



Oasmia Pharmaceutical AB

Corporate governance report
2010/2011

CORPORATE GOVERNANCE REPORT 2010/2011

Oasmia Pharmaceutical AB (publ), VAT no SE556332-6676 ("The company"), was founded in accordance with Swedish law on April 15 1988 and was registered with the Swedish Company Registration Office on September 22, 1988. Oasmia Pharmaceutical AB is the parent company in the Oasmia group. The company owns 100 % of the subsidiary Qdoxx Pharma AB. **Qdoxx Pharma AB's previous business was parallel import and sales of pharmaceuticals, but it is no longer active.** The company also owns 100 % of the shares in GlucoGene Pharma AB, a research and development company dedicated to the use of xylosides for treatment of cancer, especially brain tumors.¹ The research is in all essentials resting. In the parent company, management and financial control handles issues regarding business development, strategy, production and management of the subsidiaries. The parent company business activities concerns research, development and production of pharmaceuticals and licensing. Furthermore, the **parent company owns and manages the group's intangible assets.**

Management, guidance and internal control is divided between the shareholders (Annual General Meeting), the Board of Directors, the CEO and corporate management in accordance with current legislation, the Articles of Association and the internal instructions adopted by the Oasmia Board. In addition, the company auditors are responsible for the external control of the company.

This corporate governance report constitutes a separate document with respect to the Annual Report in accordance with 8 § 6 chapter in the Annual Accounts Act and has been reviewed by the company external auditors.

Swedish code of Corporate Governance

All companies listed on NASDAQ OMX Stockholm AB must apply Swedish Code for Corporate Governance ("the Code") as of July 1, 2008. The code compliments the external regulations that affect the Corporate Governance, mainly constituted by the Companies Act, Annual Accounts legislation and the current listing agreement.

The company chose to deviate from the Code in the fiscal year 2010/2011 on the following points: (i) Oasmias criteria for election of the nomination committee cannot be adapted to comply with the Code view of independence (Code rule 2.3 and 2.4). The reason is that considering the company background and future development, it is important with continuity in the Board.

Ownership structure

As of April 30 2011, the number of shareholders was about 3 000. Oasmia S.A. was the principal owner with respect to votes, (about 55,7 %), followed by Avanza Pension (about 4,3 %). The ten largest owners held about 71,6 % of the total number of shares. For further information about the ownership structure, see the section *The share* in the Annual Report.

Share capital and voting rights

The share capital in Oasmia amounted to SEK 5 207 934.10 at the end of the fiscal year distributed over 52 079 341 shares. The company shares, which are issued in one series, have been listed on NGM Equity since September 18, 2007. As of June 24, 2010, the share is listed on NASDAQ OMX Stockholm main list. On January 24, 2011, the share was also listed on the Frankfurt Stock Exchange. The Oasmia Articles of Association contains a record day provision and the company shares are connected to Euroclear Sweden ("Euroclear", former VPC AB), which means that Euroclear administers the company share register. All shares are denominated in Swedish Crowns. The shares are governed by the Companies Act (2005:551) and the shareholders' rights can only be changed in accordance with the regulations therein. Every share constitutes one vote at the Annual General Meeting. Shareholders have the right to vote to the full capacity of their shares without any limits in voting rights. All shares give equal rights to shares in the company assets and profit and can be freely transferred. Shareholders have preferential rights to subscription of new shares, subscription options and convertible debt instruments according to the Companies Act (2005:551). These rights may however be circumvented by a resolution at a General Meeting.

¹ The company acquired the minority interest share of 49 % on 2011-04-30.

General Meeting

Annual General Meeting and Extraordinary General Meeting

The company's supreme decision-making body is the General Meeting, where the shareholders' influence in the company is exercised. Shareholders registered in the share register kept by Euroclear on the record day and have given notice in the manner described in the Articles of Association, have the right to participate at the General Meeting; in person or by representative. All shareholders have the same proposal, participation and voting rights. Notice of the General Meeting is made by publication on the company website, www.oasmia.com. An Annual General Meeting shall be held within six months from the end of the fiscal year. At the Annual General Meeting, the Board of Directors, and in some cases Auditors, is elected, criteria for the nomination committee is resolved and it is decided if the Board and the CEO is discharged from liability for the fiscal year. Resolutions of establishment of financial statements, appropriation of profits, remuneration for the Board and the Auditors, guidelines for remuneration to the Board and senior managers, and other essential issues requiring resolutions by the Meeting are made. Furthermore, it is the Meeting which, in those cases, makes resolutions about removal of Board members and revisions to the Articles of Association. Normally, resolutions at the Meeting are made with simple majority, but the Companies Act specifies in some cases other resolution criteria.

Annual General Meeting 2010

The Oasmia Annual General Meeting was held on September 28, 2010 in the company facilities in Uppsala. The Board accounted for its work in the fiscal year. The CEO informed about the development and position of the company and the group, and commented on the financial results of the fiscal year 2009/2010. The Meeting established the Annual Report and the consolidated accounts for the fiscal year 2009/2010, and discharged the Members of the Board and CEO from liability. A resolution was made at the Meeting that the Board shall consist of five Members without deputies and Claes Piehl, Julian Aleksov, Peter Ström, Bo Cederstrand and Björn Björnsson were elected as Members. Bo Cederstrand was elected as Chairman of the Board. The Meeting established the remuneration to Members of the Board not employed by the company shall be SEK 25 000 for each meeting the member participates in. Remuneration for the Board may be paid through invoice to a company wholly owned by a Member if a special agreement is made with Oasmia Pharmaceutical AB. Should this be practiced, the invoiced remuneration must be increased with an amount corresponding to social security contributions and value added tax. Remuneration to Auditors shall be paid according to invoice. The Meeting approved the proposed guidelines for remuneration to senior managers proposed by the Board, and approved the proposal concerning criteria for appointment of the nomination committee for the Annual General Meeting 2011. The Meeting also made a resolution to authorize the Board to, in the period up until the next Annual General Meeting, decide on new share issues and issues of convertible debt instruments for cash payment and/or with offset or in kind. The total number of shares issued based on this authorization must not exceed 15 000 000 shares. The total number of convertibles issued based on this authorization must not exceed more convertibles than can be converted to 15 000 000 shares. For further information about this authorization, see the section Share issue authorizations. The minutes from the Meeting are available at the Company website, www.oasmia.com.

Annual General Meeting 2011

The Annual General Meeting 2011 will be held on September 30 in the company facilities in Uppsala. Notice of Annual General Meeting must be made at the earliest six weeks before the Meeting and at the latest four weeks before. Shareholders have the right to have an issue raised at the Meeting. To ensure that the company can include an issue in the notice, a request to raise an issue must have reached the company 7 weeks before the meeting at the latest. A request to raise an issue to the Meeting must be made to the Board and sent to the address below.

Oasmia Pharmaceutical AB
Att. The Board of Directors
Vallongatan 1
SE-752 28 Uppsala, Sweden

Share issue authorizations

At the Annual General Meeting on September 28, 2010, the Board was authorized to, on one or several occasions up until the time of the next Annual General Meeting, with or without deviation from **shareholders' preferential rights**, decide on new share issues for cash payment and/or in kind, offset or otherwise according to the terms in chap 13, § 7 of the Companies Act, and issue of convertibles for cash payment and/or in kind, offset or otherwise according to the terms in chap 15 § 5 in the Companies Act. The new shares and convertibles must be issued to an amount close to the share price at the time of the execution of the new share issue, with deductions for a possible discount decided by the Board. The authorization is made to enable acquisition of operating capital. The reason for a **possible deviation from shareholders' preferential rights is the opportunity** to broaden the ownership group. The total number of shares issued based on the authorization may not exceed 15 000 000. The total number of convertibles issued based on the authorization may not exceed the number of convertibles that can be converted to 15 000 000 shares. The Board or the person appointed by the Board, may also have the right to make the small changes which may be required when registering with the Swedish Companies Registration Office or Euroclear Sweden AB.

In November 2010 the company carried out a new share issue with preferential rights for current shareholders comprising 14 466 483 shares supported by the authorization mentioned above. The share issue was fully subscribed and provided the company with SEK 238.7 million before issue expenses. After the completion of the new share issue, 533 517 shares or convertibles entitling conversion to said number of shares, remain to be issued as stated in the authorization.

Nomination committee

The nomination committee tasks include preparing and making proposals for Members of the Board and the Chairman, and remuneration for them. The nomination committee also makes proposals to the Annual General Meeting about remuneration for committee work and remuneration for external auditors. The nomination committee proposals are published at the latest in connection to the Notice of the Annual General Meeting. The nomination committee mandate period runs until the composition of the next nomination committee has been published. The nomination committee for the Annual General Meeting 2010 consisted of Bo Cederstrand, Julian Aleksov and Johan Edin. At the Annual General Meeting 2010 the nomination committee proposal of criteria for selection of the nomination committee for the next Annual General Meeting was adopted. The criteria were as follows: One member shall represent the largest shareholders. One member shall be independent from the largest shareholders and independent from the company management and Board. One member shall be the Chairman of the Board (convener). The nomination committee members for the Annual General Meeting 2011 are Björn Björnsson, Julian Aleksov and Johan Edin. The full proposal of the nomination committee for the Annual General Meeting 2011 is presented in the Notice of the Annual General Meeting.

Auditor

According to the Articles of Association, the company must have one or two external Auditors. At the Annual General Meeting 2008, Ernst & Young, with certified auditor Björn Ohlsson as principal auditor was appointed as auditors. The mandate period is for four years and expires at the Annual General Meeting 2012.

The external audit of the company accounts and the management of the Board and CEO are carried out according to generally accepted auditing standards in Sweden. The principal auditor of the company participates in at least one Board meeting per year, reviews the audit for the year and has a discussion with the Members of the Board without the presence of the Chief Executive Officer.

Review and audit of the annual accounts and Annual report is performed in the period May – August. The interim report for the period May – October is subject to the Auditor review. For information about remuneration to the Auditors, please see note 9 in the Annual Report.

Ernst & Young AB
Portalgatan 2 B
Box 23036, SE-750 23 Uppsala, Sweden
Tfn +46 18 19 42 00
Fax + 46 18 19 42 50

Principal auditor:

Björn Ohlsson
Uppsala, born 1960
Certified auditor and member of FAR

The Board of Directors

The Board of Directors of Oasmia consists of five members including the Chairman. No Board duties have time restrictions other than what is described in the Companies Act (2005:551).

Björn Björnsson

(born 1946) Member since 2010. Chairman since 2011. Also Chairman of the Board in Bure Equity AB and Skrandan AB, for instance. Member of the Board in Carnegie Investment Bank and Max Matthiessen AB, for instance. Has in the last five years been active as Chairman of the Board in Skandia and Skanditek Industriförvaltning AB and Member of the Board, CEO and liquidator of Trustor AB, for instance.

Shareholding: -

Peter Ström

(born 1952) Member since 2006. Deputy Chairman since 2011. Also Member of the Board in Comtax AB, Lidds AB and Stockholm Corporate Finance AB. Peter Ström is independent with regards to major shareholders, the company and the company management.

Shareholding: 218886

Claes Piehl

(born 1950) Member since 2005. Also Member of the Board in Alfaros Aktiebolag. Has in last five years been active as a management consultant for PA Management Consulting and Indevo, for instance. Claes Piehl is independent with regard to major shareholders, the company and the company management.

Shareholding: 124940

Bo Cederstrand

(born 1939) Member of the Board since 2011. Chairman 2000-2011. Has in the last five years been Member of the Board in Arkenbutikerna (terminated) and deputy in Fruges AB (ongoing). Bo Cederstrand is dependent with regards to major shareholders, the company and the company management.

Shareholding: 126000²

Julian Aleksov

(born 1965) Member since 1999. CEO of Oasmia and one of the founders of the company. Has extensive experience of coordination of research projects and strategic development of global intangible assets. Also Chairman of the Board in Qdoxx Pharma AB and GlucoGene Pharma AB. Julian Aleksov is dependent with regards to major shareholders, the company and the company management.

Shareholding: 148650³

The Board of Directors' duties

The Board of Directors is appointed by the General Meeting, whose overall duty is to manage the **company's business for the shareholders**. The Board acts in accordance with the Companies Act, the Articles of Association and internal regulations and constantly evaluates the economic position of the group and reviews the operative management. The Board appoints the CEO and makes decisions about changes in the company organization and business. The Board is also responsible for the company internal control of the economic situation and that information about the financial development and the company in general is correctly communicated in the company financial reports.

² Concerns private ownership. In addition to private ownership Bo Cederstrand also has an indirect shareholding in the company through Alceco International S.A which owns 29028685 shares.

³ Concerns private ownership. In addition to private ownership Julian Aleksov also has an indirect shareholding in the company through Alceco International S.A which owns 29028685 shares.

Formal work plan for the Board of Directors

In accordance with the Companies Act, the Oasmia Board has established a formal work plan for their work. The current work plan, including an attached CEO instruction and reporting instruction, was adopted at the Board meeting on September 28, 2010, and regulates the work distribution between the Board and CEO, for example. The work plan also regulates how the work is distributed between the Board members, how often the Board shall meet (which is at least four times per year in addition to the constitutional Board meeting) and how the work shall be distributed between the Board and the Audit committee. The CEO instruction contains, among other things, restrictions concerning decisions about investments and acquisitions. The reporting instructions, which complements the work plan for the Board and the CEO instruction, regulates the continuous reports from the CEO to the Board and the external reports from the Board.

Review of the work of the Board

The Board annually carries out a review of their work concerning working conditions and working climate, the direction for the Board's work and access to, and the need for, special competence in the Board. The result of the review is reported to the nomination committee and constitutes the base for the nomination committee work to evaluate the composition of the Board and their remuneration. This evaluation was at the last regular Board meeting before the Annual General Meeting 2010.

The independence and composition of the Board

According to the Article of Association, the Board must consist of at least three and at most eight members, with at most three deputies. The Board members are appointed by the Annual General Meeting for the period which ends with the next Annual General Meeting. At the Annual General Meeting 2010, Bo Cederstrand, Peter Ström, Claes Piehl and Julian Aleksov were reelected as Members of the Board and Björn Björnsson was elected as a new Member of the Board. Bo Cederstrand was elected as Chairman of the Board. In February 2011, Bo Cederstrand resigned as Chairman and the Board appointed Björn Björnsson as new Chairman. At the same time Peter Ström was appointed as Deputy Chairman. All Members of the Board, except for the CEO Julian Aleksov and Bo Cederstrand, are independent with respect to Oasmia's major shareholders, i.e. owners controlling more than 10 percent of the total number of shares or votes in the company. All Members of the Board are independent with regards to the company customers, suppliers and other parties with one exception: Björn Björnsson is Member of the Board in Carnegie Investment Bank, which acted as financial advisors in the new share issue with preferential rights carried out in November 2010.

The Chairman of the Board

The Chairman of the Board supervises, by continuous contacts with the CEO, the development of the company and makes sure the Members of the Board are continuously informed about what is needed to perform their duties. Additionally, the Chairman leads the work of the Board and ensures that the resolutions of the Board are carried out. The Chairman also ensures that the work of the Board is reviewed annually and that the nomination committee is informed about the result of the review. One such review was performed at the last regular Board meeting before the Annual General Meeting 2010. The Chairman is responsible for writing a Corporate Governance Report and a statement of how the internal control concerning financial reporting is organized and how well it has worked in the last fiscal year. The Chairman Björn Björnsson is not part of the management of the group.

The work of the Board in the last fiscal year

In the fiscal year 2010/2011, the Board has met at four regular occasions. The Board has at these occasions mainly addressed issues regarding the continued financing of the group business, negotiations for and closures of new partner agreements and has had close follow-ups of the liquidity budget and development costs for Phase III studies. All Members of the Board have been present at all Board meetings. In addition to these meetings, several decisions related to new share issue performed in the fiscal year, the publication of the Notice of Annual General Meeting and decisions concerning the listing on the Frankfurt Stock Exchange were made per capsulam. The Board also had a constitutional meeting after the Annual General Meeting 2010. At the constitutional meeting, the company internal guidance documents were established.

Board committees

The Audit committee is constituted by Bo Cederstrand (Chairman), Claes Piehl and Peter Ström. The Audit committee acts as a working committee for the Board and is responsible for preparing the Board's

work in quality assurance of the company internal guidance and control of the financial reports, risk management and risk control, regulation compliance, other internal guidance and control, and issues the Board delegates to the Audit committee. The Audit committee responsibilities and duties are determined by an established internal instruction. In the fiscal year 2010/2011, the Audit committee held two meetings. All members were present on these occasions.

The Oasmia Board of Directors has made the judgment that a separate remuneration committee is not currently necessary. The Board considers itself capable to perform the duties normally associated with a remuneration committee.

Remuneration for the Board and senior managers

At the Annual General Meeting 2010, it was decided that a Member of the Board not employed by Oasmia shall receive a fee of SEK 25 000 for every Board meeting attended. The fee may be paid through invoice to a by the Member wholly owned company if a special agreement is made with Oasmia Pharmaceutical AB. If such an agreement is made, the invoiced fee is increased with an amount corresponding to social security contributions and value added tax. Furthermore, guidelines for establishment of salary and other remuneration for senior managers were decided, which are disclosed below.

Salaries and other benefits

Remuneration for the CEO and other senior managers shall be constituted by a fixed salary. In addition to fixed salary, no other remuneration or benefits and no pension provisions shall be made.

Notice of termination and severance pay

When a notice of termination is made by the company, the term of notice for the CEO is at most 24 months. When a notice of termination is made by the CEO, the term of notice shall be at most six months. For other senior managers the term of notice should normally be six months if the notice is made by the company, and three months if the notice is made by the manager. No special severance pay shall be given.

Incentive programs

Resolutions of possible share and share price related incentive programs aimed at senior managers shall be made by the Annual General Meeting.

Remuneration committee

The Board of Directors has not established a remuneration committee. The Board considers itself capable of performing the duties normally performed by a remuneration committee. The principles for salary establishment concerning the CEO and other senior managers are presented in a policy established by the Board.

Exception in individual case

The Board shall have the right to make exceptions from these guidelines if there is an individual case with special circumstances. If such an exception is made, information about it, and the reason for the exception must be accounted for at the next Annual General Meeting.

Other information about the Board and the management.

The company has no outstanding share and share price related incentive programs aimed at the CEO or other senior managers. Resolutions of such programs must be made at the Annual General Meeting.

For information about remuneration for the Board and managers, see note 11 in the Annual Report.

Company management

The Oasmia company management is as of February 1, 2009, constituted by CEO Julian Aleksov, Executive Vice President Hans Sundin, Chief Financial Officer Weine Nejdemo and Head of Accounting and Human Resources Annette Ljungmark.

Julian Aleksov

Chief Executive Officer

See section "The Board" above

Hans Sundin

Executive Vice President

Born 1945. Employed by Oasmia since 2008.

Hans Sundin has in the last five years also worked as Head of Business Development at Pharmadule Emtinga AB and has been Member of the Board in Pharmadule Development.

Shareholding: 3 500

Weine Nejdemo

Chief Financial Officer

Born 1948. Employed since 2009.

In the last five years, Weine Nejdemo has been Member of the Board in AlphaHelix Molecular Diagnostics AB (publ) and, as a consultant in Blackberry Management AB, also worked as CFO for Hemocue AB and Österby Marine AB.

Shareholding: 24 834⁴

Annette Ljungmark

Head of Accounting and Human Resources

Born in 1950. Employed since 2005.

Annette Ljungmark has previously worked within the pharmaceutical industry with establishment of monthly accounts/annual accounts, financial analyses, VAT, pensions and Human resources. She is employed as Head of Accounting and Human Resources in Oasmia since 2005.

Shareholding: -

Company management work

The company management holds regular meetings where the ongoing business of the company is reviewed.

Chief Executive Officer

The CEO Julian Aleksov manages the company in accordance with the guidelines provided by the Board and adopted instructions. The CEO is responsible for the ongoing administration of the company and ensures that the Board receives information and the necessary supporting documentation. Furthermore, the CEO is the person reporting at Board meetings and also continuously informs the Board and the Chairman about the financial position and development of the group. Julian Aleksov has been the CEO of Oasmia since the year 2000.

External information

Oasmia supplies the market with continuous information about the development and financial position of the company. The company Board of Directors has adopted an information policy which regulates both oral and written information. Financial information is published regularly in Interim reports, Annual Reports and press releases about news and essential events, as well as presentations for financial analysts and investors in connection to capital market events, etc.

⁴ Private shareholding and through company

INTERNAL CONTROL CONCERNING FINANCIAL STATEMENTS

Oasmias process for internal control is designed to manage and minimize the risk for errors in the financial statements. The Board annually reviews the need for an internal audit function and has made **the judgment that the company's current size and risk exposure does not motivate a separate internal audit function.** The description below accounts for how the internal control is organized. The description is limited to the internal control concerning the financial statements.

Control environment

The basis for the internal control concerning the financial statements consists of the overall control environment. The control environment includes clearly defined organization structure, decision process and permissions, and conveyed in internal guidance documents such as policies, guidelines, manuals and codes. In the control environment, laws and external regulations are also included.

The Board has the ultimate responsibility for the internal control concerning the financial statements. **An effective Board is thereby the basis for a good internal control. Oasmia's Board of Directors has established a work plan and clear instructions for its work, which also encompasses the work in the Board Audit committee. The Audit committee's primary duty is to support the supervision of the accounting and reporting processes, and to ensure the quality in these reports and processes.**

The Audit committee duties are supervisory. The responsibility to maintain an effective control environment and the continuous work with risk management and internal control concerning the financial statements is delegated to the Chief Executive Officer. Managers on different levels in the company are in turn responsible for their respective areas. Responsibilities and permissions are defined in the CEO instruction, instructions for approval, manuals, other policies, routines and codes.

The Board of Directors establishes the central company policies regarding information/communication, financing and risk management. The company management establishes instructions and responsible managers issue guidelines, and supervise the application of all policies and instructions. The company audit and reporting instructions are established in an Accounting Handbook which is available for all personnel within the accounting department. Together with laws and other external regulations, the organization structure and the internal regulations compose the control environment.

Risk assessment

The purpose of the risk assessment is to identify high risk areas within the business and evaluate what controls are necessary to manage these risks. Balance and income items based on estimations or generated by complex processes are relatively more exposed to risks of error compared to other items.

The Board annually initiates a risk identification process and in the fiscal year, comprehensive risk identification has been made in connection to the establishment of a listing prospectus connected to the change of stock list from NGM Equity to NASDAQ OMX Stockholm main list made by the company. The result of the risk identification is evaluated by the Board which estimates what measures must be taken. The Board estimates that the company has a good internal control concerning the financial statements, but it could to be more formalized.

Control activities

Control activities aims to prevent, discover and correct errors and deviations. Control activities are built into the company processes for payments, accounting and financial statements and include for instance authorization and approval routines, records, result analyses, division of administrative controlling and performance functions, as well as controls built into IT-systems.

Information and communication

The company shall release correct, relevant and reliable information at the same time to all shareholders, the capital market and the media. Information judged to affect the company share price (price-sensitive information) is published in such a way as to be rapidly and non-discriminatory distributed to the public. Publication is made by a press release sent at the same time to the stock exchange, established news agencies and newspapers. At the same time, the information is published on the company website. Oasmia is publicly represented by primarily the CEO in all matters, whereas the CEO has delegated some responsibility to the Head of Public Relations. The CEO, the Executive Vice

President and Head of Public Relations may, as representatives for the company, inform/comment on matters which affect the company business. Furthermore, the company CFO may comment on financial matters.

The company applies silent periods, starting 30 days before publication of Year-end, Interim or Annual reports. If a leak of price-sensitive information is discovered, or a special event occur, which can affect the value of the company, the stock exchange shall be notified and a press release with the **corresponding information shall be published. The company's publication of information is regulated by** an information policy which aims to ensure a good quality of internal and external information. The policy shall also simplify compliance with applicable laws, regulations and agreements. For the management of insider information, special guidelines have been established in the company insider policy and log book instruction.

Uppsala August 25, 2011

Björn Björnsson
Member and Chairman

Peter Ström
Member and Deputy Chairman

Claes Piehl
Member

Bo Cederstrand
Member

Julian Aleksov
Member and CEO