

Oasmia Pharmaceutical AB (publ)

Interim report for nine months, May 2007–January 2008

Promising results pushes Oasmia to next level

The period in brief

- Net sales for the group amounted to 53 224 SEK, thousands, (9 863 SEK, thousands)
- Operating profit/loss amounted to -4 822 SEK, thousands (-7 966 SEK, thousands)
- Profit after tax amounted to -4 937 SEK, thousands (- 8 430 SEK, thousands)
- Earnings per share amounted to -0,15 SEK (- 0,27 SEK)

Third quarter, Nov 2007–Jan 2008

- Net sales for the group amounted to 31 718 SEK, thousands (6 210 SEK, thousands)
- Operating profit/loss amounted to 11 632 SEK, thousands (-2 900 SEK, thousands)
- The profit after tax amounted to 11 866 SEK, thousands (-3 040 SEK, thousands)
- Earnings per share amounted to 0,36 SEK (-0,10 SEK)

Key events during the third quarter

In November Oasmia and Orion Corporation, Finland, entered a license- and distribution agreement with exclusive rights for marketing and sales of the pharmaceutical Paclical® for human use in the Nordic region (Sweden, Denmark, Norway, Finland and Iceland). Orion also obtained first right of refusal for the same region for an upcoming candidate from the Oasmia product portfolio. Oasmia received 2 million Euros during the third quarter. The company will receive another 2 million Euro when a registration of the pharmaceutical is obtained. Furthermore, the agreement also entitles Oasmia royalties on all sales. Oasmia will be responsible for clinical development, registration and production of Paclical®.

More negotiations were in progress with international partners regarding licensing of Paclical® and Paclial® Vet and Oasmia is expecting to close further agreements during 2008.

In November the results of the clinical Phase I/II study were presented at the annual Veterinary Cancer Society Congress in Florida.

In January Oasmia received final advice from the European Medicines Agency EMEA for the Phase III clinical development program for Paclical® on the indication ovarian cancer.

The company has recruited new competence and strengthened its organization, mostly in clinical trials and production but also in the department of Regulatory Affairs. The number of employees increased during the period May 2007 – Jan 2008 with 12 people to a total of 41 people.



Key events after the close of the period

In the end of February Oasmia presented interim results from a Phase III study with the pharmaceutical candidate Paclical® Vet at a veterinary congress in Copenhagen. The congress was the first joint congress for the organizations ESVONC (European Society of Veterinary Oncology) in Europe and VCS (Veterinary Cancer Society) in the US. The results presented at the congress showed that 58 % of the 24 included dogs in the study treated with Oasmia's pharmaceutical candidate Paclical® Vet responded. Sixteen of these dogs underwent full treatment of three cycles and 62 % responded.

Future development

Focus is currently on an international Phase III study for Paclical® Vet in the EU and USA. This study is expected to finish in 2008 and will form the foundation for a global registration. Several negotiations are in progress globally concerning the licensing of the pharmaceutical candidate. The company also intends to launch a large international Phase III study with the product for human use, Paclical®. Far reaching negotiations concerning licensing are continued. Oasmia continues to develop the existing product portfolio and prepares several new products for clinical trials.

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 34 519 SEK, thousands (9 328 SEK, thousands). 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 are 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 on the excipient XR-17.

Product portfolio

The company product portfolio consists of Paclical® for human use 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. 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 to which Paclical® belongs, are estimated reach 40 % of the total taxane market the coming five years.



FINANCIAL INFORMATION

Group income statement in brief

	2007/08	2006/07	2007/08	2006/07	2006/07
SEK, thousands	Nov-Jan	Nov-Jan	May-Jan	May-Jan	May-Apr
Net sales	31 718	6 210	53 224	9 863	22 387
Profit after tax	11 866	-3 040	-4 937	-8 430	-11 752
Basic and diluted earnings per share, SEK	0,36	-0,10	-0,15	-0,27	-0,37

Net sales

Group net sales for the period May 1 2007 – Jan 31 2008 amounted to 53 224 SEK, thousands (9 863 SEK, thousands) where net sales for the third quarter amounted to 31 718 SEK, thousands (6 210 SEK, thousands). The increase compared to the corresponding period previous year are partly attributable to the revenue of 18 667 SEK, thousands that were acquired in accordance with the license- and distribution agreement that was closed with Orion Corporation and partly to an increase in sales of parallel imported pharmaceuticals in the subsidiary Qdoxx Pharma AB.

Work performed by the company for its own use and capitalized

During the period expenses amounting to 6 311 SEK, thousands (10 107 SEK, thousands) have been capitalized regarding Phase III studies for the products Paclical® and Paclical® Vet. For the third quarter the capitalized expenses amounted to 2 660 SEK, thousands (3 513 SEK, thousands).

Purchase of raw materials, consumables and goods for resale

These costs are mostly attributable to the business activity parallel import. At the end of the period the number of approved parallel imported products was 54 (28). With increased sales the costs have increased significantly. They amounted to -35 036 SEK, thousands (-10 228 SEK, thousands) for the period. For the third quarter the costs amounted to -12 428 SEK, thousands (-6 329 SEK, thousands).

Other external costs

Other external costs for the period amounted to -14 842 SEK, thousands (-8 537 SEK, thousands). For the third quarter the costs amounted to -4 705 SEK, thousands (-2 792 SEK, thousands). The costs are attributable in most part to products in development, that currently are in pre-clinical phase or Phase I/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

Personnel costs for the period amounted to -12 551 SEK, thousands (-7 305 SEK, thousands). For the third quarter the personnel costs amounted to -5 010 SEK, thousands (-2 866 SEK, thousands). During the period May 1 2007 – Jan 31 2008 the number of employees has increased with 12 persons to 41 at the end of the period.

Financial position

Liquid resources for the group amounted to 11 313 SEK, thousands (1 416 SEK, thousands) at Jan 31 2008.

Cash flow from operating activities amounted to -4 236 SEK, thousands (-13 007 SEK, thousands) for the period and for the third quarter to 11 927 SEK, thousands (-7 681 SEK, thousands). The cash flow for the period was -10 856 SEK, thousands (-2 220 SEK, thousands) and the cash flow for the third quarter was 7 140 SEK thousands (-252 SEK, thousands).

Equity amounted to 64 942 SEK, thousands (36 744 SEK, thousands).

Equity/assets ratio as of Jan 31 2008 was 76 % (66 %).



Group Income statement

SEK, thousands	Note	2007/08 Nov-Jan	2006/07 Nov-Jan	2007/08 May-Jan	2006/07 May-Jan	2006/07 May-April
Net sales	2	31 718	6 210	53 224	9 863	22 387
Work performed by the company for its own use and capitalized		2 660	3 513	6 311	10 107	14 484
Other operating income		82	0	82	0	0
Raw material, consumables and goods for resale		-12 428	-6 329	-35 036	-10 228	-22 621
Other external costs		-4 705	-2 792	-14 842	-8 537	-12 154
Employee benefit expenses		-5 010	-2 866	-12 551	-7 305	-10 559
Depreciation/amortization and impairment		-685	-636	-2 010	-1 866	-2 521
Operating profit/loss		11 632	-2 900	-4 822	-7 966	-10 986
Financial income		414	12	416	20	21
Financial expenses		-180	-152	-532	-485	-787
Financial items profit/loss		234	-140	-116	-464	-766
Profit before tax		11 866	-3 040	-4 937	-8 430	-11 752
Income tax		0	0	0	0	0
Profit/loss for the period		11 866	-3 040	-4 937	-8 430	-11 752
Attributable to:						
Parent company owners		11 869	-3 038	-4 929	-8 425	-11 748
Minority share holding		-4	-2	-8	-4	-4
Basic and diluted earnings per share, calculated on the profit attributable to Parent company share holders during the period (SEK per share)		0,36	-0,10	-0,15	-0,27	-0,37



Group Balance Sheet

	2008 Jan 31	2007 Jan 31	2007 April 30
SEK, thousands			
ASSETS			
Non-current assets			
Property, plant and equipment	19 091	19 699	19 416
Capitalized expenditure for development	20 795	10 161	14 484
Other intangible assets	8 459	7 890	7 849
Current assets			
Inventories	18 142	8 722	18 318
Accounts receivable - trade	4 712	5 631	4 386
Other current receivables	823	733	833
Prepaid expenses and accrued income	1 736	1 418	1 373
Liquid assets	11 313	1 416	22 170
Total assets	85 072	55 670	88 830
EQUITY			
Equity and reserves attributed to parent company share holders			
Share capital	3 338	3 185	3 185
Other paid-up capital	95 767	59 419	95 919
Profit/loss brought forward	-34 261	-25 929	-29 331
Minority shareholding	98	68	106
Total equity	64 942	36 744	69 879
LIABILITIES			
Non-current liabilities			
Borrowing	7 499	6 170	5 513
Deferred tax liabilities	8	8	8
Current liabilities			
Liabilities to credit institutions	4 595	2 204	2 461
Borrowing	2 933	2 933	2 933
Accounts payable - trade	1 096	2 224	4 564
Other current liabilities	2 164	4 308	1 966
Accrued expenses and deferred income	1 835	1 078	1 506
Total equity and liabilities	85 072	55 670	88 830



Change in group equity

	2007/08 May-Jan	2006/07 May-Jan	2006/07 May-April
Bal. b/f according to the balance sheet	69 879	20 582	20 582
Profit/loss for the period	-4 937	-8 430	-11 752
Translation difference	0	-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	0	24 600	61 100
Amount at the end of the period	64 942	36 744	69 879

Cash flow statement for the Group

	2007/08 Nov-Jan	2006/07 Nov-Jan	2007/08 May-Jan	2006/07 May-Jan	2006/07 May-April
SEK, thousands					
Operating activities					
Operating profit/loss before financial items	11 632	-2 902	-4 822	-7 966	-10 986
Depreciations	685	637	2 010	1 866	2 521
Interest received	414	12	416	20	21
Interest paid	-180	-152	-532	-485	-787
Cash flow from operating activities before working capital changes	12 551	-2 404	-2 927	-6 564	-9 231
Working capital change					
Inventory change	265	-4 434	176	-6 048	-15 645
Change in accounts receivables -trade	3 455	-4 017	-325	-5 332	-4 087
Change in other current receivables	-100	-262	-352	44	-12
Change in accounts payable -trade	-4 387	-514	-3 468	1 598	3 937
Change in other current operating liabilities	144	3 950	2 661	3 297	1 715
Cash flow from operating activities	11 927	-7 681	-4 236	-13 007	-23 322
Investing activities					
Investments in intangible fixed assets	-3 893	-4 063	-7 505	-10 914	-15 519
Investments in property, plant and equipment	-216	-358	-1 102	-968	-1 136
Cash flow from investing activities	-4 109	-4 421	-8 606	-11 881	-16 655
Financing activities					
Share holder contribution received	0	12 500	0	24 600	61 100
Borrowings	0	0	4 000	0	0
Repayment of loans	-678	-651	-2 014	-1 932	-2 589
Cash flow from financing activities	-678	11 849	1 986	22 668	58 511
Cash flow for the period	7 140	-252	-10 856	-2 220	18 534
Cash and cash equivalents at the beginning of the period	4 173	1 668	22 170	3 635	3 635
Cash and cash equivalents at the end of the period	11 313	1 416	11 313	1 416	22 170



Key ratios and other information

	2007/08 Nov-Jan	2006/07 Nov-Jan	2007/08 May-Jan	2006/07 May-Jan	2006/07 May-Apr
Basic and diluted number of shares at the close of the period, in thousands	33 375	31 851	33 375	31 851	31 851
Weighted basic and diluted average number of shares, in thousands	33 375	31 851	32 365	31 287	31 429
Basis and diluted earnings per share, SEK	0,36	-0,10	-0,15	-0,27	-0,37
Equity per share, SEK	1,94	1,15	1,94	1,15	2,19
Equity/assets ratio, %	76	66	76	66	79
Return on total assets, %	15	-6	-5	-18	-18
Return on equity, %	20	-9	-7	-28	-26
Number of employees at the end of the period	41	25	41	25	29
Number of outstanding shares at the end of the period	0	0	0	0	0

Definitions

Basic and diluted earnings per share: Earnings after tax divided by the basic and diluted average number of shares

Equity per share: Equity corresponding to number of shares at the end of the period

Equity/assets ratio: Equity as a percentage of the balance sheet total

Return on total assets: The operating profit/loss plus financial income as a percentage of average balance sheet total

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

Parent company income statement

	2007/08 Nov-Jan	2006/07 Nov-Jan	2007/08 May-Jan	2006/07 May-Jan	2006/07 May-April
SEK, thousands					
Net sales	18 667	248	18 706	534	973
Work performed by the company for its own use and capitalized	2 660	3 513	6 311	10 107	14 484
Other operating income	48	0	48	0	0
Raw material, consumables and goods for resale	-224	-404	-938	-1 125	-1 516
Other external costs	-4 458	-2 547	-14 109	-8 086	-11 431
Employee benefit expenses	-5 010	-2 806	-12 532	-7 119	-10 373
Depreciation/amortization and impairment	-631	-594	-1 843	-1 706	-2 312
Operating profit/loss	11 052	-2 590	-4 357	-7 394	-10 175
Other interest income and similar income	412	12	414	20	21
Interest expense and similar expense	-75	-133	-244	-355	-486
Financial items profit/loss	338	-121	170	-335	-465
Profit before tax	11 390	-2 711	-4 187	-7 730	-10 640
Tax on profits for the period	0	0	0	0	0
Profit/loss for the period	11 390	-2 711	-4 187	-7 730	-10 640



Parent Company Balance Sheet

SEK, thousands	2008 Jan 31	2007 Jan 31	2007 April 30
ASSETS			
Non-current assets			
Property, plant and equipment	19 091	19 696	19 413
Capitalized expenditure for development	20 795	10 161	14 484
Other intangible assets	7 539	7 011	6 737
Financial assets	2 118	2 024	2 100
Current assets			
Inventories	33	86	37
Accounts receivable - trade	0	292	93
Receivables from group companies	17 658	11 067	17 676
Other receivables	769	681	763
Prepaid expenses and accrued income	1 262	1 081	1 117
Cash and bank balances	11 282	1 235	20 280
Total assets	80 548	53 334	82 701
EQUITY			
Restricted equity			
Share capital	3 338	3 185	3 185
Statutory reserve	4 620	4 620	4 620
Non-restricted equity			
Share premium reserve	95 767	34 819	34 819
Profit/Loss brought forward	-32 139	4 420	39 601
Loss for the Period	-4 187	-7 730	-10 640
Total equity	67 399	39 315	71 585
LIABILITIES			
Non-current liabilities			
Borrowing	7 499	6 170	5 513
Current liabilities			
Borrowing	2 933	2 933	2 933
Accounts payable	195	431	656
Other current liabilities	687	3 437	508
Accrued expenses and deferred income	1 835	1 048	1 506
Total equity and liabilities	80 548	53 334	82 701
Contingent liabilities	8 473	3 473	8 473



Change in Parent Company equity

	2007/08 May-Jan	2006/07 May-Jan	2006/07 May-April
Bal. b/f according to the balance sheet	71 585	22 444	22 444
Translation difference	0	0	-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	0	24 600	61 100
Group contribution paid	0	0	-1 200
Profit/loss for the period	-4 187	-7 730	-10 640
Amount at the end of the period	67 399	39 315	71 585

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 May 1 2007 – January 31 2008

SEK, thousands	Research and Development	Parallel import
Net sales	18 706	34 519
Work performed by the company for its own use and capitalized	6 311	0
Other operating income	48	34
Operating profit/loss	-4 372	-450

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.

