



**INTERIM REPORT
AS OF DECEMBER 31**

2021

Paxman AB (publ)

Fourth quarter

2021



Paxman's strongest quarter to date

- The Group's sales amounted to 29.3 (18.2) MSEK for the fourth quarter of the year.
- For the year sales were 96.2 (78.0) MSEK.
- The Group's net result totaled -1.3 (-11.0) MSEK for the period October-December, which resulted in a total net result of -12.8 (-19.2) MSEK for the year.
- EBITDA amounted to 4.2 (-3.3) MSEK for the period October-December, and to 2.8 (-1.0) MSEK for the year.
- Earnings per share were -0.07 (-0.69) SEK for the period October-December, and -0.73 (-1.2) for the four quarters of the year.
- Cash flow before financing activities was -4.7 (-2.7) MSEK for the period October-December and -28.6 (-14.8) MSEK for the four quarters of the year.
- Net liquid assets totaled 55.2 (-44.6) MSEK at the end of the period.
- A total number of 401 (345) scalp cooling systems were installed around the world in 2021, with the order book containing an additional 167 systems.
- Average Daily Treatment Revenue (ADTR) amounted to 23.1 TUSD (204.6 TSEK) for Q4 2021, corresponding to an increase of 48.1% compared to 15.6 TUSD (135 TSEK) for Q4 2020. The figures in SEK have been converted from USD according to the actual exchange rate during each period.
- Recurring income increased from 9.4 MSEK in Q4 2020 to 15.3 MSEK for the same period in 2021.

ADTR includes pay-per-treatment revenue from patients and facilities in the United States. Lease revenue and disposable sales are not included.

Comparative figures for 2020 were affected by precautionary measures implemented by the company to reduce the effects of the COVID-19 pandemic, and governmental support programs were available to utilise.



Significant events during the reporting period

- In November, Paxman announced that the US Centers for Medicare & Medicaid Services (CMS) has reassigned payment for scalp cooling for Medicare claims filed using CPT code 0662T to New Technology APC 1520 with a National Average Payment of 1,850.50 USD, effective January 1, 2022. An Ambulatory Payment Classification (APC) is the US government's method of paying healthcare facilities for outpatient services for the Medicare programme. The new payment assignment enables facility reimbursement under the Medicare Hospital Outpatient Prospective Payment System (OPPS).
- In November, the company announced the opening of a clinical trial with National University Hospital, Singapore, in collaboration with The N.1 Institute for Health, National University of Singapore. The trial, "A Novel Limb Cryocompression System for Prevention of Chemotherapy Induced Peripheral Neuropathy", is now listed on ClinicalTrials.gov – a database of privately and publicly funded clinical studies conducted around the world. The study aims to investigate the safety and tolerability of limb cryocompression in preventing of Chemotherapy-induced Peripheral Neuropathy (CIPN) via the newly developed Paxman Cryocompression System (PCCS) in healthy subjects and cancer patients. The study is estimated to start in November, with the completion date estimated to be September 2023. A larger randomized phase 3 efficacy study is being planned to be opened in the second half of 2022.

- In December, the company announced that it had completed a directed share issue of 1,400,000 shares, through which the company receives SEK 77 million before transaction costs. The proceeds from the share issue will be used to strengthen the company's financial position and the continued work to execute on its commercialisation strategy, including the launch of a new buy-and-bill business model in the United States to enable reimbursement.

Significant events after the reporting period

- In February, Paxman launched Scalp Cooling Study Library, a digital library website with a wealth of scalp cooling clinical research studies and data. The Library was developed as a way of increasing access to information on scalp cooling as a whole, with the aim of improving the knowledge base of global cancer care providers.
- In February, Paxman appointed Rocol International SAS as the company's exclusive distribution partner for the new territory of Colombia. As an established medical device distributor in the oncology space, Rocol International SAS is well positioned to introduce scalp cooling to the Colombian market from its headquarters in Barranquilla, the capital of Colombia's Atlántico Department.

Comment by the CEO

2021 was quite the year for Paxman. Even though both COVID-19 and Brexit continued to challenge us, we remained strong and should celebrate our hard work and success.

First of all, we must focus on growth. In Q4, we achieved our highest net sales to date, reaching 29.3 MSEK, which corresponds to a 26% growth compared to Q3 2021 and a 61% growth from the same period in 2020. The revenue growth was supported by all areas of the business. The company achieved net sales of 96 MSEK for the full year of 2021, a 23% growth compared to 2020. Over 49 MSEK of revenues were generated from our US business compared to 37 MSEK in 2020. The UK subsidiary achieved sales of just under 47 MSEK, not including sales to the USA, compared to 40 MSEK in 2020.

An EBITDA of 4.2 MSEK was achieved in Q4, ending the year with a positive EBITDA of 2.9 MSEK. As of 31 December 2021, the company had over 72 MSEK of cash reserves, its strongest position to date, and our strong order book brings us into 2022 with confidence for the start of the new year.

Taking a look at the year, Paxman carried out a directed issue in February 2021. The 59 MSEK raised in this issue will allow the company to further strengthen its international presence, focus on its reimbursement strategy and forge forward with its CIPN product development plans.

In May 2021, the CPT III codes published earlier in the year by the American Medical Association became effective, providing for the first time the opportunity for providers to bill for scalp cooling. In May, grants were also received for product development for CIPN in Singapore.

However, it was Q4 that provided the grand 2021 finale, where the company announced that the US Centers for Medicare & Medicaid Services (CMS) had reassigned payment for scalp cooling for Medicare claims filed using CPT code 0662T with a National Average Payment of 1,850.50 USD, effective 1 January 2022. This is a monumental step for scalp cooling and insurance coverage. We also saw the opening of our first clinical trial with beta prototypes of the cryocompression device for the prevention of CIPN.



We ended the year with a further directed issue, raising 77 MSEK, allowing the company to roll out its new buy-and-bill business model to enable reimbursement, incorporating a supportive patient assistance program to assist eligible patients, along with further awareness and education activities to support further adoption.

The positive reimbursement news, along with the directed issue, secures the company's position and provides a clear focus for the coming years, providing confidence in our strategy and opportunity.

In 2021, Paxman expanded in new markets but also in our team, and this trend shall continue through 2022. Key hires in France, Germany, India and Sweden, along with our pilot in Canada, pave the way for further internationalisation, ensuring that the company maintains a presence, not only through its distributors. Further strengthening of our UK and US personnel allows us to maintain our position as the global leader in scalp cooling.

I would like to thank our growing team and our new and existing shareholders for your continued commitment to changing the face of cancer. We have a great opportunity in 2022 to further support and help patients around the world, ultimately leading to a strong, profitable and sustainable business that really makes a difference to the lives of cancer patients.

Huddersfield, February 2022,

Richard Paxman, CEO

Paxman AB (publ)



MARKET DEVELOPMENTS

North America

2021 was an important year for Paxman in the USA, both in terms of monumental steps taken towards future reimbursement as well as significant revenue growth compared to 2020. In Q4, the company's revenue grew with 8% from Q3, and the growth was 48% compared to the same period in 2020. Looking at the full year, sales of 49 MSEK were achieved compared to 37 MSEK for 2020. This corresponds to a 32% growth, which is an impressive achievement whilst still managing the effects of the pandemic.

The average patient utilisation for the quarter was 23 TUSD per day, compared to 21 TUSD per day in Q3 2021. In 2021, 145 systems were installed in 51 locations, with a total of 400 locations in 40 states now using the Paxman scalp cooler. There are 47 systems on order for 31 locations in the USA which will be delivered in the first quarter. The main focus for the end of the year and for the start of 2022 is the preparation and set up of the new buy and bill model, which is expected to go live on 1 April 2022. This is an important step to allow the billing of CPT codes. The company will also launch its patient assistance program to ensure that we have an equitable approach to providing care across the USA.

Paxman is now operating in three cancer centers in Canada: Princess Margaret Hospital, Sunnybrook Hospital and Markham Stouffville. The company operates a pay per patient model, which includes a scalp cooling technician. Patients who cannot afford access are currently being supported through Paxman and the Annie Parker Foundation. The current pilot is progressing well and is looking financially feasible. Early discussions are being held with regards to public insurance reimbursement.

International markets

In most of the markets outside of the UK and the USA, Paxman is currently operating through a distributor with the exception of France and Sweden. As previously noted, the pandemic hit our rest of the world markets where we have presence via distributor harder, than those where the company had a direct presence. This is part of the rationale for placing people in key markets for the future, which has already begun to show a return on investment. However, it is positive to see that the company delivered significant growth from previous quarters in Q4, as well as maintained a strong order book.

Key performing markets for the year included Australia, Brazil, France, India, Italy, Russia, the Netherlands, and the UK, holding the top position. Although the company did not sell any scalp cooling systems to Japan in 2021, we did see cap sales of 2.5 MSEK generated, with a trend for stronger growth by the end of the year. The company's order book is strong with over 115 systems to be installed and delivered in these countries.

The opening up of travel is now allowing the company to engage more closely with its global partners, as well as visit conferences in person. We are also planning to support our distributors through further internationalisation of our websites in 2022, including translations. Our patient focused website coldcap.com is available in Arabic, French, German, Italian, Spanish and Swedish, with additional plans for 2022. Further investment will be made into the international team as well as rolling out our distributor marketing guidelines, and both traditional and digital support will be provided. In addition, Paxman will launch its first virtual scalp cooling conference in May, bringing together world leaders in oncology care to discuss both chemotherapy-induced alopecia and chemotherapy-induced peripheral neuropathy.

MARKET DEVELOPMENTS, CONT.

Global Conferences

Q4 2021 was a busy conference period. Some of the events were hybrid, which enabled us to meet once again with delegates face to face. For the first time we had a booth at the Society of Gynecologic Oncology Allied Health Meeting in Chicago. We also continued to support ONS Hudson Valley and New York City Chapters on site at their live events.

October, being breast cancer awareness month, saw many fundraising events take place and Paxman was proud to support Hope Walks for Mass General Brigham Newton-Wellesley Hospital, the Kaiser Permanente Annual Breast Cancer Survivor Gala and the Boobs, Boobs and BBQ event held in Dickenson, Texas. Paxman also supported a Mayo Clinic Continuing Nursing Education Conference. The Christies hosted a CPD event for nurses and providers who are TYA specialists, which we were proud to support and bring attention to the Laura Crane Youth Cancer Trust. Our International Team visited Malmö, Sweden where we exhibited for the first time at State Of The Art Breast Cancer Meeting, organised by the Swedish Breast Cancer Group.

In November, the company exhibited at the Chemotherapy Foundation Symposium, a hybrid event held in New York. Paxman was pleased to support Henry Ford Health system, The American Cancer Society Tides of Change event for the Jersey Shore Community, and Hair to Stay's IceCAPades evening event in San Francisco. The company also supported the virtual UKONS conference and sponsored the Global Power of Oncology Nursing virtual event, which was part of London Global Cancer week. The company's International team attended Medica in Germany.

In December, Paxman rounded off the year at the annual San Antonio Breast Cancer Symposium (SABCS) in Texas.

Paxman kicked off the new year with a busy event schedule. Virtual events still remain popular, but we are pleased to see the development of hybrid events and a return to in-person events.

In January, Paxman supported Cleveland Clinic, Florida and Temple Health/Fox Chase with their Best of SABCS events. Best of Breast, focusing on breast cancer care, was held as a hybrid event in Florida and gave us the opportunity to return to seeing people face to face. Arab Health, hosted at the World Trade Center in Dubai, remains a key event, bringing the healthcare world together to learn, network and speak with industry leaders. Following on from the success of exhibiting with the Society of Gynecologic Oncology last year, we took part in their Winter meeting where we spoke with physicians, residents and other allied health care professionals working in the field of gynecologic oncology.

In February we supported the University of Kansas and their virtual conference reviewing discussions from SABCS. The International Conference on Cancer Nursing is the longest running international conference for cancer nursing. The event, which was exhibited virtually, provided an opportunity to meet with international nursing leaders, educators, practitioners from around the world. MD Anderson Cancer Network are hosting a review course for Advanced Oncology Certified NP's, and we supported this virtual event. Last year's West Oncology Conferences were virtual only – but this year we were able to meet online as well as physically in Memphis. Our February program of events finish in Plano, where we proudly supported Women Rock Inc, a charity based in Sherman Texas.

March sees us taking part in the Miami Breast Cancer Conference, which is their inaugural hybrid event where we will have a booth. We are also excited to be taking part for the first time at the Community Oncology Conference (COA) being held in Kissimmee. With an expected 1500+ attendees, COA comprises two days of learning and networking for community oncology practices and allied professionals. Furthermore, we are delighted to be presenting at the Christie School of Oncology at the ESCTOX:UKASCC virtual conference. It is the first conference in the UK to focus entirely on supportive cancer care. We continue to support the work of the Oncology Nursing Society and will be attending the Greater Baltimore ONS Chapter.

Installed systems January–December 2021

The systems are installed on-site following a signed delivery and rental agreement (in the USA, Canada and Mexico) or after being sold to the customer (rest of the world).



Australia	10	Netherlands	37
Austria	2	Poland	3
Brazil	19	Romania	1
Bulgaria	3	Russia	11
Canada	16	Saint Martin	1
Czech Republic	4	Singapore	2
France	13	Slovenia	1
Guatemala	2	Spain	2
Hungary	1	Sweden	6
India	10	Switzerland	6
Ireland	1	Turkey	3
Israel	3	United Arab Emirates	4
Italy	20	United Kingdom	72
Malaysia	1	USA	146
Morocco	1	Total	401

COMMENTS TO THE FINANCIAL STATEMENTS

Sales and earnings

Net sales in Q4 2021 totalled 29.3 MSEK, compared to 18.3 MSEK in Q4 2020, corresponding to a 61% increase. Annual net sales are up 23% compared to 2020. Revenues in the US have seen a significant growth rate from Q3 2021 of 8% and 48% compared to Q4 2020.

In Q4 2021 EBITDA is recorded at a profit of 4.2 MSEK. This compares to an EBITDA loss of -3.3 MSEK for Q4 2020. As the Group returns to pre-covid activity levels there is now a focus on investment for growth, and as a result there is an increase in personnel costs of 4.3 MSEK from Q4 2020 to further invest into growing the company's overseas presence and to further support the reimbursement of scalp cooling in the US.

In Q4 2020, as a precaution due to the impact of COVID-19, activity was decreased, and government subsidies were available for the Group to take advantage of.

Operating profit in Q4 was 377 TSEK, compared to a loss of -6.5 MSEK in Q4 2020. Operating earnings are of course also heavily impacted by depreciation, a consequence of strong investments in the US where the scalp cooling systems are reported as fixed assets in the Group's balance sheet of 36 MSEK.

Included within the financial costs is a currency loss of -1.2 MSEK in Q4 2021, compared to a loss of -4.6 MSEK in Q4 2020.

There have been no transactions with related parties in the reporting period.

Cash flow

The most important event affecting cash flow during Q4 2021 was the directed share issue of 77 MSEK. The total cash inflow as a result of the new issues amounted to 128 MSEK for the full year.

The operating cash inflow was 1 MSEK as a result of the events presented under the heading "Sales and earnings" above.

For the investment operations, the cash outflow amounted to 5.8 MSEK. This is a consequence of the continued installation of equipment in the US and Canada, as well as the development of the CIPN system.

Financial position

The Group's liabilities decreased to 39.6 (58.3) MSEK on 31 December 2021, of which 17.1 (36.3) MSEK is interest bearing – a decrease of 19.2 MSEK from Q3 2021. These will continue to be reduced.

The Group has no remaining credit facility related to Sparbanken, with the remaining liabilities being the Corona Business Interruption Loan and the UK credit facility.

Cash on hand increased to 72.3 (3.6) MSEK from Q4 2020 as a result of the share issues in Q1 2021 and Q4 2021.

Employees

As of 31 December 2021, the Group had a total of 63 employees, 1 by Paxman AB, 55 by Paxman Coolers Ltd and 7 by Paxman US, Inc. As of 31 December 2020, the Group had a total of 51 employees, 44 by Paxman Coolers Ltd and 7 by Paxman US, Inc.

Parent company

Paxman AB (publ) is the parent company of the Paxman Group. Its operations include sales in Scandinavia and Group functions such as finance, legal and communications. The parent company has its headquarters in Karlshamn, in the south of Sweden.

Accounting principles

Paxman AB (publ) applies the accounting principles of BFNAR 2012:1 (K3), which are also the accounting and reporting principles used in the Group's annual report. No adjustments have been made to these accounting principles since Paxman's latest annual report was published. This interim report has been reviewed by the Group's auditors.

Affirmation

Paxman AB (publ)'s Board of Directors and C.E.O. hereby assure that these summarized financial statements give a true and fair view of the Group's operations, financial position and performance.

Karlshamn, 25 February 2022

Paxman AB (publ)

Per-Anders Johansson		Chairman of the Board
Maria Bech		Director of the Board
Robert Kelly		Director of the Board
Björn Littorin		Director of the Board
Glenn Paxman		Director of the Board
Richard Paxman		C.E.O. and Director of the Board

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This is information that Paxman AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, and will be published at 12:00 CET on 25 February 2022.

Consolidated income statement (condensed)

TSEK	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net sales	29,318	18,263	96,202	78,053
Capitalized expenses	2,276	1,512	8,506	5,084
Total operating income	31,594	19,775	104,708	83,137
Raw materials and consumables	-11,389	-9,939	-40,190	-32,449
Other operating expenses	-6,773	-8,293	-29,083	-30,098
Personnel costs	-9,199	-4,851	-32,553	-21,635
Total operating costs	-27,361	-23,083	-101,826	-84,182
EBITDA	4,233	-3,308	2,882	-1,045
Depreciation	-3,856	-3,256	-13,469	-10,645
Operating profit/loss	377	-6,564	-10,587	-11,690
Net financial items	-1,676	-5,420	-2,083	-8,405
Profit/loss after net financial items	-1,299	-11,984	-12,670	-20,095
Tax	-28	930	-106	910
Net profit/loss for the period	-1,327	-11,054	-12,776	-19,185

Consolidated balance sheet (condensed)

TSEK	2021-12-31	2020-12-31
Assets		
Intangible fixed assets	16,364	12,424
Tangible fixed assets	35,886	29,498
Financial fixed assets	6,426	5,777
Total fixed assets	58,676	47,699
Inventories	18,111	13,746
Current receivables	17,288	11,989
Cash and bank balances	72,266	3,577
Total current assets	107,665	29,312
Total assets	166,341	77,011
Equity and liabilities		
Shareholders' equity	125,755	10,889
Total equity	125,755	10,889
Provisions for taxes	939	667
Total provisions	939	667
Liabilities to credit institutions	5,826	17,430
Non-current liabilities	5,826	17,430
Liabilities to credit institutions	11,328	30,800
Accounts payable	16,506	10,957
Other current liabilities	5,987	6,268
Current liabilities	33,821	48,025
Total equity and liabilities	166,341	77,011

Consolidated statement of cash flows (condensed)

TSEK	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Cash flow from operating activities	1,015	-1,675	-4,792	-8,483
Cash flow from investing activities	-5,775	-1,034	-23,796	-6,320
Cash flow from financing activities	50,646	272	97,277	16,777
Cash flow for the period	45,886	-2,437	68,689	1,974
Cash and cash equivalents, opening balance	26,380	6,014	3,577	1,603
Cash and cash equivalents, closing balance	72,266	3,577	72,266	3,577

Consolidated changes in equity (condensed)

TSEK	Jan–Dec 2021	Jan–Dec 2020
Opening balance as of 1 January	10,889	28,361
New share issue	135,560	-
Share issue costs	-7,206	-
Translation gains/losses on consolidation	-1,184	1,242
Equity-settled share-based payment transaction	472	472
Profit/loss for the period	-12,776	-19,186
Closing balance	125,755	10,889

Key ratios

TSEK	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Operating margin, %	1.29%	Neg	Neg	Neg
EBITDA (TSEK)	4,233	-3,308	2,882	-1,045
Equity/assets ratio, %	75.6%	14.1%	75.6%	14.1%
Liquid assets, net (TSEK)	55,112	-44,653	55,112	-44,653
Market capitalization (TSEK)	1,235,813	406,718	1,235,813	406,718

Parent company income statement (condensed)

TSEK	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net sales	214	-	219	-
Other operating income	-	-	25	-
Total operating income	214	-	244	-
Other external costs	-702	-1,364	-3,526	-3,110
Personnel costs	-392	-	-890	-512
Total operating costs	-1,094	-1,364	-4,416	-3,622
EBITDA	-1,094	-1,364	-4,416	-3,622
Depreciation	-6	-	-8	-
Operating profit/loss	-886	-	-4,180	-
Net financial items	-4	-515	-496	-1,662
Profit/loss after net financial items	-890	-1,879	-4,676	-5,284
Tax	-	-	-	-
Net profit/loss for the period	-890	-1,879	-4,676	-5,284

Parent company balance sheet (condensed)

TSEK	2021-12-31	2020-12-31
Assets		
Tangible fixed assets	62	-
Investments in Group companies	26,701	26,228
Total fixed assets	26,763	26,228
Receivables from Group companies	67,677	46,867
Other current receivables	1,151	654
Cash and bank balances	69,419	50
Total current assets	138,247	47,571
Total assets	165,010	73,799
Equity and liabilities		
Shareholders' equity	163,825	39,675
Total equity	163,825	39,675
Liabilities to credit institutions (non-current liabilities)	-	9,480
Total long-term liabilities	-	9,480
Liabilities to credit institutions	-	23,840
Other current liabilities	404	136
Accrued costs and prepaid income	781	668
Total current liabilities	1,185	24,644
Total equity and liabilities	165,010	73,799

Data per share

	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Earnings per share, SEK ¹⁾	-0.07	-0.69	-0.73	-1.20
Earnings per share, SEK, diluted ²⁾	-0.07	-0.69	-0.73	-1.20
Equity per share, SEK ¹⁾	6.61	0.68	6.61	0.68
Cash flow from operating activities per share, SEK ¹⁾	0.06	-0.10	-0.27	-0.53
Share price on closing day, SEK	65.0	25.4	65.0	25.4
Number of shares on closing day	19,012,500	16,012,500	19,012,500	16,012,500
Number of shares on closing day, diluted ²⁾	19,080,978	16,080,978	19,080,978	16,080,978
Number of shares, weighted average in the period	17,845,833	16,012,500	17,470,833	16,012,500
Number of shares, weighted average in the period, diluted ²⁾	17,680,978	16,080,978	17,539,311	16,080,978

1) Earnings and cash flow per share are based on the weighted average number of shares in the period. Equity per share is based on the total number of issued shares on balance sheet day.

2) As of December 31, 2021, the company had an outstanding option program, aimed at employees at the subsidiary Paxman Coolers Limited in Huddersfield. The decision to issue warrants was made at the Annual General Meeting on May 23, 2019, and the warrants were issued immediately thereafter. A total of 68,478 warrants have been issued, with the accompanying right to subscribe for a maximum of 68,478 new shares in the company.

The options entitle the holders to subscribe for shares from and including June 2020 and up to and including June 2029, at a subscription price of SEK 65.37 per share. Upon full utilization, the dilution effect amounts to 0.4% of the total number of shares in the company. The warrants have been issued free of charge and the benefit has thus, in accordance with current accounting principles, been valued at market value. In total, Paxman Coolers Ltd's personnel costs will thus be charged with SEK 1.4 million over three years (without any cash flow effect).

OTHER INFORMATION

About Paxman

Paxman develops and offers the Paxman Scalp Cooling System, a market leading scalp cooling system used to minimise hair loss in connection with chemotherapy treatment.

Presently, the system is used at a large number of cancer centers and hospitals in Europe, North-, Central- and South America, Asia and Oceania, and more installs are added continuously. The company is also developing a medical cooling and compression device to prevent nerve damage in hands and feet in connection with chemotherapy (CIPN).

The company was founded as a family business by Glenn Paxman following his wife Sue Paxman's hair loss in connection with chemotherapy treatment. Glenn realised that there were shortcomings in the existing methods for scalp cooling and developed a liquid-based system together with his brother.

Today, Glenn and Sue's son Richard Paxman is the CEO of Paxman, and their daughter Claire

Paxman holds the position as the company's Brand Ambassador & Director of Global Training. Their understanding of how important it is for cancer patients to keep their hair, and thereby a certain amount of control over their daily lives, is reflected in all of Paxman's business operations. The company's vision is to make the technology available for all cancer patients worldwide.

During the last decades, Paxman has invested substantially in research and development, and then also on a target-focused global expansion. The company has conducted several successful clinical studies with leading clinics and cancer centers all over the world, including the world's first randomised multicenter study with a scalp cooling system.

Research and development

Paxman is committed to an ambitious research and development program, allowing the company to continuously refine the efficiency and user-friendliness of its scalp cooling system. Since the beginning of 2019, a portable compression and cooling product is also under development. This product is aimed at preventing chemotherapy-induced peripheral neuropathy (CIPN), a related indication causing chronic nerve damage in hands and feet.

A significant share of Paxman's research and development program is conducted in collaboration with a multidisciplinary research team at the University of Huddersfield. The research team has expert knowledge in relevant areas, including biological and chemical research on hair follicles and product development. In February 2019, the collaboration was formalised into the Paxman Scalp Cooling Centre, the world's first multidisciplinary research centre focused on scalp cooling. During the first five years, the parties will invest a total of 12 MSEK in liquid funds, personnel, and other resources in the centre. Paxman's investment during the first year was covered by a partly EU-funded grant of 1.2 MSEK. In 2021, a further 600,000 GBP (7.1 MSEK) grant was awarded to the centre.

In 2020, Paxman's research collaboration agreement with National University Hospital, Singapore for the development of a portable cooling and compression device to prevent CIPN saw major progress. The development of the actual device is conducted in collaboration with researchers from Paxman Scalp Cooling Research Centre at the University of Huddersfield. 10 cooling and compression systems have been produced for the initial clinical study. A clinical trial agreement was signed in November. The study aims to investigate the safety and tolerability of limb cryocompression in preventing of Chemotherapy-induced Peripheral Neuropathy (CIPN) via the newly developed Paxman Cryocompression System (PCCS) in healthy subjects and cancer patients. The study has now recruited over 10 cancer patients.

Research and development, cont.

The Paxman device is being tested for its safety in delivering limb cryocompression and efficacy in improving the preservation of peripheral nerves during chemotherapy. The efficacy of prevention will be monitored using various clinical and patient-reported outcomes. Optimal temperature and pressure of limb cryocompression has been established in healthy subjects, and now a group of cancer patients are undergoing limb cryocompression over multiple cycles of chemotherapy to establish safety and tolerability of repeated therapy.

This study started in November with the completion date estimated to be September 2023. A larger randomized phase 3 efficacy study is being planned to open in the USA. The data from the trials will be used in regulatory documentation to support the cryo-compression system as a new medical device, initially in Singapore, and then the United States. The company has also recruited Prof. Charles Loprinzi from the Mayo Clinic, Rochester, USA as a new member of Paxman's advisory board. Prof. Loprinzi is one of the world's top key opinion leaders in the CIPN field and the first author of the ASCO 2020 CIPN guidelines.

Clinical studies and collaborations

Paxman's scalp cooling is continuously evaluated with different types of chemotherapy treatments and patient groups in order to gain further knowledge and improve the treatment effect. Some of the studies that were initiated or completed in 2020 or 2021 are presented below.

Large open randomized breast cancer trial in South Korea

An open label randomized controlled trial of Paxman's PSCS system with chemotherapy-induced alopecia in breast cancer patients was initiated in South Korea in December 2020. The trial will study stage I-III breast newly diagnosed cancer patients, aged 20-69 who will receive Adriamycin and/or Taxane as neoadjuvant or adjuvant treatment.

Paxman, along with their partner TPC (part of the Nokwon Group) will continue to collaborate closely with the study's principal investigator Jin Seok Ahn, MD, PhD and its co-principal investigator Juhee Cho, PhD of the prestigious Samsung Medical Center, during the trial period. Patient recruitment began in November 2020 and has already completed. Publication of the data planned for early 2023.

Study with 100 participants in Hong Kong

In December 2020, the "Alopecia Prevention Scalp Cooling in Chinese Breast Cancer Patients" study was initiated at the Prince of Wales Hospital, Hong Kong and is expected to be concluded towards the end of 2023. The trial will aim to enrol 100 patients and measure the success rate of scalp cooling, the rate of perceived hair preservation, quality of life, and the incidence of treatment-emergent adverse events of scalp cooling.

Clinical study in Japan shows strong scalp cooling efficacy in Asian patients

In the middle of 2020, data from a clinical prospective study at the Shikoku Cancer Center concluded that efficacy in Asian breast cancer patients is comparable to Caucasian patients. This is an important finding following weaker data for Asian patients that was published in 2019. The article is available to read online. The study included 143 female breast cancer patients with an average age of 50 who planned to receive (neo) adjuvant chemotherapy. Its primary aim was to evaluate patients with grade 3 alopecia (>50%) and use of a wig one month after chemotherapy.

The author followed up with these patients and recently published further data in the Supportive Care in Cancer Journal in a publication named 'Prospective study of hair recovery after (neo) adjuvant chemotherapy with scalp cooling in Japanese breast cancer patients (Ohsumi et al 2021)'.

In this study, all the women were assessed for the following year and it was found that objective hair regrowth was better at all time points for the SC group compared to the control. The patient's own (subjective) assessment of hair regrowth was significantly better after SC at 4 and 7 months.

Clinical studies and collaborations, cont.

The first clinical data report of scalp cooling in Argentina

Paxman's distribution partner in Argentina, Xeikon DIAGNO SA, has been working closely with the prestigious The Sanatorio Parque, Rosario, in the Province of Santa Fe on the first clinical data report of scalp cooling in Argentina, which is now published.

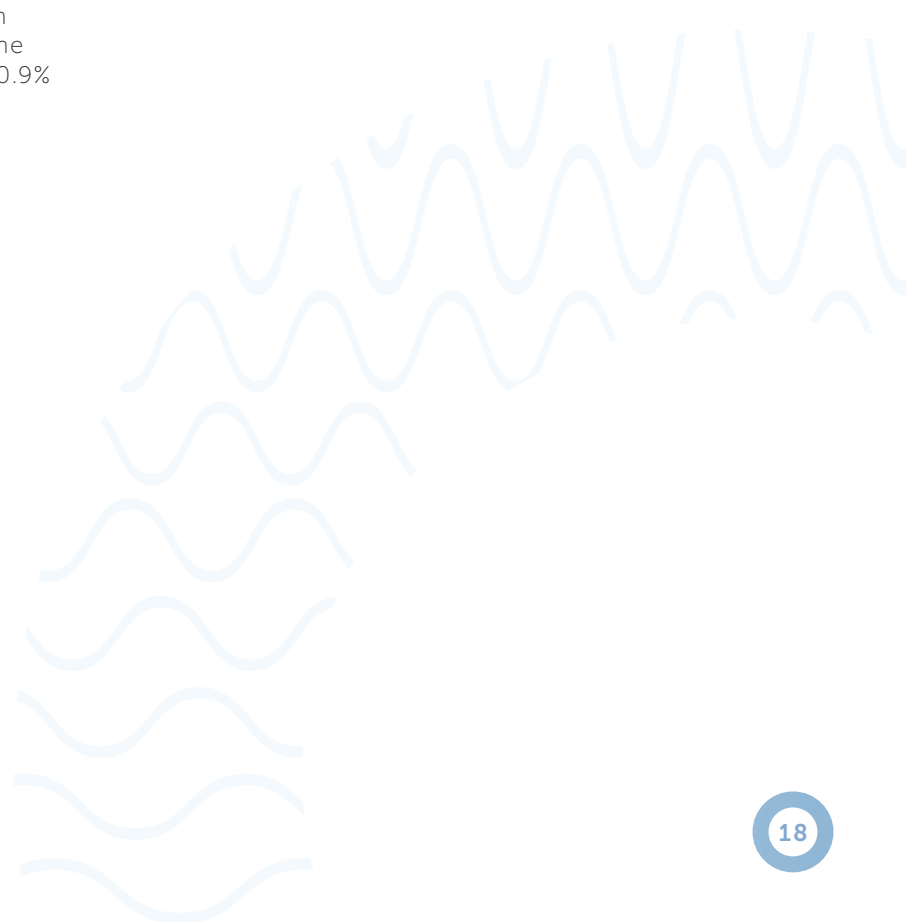
The overall success rate in the prevention of chemotherapy-induced alopecia was 78% in the population analysed, being 90% with taxanes, 71% with anthracycline-taxane and almost 61% with taxanes-platinum and dose-dense anthracyclines / taxanes. The most common adverse events were headache and chills, while no serious adverse effects were recorded. 11.4% of the patients discontinued the scalp cooling treatment program due to intolerance.

First non-cancer scalp cooling study in pediatric patients

In February 2021, Paxman announced that the "Pilot Study of Cold Cap Therapy for Prevention of Hair loss in Pediatric Patients Receiving Chemotherapy for Non-Malignant Indications" will be the first study undertaken with Paxman in pediatric patients, and also the first-time scalp cooling has been investigated as a therapy for the prevention of hair loss for patients receiving chemotherapy for non-malignant indications. High dose conditioning chemotherapy and subsequent hematopoietic stem cell transplant (HSCT) has been associated with permanent chemotherapy induced alopecia. The incidence of permanent alopecia ranges from 0.9% to 43% in adults and 24% in pediatric patients.

Assessing the impact of scalp cooling in connection with metastatic breast cancer

November saw the opening of a new clinical trial at the Dana Farber Cancer Institute. This is a prospective, controlled, pivotal clinical investigation to assess the efficacy of the Paxman Scalp Cooling System (PSCS) at preventing hair loss in women undergoing treatment for metastatic breast cancer with Sacituzumab govitecan (IMMU-132 or Trodelvy™), trastuzumab deruxtecan (DS-8201a or Enhertu®), or Eribulin (Halaven®). 40 participants will be recruited into each treatment arm. In each treatment arm, 20 participants will receive scalp cooling and 20 participants will receive no scalp cooling, for a total of 120 participants. Hair loss and quality of life (QOL) will be measured in participants at baseline, C3D1, and C5D1 by CTCAE criteria.



Reimbursement and related activities

Paxman is working intensely with specialised reimbursement consultants to influence major insurance companies and decision-making bodies. These include the AMA, and in October 2020 Paxman was able to announce that the AMA will implement a specific CPT code for scalp cooling that was available to use in July 2021. July 2021. The company was also engaged in efforts to include scalp cooling in the NCCN's national cancer care guidelines in the USA, which was achieved in March 2019. In March 2020, NCCN included scalp cooling in their guidelines for ovarian cancer, fallopian tube cancer and primary peritoneal cancer. At the beginning of January, it was announced that the AMA has issued two separate CPT® codes for the "mechanical scalp cooling". The CPT® Category III codes are 0662T and 0663T, and they came into effect on July 1, 2021. These achievements are expected to quickly and efficiently increase the number of patients offered access to scalp cooling. Additionally, Paxman is supporting initiatives to promote legislation on the state level which makes it mandatory for health care plans to cover scalp cooling costs.

As Paxman announced in its 2 November, 2021 press release, the Centers for Medicare & Medicaid

Services (CMS) issued its Medicare CY 2022 Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs Final Rule ("HOPPS Final Rule"). In this HOPPS Final Rule, CMS announced that it was reassigning CPT code 0662T, which is for "Scalp cooling, mechanical; initial measurement and calibration of cap," to a higher reimbursement Ambulatory Payment Classification for hospitals. Hospitals, as of 1 January 2022 can bill for their services of "Scalp cooling, mechanical; initial measurement and calibration of cap" once per chemotherapy treatment period using CPT Code 0662T and they should be reimbursed under APC 1520 at a rate of 1,850.50 USD with 80% being paid by Medicare and 20% being paid by the patient. Paxman is currently working on the establishment of a new business model to support future reimbursement.

In addition to promoting payer coverage, Paxman is also supporting other initiatives to finance scalp cooling for patients who are unable to pay for their own treatment. This includes a close collaboration with HairToStay, an organisation that contributes financially to patients who cannot afford to pay for scalp cooling themselves. In honour of Sue Paxman, the parties have started a separate fund in her name specifically aimed at mothers with very low income.

General targets and outlook

Paxman's long-term goal is that all patients undergoing chemotherapy shall have access to scalp cooling, and that the Paxman Scalp Cooling System is the obvious first choice for cancer patients all over the world.

In 2020, the company strengthened its position as the superior global market leader with 345 sold and/or installed systems in Europe, North-, Central- and South America, Asia and Oceania. In addition to the United States, Asia is becoming an increasingly important region for Paxman, with Japan as the single leading market. Paxman received market approval (Shonin) in Japan for use in connection with treatment of solid tumours like breast cancer in March 2019, and extensive marketing activities were then initiated together with the distributor CMI. 50 systems were delivered to Japan in 2019, and when the coronavirus situation is under control the company sees great potential to deliver continued strong sales in Japan in the coming years. In addition to Japan, Paxman is already established in additional Asian markets such as India, Malaysia, Singapore and Pakistan, and the company is also evaluating various options for a market launch on the very large Chinese market.

To further increase the global growth rate, Paxman's commercialisation strategy for 2021-2022 focuses on strengthening the company's sales organization with direct presence as well as new and established distribution partners in key regional markets including in China, India, Europe and the Middle East, supported by enhanced marketing support based in the UK. Paxman will also advance the company's reimbursement strategy in the USA, capitalising on the recent positive CPT III code publication, and continue to invest in its R&D pipeline.

Paxman will also continue the transition from selling equipment to clinics to the new business model that generates income for each treatment. The business model is fully implemented in the United States, and a similar model is used in Mexico in collaboration with the licensing partner Teva. A modified model is used in Japan where the company sells scalp cooling systems to the distributor and receives payment for each personal cooling cap sold. This model is also gradually implemented in additional markets when the company is able to start offering its latest PSCS model.

Chasing **Zero** Hair Loss During Chemotherapy

Risks and uncertainties

Information on current risks and uncertainties, as well as on how the company acts to mitigate them, can be found in the annual report for 2020 (pages 47-49). An English translation of this segment is available upon request.

The share

The Paxman share is listed on Nasdaq First North Growth Market since 12 June 2017. The share's trading name is PAX, its ISIN code SE0009806284 and its LEI code 549300OT2V7Q4IDX8X68.

The share capital in the company amounted to SEK 19,012,500 split on 19,012,500 shares on December 31, 2021, each with a quota value of SEK 1. Paxman has only one class of shares.

Ownership structure

A list of Paxman's 10 largest shareholders is available on www.paxman.se and is updated at the end of each quarter. As of 31 December 2021, the 10 largest shareholders held 76.67% of all issued shares. At this time, Paxman had a total of 1,155 individual shareholders.

Annual general meeting 2022

The next AGM of Paxman AB (publ) will be held in Karlshamn, Sweden, on 25 May 2022 at 15:00 CEST. The AGM will be held in premises adjacent to the company's head office at Pirgatan 13, NetPort, Karlshamn.

Nomination committee

For the 2022 AGM, the following three members have been appointed to the Nominating Committee:

- Jens Listerö, Committee Chairman representing Björn Littorin
- Glenn Paxman, Board member and majority shareholder
- Roger Johansson, representing CIMON Venture Trust AB

Their contact details, as well as full guidelines for their appointment and responsibilities, are available on www.paxman.se.

Corporate information

Paxman AB (publ), corporate identity number 559079-3898, has its statutory seat in Karlshamn, Sweden, at Pirgatan 13, SE-374 35 KARLSHAMN. Production and sales are carried out by the UK subsidiary Paxman Coolers Limited, International House, Penistone Road, Fenay Bridge, HD8 0LE Huddersfield, United Kingdom. The Group also has a subsidiary in the US; Paxman US, Inc, based in Houston, Texas. Paxman Coolers Limited and Paxman US, Inc are both wholly owned subsidiaries of Paxman Group Limited, in its turn a fully owned subsidiary of Paxman AB (publ).

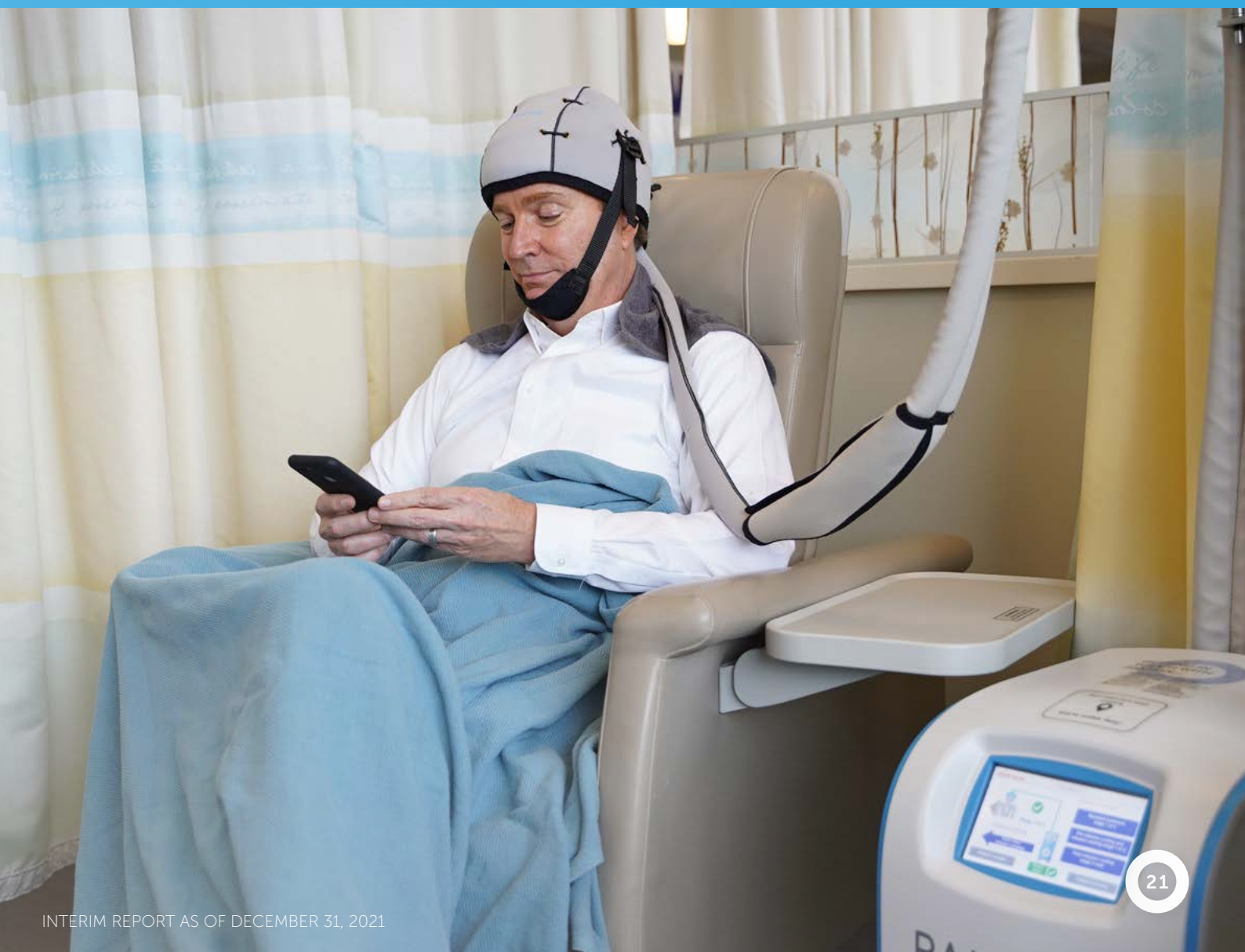
E-mail: info@paxmanscalpcooling.com
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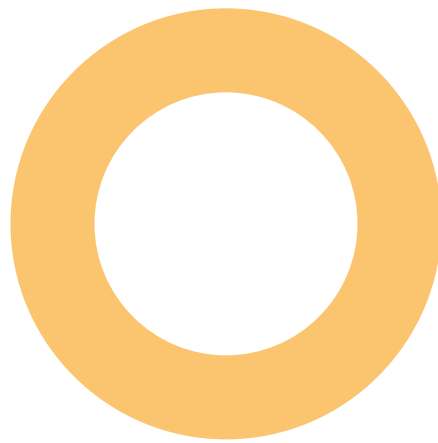
Paxman AB (publ) has appointed FNCA Sweden AB its Certified Adviser. FNCA can be reached at +46 (0)8 – 528 003 99 or email info@fnca.se.

Financial calendar

Annual General Meeting 2022		25 May 2022
Interim report as of 31 March 2022		25 May 2022
Interim report as of 30 June 2022		24 August 2022
Interim report as of 30 September 2022		18 November 2022

Paxman's interim reports and annual reports are available on www.paxman.se. Here you will also find Paxman's newsletter, published on a monthly basis.





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