



October 19, 2010

## PRESS RELEASE

### **Oasmia Pharmaceutical AB announces a fully committed and underwritten rights issue of SEK 239 million**

- New share issue of approximately SEK 239 million with preferential rights to the shareholders in Oasmia Pharmaceutical AB (publ) ("Oasmia" or the "Company") (the "Rights Issue")
- 13 shares in Oasmia entitle to the subscription of 5 new shares. The Rights Issue thereby entails an issue of 14.5 million new shares
- The subscription price is set to SEK 16.5 per new share which corresponds to a discount of approximately 19.4 per cent compared to the theoretical share price following the detachment of subscription rights<sup>1</sup> based on Oasmia's closing share price on October 18, 2010
- The Rights Issue is fully guaranteed by subscription and underwriting commitments from external investors and guarantors, and from Oasmia S.A., (see *Commitments and underwriting*)
- The proceeds from the Rights Issue will be used for investments in production capacity, inventory build-up prior to the launch of Paccal<sup>®</sup> Vet and to complete the Phase III study for Paclical<sup>®</sup>

### **Background and rationale**

Oasmia develops a new generation of drugs within human and veterinary oncology. The product development aims to manufacture novel formulations based on well-established cytostatics which, in comparison to current alternatives, show improved properties, a reduced side-effect profile and an expanded therapeutic area. The product development is based on in-house research within nanotechnology and proprietary patents. The Company's product portfolio includes eight drug candidates.

The two drug candidates closest to market launch are Paclical<sup>®</sup> for treatment of ovarian cancer in humans and Paccal<sup>®</sup> Vet for treatment of mastocytoma (skin cancer) in dogs. Paclical<sup>®</sup> is currently in clinical Phase III and for Paccal<sup>®</sup> Vet Oasmia has submitted documentation for marketing approval in the EU and US markets to the EMA and FDA. Oasmia's aim is for Paccal<sup>®</sup> Vet to be launched in 2011 and Paclical<sup>®</sup> in 2012.

Oasmia's production facility in Uppsala has the capacity to produce drugs used for clinical trials up to Phase III and for limited commercial use. However, the launch of

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<sup>1</sup> The theoretical share price following the detachment of subscription rights based on Oasmia's closing share price on October 18, 2010, of SEK 22.0 amounts to SEK 20.5.

Paccal® Vet and Paclical® will require additional production capacity which is expected to be achieved through contract manufacturers. Oasmia is currently in discussions with potential partners. The costs for adjusting a contract manufacturer's production facilities to this type of production are estimated to approximately SEK 25 million. In connection with the start of production, some inventory build-up will be required, which is estimated to approximately SEK 15 million.

The patient recruitment for the ongoing Phase III study for Paclical® is estimated to be completed in the first half of 2011. Remaining costs to complete the study are estimated to approximately SEK 60 million. Thereafter, documentation will be submitted to the EMA and FDA in order to obtain marketing approval for the EU and US markets. Paclical® is expected to be launched in 2012.

In addition to Paccal® Vet and Paclical® Oasmia has six drug candidates in development phase. Costs associated with clinical studies for these drug candidates are estimated to approximately SEK 10 million until Oasmia is expected to be able to finance its operations with internally generated means. Other operating costs are estimated to approximately SEK 40 million during the same period.

The total investments and costs until Oasmia is expected to be able to finance its operations with internally generated means amount to approximately SEK 150 million.

In the light of described circumstances, Oasmia's board of directors has decided to carry out a new issue of shares of approximately SEK 239 million with preferential rights for the existing shareholders in Oasmia. Of the Rights Issue proceeds approximately SEK 70 million will be paid by an offset of a corresponding amount of the outstanding debt to Oasmia S.A.

The implementation of the Rights Issue strengthens Oasmia's financial position which in turn will give the Company a considerably improved position in future negotiations with license and distribution partners. With an improved financial position, Oasmia can await such agreements until the products concerned have reached late clinical phases, which will improve the possibility for Oasmia to shape the commercial terms of the agreements.

- We have an exciting time ahead of us. A market launch for Paccal® Vet is expected during 2011 and for Paclical® during 2012. We carry out the Rights Issue to ensure sufficient production capacity for commercial production of Paccal® Vet and Paclical®, complete the Phase III study for Paclical® and continue the clinical development of the other product candidates in our portfolio. Furthermore, the improved financial position will give us a considerably improved position in forthcoming negotiations with license and distribution partners, says Oasmia's CEO, Julian Aleksov.

## The Rights Issue

On September 28, 2010, the Annual General Meeting in Oasmia decided to authorize the board of directors in the Company to make, at one or more occasions until the next Annual General Meeting, with or without deviation from shareholders' preferential rights, new share issues of a maximum of 15 000 000 shares for cash payment and/or in kind or offset, or otherwise in accordance with chapter 13 § 7 of the Companies Act.

With consideration to the forthcoming investments in the production capacity for Paccal® Vet and Paclical®, the inventory build-up prior to the launch of Paccal® Vet, the completion of the Phase III study for Paclical®, and the planned clinical studies for the remaining six product candidates in Oasmia's development portfolio, the board of directors decided on October 18, 2010 to carry out the Rights Issue.

The shareholders in Oasmia will have preferential rights to the subscription of new shares in proportion to the number of shares held. If the Rights Issue is not fully subscribed for with preferential rights, allotment of new shares subscribed for without preferential rights will take place. Such shares will be firstly allotted to investors who have subscribed for new shares with preferential rights.

Shareholders registered in the share ledger of Oasmia at the record date will receive 5 subscription rights for each share held. 13 subscription rights entitle to subscription of 1 new share which will result in an issue of a maximum of 14,466,483 new shares corresponding to an increase in the share capital of a maximum of SEK 1,446,648.3. The subscription price is set to SEK 16.5 per share which brings total proceeds from the Rights Issue to SEK 238.7 million before the deduction of issue related expenses.

The subscription price corresponds to a discount of around 19.4 percent compared to the theoretical share price of SEK 20.5 following the detachment of subscription rights, based on Oasmia's closing price on October 18, 2010, of SEK 22.0.

The record date for participation in the Rights Issue will be October 28, 2010. Subscription for new shares will take place during the subscription period which will run from November 4, 2010 until November 19, 2010. Trading in subscription rights will take place from November 4, 2010 until November 16, 2010. The board of directors is entitled to extend the subscription period as well as the period for trading in subscription rights.

Detailed terms of the Rights Issue will be set out in the prospectus to be made public on or about October 29, 2010. The prospectus will be held available on Oasmia's web site and will be distributed to the shareholders in Oasmia.

## **Commitments and underwriting**

Oasmia's largest shareholder, Oasmia S.A., has committed to subscribe and pay for new shares in an amount of approximately SEK 83 million corresponding to approximately 35 percent of the Rights Issue through the exercise of subscription rights received. Payment for such shares will in an amount of approximately SEK 70 million be made through a set off against the claim Oasmia S.A. has on Oasmia in accordance with agreed credit facilities, and through cash payment in remaining parts.

Oasmia S.A. will transfer the remaining part of its subscription rights to a number of external investors, who have committed to use the subscription rights received to subscribe and pay for new shares in the Rights Issue in an amount of approximately SEK 70 million corresponding to approximately 29 percent of the Rights Issue.

Oasmia has entered into underwriting agreements with a number of investors, who have committed to subscribe and pay for any remaining parts of the Rights Issue that are not covered by commitments as described above and that are not subscribed for through subscription with or without preferential rights.

Through the above described subscription and guarantee commitments, the Rights Issue is fully guaranteed.

## **Indicative time table for the Rights Issue**

October 25, 2010	Last day of trading in the shares including preferential rights to participate in the Rights Issue
October 26, 2010	First day of trading in the shares excluding preferential rights to participate in the Rights Issue
October 28, 2010	Record date for participation in the Rights Issue, i.e. shareholders who are registered in Oasmia's register on this day will receive subscription rights for participation in the Rights Issue
October 29, 2010	Estimated date of publication of the prospectus
November 4 - 16, 2010	Trading in subscription rights
November 4 - 19, 2010	Subscription period
November 25, 2010	Announcement of outcome of the Rights Issue

## **Financial and legal advisors**

Carnegie Investment Bank AB is financial advisor to Oasmia and Bird & Bird Advokat KB is legal advisor to Oasmia.

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For more information regarding Oasmia, please see [www.oasmia.se](http://www.oasmia.se)

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