Oasmia Pharmaceutical AB (publ)

Year-end report for the fiscal year May 1 2009 – April 30 2010

THE FISCAL YEAR May 2009 – April 2010

- Consolidated Net sales amounted to TSEK 30 741 (79 357)[1]
- Operating income amounted to TSEK -14 961 (-7 156)
- Net income after tax amounted to TSEK -17 054 (-7 105)
- Earnings per share amounted to SEK -0,48 (-0,21)
- Comprehensive income amounted to TSEK -17 054 (-7 105)
- Oasmia closed a license agreement with Nippon Zenyaku Kogyo Co. Ltd (Zenoaq) for the rights to Paccal® Vet in Japan.
- Oasmia closed a license agreement with Abbott Laboratories for the rights to Paccal® Vet in the USA and Canada.

THE FOURTH QUARTER Feb 1 – April 30 2010

- Consolidated Net sales amounted to TSEK 5 505 (8 821)
- Operating income amounted to TSEK -5 187 (-13 315)
- Net income after tax amounted to TSEK -5 387 (-13 103)
- Earnings per share amounted to SEK -0,14 (-0,39)
- Comprehensive income amounted to TSEK -5 387 (-13 103)

EVENTS AFTER CLOSING DAY

- Positive preliminary results from the completed international Phase III study with Paccal® Vet
- Björn Björnsson nominated as a new Member of the Board

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

KEY EVENTS DURING THE YEAR

OASMIA HUMAN HEALTH

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

OASMIA ANIMAL HEALTH

In April, the Company closed a license and distribution agreement with Nippon Zenyaku Kogyo Co. Ltd (Zenoaq) for the rights to Paccal Vet in Japan. Nippon Zenyaku receives exclusive marketing and distribution rights and will also be responsible for the clinical development in the region. According to the agreement, Oasmia will receive up-front and milestone payments totaling 3,25 MEUR. Oasmia will also receive royalties on all sales in the region.

In March, treatment of the last patient in the on-going Phase III study on dogs was completed and the data processing could commence. The study investigates the response rate in dogs with mastocytoma (a type of skin cancer) treated with either Paccal Vet or CCNU (active substance Lomustine). In total, 249 dogs are enrolled in the study and it has involved 26 clinics in seven European countries and in the USA. The study is the largest randomized study with a positive control substance so far within veterinary oncology and it has generated great interest internationally.

In December, Oasmia announced that the pharmaceutical candidate Doxophos® Vet for treatment of cancer in dogs is entering the clinical phase. The clinical program of Doxophos Vet is since then in development and a pilot study in laboratory dogs was started. Doxophos Vet is a unique nanoparticle formulation of the substance doxorubicin.

Oasmia announced in July that a distribution agreement has been closed with Abbott Laboratories for Paccal Vet concerning the American and Canadian veterinary markets. According to the terms of the agreement, Oasmia will receive milestone payments of 19 MUSD in total, where 5 MUSD were received when the agreement was signed. In addition, Oasmia will receive royalties on all sales. Oasmia will be responsible for clinical development, production and registration of the product and Abbott for the launch in the region.

THE COMPANY

Stock list change

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

Credit facility

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

New share issues

In November, the company performed a private placement, comprising 1 720 000 shares, to a number of selected institutional players and other major investors supported by the authorization granted to the Board by the 2009 Annual General Meeting. The share issue was fully subscribed and provided the company with SEK 43 000 000 before issue expenses. The authorization provided by the Annual General Meeting is valid for one or more occasions until the Annual General Meeting 2010, but must not total more than 3 000 000 shares. The total number of convertibles supported by the authorization may not exceed the number of convertibles eligible for conversion to 3 000 000 shares.

In August, the company performed a new share issue comprising 2 392 858 shares with preferential rights for current shareholders, based on a resolution by the Extraordinary General Meeting held on July 8, 2009. The share issue was fully subscribed and provided the company with SEK 59 821 450 before issue expenses. About MSEK 31.1 of the issue payment were made in cash and about MSEK 28.7 were offset against a liability to Oasmia S.A.

The Board of Directors revises the company financial goals

The Board of Directors has revised the company goals concerning debt/equity ratio and liquidity reserve. The previous goals stated that the debt/equity ratio may not exceed 12 % and that the company should maintain a liquidity reserve in the form of unused bank credits of at least 5 % of the company annual sales. The Board has set a new goal which states that the debt/equity ratio may not exceed 50 % and has further decided that the liquidity reserve goal shall be omitted (see Financial Prospects).

EVENTS AFTER CLOSING DAY

Positive clinical Phase III results

In May 2010, Oasmia announced results form the extensive multinational Phase III study with Paccal Vet on dogs with mastocytoma. The results show that treatment with Paccal Vet gives a significant better effect compared to the active substance Lomustine, which is a standard treatment for mastocytoma used today. Furthermore, both treatment regimens showed the same amount of side-effects, but the negative effects on the liver were significantly reduced for the group treated with Paccal Vet. This study is the largest study so far within veterinary oncology in the world, totaling 249 treated dogs.

Björn Björnsson nominated as new Member of the Board

In May 2010, the company nomination committee announced that Björn Björnsson will be nominated as a new Member of the Board at the Annual General Meeting 2010. Björn has been a consultant for many years within finance and is Chairman of the Board in Bure Equity AB. Björn is also Member of the board in AcadeMedia, Carnegie and H Lundén Kapitalförvaltning.

FINANCIAL PROSPECTS

The Board has set a goal which states that the debt/equity ratio should not exceed 50 %. At the end of the period, the debt/equity ratio was 7 %.

The company is currently discussing license and distribution agreements with several different parties for other indications and geographical markets, and for the company's other product candidates. The goal is to close at least one new essential license and distribution agreement before the end of August 2010.

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

The agreement closed with Nippon Zenyaku Kogyo Co. Ltd concerning Paccal Vet should not be considered essential from a financial perspective. The agreement is important from a business perspective, but it has a limited financial importance in the short term. In the long term, when Nippon Zenyaku Kogyo Co. Ltd. has performed clinical trials, submitted an application and later gained approval, and thereafter started sales of the product in Japan, the agreement is expected to have a financial effect on Oasmia. The fact that Oasmia view the agreement as non-essential means that the company's financial goals remain unchanged.

BUSINESS ACTIVITIES

Oasmia is developing a new generation of pharmaceuticals, with focus on human and veterinary oncology. The main business aims to prolong the life cycle of pharmaceuticals used today, by developing novel formulations which improve the properties of the pharmaceutical and/or extend its area of use. In-house research within bio-organic chemistry and patents forms the basis for the company's highly set goals. In addition to the strategic focus on oncology, Oasmia conducts some basic research in therapeutic areas such as infection, asthma and neurology.

Oasmia's clinical trials are managed by employees with several years experience in the Regulatory field. Manufacture of products for clinical trials is performed in the company facilities in Uppsala.

FINANCIAL INFORMATION

Consolidated Income Statement in brief

TSEK	2010 Feb-April	2009 Feb-April	2009/10 May-April	2008/09 May-April
Net sales	5 505	8 821	30 741	79 357
Capitalized development cost	21 010	13 544	80 643	36 057
Operating income	-5 187	-13 315	-14 961	-7 156
Net income after tax	-5 387	-13 103	-17 054	-7 105
Earnings per share (SEK), before and after dilution	-0,14	-0,39	-0,48	-0,21
Comprehensive income for the period	-5 387	-13 103	-17 054	-7 105

Net sales

Net sales for the year amounted to TSEK 30 741 (79 357) and consisted mostly of license revenues from a recently closed license and distribution agreements, TSEK 28 421 (30 347). The reduced net sales is mainly the result of a reduction in sales of parallel imported pharmaceuticals, TSEK 1 924 (48 466).

For the fourth quarter, net sales amounted to TSEK 5 505 (8 821) and consisted of license revenues.

Capitalized development cost

Capitalized development cost consists of the parent company's venture in clinical Phase III trials. They amounted in the year to TSEK 80 643 (36 057). The significant increase is the result of that the clinical studies for the product candidates Paclical® and Paccal Vet were proceeding in full scale for most of the year. For Paccal Vet, the final treatments in the clinical studies were completed in the fourth quarter at the same time as the data review and the registration process intensified.

For the fourth quarter, capitalized development cost amounted to TSEK 21 010 (13 544).

Operating expenses

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

Raw materials, consumables and goods for resale were reduced to TSEK 18 842 (56 591) in the year. In the fourth quarter, they amounted to TSEK 5 245 (15 457). The reduced costs are completely attributable to the reduced parallel import. In the year, an impairment of the inventory within parallel import was made by SEK 300 (461) but none in the fourth quarter.

The intensified development activity, mainly in clinical trials, resulted in that Other external expenses increased significantly in the year, as they amounted to TSEK 74 412 (37 349). Of these, TSEK 52 145 (20 185) are expenses for clinical Phase III studies and have been capitalized as development costs. In the fourth quarter, Other external expenses amounted to TSEK 17 263 (12 168).

The number of employees increased in the year from 55 to 64 and Employee benefit expenses amounted to TSEK 29 413 (25 658). For the fourth quarter, Employee benefit expenses amounted to TSEK 8 170 (7 186).

Net income after tax

Net income after tax amounted to TSEK – 17 054 (- 7 105) for the fiscal year. The reduced income is mainly attributable to the expansion of workforce, product development and production resources. Net income after tax for the fourth quarter amounted to TSEK -5 387 (-13 103).

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

Financial position

Consolidated liquid assets amounted to TSEK 5 372 (998) as of April 30 2010. Total equity at the end of the fiscal year amounted to TSEK 141 803 (61 207). The two new share issues carried out in the year resulted in an increase in equity by TSEK 97 650. As of April 30, 2010 the equity/assets ration was 79 % (63) and the debt/equity ratio 7 % (42).

Cash flow and Capital expenditures

Cash flow from operating activities amounted to TSEK -11 235 (14 276) in the year. The difference compared to previous year is mainly due to a reduction in operating income and a slight reduction in inventory compared to previous year, when the main part of the inventory in parallel import was sold.

Capital expenditures for the period amounted to TSEK 85 315 (39 511), where investments in intangible assets comprised TSEK 81 773 (36 495) and investment in property, plant and equipment TSEK 3 541 (3 014). Investments in intangible assets were comprised of capitalized expenditures in Phase III clinical trials and in patents. Investments in property, plant and equipment were mainly comprised of production equipment.

In the financing activities, 2 MUSD, TSEK 15 373, of the 5 MUSD received when the licensing and distribution agreement with Abbot was signed, are accounted for as an increase in Other non-current liabilities (see note 4).

The financing was in all other respects comprised of two new share issues and increased borrowing. The share issues provided the group with TSEK 68 912 in cash after issue expenses and the net borrowing amounted to TSEK 16 650.

The Parent company

The Parent company net sales amounted to TSEK 28 817 (30 890) for the fiscal year and income after financial items amounted to TSEK -18 401 (- 8 134). The Parent company liquid assets amounted to TSEK 5 320 (975) at the end of the year.

Key ratios and other information

	2010 Feb-April	2009 Feb-April	2009/10 May-April	2008/09 May-April
Number of shares at the close of the period (in thousands), before and after dilution*	37 613	33 735	37 613	33 735
Average number of shares (in thousands) before and after dilution*	37 613	33 735	35 800	33 674
Earnings per share in SEK, before and after dilution*	-0,14	-0,39	-0,48	-0,21
Equity per share, SEK*	3,77	1,81	3,77	1,81
Equity/assets ratio, %	79	63	79	63
Net liability, TSEK	9 467	25 844	9 467	25 844
Debt/Equity ratio, %	7	42	7	42
Return on total assets, %	neg	neg	neg	neg
Return on equity, %	neg	neg	neg	neg
Number of employees at the end of the period	64	55	64	55

*Recalculation of historical values has been made with respect to capitalization issue elements in the preferential rights share issue carried out in the second quarter 2009.

Definitions

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

Consolidated Income statement

TSEK	Note	2010 Feb-April	2009 Feb-April	2009/10 May-April	2008/09 May-April
Net sales		5 505	8 821	30 741	79 357
Capitalized development cost		21 010	13 544	80 643	36 057
Other operating income		-	-	-	224
Raw materials, consumables and goods for resale		-5 245	-15 457	-18 842	-56 591
Other external expenses		-17 263	-12 168	-74 412	-37 349
Employee benefit expenses		-8 170	-7 186	-29 413	-25 658
Depreciation/amortization and impairment		-957	-865	-3 612	-3 187
Other operating expenses		-68	-4	-68	-9
Operating income		**-5 187**	**-13 315**	**-14 961**	**-7 156**
Financial income		-4	633	411	1 464
Financial expenses		-197	-421	-2 505	-1 414
Financial items, net		**-201**	**212**	**-2 094**	**50**
Income before taxes		**-5 388**	**-13 103**	**-17 055**	**-7 106**
Taxes	2	0	0	0	0
Income for the period		**-5 387**	**-13 103**	**-17 054**	**-7 105**
Income for the period attributable to:					
Equity holders of the Parent company		-5 360	-13 101	-17 016	-7 095
Minority shareholding		-27	-2	-38	-10
Earnings per share					
Before dilution, SEK		-0,14	-0,39	-0,48	-0,21
After dilution, SEK		-0,14	-0,39	-0,48	-0,21

Consolidated Statement of Comprehensive income

TSEK	Note	2010 Feb-April	2009 Feb-April	2009/10 May-April	2008/09 May-April
Income for the period		-5 387	-13 103	-17 054	-7 105
Comprehensive income for the period		**-5 387**	**-13 103**	**-17 054**	**-7 105**
Comprehensive income for the period attributable to:					
Equity holders of the Parent company		-5 360	-13 101	-17 016	-7 095
Minority shareholding		-27	-2	-38	-10
Comprehensive Earnings per share					
Before dilution, SEK		-0,14	-0,39	-0,48	-0,21
After dilution, SEK		-0,14	-0,39	-0,48	-0,21

Consolidated statement of financial position

TSEK	Note	2010-04-30	2009-04-30
ASSETS			
Non-current assets			
Property, plant and equipment		20 665	19 858
Capitalized development cost		140 860	60 216
Other intangible assets		8 047	7 862
Financial assets		2	2
Total Non-current assets		**169 574**	**87 939**
Current assets			
Inventory	3	94	2 776
Trade receivables		60	2 337
Derivative instrument		-	231
Other current receivables		2 090	1 085
Prepaid expenses and accrued income		2 460	1 743
Liquid assets		5 372	988
Total Current assets		**10 076**	**9 161**
TOTAL ASSETS		**179 650**	**97 099**
EQUITY			
Equity attributed to equity holders in the Parent Company			
Share capital		3 761	3 350
Other capital provided		196 493	99 254
Retained earnings		-58 509	-41 493
Total		**141 746**	**61 111**
Minority shareholding		57	95
Total equity		**141 803**	**61 207**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	4	15 397	24
Deferred tax liabilities		7	7
Total Non-current liabilities		**15 404**	**31**
Current liabilities			
Liabilities to credit institutions		4 289	7 356
Short-term borrowings	5	10 550	19 476
Trade payables		2 076	3 025
Other current liabilities		1 197	1 538
Accrued expenses and prepaid income		4 332	4 465
Total Current liabilities		**22 443**	**35 861**
Total Liabilities		**37 847**	**35 892**
TOTAL EQUITY AND LIABILITIES		**179 650**	**97 099**
Contingent liabilities	6		
Pledged assets	6		

Consolidated statement of changes to shareholders' Equity

TSEK	Share capital	Other paid-up capital	Retained earnings	Minority shareholding	Total share-holders' equity
	Attributable to Equity holders in Parent company				
Opening balance as of May 1, 2008	**3 338**	**95 767**	**-34 389**	**97**	**64 812**
Comprehensive income for the period	-	-	-7 095	-10	-7 105
Shareholders' contribution received	-	3 500	-	-	3 500
Shareholders' contribution refunded	-	-3 500	-	-	-3 500
New share issue	13	3 488	-	-	3 500
Change in minority shareholdning	-	-	-9	9	0
Closing balance as of April 30, 2009	**3 350**	**99 254**	**-41 493**	**95**	**61 207**
Opening balance as of May 1, 2009	**3 350**	**99 254**	**-41 493**	**95**	**61 207**
Comprehensive income for the year	-	-	-17 016	-38	-17 054
New share issue	411	102 410	-	-	102 821
Issue expenses	-	-5 171	-	-	-5 171
Closing balance as of April 30, 2010	**3 761**	**196 493**	**-58 509**	**57**	**141 803**

Consolidated Cash flow statement

TSEK	Note	2010 Feb-April	2009 Feb-April	2009/10 May-April	2008/09 May-April
Operating activities					
Operating income		-5 187	-13 315	-14 961	-7 156
Depreciation/amortization		957	865	3 612	3 187
Impairment of inventory	3	-	-875	300	461
Disposals of intangible assets		68	4	68	9
Interest received		-4	402	411	1 233
Interest paid		-197	-421	-2 178	-1 414
Cash flow from operating activities before working capital changes		**-4 364**	**-13 339**	**-12 748**	**-3 679**
Change in working capital					
Change in inventories		0	11 904	2 383	15 884
Change in trade receivables		-52	9 061	2 277	1 722
Change in other current receivables		-563	-214	-1 722	-339
Change in trade payables		1 273	-3 161	-950	-908
Change in other current liabilities		951	-252	-475	1 596
Cash flow from current operations		**-2 754**	**3 999**	**-11 235**	**14 276**
Investing activities					
Investments in intangible fixed assets		-21 311	-10 968	-81 773	-36 495
Investments in property, plant and equipment		-2 456	-677	-3 541	-3 014
Investments in financial assets		-	-2	-	-2
Cash flow from investing activities		**-23 767**	**-11 647**	**-85 315**	**-39 511**
Financing activities					
Increase in liabilities to credit institutions		4 289	-	-	2 115
Reduction in liabilities to credit institutions		-	-245	-3 067	-
Increase in non-current liabilities	4	-	-	15 373	-
New share issue		-	-	74 083	-
Issue expenses		-	-	-5 171	-
New loans	5	10 550	7 800	25 007	16 543
Amortization of loans	5	-745	-714	-5 290	-2 814
Cash flow from financing activities		**14 094**	**6 840**	**100 934**	**15 845**
Cash flow for the period		**-12 427**	**-808**	**4 384**	**-9 390**
Cash and cash equivalents at the beginning of the period		**17 799**	**1 796**	**988**	**10 379**
Cash and cash equivalents at the end of the period		**5 372**	**988**	**5 372**	**988**

Parent Company Income statement

TSEK	Note	2010 Feb-April	2009 Feb-April	2009/10 May-April	2008/09 May-April
Net sales		5 505	80	28 817	30 890
Capitalized development cost		21 010	13 544	80 643	36 057
Other operating income	5	-	125	125	724
Raw materials, consumables and goods for resale		-5 181	-4 119	-15 869	-6 098
Other external expenses		-17 168	-11 982	-74 051	-36 474
Employee benefit expenses		-8 170	-7 186	-29 413	-25 658
Depreciation/amortization and impairment of property, plant, equipment and intangible assets		-902	-809	-3 385	-2 960
Operating income		**-4 905**	**-10 347**	**-13 133**	**-3 519**
Profit from participations in Group companies	7	-1 920	-4 000	-3 570	-5 000
Other interest revenues and similar revenues		-4	401	411	1 227
Interest cost and similar costs		-197	-334	-2 109	-842
Financial items, net		**-2 121**	**-3 933**	**-5 268**	**-4 615**
Income after financial items		**-7 025**	**-14 280**	**-18 401**	**-8 134**
Taxes	2	-	-	-	-
Income for the period		**-7 025**	**-14 280**	**-18 401**	**-8 134**

Parent company Balance Sheet

TSEK	Note	2010-04-30	2009-04-30
ASSETS			
Non-current assets			
Intangible fixed assets			
Capitalized development cost		140 860	60 216
Concessions, patents, licenses, trademarks and similar rights		7 630	7 151
Property, plant and equipment			
Equipment, tools, fixtures and fittings		20 665	19 858
Financial assets			
Participations in group companies		298	2 118
Receivables from group companies		4	-
Other securities held as non-current assets		1	1
Total Non-current assets		**169 458**	**89 344**
Current assets			
Inventories			
Raw materials and consumables		94	85
		94	85
Current receivables			
Trade receivables		60	101
Receivables from group companies	5	370	-
Other current receivables		2 019	1 052
Prepaid expenses and accrued income		2 332	1 536
		4 782	2 689
Cash and bank balances		5 320	975
Total current assets		**10 196**	**3 750**
TOTAL ASSETS		**179 653**	**93 094**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		3 761	3 350
Statutory reserve		4 620	4 620
		8 381	7 970
Non-restricted equity			
Share premium reserve		196 493	99 254
Retained earnings		-44 628	-36 495
Income for the year		-18 401	-8 134
		133 464	54 626
Total equity		**141 845**	**62 596**
Non-current liabilities			
Other non-current liabilities	4	15 373	-
Total non-current liabilities		**15 373**	**0**
Current liabilities			
Short term borrowings	5	10 550	19 476
Trade payables		2 068	1 697
Liabilities to credit institutions		4 289	-
Liabilities to group companies	5	-	3 808
Other current liabilities		1 197	1 059
Accrued expenses and prepaid income		4 332	4 458
Total Current liabilities		**22 435**	**30 498**
TOTAL EQUITY AND LIABILITIES		**179 653**	**93 094**
Contingent liabilities and pledged assets			
Contingent liabilities	6	-	8 000
Pledged assets	6	5 000	1 500

Change in shareholders' equity Parent Company

	Restricted equity			
TSEK	Share capital	Statutory reserve	Non-restricted equity	Total shareholders' equity
Opening balance as of May 1, 2008	**3 338**	**4 620**	**59 272**	**67 229**
Shareholders' contribution received	-	-	3 500	3 500
Shareholders' contribution refunded	-	-	-3 500	-3 500
New share issue	13	-	3 488	3 500
Income for the period	-	-	-8 134	-8 134
Closing balance as of April 30, 2009	**3 350**	**4 620**	**54 626**	**62 596**
Opening balance as of May 1, 2009	**3 350**	**4 620**	**54 626**	**62 596**
New share issues	411	-	102 410	102 821
Issue expenses	-	-	-5 171	-5 171
Income for the year	-	-	-18 401	-18 401
Closing balance as of April 30, 2010	**3 761**	**4 620**	**133 464**	**141 845**

Note 1 Accounting policies

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

Revised IAS 1, Presentation of Financial statements
The revision means that the company establishes a statement of comprehensive income, in which transactions not affecting shareholders are accounted for separately from other changes in equity. Oasmia has chosen to present the comprehensive income statement in a separate disposition, which is accounted for directly after the consolidated income statement. Another change is that new designations for the financial reports can be used. These are not compulsory, but Oasmia has nonetheless chosen to use new designations.

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

Note 2 Taxes

The Group has accumulated losses carried forward amounting to TSEK 96 979 (80 018) of which the Parent Company has SEK 88 312 (73 581). Of the total losses carried forward for the Group, TSEK 17 881 (17 881) are restricted for use through group contributions. This limitation will end by the 2014 tax assessment. The future tax effect of these losses carried forward has not been marked with a value and no deferred tax asset has been considered in the Balance Sheet.

Note 3 Impairment of inventory

Impairment of the Group inventory has in the period been performed with TSEK 300 (461). The impairments affect the item Raw materials, consumables and Goods for resale.

Note 4 Other non-current liabilities

Of the total accounted for Other non-current liabilities, TSEK 15 397 (24, TSEK 15 373 (-) are prepaid income attributable to the license and distribution agreement closed in July 2009. According to the agreement, 2 MUSD of the 5 MUSD received in an initial milestone payment, may be refunded if Oasmia has not obtained market authorization for Paccal® Vet before May 1, 2014. The company reviews every license and distribution agreement separately based on accounting of revenues and prepaid income. Especially terms connected to milestone payments are considered as well as other terms within the frame of such an agreement.

Note 5 Transactions with related parties

Essential transactions with related parties are disclosed below.

In the first quarter, the company raised new loans from the principal owner Oasmia S.A. amounting to TSEK 14 457 (-). As of July 31, 2009, the liability amounted to TSEK 31 000 in total. In the second quarter, TSEK 2 357 were refunded and the remaining debt (including interest), TSEK 28 739 were set off in the new share issue with preferential rights carried out in the second quarter.

The principal owner Oasmia S.A has in the period provided Oasmia with a credit facility amounting to MSEK 60. The contract credit is valid until March 2011 and is automatically renewed with 12 months if the credit is not cancelled by either part 3 months before the term expiry date at the latest. The contract interest is 6 %. The unused credit at the end of the fiscal year amounted to TSEK 10 550 (as of April 30, the company had raised loans from Oasmia S.A amounting to TSEK 16 543).

Oasmia's claim in the subsidiary Qdoxx Pharma AB amounted as of April 30, 2010 to TSEK 370 (liability as of April 30, 2009 amounted to TSEK 3 808). Oasmia has in the period made a group contribution to Qdoxx Pharma AB of TSEK 1 750 (5 000) in the fourth quarter. See also note 7. Oasmia's sales to the subsidiary Qdoxx Pharma AB amounted to TSEK 125 in the period and concerned facilities and management provided to Qdoxx by Oasmia.

Note 6 Contingent liabilities and Pledged assets

In December 2009 the Parent Company was provided with a TSEK 5 000 bank overdraft. A floating charge of corresponding amount was provided as security. The subsidiary Qdoxx Pharma AB's bank overdraft and subsidiary ledger credit of in total TSEK 8 000 was closed in December 2009. At the same time the Parent company general guarantee commitment for the benefit of the subsidiary of the corresponding amount was ended.

Note 7 Participations in group companies

Impairments of participations amounting to TSEK 3 570 (TSEK 5 000) in the wholly owned subsidiary Qdoxx Pharma AB has been made. The reason is that the business activity of the subsidiary has ended and it therefore has no documented earning power. The impairments are accounted for in the Parent company income statement in the item Participations in group companies.

Note 8 Risk factors

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

The Board of Directors and CEO of Oasmia Pharmaceutical AB ensures that this Year-end report gives a correct overview of the Parent Company and Group activities, position and result and describes essential risks and uncertainty factors that the Parent Company and the companies that are part of the Group faces.

Uppsala, June 10, 2010

Bo Cederstrand, Chariman	Claes Piehl, Member
Peter Ström, Member	Julian Aleksov, Member and Chief Executive Officer

The information in this Interim report is such that Oasmia Pharmaceutical (publ) must publish according to the code of trade in financial instruments. The information was delivered for publication on June 10, 2010.

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

Dividends

The Board of Directors does not intend to propose dividends for the fiscal year May 1 2009 – April 30 2010.

Annual Report

The Annual Report will be published on August 26 2010 and will be available at the company website www.oasmia.com. The Annual Report can also be ordered from Oasmia Pharmaceutical AB by telephone: +46 18 50 54 40 or by e-mail: info@oasmia.com

Annual General Meeting

The Annual General Meeting will be held on September 24, 2010 in the company offices in Uppsala. A notice for the meeting will be distributed four weeks before the Meeting. For more information, please see the company website www.oasmia.com.

COMPANY INFORMATION

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UPCOMING REPORT DATES

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