



Annual report for  
Oasmia Pharmaceutical AB (publ)

556332-6676

The financial year  
1 May 2004 – 30 April 2005

The Board of Directors and Managing Director of Oasmia Pharmaceutical AB (publ) hereby present the annual report for the financial year 1 May 2004 - 30 April 2005.

## ADMINISTRATION REPORT

### Operations

Oasmia Pharmaceutical AB (publ) is a company that offers entirely new principles for the development of pharmaceuticals. The company's concept is to improve the treatment of normally occurring, serious illnesses, by developing the semi-synthetic substances that the company has discovered into a new generation of effective pharmaceuticals, with a focus on the field of oncology.

The year has been characterised by strong development and expansion to meet future requirements for production and organisational capacity. The company's priority product, Pacliex, has completed clinical trials and has qualified for a so-called compassionate use program. During the year, Oasmia built capacity to meet the market's needs for products by means of a complete production organisation and new premises that were adapted to GMP standards. This capacity will be used for production of pharmaceuticals for use in clinical trials run by both the company, itself, and by others.

During the financial year, the company also acquired 75% of the shares in the company Qdoxx Pharma AB (556609-0154), whose operations are currently dormant. Consolidated accounts have not been prepared, which is permitted under the Swedish Annual Accounts Act, Chapter 7, Section 3.

### Future developments

During the financial year, Oasmia took significant steps toward a stronger financial position and expanded opportunities to create new sources of income even prior to the launch of Pacliex. The prospect that Pacliex will be able to reach the market in the near future has significantly improved during the year. Despite the fact that Oasmia remains in a financially demanding phase of development, the senior management and board of directors continue to look toward the future with confidence. It is expected that volume of net sales in the current year will make full cost coverage possible.

During the financial year, the Parent Company, Oasmia S.A Luxembourg, made further share sales to a limited group of external shareholders, retaining an ownership share of approximately 75%.

### Proposed appropriation of profits

The Board of Directors and Managing Director propose that the profits available:

Unappropriated profit brought forward	17,159,243
Net profit for the year	2,549,280
	<b>19,708,523</b>

be distributed as follows:

to be carried forward	19,708,523
-----------------------	------------

For information regarding the company's result and financial position, refer to the income statements and balance sheet below, with accompanying notes.

INCOME STATEMENT	Note	1 May 2004 -30 April 2005	1 May 2003 -30 April 2004
Own work capitalised		5,147,573	5,346,437
		<b>5,147,573</b>	<b>5,346,437</b>
<b>Operating expenses</b>			
Raw materials and consumables		-1,609,049	-1,430,873
Other external expenses	1	-2,509,488	-1,559,522
Personnel costs	2	-3,898,513	-3,312,592
Depreciation and write-downs of tangible and amortisation and write-downs of intangible fixed assets	3	-415,448	-271,377
		<b>-8,432,498</b>	<b>-6,574,364</b>
<b>Operating income</b>		<b>-3,284,925</b>	<b>-1,227,927</b>
<b>Income from financial investments</b>			
Other interest income and similar profit/loss items	4	5,930,290	7,396,937
Interest expenses and similar profit/loss items		-96,085	-106,689
<b>Income after financial items</b>		<b>2,549,280</b>	<b>6,062,321</b>
<b>Net income for the year</b>		<b>2,549,280</b>	<b>6,062,321</b>

BALANCE SHEET	Note	30 April 2005	30 April 2004
<b>Assets</b>			
<b>Fixed assets</b>			
<u>Intangible fixed assets</u>			
Capitalised expenditure for research and development and similar work	5	22,826,677	17,679,104
Concessions, patents, licenses, trademarks and similar rights	6	10,518,783	10,287,819
		<b>33,345,460</b>	<b>27,966,923</b>
<u>Tangible fixed assets</u>			
Equipment, tools, fixtures and fittings	7	206,76	505,422
<u>Financial fixed assets</u>			
Participations in Group companies	8,9	75	0
<b>Total fixed assets</b>		<b>33,627,220</b>	<b>28,472,345</b>
<b>Current assets</b>			
<u>Current receivables</u>			
Other receivables		280,291	77,119
Prepaid expenses and accrued income		213,701	143,644
		<b>493,992</b>	<b>220,763</b>
Cash and bank balances		1,920,327	664,905
<b>Total current assets</b>		<b>2,414,319</b>	<b>885,668</b>
<b>Total assets</b>		<b>36,041,539</b>	<b>29,358,013</b>

**Equity and liabilities**

**Equity**

10

Restricted equity

Share capital	3,100,000	3,100,000
Statutory reserve	4,620,000	620
	<b>7,720,000</b>	<b>3,720,000</b>

Non-restricted equity

Profit/loss brought forward	21,126,123	15,918,762
Net income for the year	2,549,280	5,207,360
	<b>23,675,403</b>	<b>21,126,122</b>

<b>Total equity</b>	<b>31,395,403</b>	<b>24,846,122</b>
---------------------	-------------------	-------------------

**Long-term liabilities**

Other liabilities	0	3,735,500
-------------------	---	-----------

**Current liabilities**

Accounts payable - trade	557,414	140,908
Income tax liabilities	0	125
Other liabilities	3,361,159	138,663
Accrued expenses and deferred income	727,563	496,695
	<b>4,646,136</b>	<b>776,391</b>

<b>Total equity and liabilities</b>	<b>36,041,539</b>	<b>29,358,013</b>
-------------------------------------	-------------------	-------------------

<b>Pledged assets</b>	None	None
-----------------------	------	------

**Contingent liabilities**

Conditional shareholders' contribution	4	None	29 375 689
--	---	------	------------

## SUPPLEMENTARY INFORMATION

### Accounting and valuation principles

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the general advice and guidelines of the Swedish Accounting Standards Board, with the exception of the shareholders' contribution being reported in the income statement.

The accounting principles remain unchanged as compared with previous years.

Receivables are reported in the amounts that are estimated to be received.

Other assets and liabilities have been reported at acquisition cost, unless otherwise stated.

Allocation of income and expenses has taken place in accordance with generally accepted accounting principles.

## NOTES

### 1 Fees and remuneration

Audit assignment refers to the examination of the annual report and accounting records, as well as of the administration of the Board of Directors and Managing Director, other assignments which are the responsibility of the company's auditors to execute and the provision of advisory services or other assistance resulting from observations made during such an examination or the implementation of such other assignments. Any other assignments are reported under Other assignments.

	1 May 2004 -30 April 2005	1 May 2003 -30 April 2004
Audit assignment	87,000	64,100
Other assignments	3,360	0
	<b>90,360</b>	<b>64,100</b>

### 2 Employees and personnel costs

	1 May 2004 -30 April 2005	1 May 2003 -30 April 2004
<b>Average number of employees</b>		
Women	4	2
Men	7	6
	<b>11</b>	<b>8</b>
<b>Salaries, other remuneration and social security contributions</b>		
Salaries and other remunerations to Board and Managing Director	545,600	648,000
Salaries and other remunerations to other employees	2,259,760	1,834,700
Other social security contributions	979,948	773,048
	<b>3,785,308</b>	<b>3,255,748</b>

### 3 Amortisation/depreciation and write-downs

Fixed assets are depreciated according to plan over the assets' estimated useful lifetimes, with consideration for the assets' residual value. The following percentages of depreciation have been applied:

<b>Tangible fixed assets</b>	
Equipment and tools	20 %
Fixtures and fittings	20 %

Amortisation of the Company's patents and capitalised development expenditures has not been deemed necessary, as the rights for these assets were not utilised and the fair value of these assets is deemed to exceed book value.

### 4 Other interest income and similar profit/loss items

	1 May 2004 -30 April 2005	1 May 2003 -30 April 2004
Interest	-7	-937
Unconditional shareholders' contribution	-35,305,972	-7,396,000
	<b>-35,305,965</b>	<b>-7,396,937</b>

Accumulated conditional shareholders' contribution amounted to 29 375 689 SEK during last year. During this year, the previously conditional shareholders' contribution have been transformed into unconditional shareholder contribution without possibilities for repayment.

### 5 Capitalised expenditure for research and development and similar work

	30 April 2005	30 April 2004
<b>Accumulated acquisition cost</b>		
Opening acquisition cost	17,881,713	13,390,236
Purchases	5,147,573	4,491,477
<b>Closing accumulated acquisition cost</b>	<b>23,029,286</b>	<b>17,881,713</b>
<b>Accumulated amortisation</b>		
Opening amortisation	-202,608	-202,608
<b>Closing accumulated amortisation</b>	<b>-202,608</b>	<b>-202,608</b>
<b>Closing book value</b>	<b>22,826,678</b>	<b>17,679,105</b>

Approximately SEK 16,000,000 of the item Capitalised expenditure for research and development work is attributable to the product Pacliex.

### 6 Concessions, patents, licenses, trademarks and similar rights

	30 April 2005	30 April 2004
<b>Accumulated acquisition cost</b>		
Opening acquisition cost	10,287,819	10,000,000
Purchases	230,964	287,219
<b>Closing accumulated acquisition cost</b>	<b>10,518,783</b>	<b>10,287,219</b>
<b>Closing book value</b>	<b>10,518,783</b>	<b>10,287,219</b>

## 7 Equipment, tools, fixtures and fittings

	30 April 2005	30 April 2004
<b>Accumulated acquisition cost</b>		
Opening acquisition cost	1,463,923	1,396,246
Purchases	116,786	67,677
<b>Closing accumulated acquisition cost</b>	<b>1,580,709</b>	<b>1,463,923</b>
<b>Accumulated depreciation</b>		
Opening depreciation	-958,501	-687,124
Depreciation for the year	-415,448-2	71,377
<b>Closing accumulated depreciation</b>	<b>-1,373,949</b>	<b>-958,501</b>
<b>Closing book value</b>	<b>206,760</b>	<b>505,422</b>

## 8 Participations in Group companies

	30 April 2005
<b>Accumulated acquisition cost</b>	
Purchases	75,000
<b>Closing accumulated acquisition cost</b>	<b>75,000</b>
<b>Closing book value</b>	<b>75,000</b>

## 9 Participations in Group companies

	Share of equity	Share of voting rights	Total participation	Book value	Market value
Qdoxx Pharma AB	75 %	75 %	75,000	75,000	0
				<b>75,000</b>	<b>0</b>

Disclosure regarding the subsidiary's Corporate Identity Number and registered offices:

	Corporate Identity Number	Registered offices	Equity	Income
Qdoxx Pharma AB	556609-0154	UPPSALA	22,559	- 43,000

## 10 Change in equity

Number of A-Shares: 31,000,000 shares à nominal value 0.10 SEK

	Share capital	Statutory reserve	Profit brought forward	Net income for the year
Amount at beginning of year	3,100,000	620,000	15,918,762	5,207,360
Appropriation according to resolution of the year's annual general shareholders' meeting:			5,207,360	-5,207,360
Shareholders' contribution received		4,000,000		
Net income for the year				2,549,280
<b>Amount at year-end</b>	<b>3,100,000</b>	<b>4,620,000</b>	<b>21,126,122</b>	<b>2,549,280</b>



Oasmia Pharmaceutical AB (publ)  
556332-6676

Stockholm 2005 09 20

Julian Aleksov  
Managing Director

Oleg Strelchenok

Bo Cederstrand

**Auditor's endorsement**

My audit report was presented 2005 09 27

Tomas Berg  
Authorised Public Accountant