

# INTERIM REPORT

AS OF JUNE 30

2019

# PAXMAN AB (publ)

## SECOND QUARTER

### 2019



#### Profitable quarter with record sales

- The Group's sales amounted to 21.7 (12.6) MSEK for the period April – June, PAXMAN's strongest quarter to date. For the first six months of the year, sales amounted to 39.5 (23.6) MSEK.
- The Group's net result totaled 0.3 (-0.9) MSEK for the period April – June, reducing the net loss for the first six months of the year to -0.2 (-2.5) MSEK.
- EBITDA amounted to 2.3 (0.2) MSEK for the period April – June, and to 3.2 (-0.4) MSEK for the first six months of the year.
- Earnings per share were 0.02 (-0.05) SEK for the period April – June, and -0.01 (-0.16) SEK for the first six months of the year.
- Cash flow before financing activities was -3.9 (-3.6) MSEK for the period April – June, and -10.1 (-10.4) MSEK for the first six months of the year.
- Net liquid assets totaled -22.5 (-4.8) MSEK on 30 June.
- A total number of 283 scalp cooling systems were installed around the world in the first six months of 2019, with the order book containing an additional 200 systems.



## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- In April PAXMAN received an order for 20 scalp cooling systems to Japan, just two weeks after its market approval. The systems will be installed at Tokyo Medical Center Hospital and Kyoto University Hospital, with deliveries starting in June.
- In the middle of May, PAXMAN announced that the company had installed or signed delivery agreements for just over 500 scalp cooling systems in the USA, only two years after receiving FDA clearance. The latest installations include additional scalp cooling systems at the Mayo Clinic locations in Minnesota, Arizona, Florida and Wisconsin, and also at Memorial Sloan Kettering and Dana-Farber Cancer Institute.
- On 23 May, PAXMAN held its annual general meeting at NetPort in Karlshamn. Around 30 shareholders attended the meeting, which meant that slightly more than 72 % of all issued shares were represented at the meeting. The meeting re-elected the Board of Directors in its entirety, and also resolved to approve the adoption of an employee stock option plan for personnel in the subsidiary Paxman Coolers Ltd.
- In mid-June, PAXMAN received market registration in Brazil for its latest scalp cooling system, with a first order of at least eight systems expected shortly. In 2018 alone, the company sold 28 scalp cooling systems of its earlier model in the country, making Brazil PAXMAN's fifth largest market based on unit sales.

- In late June, PAXMAN received an order for 10 scalp cooling systems to Australia from its Oceanian distributor Regional Health Care Group. Earlier in June, financing for up to 10 scalp cooling systems to New Zealand via the same distributor was confirmed.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- On August 20, PAXMAN announced that the company has received market registration in South Africa for the latest PSCS model of its scalp cooling system. Based on this, PAXMAN expects an increased order flow from its South African distributor Pharmacentrix during the rest of the year and in 2020.
- On August 21, PAXMAN announced that the company has signed a distribution agreement for Pakistan with Lahore-based Varitron. The agreement increases PAXMAN's global outreach with a market covering 220 million people and almost 200,000 new cancer cases annually. An application for market approval in Pakistan for PSCS, the latest version of PAXMAN's scalp cooling system, will be submitted with a decision expected in Q1 2020.

## Comment by the CEO

**With the first half of 2019 behind us, I am proud to announce that our business continued to shine as spring turned into summer during the second quarter.**

The company delivered a positive group net result for Q2, with a profit of 0.3 MSEK providing an improved year-to-date result of -0.2 MSEK compared to -2.5 MSEK for the first six months of 2018. Our Group EBITDA result is also showing strength, with 2.3 MSEK for the second quarter and 3.2 MSEK for the first half of the year.

The main factor behind our improved results is PAXMAN's impressive and global sales growth, which continued to show strength in Q2. Sales for the quarter amounted to 21.7 MSEK, an increase of over 20 percent compared to Q1. Some sales were delayed in Q1, and subsequently added to Q2 instead, but this is still an impressive achievement. Year-to-date sales were 39.5 MSEK at the end of the period, which is 67 percent higher compared to H1 2018. We expect our sales to remain at this high growth level throughout the year based on the company's strong order book.

In the USA, we continued to see a solid increase in sales revenue with just under 1 million USD in Q2 and 1.86 million USD for the first half of the year, compared to 0.84 million USD for H1 2018. US orders continue to remain strong with an expected 60 systems due to be delivered during the third quarter.

We are also proud that PAXMAN scalp cooling is available at all of the five highest-ranked cancer centres in the USA according to the U.S. News & World Report's 30th annual 2019-20 Best Hospitals Rankings, which was published earlier in August. The Top 5 specialty rankings for cancer include University of Texas MD Anderson Cancer Center in Houston, Memorial Sloan-Kettering Cancer Center in New York, Mayo Clinic in Rochester, John Hopkins Hospital in Baltimore and Dana-Farber/Brigham and Women's Cancer Center in Boston – and all of them use PAXMAN.

PAXMAN continues to allocate substantial resources to ensure that ultimately, scalp cooling will become reimbursed by commercial payers and the Medicare system in the USA. We have invested over 150,000 USD in these projects in 2019 alone. Additional work is being done to ensure that scalp cooling will become implemented in all cancer guidelines, and that Medicare's national coverage determination is reviewed again. We are also preparing an application to introduce a specific CPT code to facilitate administration of cost coverage. As scalp cooling treatments are becoming more common in the USA, the AMA is more likely to decide in favor of a new CPT code.

At the same time, we are gaining momentum in our endeavor to improve the future of scalp cooling with the Paxman Research Centre now officially open. The Centre has a strong team with ten researchers working on projects to improve our system's efficacy, thus maintaining our competitive advantage as the global leader in scalp cooling.

With such strong Q2 figures in this report, it goes without saying that I am very pleased with our growing team's performance and global success. I cannot thank our team members, as well as our investors, enough for their continued support and belief in our vision to ensure that all cancer patients gain access to this life changing treatment.

Together we are Changing the Face of Cancer.



**Richard Paxman, CEO**  
PAXMAN AB (publ)



## Market developments

### GENERAL TRENDS

Existing markets continued to perform well in Q2, with increased marketing activity in countries including Italy, Brazil and Spain. 164 scalp cooling systems were sold and installed during the quarter, of which 67 went to the USA. The remaining 97 systems were sold to 18 markets around the world. The UK outperformed all markets except for the USA, with 23 systems sold to existing customers who upgraded their equipment or expanded their scalp cooling services. Additional top performing countries included Mexico, the Netherlands and Germany.

Several new distribution partners joined PAXMAN's growing network in Q2 and up until the publication of this report. These include Can-Care in Singapore and Varitron in Pakistan. At the same time, additional potential partners are constantly evaluated – currently in countries such as Israel, Slovenia, Saudi Arabia and South Korea.

### EUROPE

The European market performed well during the first half of the year, and this trend is expected to continue with new orders received from countries such as Poland, the Netherlands and the UK. PAXMAN's Spanish partner Oncobel was very active during the spring with 10 systems ordered, and their substantial investments in traditional and digital marketing are now producing positive results. Italy also performed well with 15 systems delivered to the distributor in the first half of 2019.

### USA

In the USA, 487 scalp cooling systems have been installed in 251 locations across 38 states up until the end of July. PAXMAN currently has over 65 systems for 35 locations on order, and market interest (as in organic growth) remains strong. Enrolments continue to increase at a good rate, and PAXMAN will continue to invest in activities to improve this through advocacy, marketing and ultimately gaining reimbursement. The NCCN guidelines recommendation is of course supporting this growing momentum.

### MEXICO AND SOUTH AMERICA

TEVA, PAXMAN's partner in Mexico, is now working with its customers to ensure a growing utilisation after securing a strong base of installed systems in the country. Based on experience this usually takes some time, but TEVA is excited about the opportunity and is already keen to consider additional markets in Latin America.

PAXMAN's partner in Brazil continues to perform well, with an increased market presence following the launch of the

latest PSCS model in the country. In addition to the orders in Q2, 6 additional systems to Brazil are on order with more expected to come.

### JAPAN

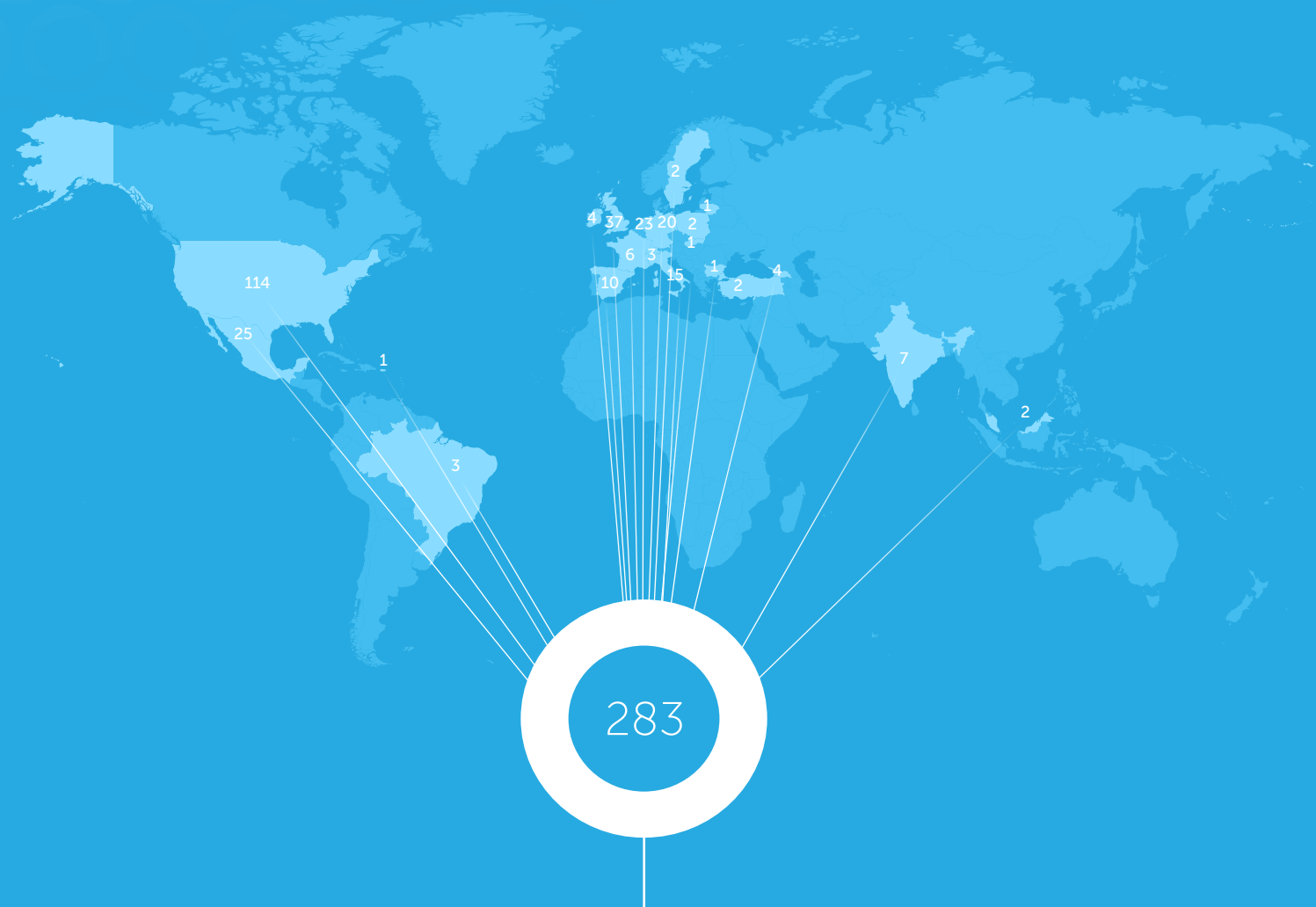
Activities in Japan are progressing well, with 20 scalp cooling systems delivered in July. An order for an additional 10 systems was received in August. The system and the PAXMAN business were successfully launched at the recent Japanese Breast Cancer Conference in Tokyo, creating a great amount of interest in the technology. The progress in Japan is also expected to boost PAXMAN's presence in additional Asian markets. Japanese patients will use PAXMAN's latest cap design which has been modified to suit the head shapes and sizes in Asia.

### EXHIBITIONS AND CONFERENCES

PAXMAN continues to invest in its growing global presence through international conferences, and in Q2 the company attended ONS, ASCO and MASCC. Additionally, PAXMAN recently attended the 18th Annual International Congress on the Future of Breast Cancer® in San Diego, hosted by Dr. Joyce O'Shaughnessy and Dr. Sara Hurvitz, which was an incredible success. Upcoming major meetings include ESMO, JADPRO & SABCS along with many additional regional conferences throughout the world.

## Installed systems in January – June 2019

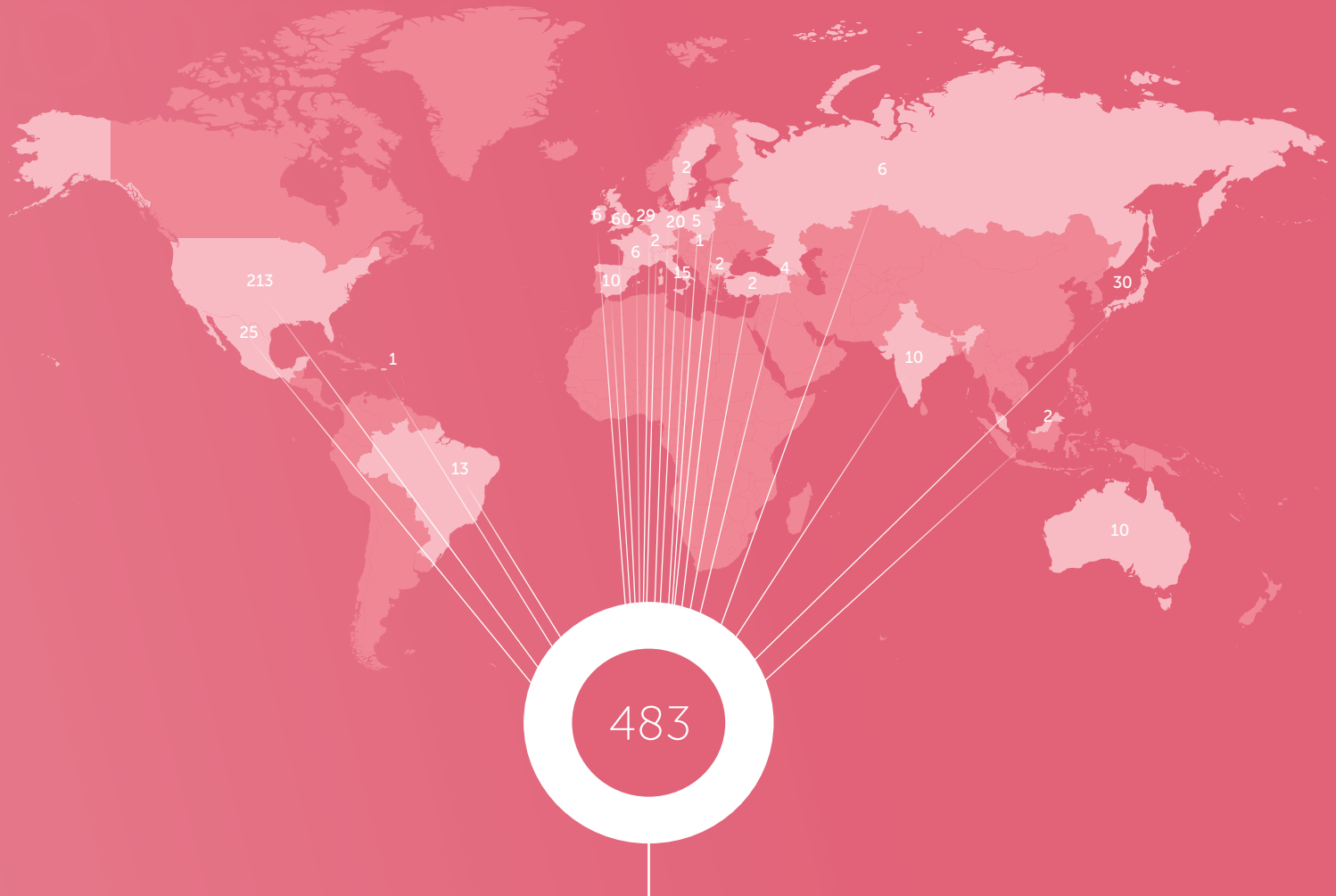
The systems are installed on-site following a signed delivery- and rental agreement (in the USA and in Mexico) or after being sold to the customer (rest of the world).



Brazil	3	Mexico	25
Bulgaria	1	Netherlands	23
France	6	Poland	2
Georgia	4	Puerto Rico	1
Germany	20	Slovakia	1
Great Britain	37	Spain	10
India	7	Sweden	2
Ireland	4	Switzerland	3
Italy	15	Turkey	2
Lithuania	1	USA	114
Malaysia	2	<b>Total</b>	<b>283</b>

# Installed systems in January – June + confirmed orders up to 16 August 2019

The total number for the business operations so far in 2019, up until 16 August. This includes installed systems + confirmed orders that are yet to be installed.



Australia	10	Malaysia	2
Brazil	13	Mexico	25
Bulgaria	2	Netherlands	29
France	6	Poland	5
Georgia	4	Puerto Rico	1
Germany	20	Russia	6
Great Britain	60	Slovakia	1
India	10	Spain	10
Ireland	6	Sweden	2
Italy	15	Switzerland	10
Japan	30	Turkey	2
Lithuania	1	USA	213
		<b>Total</b>	<b>483</b>

## Comments to the financial statements

### SALES AND EARNINGS

Net sales in Q2 2019 totaled 21.7 MSEK, a growth of 72.2 % compared to Q2 2018 and PAXMAN's strongest quarter to date. The year-to-date increase was 67.4 % over last year, from 23.6 to 39.5 MSEK. Around 1 MSEK of the sales in Q2 was a catch-up from Q1 due to late-March shipping delays, as previously reported. This was however offset by the announced orders of 20 systems to Japan and 10 systems to Australia, which are yet to be invoiced.

Sales in the USA keep a steady quarterly growth pace of around 10 %. As a result of this, Paxman US Inc. has been able to initiate its amortizations to Paxman Coolers Ltd as planned.

Costs are on budget, with increases from last year due to the growing number of staff needed to handle PAXMAN's strong and steady global expansion, in combination with strategic investments into reimbursement consulting in the USA which are now starting to show concrete results.

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

### CASH FLOW

The second quarter of the year produced a positive operating cash flow of 0.8 MSEK, despite a recoverable US withholding tax of 2.6 MSEK being tied up as an operating asset. Cash flow from investing activities remains a significant outflow, which is a deliberate and strategic decision taken by the Board. The company's investments are mainly attributable to fixed assets in the US and Mexico, where PAXMAN remains the owner of all scalp cooling systems.

In Q2 2019, 15 systems were installed in Mexico at the same time as PAXMAN continued to increase its asset base in the USA. To date around 27 MSEK has been invested in fixed assets in the USA and Mexico, investments that are now creating a stable and growing dividend.

The order book for Q3 is showing quite a different structure compared to recent quarters, with a larger share of systems that will be sold directly rather than used as fixed assets. This will further improve the company's operating cash flow.

### FINANCIAL POSITION

The Group's total liabilities amounted to 44.8 (15.1) MSEK on 30 June, of which 23.6 (5.7) MSEK were interest bearing. The Group's net liquid assets on 30 June

amounted to -22.5 (-4.8) MSEK, of which 1.1 (0.9) MSEK were cash and cash equivalents. The company has secured a credit line of a total of 25 MSEK to fully capitalize on its now entirely organic growth on the US market. The credit line is used exclusively for investments in fixed assets in the USA to support PAXMAN's continued expansion and profitability on this important market. As of 30 June, 20 MSEK of this credit line was utilized.

After the end of the period, PAXMAN received an additional credit line by its UK bank in the form of a stock loan facility of 2.4 MSEK, to further support future growth. For the same reason, Sparbanken i Karlshamn has agreed to increase the 25 MSEK credit up to 29 MSEK. As earnings and cash flow are now also improving steadily, the company does not foresee any need for additional operating credits.

### EMPLOYEES

As of 30 June 2019, the Group had a total of 44 employees, of whom 1 employed by the parent company PAXMAN AB, 36 by Paxman Coolers Ltd and 7 by Paxman US, Inc.

As of 30 June 2018, the Group had a total of 37 employees, of whom 1 employed by the parent company PAXMAN AB, 29 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 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 not been reviewed by the Group's auditors.



## AFFIRMATION

PAXMAN AB (publ)'s Board of Directors and C.E.O. hereby assure that this interim report gives a true and fair view of the Group's operations, financial position and performance.

Karlshamn, 29 August 2019

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, at 8.00 CEST on 29 August 2019.*

## Consolidated income statement (condensed)

TSEK	Apr – Jun 2019	Apr – Jun 2018	Jan – Jun 2019	Jan – Jun 2018	Jan – Dec 2018
Net sales	21,724	12,600	39,518	23,574	58,023
Capitalized expenses	2,404	2,876	4,343	5,586	10,540
<b>Total operating income</b>	<b>24,128</b>	<b>15,476</b>	<b>43,861</b>	<b>29,160</b>	<b>68,563</b>
Raw materials and consumables	-8,314	-5,028	-14,195	-8,823	-23,087
Other operating expenses	-7,508	-5,492	-14,532	-11,775	-26,323
Personnel costs	-5,973	-4,717	-11,919	-8,961	-19,248
<b>Total operating costs</b>	<b>-21,795</b>	<b>-15,237</b>	<b>-40,646</b>	<b>-29,559</b>	<b>-68,658</b>
<b>EBITDA</b>	<b>2,333</b>	<b>239</b>	<b>3,215</b>	<b>-399</b>	<b>-95</b>
Depreciation	-1,727	-1,015	-2,839	-2,003	-4,687
<b>Operating profit/loss</b>	<b>606</b>	<b>-776</b>	<b>376</b>	<b>-2,402</b>	<b>-4,782</b>
Net financial items	-292	-92	-547	-131	-382
<b>Profit/loss after net financial items</b>	<b>314</b>	<b>-868</b>	<b>-171</b>	<b>-2,533</b>	<b>-5,164</b>
Tax	-21	-	-25	-	-1,937
<b>Net profit/loss for the period</b>	<b>293</b>	<b>-868</b>	<b>-196</b>	<b>-2,533</b>	<b>-7,101</b>

## Consolidated balance sheet (condensed)

TSEK	30 June 2019	30 June 2018	31 December 2018
<b>Assets</b>			
Intangible fixed assets	10,053	9,174	9,810
Tangible fixed assets	29,861	17,542	24,009
Financial fixed assets	47	49	47
<b>Total fixed assets</b>	<b>39,961</b>	<b>26,765</b>	<b>33,866</b>
Inventories	10,318	9,370	7,819
Current receivables	18,769	8,372	13,606
Cash and bank balances	1,113	879	448
<b>Total current assets</b>	<b>30,200</b>	<b>18,621</b>	<b>21,874</b>
<b>Total assets</b>	<b>70,161</b>	<b>45,386</b>	<b>55,739</b>
<b>Equity and liabilities</b>			
Shareholders' equity	24,846	30,150	25,394
Provisions for taxes	478	115	479
<b>Total provisions</b>	<b>478</b>	<b>115</b>	<b>479</b>
Liabilities to credit institutions	5,503	317	425
<b>Non-current liabilities</b>	<b>5,503</b>	<b>317</b>	<b>425</b>
Liabilities to credit institutions	18,081	5,338	12,350
Accounts payable	17,115	7,771	12,922
Other current liabilities	4,138	1,695	4,169
<b>Current liabilities</b>	<b>39,334</b>	<b>14,804</b>	<b>29,441</b>
<b>Total equity and liabilities</b>	<b>70,161</b>	<b>45,386</b>	<b>55,739</b>

## Consolidated statement of cash flows (condensed)

TSEK	Apr – Jun 2019	Apr – Jun 2018	Jan – Jun 2019	Jan – Jun 2018	Jan – Dec 2018
Cash flow from operating activities	766	1,608	-1,208	-1,475	400
Cash flow from investing activities	-4,741	-5,169	-8,934	-8,898	-18,324
Cash flow from financing activities	4,864	1,345	10,807	2,895	10,015
<b>Cash flow for the period</b>	<b>889</b>	<b>-2,216</b>	<b>665</b>	<b>-7,478</b>	<b>-7,909</b>
Cash and cash equivalents, opening balance	224	3,095	448	8,357	8,357
Cash and cash equivalents, closing balance	1,113	879	1,113	879	448

## Consolidated changes in equity (condensed)

TSEK	Jan – Jun 2019	Jan – Jun 2018	Jan – Dec 2018
<b>Opening balance as of 1 January</b>	<b>25,394</b>	<b>32,766</b>	<b>32,766</b>
Translation gains/losses on consolidation	-352	-83	-271
Profit/loss for the period	-196	-2,533	-7,101
<b>Closing balance</b>	<b>24,846</b>	<b>30,150</b>	<b>25,394</b>

## Key ratios

	Apr – Jun 2019	Apr – Jun 2018	Jan – Jun 2019	Jan – Jun 2018	Jan – Dec 2018
Operating margin, %	2.8	Neg	1.0	Neg	Neg
EBITDA (TSEK)	2,333	239	3,215	-399	-95
Equity/assets ratio, %	35.4	66.4	35.4	66.4	45.6
Liquid assets, net (TSEK)	-22,471	-4,776	-22,471	-4,776	-12,327
Market capitalization (TSEK)	867,878	421,129	867,878	421,129	385,901

## Parent company income statement (condensed)

TSEK	Apr – Jun 2019	Apr – Jun 2018	Jan – Jun 2019	Jan – Jun 2018	Jan – Dec 2018
Other operating income	-	-	-	-	-
<b>Total operating income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other external costs	-657	-412	-1,114	-710	-1,788
Personnel costs	-365	-284	-748	-594	-1,127
<b>Total operating costs</b>	<b>-1,022</b>	<b>-696</b>	<b>-1,862</b>	<b>-1,304</b>	<b>-2,915</b>
<b>Operating profit/loss</b>	<b>-1,022</b>	<b>-696</b>	<b>-1,862</b>	<b>-1,304</b>	<b>-2,915</b>
Net financial items	-104	-31	-184	13	113
<b>Profit/loss after net financial items</b>	<b>-1,126</b>	<b>-727</b>	<b>-2,046</b>	<b>-1,291</b>	<b>-2,802</b>
Tax	-	-	-	-	-
<b>Net profit/loss for the period</b>	<b>-1,126</b>	<b>-727</b>	<b>-2,046</b>	<b>-1,291</b>	<b>-2,802</b>

## Parent company balance sheet (condensed)

TSEK	30 June 2019	30 June 2018	31 December 2018
<b>Assets</b>			
Investments in Group companies	25,520	25,520	25,520
<b>Total fixed assets</b>	<b>25,520</b>	<b>25,520</b>	<b>25,520</b>
Receivables from Group companies	40,333	25,289	32,407
Other current receivables	980	673	475
Cash and bank balances	50	696	50
<b>Total current assets</b>	<b>41,363</b>	<b>26,658</b>	<b>32,882</b>
<b>Total assets</b>	<b>66,883</b>	<b>52,178</b>	<b>58,452</b>
<b>Equity and liabilities</b>			
Shareholders' equity	46,289	49,847	48,336
Liabilities to credit institutions	5,000	-	-
<b>Total long-term liabilities</b>	<b>5,000</b>	<b>-</b>	<b>-</b>
Liabilities to credit institutions	14,824	2,000	9,703
Other current liabilities	611	217	189
Accrued costs and prepaid income	159	114	224
<b>Total current liabilities</b>	<b>15,594</b>	<b>2,331</b>	<b>10,116</b>
<b>Total equity and liabilities</b>	<b>66,883</b>	<b>52,178</b>	<b>58,452</b>

## Data per share

	Apr – Jun 2019	Apr – Jun 2018	Jan – Jun 2019	Jan – Jun 2018	Jan – Dec 2018
Earnings per share, SEK <sup>1)</sup>	0.02	-0.05	-0.01	-0.16	-0.44
Earnings per share, SEK, diluted <sup>2)</sup>	0.02	-0.05	-0.01	-0.16	-0.44
Equity per share, SEK <sup>1)</sup>	1.55	1.88	1.55	1.88	1.59
Cash flow from operating activities per share, SEK <sup>1)</sup>	0.05	0.10	-0.08	-0.09	0.03
Share price on closing day, SEK	54.20	26.30	54.20	26.30	24.10
Number of shares on closing day	16 012 500	16 012 500	16 012 500	16 012 500	16 012 500
Number of shares on closing day, diluted <sup>2)</sup>	16 080 978	16 012 500	16 080 978	16 012 500	16 012 500
Number of shares, weighted average in the period	16 012 500	16 012 500	16 012 500	16 012 500	16 012 500
Number of shares, weighted average in the period, diluted <sup>2)</sup>	16 080 978	16 012 500	16 080 978	16 012 500	16 012 500

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 June 30 2019, PAXMAN had one warrant commitment in force, an employee option plan for employees in the subsidiary Paxman Coolers Ltd in Huddersfield. The option plan was approved by the AGM held on 23 May 2019, and the warrants were issued shortly

thereafter. In all, 68,478 warrants were issued, each with a right to subscribe for one share in PAXMAN AB. The exercise period runs from June 2020 to June 2029, with the exercise price corresponding to 65.37 SEK per share. By full exercise of the warrants, the dilution effect from the new shares will correspond to approximately 0.4 % of the total number of now outstanding shares in the company. The warrants were issued at no consideration.

As of June 30 2018, there was no dilution effect to report.

## Other information

### ABOUT PAXMAN

PAXMAN develops and offers the market leading PAXMAN Scalp Cooling System that is used to minimize hair loss in connection with chemotherapy treatment. Presently, the system is available at a large number of cancer centres in Europe, North- and South America, Asia and Australia. More installs are added continuously.

With its close to 3,500 delivered systems to over 40 countries, PAXMAN has since established itself as the leading player in its field. Today, scalp cooling treatment has a strong clinical support and is a fully established therapy in, for example, the UK, Scandinavia, the Netherlands, Belgium, Australia and a number of other countries. A key market for PAXMAN is the USA where the company has been very successful following the FDA clearance in April 2017.

PAXMAN was founded as a family business by Glenn Paxman following his wife Sue Paxman's hair loss in connection with chemotherapy treatment for cancer.

Glenn realized that there were shortcomings in the existing methods for scalp cooling and developed a liquid-based system together with his brother in its first version in 1996. Today, their son Richard Paxman is the CEO of PAXMAN, and their daughter Claire Paxman is also involved in the company.

In the last 25 years, PAXMAN has conducted extensive clinical trials and developed and refined a system that is today clinically proven, cost-effective and well-received by doctors, nurses and patients. The PAXMAN Scalp Cooling System is a self-contained, mobile, and electrically powered cooling unit to which a specially designed cooling cap is connected. Each cooling unit has an integrated touch screen with a menu-controlled, graphic user interface that makes it easy for healthcare staff to initiate, monitor and complete the scalp cooling process. PAXMAN's cooling cap is made from lightweight, biocompatible silicone that is soft and flexible, providing an optimal fit for the patient.

### Research and development

To maintain its position as the global leader in hair loss-preventing scalp cooling, PAXMAN is constantly improving its offer through a rigorous research and development program. The main R&D goal is to improve the efficiency and user experience of scalp cooling while also broadening its scope to include complementary oncology-related indications.

In February 2019, PAXMAN announced a five-year research and collaboration agreement with the University of Huddersfield covering the PAXMAN Scalp Cooling Research Centre, a new multidisciplinary research group at the University of Huddersfield. The centre will focus on biological hair follicle research as well as developing innovative scalp cooling-related treatments and individual 3D-printed cooling caps. During the first five years, the

parties will invest a total of 12 MSEK in cash, staffing and other resources. PAXMAN's investment in 2019 will be covered by a partly EU-financed grant of 1.2 MSEK, and the following four years will be funded by the company's existing R&D budget.

In January 2019, PAXMAN announced a research collaboration agreement with National University Hospital, Singapore for the development of a portable cooling and compression device to prevent chemotherapy-induced peripheral neuropathy (nerve damage in hands and feet). The goal is to have a prototype ready for clinical studies in Q2 2020.

## CLINICAL STUDIES AND RELATED PROJECTS

PAXMAN regularly participates in clinical studies to improve the knowledge on how scalp cooling works in situations with different chemotherapy treatments, patient groups and patient specific parameters.

### Recently concluded studies

A study with the Paxman Scalp Cooling system in Japan has just been published in the *Frontiers of Oncology Journal*. The study aimed to assess the efficacy of scalp cooling in preventing CIA in Japanese breast cancer patients and to look at improved regrowth for patients. The study was carried out by leading physicians at the National Cancer Centre Hospital Tokyo, Osaka International Cancer Institute, Kameda Medical Centre, Kanazawa Medical University Hospital and Kyoto University Hospital. It was concluded that scalp cooling prevented alopecia with acceptable safety in Japanese patients and in addition that scalp cooling resulted in faster recovery of hair volume, even in patients where the treatment failed compared to no scalp cooling. The results were judged by two independent assessors, and a successful outcome required a unanimous judgement by both assessors. Just under 30 % of the patients were considered successful unanimously by both assessors, whereas 60 % of the patients were considered successful by either one of the individual doctors, compared to no success in the control arm. Photographs of the heads of the patients taken from 5 different directions were used, and the worst assessment was decided as the final outcome. It was suggested that this was the main factor behind the lower success rate compared to other studies around the world. It has also been discussed if the head shape of Asians is more brachycephalic than that of Caucasians, and that the cap used was more suitable for Caucasian head shapes. PAXMAN has now developed a more brachycephalic cooling cap shape for the Asian markets.

Source: *Frontiers in Oncology: Efficacy of Scalp Cooling in Preventing and Recovering from Chemotherapy-Induced Alopecia in Breast Cancer Patients; The HOPE Study*

A recent publication in Italy included centres in Modena, Guastalla and Parma and showed an overall success rate of 68 %. Severe hair loss was avoided in 89 % of women receiving taxane-based chemotherapy and in 78 % of women receiving both anthracyclines and taxanes. Among women undergoing anthracycline-based chemotherapy, 47 % experienced hair preservation.

### Ongoing studies

A study in India with patients using combinatory chemotherapy treatments (anthracyclines and taxanes) at the TATA Memorial Hospital in Mumbai was completed in February 2019 with the aim to present results at ESMO in 2019. A study in Singapore with an Asian patient population is progressing well with completion expected in 2019. There have been some delays in the South African study with African curly hair patients, and the protocol is now being evaluated. At the same time, PAXMAN has now initiated a study with Medstar Georgetown University Hospital in the USA to evaluate the efficacy of scalp cooling for black or ethnic minority hair types with GYN and breast cancer patients. Two ongoing German studies with patients in treatment for ovarian and breast cancer are expected to be completed in 2019.

Yet another trial is due to commence in Australia with prostate patients. This project will undertake a systematic review that aims to understand the experiences and unmet needs of patients affected by chemotherapy-induced alopecia. The findings from this systematic review will equip healthcare professionals with evidence in relation to offering available technologies, such as PAXMAN, in routine clinical care. Moreover, PAXMAN will publish the results of this study in a top quartile journal and present the findings at an international oncology conference.

PAXMAN is also a co-founder of the global organization and initiative CHILL (Cancer-related Hair Loss, International Leadership and Linkage) which met at the recent MASCC conference in San Francisco. This international registry of scalp cooling treatments will create a database that can be used to make optimal treatment decisions in different situations and is expected to gain momentum in 2019. Leading clinics from the Netherlands, Great Britain, Australia and the USA are represented on CHILL's board of directors.

## 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 a future decision to implement a specific CPT code for scalp cooling, as well as to introduce specific HCPCS codes. 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. This is 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.

In addition to promoting reimbursement, PAXMAN is also supporting other initiatives to fund scalp cooling for patients lacking the necessary funds. These include HairToStay, with its thousandth subsidy for scalp cooling awarded in 2018. In 2018, PAXMAN was proud to launch the Sue Paxman Fund for Mothers in collaboration with HairToStay to provide much needed support to patients who have no means to cover any cost of scalp cooling. HairToStay estimate that they will award 1 000 more subsidies in 2019.

## 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. The company has already taken steps towards a truly global presence by selling or installing systems in Europe, North and South America, Asia and Oceania.

In addition to the USA, Japan is expected to become one of the most interesting markets for PAXMAN going forward, as the country represents a large and influential Asian market with approximately 1 million new cancer cases each year. Market approval in Japan (Shonin) was received in March 2019, and comprehensive

marketing activities are planned for 2019 together with the company's distributor Century Medical. To further increase its growth rate, PAXMAN signed the company's first licensing agreement with the major pharmaceutical company Teva Pharmaceuticals regarding the Mexican market in Q1 2018. A market approval was received in Q2 2018, and the two orders for a total of 27 systems were received later in 2018. After securing a strong instalment base in the country, Teva is now focusing on increasing the utilisation rate. The company has also shown interest in adding additional Latin American countries to the license agreement.

## SPECIFIC TARGETS FOR 2019

PAXMAN exceeded its specific target of 50 MSEK in turnover for 2018 with a total turnover of 58 MSEK in 2018. In 2019, PAXMAN is aiming to keep up its strong expansion rate in the USA and globally. The company will also continue the transition from selling capital equipment to clinics to the new business model where PAXMAN is reimbursed by the patient per sold cooling cap and each treatment. This will be done in global markets where possible.

At the same time, strong patient enrolments in the USA are expected for both existing and new installations, which will generate a substantial cash flow for the company. PAXMAN has the financial strength required to reach a positive cash flow without additional capital injections, including a credit line buffer of 28 MSEK. However, the company does not exclude more aggressive measures to boost its growth rate, should opportunities arise with the potential to create substantial value for the company's shareholders.



# 80:20/2020

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 2018 (pages 41-43). An English translation of this segment is available upon request.

## THE SHARE

The PAXMAN share is listed on Nasdaq First North 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 amounts to SEK 16,012,500 split on 16,012,500 shares, 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](http://www.paxman.se) and is updated at the end of each quarter. As of 30 June 2019, the 10 largest shareholders held 80.9 % of all issued shares. On 30 June, PAXMAN had a total of 916 individual shareholders, an increase of 65 % since year-end and 45 % since end of March.

## ANNUAL GENERAL MEETING 2020

The next AGM of PAXMAN AB (publ) will be held in Karlshamn, Sweden, on 27 May 2020 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

The Nomination Committee of PAXMAN has the following three members:

- Glenn Paxman, majority shareholder, appointed by and representing the Board of Directors
- Jens Listerö, appointed by and representing Björn Littorin
- Roger Johansson, appointed by and representing CIMON Venture Trust AB

Their contact details, as well as full guidelines for their appointment and responsibilities, are available on [www.paxman.se](http://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 Ltd, 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 Ltd and Paxman US, Inc are both wholly owned subsidiaries of Paxman Group Ltd, in its turn a fully owned subsidiary of PAXMAN AB (publ).

E-mail: [info@paxmanscalpcooling.com](mailto:info@paxmanscalpcooling.com)  
[www.paxmanscalpcooling.com](http://www.paxmanscalpcooling.com)  
[www.paxman.se](http://www.paxman.se)  
[www.paxmanUSA.com](http://www.paxmanUSA.com)

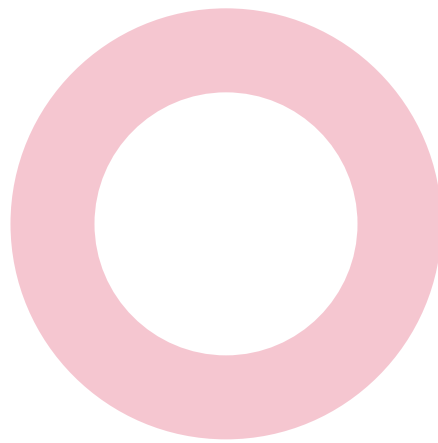
PAXMAN AB (publ) has appointed FNCA Sweden AB its Certified Adviser. FNCA can be reached at +46 (0)8 – 528 003 99 or email [info@fnca.se](mailto:info@fnca.se).

## FINANCIAL CALENDAR

Interim report January – September 2019		21 November 2019
Year-End Report for the financial year 2019		21 February 2020
Interim report January – March 2020		27 May 2020
Annual general meeting 2020		27 May 2020
Interim report as of 30 June 2020		27 August 2020

PAXMAN's interim reports and annual reports are available on [www.paxman.se](http://www.paxman.se). Here you will also find PAXMAN's newsletter, published on a monthly basis.





**PAXMAN**<sup>o</sup>  
PIONEERS IN SCALP COOLING



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This report was created by PAXMAN together with the IR communication firm **Honeybadger**.

[www.honeybadger.se](http://www.honeybadger.se)



Chasing Zero Hair Loss During Chemotherapy.

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