b>-3 637</b>	<b>-16 162</b>	<b>-5 326</b>	<b>-23 322</b>
<b>Investing activities</b>					
Investments in intangible fixed assets	-1 855	-6 851	-3 612	-6 851	-15 519
Investments in property, plant and equipment	-610	-499	-886	-610	-1 136
<b>Cash flow from investing activities</b>	<b>-2 465</b>	<b>-7 350</b>	<b>-4 498</b>	<b>-7 461</b>	<b>-16 655</b>
<b>Financing activities</b>					
Share holder contribution received	0	12 100	0	12 100	61 100
Borrowings	4 000	0	4 000	0	0
Repayment of loans	-671	-644	-1 335	-1 281	-2 589
<b>Cash flow from financing activities</b>	<b>3 329</b>	<b>11 456</b>	<b>2 665</b>	<b>10 819</b>	<b>58 511</b>
<b>Cash flow for the year</b>	<b>-7 192</b>	<b>469</b>	<b>-17 995</b>	<b>-1 968</b>	<b>18 534</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11 365</b>	<b>1 199</b>	<b>22 170</b>	<b>3 635</b>	<b>3 635</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4 173</b>	<b>1 668</b>	<b>4 173</b>	<b>1 668</b>	<b>22 170</b>





### Key ratios and other information

	2007 Aug–Oct	2006 Aug–Oct	2007 May–Oct	2006 May–Oct	2006/07 May–April
Basic and diluted number of shares at the close of the period	33 375	31 851	33 375	31 851	31 851
Weighted basic and diluted average number of shares	31 868	31 009	31 860	31 005	31 429
Basis and diluted earnings per share, SEK	-0,28	0,06	-0,53	-0,17	-0,37
Equity per share, SEK	1,59	0,85	1,59	0,85	2,19
Equity/assets ratio, %	68	63	68	63	79
Return on total assets, %	-11	5	-20	-13	-18
Return on equity, %	-15	9	-27	-23	-26
Number of employees at the end of the period	39	23	39	23	29
Number of outstanding shares at the end of the period	0	0	0	0	0

### Definitions

Basic earnings per share: Earnings divided by the basic average number of shares

Diluted earnings per share: Earnings divided by the diluted average number of shares

Equity per share: Equity corresponding to number of shares

Equity/assets ratio: Equity in percent of the balance sheet total

Return on total assets: The operating profit/loss plus financial income in percent of average balance sheet total

Return on equity: Net profit/loss in percent of average equity

### Parent company income statement

	2007 Aug–Oct	2006 Aug–Oct	2007 May–Oct	2006 May–Oct	2006/07 May–April
SEK, thousands					
Net sales	0	29	39	286	973
Work performed by the company for its own use and capitalized	1 855	6 594	3 652	6 594	14 484
Raw material, consumables and goods for resale	-165	-647	-714	-721	-1 516
Other external costs	-5 747	-2 172	-9 652	-5 539	-11 431
Employee benefit expenses	-3 783	-2 205	-7 522	-4 313	-10 373
Depreciation/amortization and impairment	-614	-556	-1 212	-1 112	-2 312
<b>Operating profit/loss</b>	<b>-8 454</b>	<b>1 042</b>	<b>-15 409</b>	<b>-4 805</b>	<b>-10 175</b>
Financial income	0	4	2	8	21
Financial expenses	-79	-108	-169	-222	-486
Financial items profit/loss	-79	-104	-167	-214	-465
<b>Profit before tax</b>	<b>-8 533</b>	<b>938</b>	<b>-15 576</b>	<b>-5 019</b>	<b>-10 640</b>
Tax on profits for the period	0	0	0	0	0
<b>Profit/loss for the period</b>	<b>-8 533</b>	<b>938</b>	<b>-15 576</b>	<b>-5 019</b>	<b>-10 640</b>



Parent Company Balance Sheet

	2007 31 Oct	2006 31 Oct	2007 30 April
SEK, thousands			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19 363	19 799	19 413
Capitalized expenditure for development	18 136	6 648	14 484
Other intangible assets	6 461	6 635	6 737
Financial assets	2 100	2 024	2 100
<b>Current assets</b>			
Inventories	33	99	37
Accounts receivable - trade	0	163	93
Receivables from group companies	17 676	3 381	17 676
Other receivables	1 184	873	763
Prepaid expenses and accrued income	1 132	974	1 117
Liquid assets	4 163	1 341	20 280
<b>Total assets</b>	<b>70 248</b>	<b>41 937</b>	<b>82 701</b>
<b>EQUITY</b>			
Restricted equity:			
Share capital	3 338	3 185	3 185
Statutory reserve	4 620	4 620	4 620
Non-restricted equity:			
Share premium reserve	95 766	34 819	34 819
Profit/Loss brought forward	-32 139	-8 080	39 601
Loss for the Period	-15 576	-5 019	-10 640
<b>Total equity</b>	<b>56 009</b>	<b>29 525</b>	<b>71 585</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowing	8 177	6 821	5 513
<b>Current liabilities</b>			
Borrowing	2 933	2 933	2 933
Accounts payable	1 045	1 411	656
Other current liabilities	656	399	508
Accrued expenses and deferred income	1 428	848	1 506
<b>Total equity and liabilities</b>	<b>70 248</b>	<b>41 937</b>	<b>82 701</b>
<b>Contingent liabilities</b>	<b>8 473</b>	<b>3 473</b>	<b>8 473</b>



**Change in Parent Company equity**

	2007 May-Oct	2006 May-Oct	2007 May-April
Bal. b/f according to the balance sheet	71 585	22 444	22 444
Translation difference			-119
Refunded share holder contribution	-61 100	-34 904	-34 904
Issue of new shares	61 100	34 904	34 904
Share holder contribution received		12 100	61 100
Group contribution paid			-1 200
Profit/loss for the period	-15 576	-5 019	-10 640
<b>Amount at the end of the period</b>	<b>56 009</b>	<b>29 525</b>	<b>71 585</b>

**NOTES**

**Note 1 Accountant policies**

This interim report is established in accordance with IAS 34 Interim reporting. The group accounts and the parent company accounts has been established in accordance with the Annual Accounts act, RR 30:05, complementary accounts regulations for groups and International Financial Reporting Standards (IFRS), in accordance with the EU regulations. The group accounts has been established according to the cost method. The accounting principles are described more in detail in the company Listing Prospectus on September 18, 2007.

**Note 2 Segment reporting**

The interim period 1 May - 31 Oct 2007

SEK, thousands	Research and Development	Parallell import
Net sales	39	21 467
Work performed by the company for its own use and capitalized	3 652	0
Operating profit/loss	-15 417	-1 035

**Note 3 Essential risks and uncertainty factors**

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

**Products**

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



#### **Side-effects**

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

#### **Relations with government agencies**

The business operations of Oasmia Pharmaceuticals depend on permits granted by various government agencies, international as well as Swedish. There is a risk that a necessary permit can not be obtained without extensive investigations or an expensive modification of business operations. Oasmia strives for cost efficiency in all aspects of its operations.

#### **Competition**

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

#### **Financing and collaboration**

Oasmia is financed primarily by capital from shareholders and banks. It can not be ruled out that in the future the company will need to acquire additional capital or face worsened interest terms. Nor can the company guarantee that additional capital can be obtained. Moreover, to a certain extent, Oasmia's growth is dependent on establishing collaborative ventures with external partners in the form of industrial contracts and collaborative agreements with international pharmaceutical companies. If important collaborative ventures can not be entered into, are terminated, or do not work satisfactorily, this can have a negative effect on the company. The company's goal is to create firm agreements with its partners and long-term financial growth.

#### **Patents**

Oasmia has patents for all steps of product development the world over. There is a risk that competitors will violate these patents and that a dispute might arise. This can have a negative effect on the company.

#### **Key persons**

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

#### **Share trading**

Up until its change of list, Oasmia has been traded on NGM Nordic MTF. It is difficult to foresee what interest and trade there will be in the company's shares on NGM Equity. If trading liquidity does not develop or become lasting, this can make it difficult for shareholders to sell their shares. There is also a risk that the market price may differ significantly from today's share price on NGM Nordic MTF after the change of list.



#### DATES FOR FINANCIAL INFORMATION

Interim report May-January 2008-03-14

Year-end report 2008-06-16

This interim report has not been subjected to auditing of the company auditors.

The Board and CEO of Oasmia Pharmaceutical ascertains that the interim report gives a just overview of the parent company and the group business activities, position and results as well as describes essential risks and uncertainty factors that the parent company and the companies that are part of the group faces.

Uppsala December 14, 2007

Bo Cederstrand, Chairman  
Claes Pihl  
Peter Ström  
Julian Aleksov, Chief Executive Officer