



**INTERIM REPORT
AS OF JUNE 30**

2020

PAXMAN AB (publ) SECOND QUARTER 2020



Resilient performance and financial position despite continued impact of Covid-19

- The Group's sales amounted to 17.8 (21.7) MSEK for the second quarter of the year. For the first half of the year, sales were 42.1 (39.5) MSEK.
- The Group's net result totaled -6.5 (0.3) MSEK for the period April–June, which resulted in a total net result of -3.9 MSEK for the first six months of the year.
- EBITDA amounted to 0.9 (3.7) MSEK for the period April–June, and to 2.5 (2.3) MSEK for the first half of 2020.
- Earnings per share were -0.40 (0.02) SEK for the second quarter of the year, and -0.24 (-0.01) SEK for the period January–June.
- Cash flow before financing activities was 1.4 (-2.6) MSEK for the second quarter, and -8.4 (-11.0) MSEK for the first six months of the year.
- Net liquid assets totaled -38.2 (-22.5) MSEK on 30 June 2020.
- A total number of 204 scalp cooling systems were installed around the world in the first six months of 2020, with the order book containing an additional 89 systems.



Significant events during the reporting period

- During the period, the National Comprehensive Cancer Network® (NCCN®) updated its Guidelines for ovarian cancer, fallopian tube cancer and primary peritoneal cancer with scalp cooling as a recommended category 2A treatment option to reduce alopecia. Over 20,000 new ovarian cancer cases are discovered annually in the United States alone.
- Paxman's Annual General Meeting was held on 27 May at NetPort in Karlshamn, Sweden. Approximately 64% of all shares were represented at the AGM. The Board was re-elected in its entirety, and the Meeting also resolved to approve the Board's proposal to authorize the Board to decide on a directed share issue.
- Due to the effects of the Covid-19 pandemic, Paxman implemented pre-emptive measures to significantly reduce the company's operational costs. To further solidify its financial position during the pandemic, Paxman's Board decided to apply for, and have been granted, a Corona Business Interruption Loan of 700,000 GBP, and an extended credit of 400,000 GBP. The company was also granted access to the Small Business Paycheck Protection Program in the United States and the Coronavirus Job Retention Scheme in the UK.

Significant events after the reporting period

- In August, Paxman continued to expand its global reach by appointing TPC Korea as its new distributor in South Korea. In 2017, 232,000 cancer cases were discovered in South Korea. Paxman is also collaborating with Samsung Medical Center on a large clinical study that is expected to start in late 2020. Additionally, the company appointed Claes Médical Service as its new distributor in Morocco with 53,000 new cancer cases in 2017.
- The European Society for Medical Oncology (ESMO), together with the European Oncology Nursing Society (EONS) and the European Association of Neuro-Oncology (EANO), updated its Clinical Practice Guidelines for chemotherapy-induced peripheral neurotoxicity (CIPN) to recommend cryotherapy as a measure to prevent CIPN. Paxman views this as an important step toward general acceptance of the cryocompression therapy the company is developing in collaboration with the University of Singapore/ University Hospital Singapore and the University of Huddersfield. The company is aiming to enter into clinical trial agreements in late 2020.
- Paxman invites all stakeholders to a Q&A with CEO Richard Paxman on August 28 at 5pm CEST following the publication of the Q2 2020 report. To register, email name and reason to join (shareholder, investor, analyst, media representative etc.) to Paxman's CFO Emelie Gustafsson, emelie.gustafsson@paxman.se, no later than August 28 12:00 CEST. This virtual event will replace the interviews historically held after Paxman's quarterly reporting.

Comment by the CEO

Despite the current global challenges, I hope that all of our shareholders have been able to enjoy the long summer days with families and friends. All over the world, the Covid-19 pandemic has transformed nearly every aspect of our lives as well as the delivery of healthcare. The crisis has led us to re-evaluate many aspects of how we live, go to work, manufacture, communicate and how care is delivered.

This ultimately affects Paxman's work around the world. Since our IPO, we have enjoyed considerable and exciting growth with consistency quarter after quarter that demonstrates our global opportunity.

However, and as expected, Covid-19 has slowed our growth, just like for many other companies in various industries. I have no long-term concerns regarding our future growth and opportunity, but at the same time I have to be realistic with our short-term situation. Compared to Q2 2019, our income was reduced by 3.9 MSEK, and compared to Q1 2020 it was reduced by 6.5 MSEK. As Paxman obviously is a company structured for growth with some high fixed costs, this has had a substantial effect on our business performance.

Thankfully, due to governmental support in the UK and the United States, which has been very welcome in addition to the sacrifices our team have made reducing their working hours, we have managed to implement savings of 2.2 MSEK for the period. In addition, due to the pandemic, the cancellations of conferences and travel have also meant reduced costs in some areas of the business. Unfortunately, for Q2, these savings were somewhat offset by negative forex movements.

We have worked with an external financial advisory group looking at our forex exposure to understand if there are options to reduce this volatility. It has been advised that a "no hedge" strategy would be considered the most appropriate approach for the moment. Although the volatility affects our quarterly profit or loss, the gains or losses will not be realized in cash terms at present. We are confident in our expansion plans in the United States, which will provide a clear plan to reduce intercompany debts and give the company the ability to hedge its forex exposure in the future. We shall continue to monitor this closely and keep you updated of our progress.

What is important to understand is that Paxman has not stood still during these challenging times. In fact, as a team we have worked harder than ever, focusing on innovative and digital approaches to communicate with our customers and also developing relationships with new customers. An example of this is our successful 'Conversations with the CEO' series, with episode 4 going live in August, in which we have had the opportunity to interview world leaders in their field. Additionally, our Facebook Live event series 'Claire Paxman with Special Guests' continues to highlight some of the amazing work that many of our partners are doing both in the UK and around the world. The impact of both these activities has been impressive, reaching thousands of people globally.

In the United States, we understand the continued importance to support patients not only through foundations, but also through advocacy groups to ensure support and education. In this quarter alone, we have enhanced our support with a number of foundations who support patients' access to scalp cooling in the USA; this



includes HairToStay, Infinite Strength, Cold Capital Fund, The Cool Head Project and One Nine Be Strong. We have also signed agreements with key advocacy groups including Living Beyond Breast Cancer, BreastCancer.org, Sharsheret, Tigerlily and a number of smaller organisations throughout the United States.

As recent events have shown, systemic racism in the United States continues to have an impact in America as well as globally. This has led Paxman to express the company's support and strong commitment to promote equality, not only within race and colour, but also religion, sexuality, gender and opportunity. We are committed to continuing our efforts to make sure that all voices are heard. Paxman has been delighted to work with Tigerlily Foundation to work towards achieving this.

We are committed to not only improving the efficacy of scalp cooling for all patients across the world, but now also to enhance the quality of lives of patients from the distressing side effects of chemotherapy treatment, of which chemotherapy-induced peripheral neuropathy (CIPN) is a serious debilitating side-effect commonly experienced by our patients, and we are committed to finding a solution for this. Although we have seen some delays due to Covid-19, our R&D program is progressing well, and we look forward to sharing further updates in the coming months. Our research centre has also seen some delays, however I am excited to announce that we 3D printed our first cooling cap in soft, sustainable and biocompatible material in July. This is an exciting breakthrough for the centre, and although we have some way to go, our momentum remains strong.

I will continue to focus on the health, job security and wellbeing of the Paxman team, as well as patients and customers as top priority during these unprecedented times. At the same time, the company will continue to maintain its high level of service and support to customers, patients and partners by embracing the digital way. We do however of course look forward to situations where we will be able to meet patients, partners and stakeholders in person.

Huddersfield, August 2020,

A handwritten signature in black ink, appearing to read 'R. Paxman'.

Richard Paxman, CEO
Paxman AB (publ)

MARKET DEVELOPMENTS

United States

Covid-19 has affected Paxman's current install rate in the United States, however demand and interest remains strong. As the company's future customers have adjusted to the new ways of working through the pandemic, scalp cooling can now be put firmly back on the agenda. In Q2 alone, Paxman secured contracts for 25 locations and 44 systems, all to be delivered and remotely installed, in some cases through Q2 and Q3. New customers include leading cancer centers Duke Cancer Institute in North Carolina and Penn Medicine in Pennsylvania, Hamilton Medical Center in Georgia, and multiple Hackensack Meridian sites throughout New Jersey, just to name a few.

The pandemic has also had an impact on enrolments, with many centers seeing dramatic reductions in patient volumes in Q2 due to patient concerns of visiting primary physicians and therefore not being able to receive diagnosis. In addition, patients may not opt for longer stays in hospitals. As cancer centers begin to see more patients and they become used to the newer norms, Paxman hopes to see increasing volumes in the coming months.

It is also positive to see that scalp coolers from Paxman are installed in the top 5 cancer centers in the United States as published in the 2020-21 U.S. News Best Hospitals for Cancer.

Europe & Israel

Paxman's domestic market continues to perform well. Even with the current slowdown, 15 new scalp coolers were installed in both public and private hospitals in the UK in Q2, along with additional orders for Q3. The company now has installations in over 95% of the market, covering both the NHS and the private sector including Aspen, BMI, Nuffield and Spire. In August, Paxman will also rebrand its Home healthcare division to PAXMAN AT HOME. This will be a focus for 2020/21.

Other high performing markets in Europe include Italy, France and Russia with 27 systems sold to these markets in the last three months. Additionally, a pre-order was received from Russia. Paxman has also received orders from France, one of the company's direct sales markets, as well as Portugal and the Netherlands.

In Israel, Paxman's distributor A.S. Amit Medical received a purchase order after winning a tender by Rabin Medical Center in Davidoff Center for Oncology. According to the distributor, the tender was won based on Paxman's excellent clinical experience in combination with the skill/training level of A.S. Amit Medical's staff members. After completing this first sale, the distributor is hoping to receive the next purchase order later in 2020.

Asia

Paxman is working hard on preparing for clinical trials in South Korea. All agreements are now in place, and the company is just finalising further IEC tests specific for this market. Paxman hopes to begin clinical trials in 2021. In China, the company's efforts have been put on hold. Paxman is however currently reviewing opportunities with the UK Government's Department of International Trade.

A further 10 systems were sold to Japan in Q2, but more importantly over 200 caps have already been sold to the market in Q3 for single patient use utilisation.

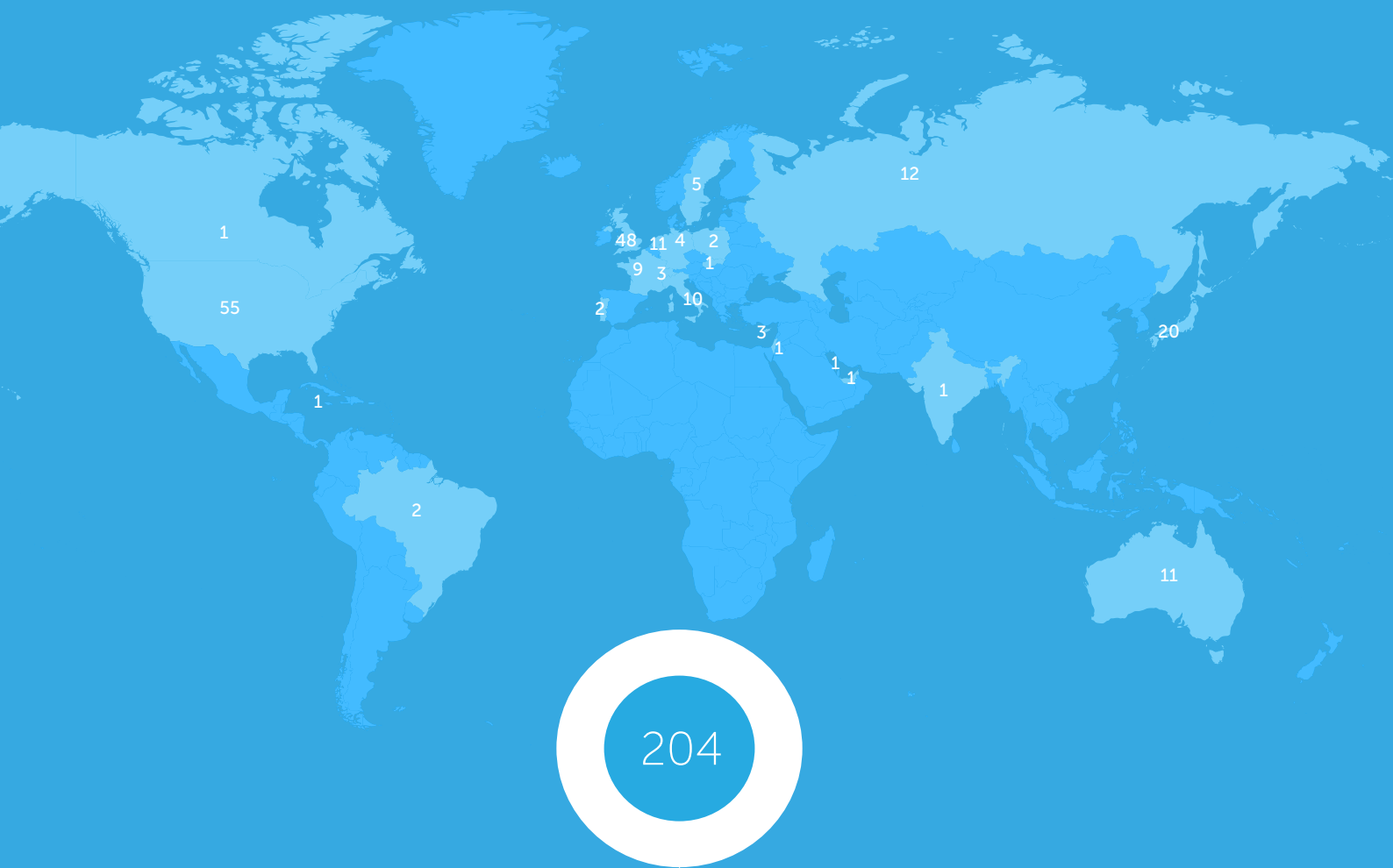
Following the successful study in India, Paxman is seeing increased activity and interest from the market although this has currently slowed down due to Covid-19. The company is actively working with its partner Access Devices and the UK government to raise the awareness of the Paxman Scalp Cooling System.

Exhibitions and conferences

All conferences are either being postponed or being held virtually, which does represent less opportunities to Paxman. However, the company is currently reviewing virtual opportunities with a number of the conference organisers or alternative approaches. As previously discussed, Paxman is actively communicating with stakeholders throughout the world. The company is currently planning a virtual clinical pioneer program to support its global users.

Installed systems January–June 2020

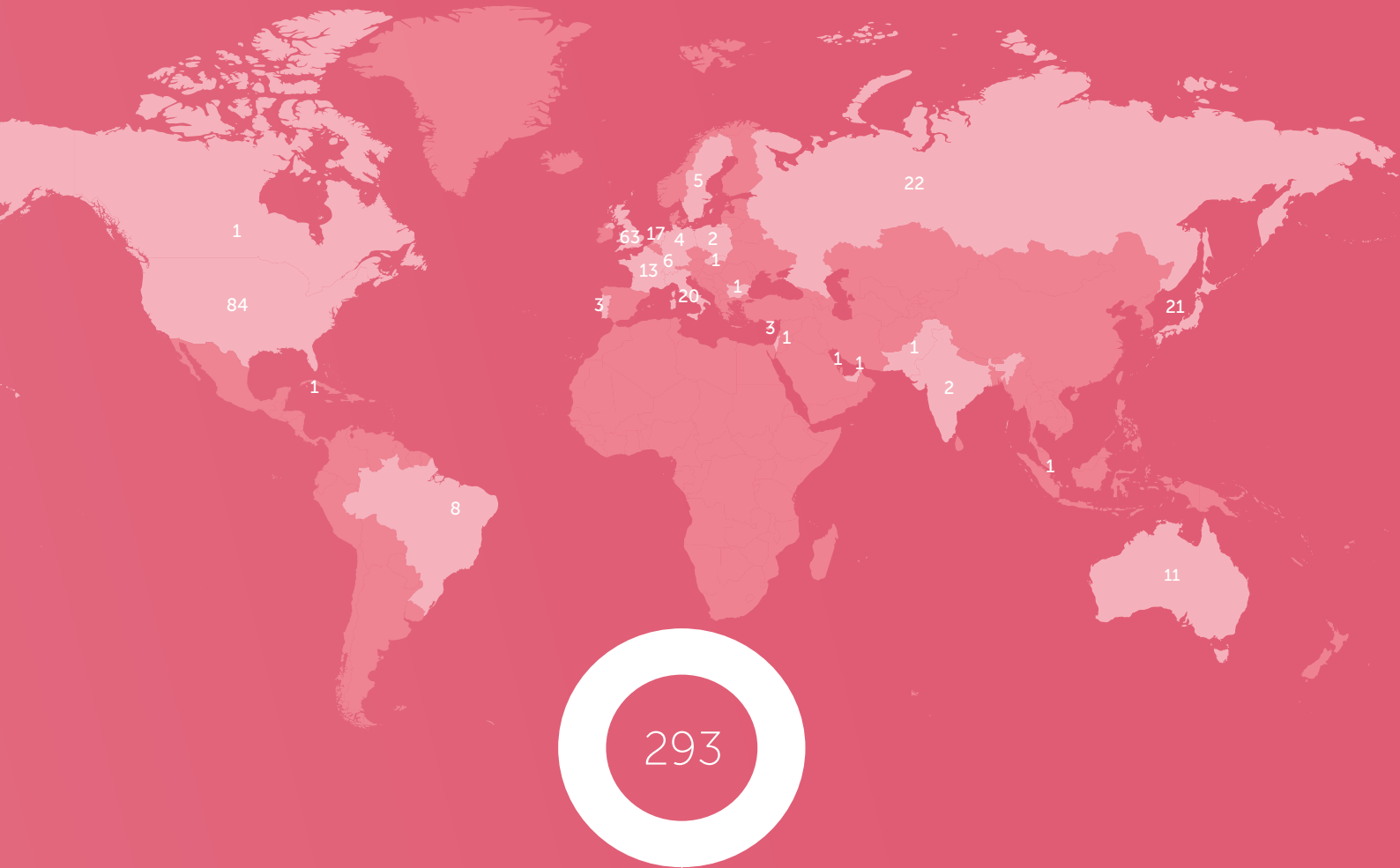
The systems are installed on-site following a signed delivery and rental agreement (in the USA and in Mexico) or after being sold to the customer (rest of the world).



United Arab Emirates	1	Italy	10
Australia	11	Japan	20
Bahrain	1	Netherlands	11
Brazil	2	Poland	2
Canada	1	Portugal	2
Cayman Islands	1	Russia	12
Cyprus	3	Slovakia	1
France	9	Sweden	5
Germany	4	Switzerland	3
Great Britain	48	USA	55
India	1	Total	204
Israel	1		

Installed systems January–June 2020 + confirmed orders up until August 24, 2020

The total number for the business operations so far in 2020, up until August 24, 2020. This includes installed systems and confirmed orders that are yet to be installed.



293

Australia	11	Germany	4	Poland	2
Bahrain	1	Great Britain	63	Portugal	3
Brazil	8	India	2	Russia	22
Bulgaria	1	Israel	1	Singapore	1
Canada	1	Italy	20	Slovakia	1
Cayman Islands	1	Japan	21	Sweden	5
Cyprus	3	Netherlands	17	Switzerland	6
France	13	Pakistan	1	United Arab Emirates	1
				USA	84
				Total	293

COMMENTS TO THE FINANCIAL STATEMENTS

Sales and earnings

Net sales in Q2 2020 totalled 17.8 MSEK, a decline of 18% compared to Q2 2019. This is a result of the effects of the Covid-19 pandemic. The majority of the company's global partners have been affected by Covid-19 restrictions with restrictions in access to sites, reduction or freezing on all capital non-pandemic related expenditures and reductions in cancer patient diagnosis. Due to delays in patients being treated and reduced time allowed in cancer centers, enrollments in the United States have reduced by around 13% from Q2 2019. As a result of a strong first quarter the company's year-to-date increase was still 7% over last year, from 39.5 to 42 MSEK. Due to the current economic situation, a revised budget was put in place at the beginning of the pandemic with significant cost savings in revised budgets which have been met. These included government assistance from both the UK and United States.

In Q2 2020 EBITDA was recorded at 0.9 MSEK, compared to 3.7 MSEK for Q2 2019. The Group's currency exposure mainly relates to the intercompany balances between Paxman Coolers Ltd and Paxman US, Inc, with the US subsidiary having a considerable debt to the UK company. To date there has been no clear repayment plan for this intercompany debt, which has made it difficult to hedge the currency exposure. After reviewing this currency exposure, an external financial advisory group has concluded that a "no hedge" strategy would be considered the most appropriate approach for the moment as there is no clear repayment plan in place at present.

When preparing this report, the company decided to change the categorisation of the net currency exposure of intercompany items, from being presented as other external costs to being presented as net financial items. Comparative figures have also been recalculated. The reason for this recategorisation is that the intercompany items are not considered to be operating items.

Comparative figures for key ratios and data per share have also been recalculated.

The Group was affected by a significant negative currency effect of 3.3 MSEK during the period. As in previous quarters there was a high level of depreciation and amortisation in relation to the investments in the United States.

The operating result for Q2 2020 was -1.7 MSEK and -2.8 MSEK for the first half of the year, compared to -0,5 MSEK for the same period in 2019. Operating earnings are of course also heavily impacted by depreciation, a consequence of strong investments in the United States where the scalp cooling systems are reported as fixed assets in the Group's balance sheet of 26 MSEK.

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

Cash flow

The cash flow was negatively affected due to the factors mentioned above and recorded at -0.01 MSEK for Q2 compared to a positive cash flow of 2.1 MSEK for Q2 2019. The cash flow and comparative figures have also been recalculated due to the recategorization of the currency exposure from intercompany items.

Cash flow from investing activities has decreased significantly. This was a conscious strategic decision to maintain cash levels in light of the current economic situation.

In the UK, a Corona Business Interruption Loan of 700,000 GBP and an extended credit of 400,000 GBP as an overdraft has been received during the period.

Financial position

The Group's total liabilities amounted to 61 (44.8) MSEK on 30 June, of which 43 (23.6) MSEK is interest bearing. The increase was as a result of the additional credit line secured in 2020 to fund the additional growth in the US market, and the additional funding in the UK to support businesses during Covid-19.

Employees

As of 30 June 2020, the Group had a total of 53 employees, 46 by Paxman Coolers Ltd and 7 by Paxman US, Inc.

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.

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 these summarized financial statements give a true and fair view of the Group's operations, financial position and performance.

Karlshamn, 27 August 2020

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

For further information, please contact Richard Paxman, C.E.O., PAXMAN AB (publ)

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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 12.00 CEST on 27 August 2020.

Consolidated income statement (condensed)

TSEK	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Net sales	17,787	21,724	42,095	39,518	85,279
Capitalized expenses	985	2 404	2,576	4,343	10,391
Total operating income	18,772	24,128	44,671	43,861	95,670
Raw materials and consumables	-6,976	-8,314	-15,476	-14,195	-31,631
Other operating expenses	-6,339	-6,174	-15,187	-15,402	-37,347
Personnel costs	-4,503	-5,973	-11,475	-11,919	-24,254
Total operating costs	-17,818	-20,461	-42,138	-41,516	-93,232
EBITDA	954	3,667	2,533	2,345	2,438
Depreciation	-2,656	-1,727	-5,317	-2,839	-8,398
Operating profit/loss	-1,702	1,940	-2,784	-494	-5,960
Net financial items	-4,721	-1,626	-1,101	323	3,286
Profit/loss after net financial items	-6,423	314	-3,885	-171	-2,674
Tax	-50	-21	-20	-25	5,430
Net profit/loss for the period	-6,473	293	-3,905	-196	2,756

Consolidated balance sheet (condensed)

TSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets			
Intangible fixed assets	11,958	10,053	12,329
Tangible fixed assets	34,448	29,861	33,917
Financial fixed assets	6,547	47	6,547
Total fixed assets	52,953	39,961	52,793
Inventories	14,451	10,318	11,861
Current receivables	14,142	18,769	18,716
Cash and bank balances	4,944	1,113	1,603
Total current assets	33,537	30,200	32,180
Total assets	86,490	70,161	84,973
Equity and liabilities			
Shareholders' equity	24,780	24,846	28,361
Total equity	24,780	24,846	28,361
Provisions for taxes	663	478	663
Total provisions	663	478	663
Liabilities to credit institutions	21,896	5,503	14,108
Non-current liabilities	21,896	5,503	14,108
Liabilities to credit institutions	21,287	18,081	17,344
Accounts payable	12,255	17,115	19,895
Other current liabilities	5,609	4,138	4,602
Current liabilities	39,151	39,334	41,841
Total equity and liabilities	86,490	70,161	84,973

Consolidated statement of cash flows (condensed)

TSEK	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Cash flow from operating activities	-10	2,100	-2,888	-2,078	-1,362
Cash flow from investing activities	1,401	-4,741	-5,476	-8,934	-20,827
Cash flow from financing activities	2,385	3,530	11,705	11,677	23,344
Cash flow for the period	3,775	889	3,341	665	1,155
Cash and cash equivalents, opening balance	1,169	224	1,603	448	448
Cash and cash equivalents, closing balance	4,944	1,113	4,944	1,113	1,603

Consolidated changes in equity (condensed)

TSEK	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Opening balance as of 1 January	28,361	25,394	25,394
Translation gains/losses on consolidation	88	-352	-25
Equity-settled share-based payment transaction	236	-	236
Profit/loss for the period	-3,905	-196	2,756
Closing balance	24,780	24,846	28,361

Key ratios

	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Operating margin, %	Neg	8.9	Neg	Neg	Neg
EBITDA (TSEK)	954	3,667	2,533	2,345	2,438
Equity/assets ratio, %	28,6	35,4	28,6	35,4	33,4
Liquid assets, net (TSEK)	-38,239	-22,471	-38,239	-22,471	-29,849
Market capitalization (TSEK)	438,743	867,878	438,743	867,878	960,750

Parent company income statement (condensed)

TSEK	Apr–jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Other operating income	-	-	-	-	-
Total operating income	-	-	-	-	-
Other external costs	-626	-657	-1,215	-1,114	-2,110
Personnel costs	-204	-365	-513	-748	-1,355
Total operating costs	-830	-1,022	-1,728	-1,862	-3,465
Operating profit/loss	-830	-1,022	-1,728	-1,862	-3,465
Net financial items	-332	-104	-624	-184	-620
Profit/loss after net financial items	-1,162	-1,126	-2,352	-2,046	-4,085
Tax	-	-	-	-	-
Net profit/loss for the period	-1,162	-1,126	-2,352	-2,046	-4,085

Parent company balance sheet (condensed)

TSEK	30 Jun 2020	30 Jun 2019	31 Dec 2019
Assets			
Investments in Group companies	25,992	25,520	25,756
Total fixed assets	25,992	25,520	25,756
Receivables from Group companies	50,511	40,333	45,901
Other current receivables	1,070	980	564
Cash and bank balances	50	50	50
Total current assets	51,631	41,363	46,515
Total assets	77,623	66,883	72,271
Equity and liabilities			
Shareholders' equity	42,372	46,289	44,487
Total equity	42,372	46,289	44,487
Liabilities to credit institutions (non-current liabilities)	13,480	5,000	13,740
Total long-term liabilities	13,480	5,000	13,740
Liabilities to credit institutions	21,287	14,824	13,640
Other current liabilities	391	611	182
Accrued costs and prepaid income	93	159	222
Total current liabilities	21,771	15,594	14,044
Total equity and liabilities	77,623	66,883	72,271

Data per share

	Apr–Jun 2020	Apr–Jun 2019	Jan–Jun 2020	Jan–Jun 2019	Jan–Dec 2019
Earnings per share, SEK ¹⁾	-0.40	0.02	-0.24	-0.01	0.17
Earnings per share, SEK, diluted ²⁾	-0.40	0.02	-0.24	-0.01	0.17
Equity per share, SEK ¹⁾	1.54	1.55	1.54	1.55	1.77
Cash flow from operating activities per share, SEK ¹⁾	0	0.13	-0.18	-0.13	-0.08
Share price on closing day, SEK	27.40	54.20	27.40	54.20	60,00
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 ²⁾	16,080,978	16,080,978	16,080,978	16,080,978	16,080,978
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 ²⁾	16,080,978	16,080,978	16,080,978	16,080,978	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 June 30 2020, 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.

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 Director of Strategic Initiatives. 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 is covered by a partly EU-funded grant of 1.2 MSEK.

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 CIPN. The planning for clinical trials is well under way, and the company is aiming to enter into clinical trial agreements in late 2020.

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 recently completed and published

A study with the Paxman Scalp Cooling system in Japan was published in the *Frontiers of Oncology Journal* in 2019. 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 after completing treatment. The study also showed a need to develop a cooling cap that is better suited to Asian head shapes, which Paxman did after completion of the study.

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

In 2019, a publication in Italy included centers 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.

A study in India with patients using combinatory chemotherapy treatments (anthracyclines and taxanes) at the TATA Memorial Hospital in Mumbai was successfully completed in February 2019, and recently presented at ESMO in Barcelona. Hair preservation rate was significantly higher in the scalp cooling arm (18/32, 56.3%) compared to patients who did not receive scalp cooling (0/17, 0%). Hair preservation was higher with taxane-based chemotherapy (77%) compared to anthracycline-based chemotherapy (33%). Hair regrowth was also found to be higher in the scalp cooling arm compared to the control group six weeks after treatment.

Some of the studies that are ongoing or starting in 2020

A clinical trial agreement has been signed with South Korea's top medical institution, Samsung Medical Center. The open label randomised, controlled trial will use the latest fourth generation Paxman Scalp Cooling System (PSCS) in conjunction with Paxman's Asian style cold caps. The Principal Investigator (PI) for the trial will be Juhee Cho (Cancer Education Centre, Centre for Clinical Epidemiology) and Co-PI Jin Seok Ahn (Division of Hematology & Oncology Department of Medicine). The key objective is to understand efficacy of the PSCS in preventing hair loss in 135 female breast cancer patients along with the willingness of patients to scalp cool whilst also understanding if scalp cooling is effective in preventing permanent CIA. The study will play an important role in the registration of the product in South Korea.

In Singapore, Paxman and the National University Cancer Institute of Singapore are conducting a study to investigate the safety and efficacy of treating breast and uterine cancer in patients of Asian origin. After achieving positive results in the first part of the study in 2019, it was extended to include other solid tumors.

A systematic review in Australia to understand the experiences and unmet needs of prostate cancer patients affected by chemotherapy-induced alopecia (CIA) is now concluded. The findings of the review will equip healthcare professionals with evidence in relation to offering available technologies in routine clinical care. The results of this study will be published in a top quartile journal and the findings will be presented at an international oncology conference in 2020.

Paxman is collaborating with a well-known cancer center in the United States looking at the tolerability and effect of colder temperatures whilst scalp cooling with anthracycline based chemo regimens. Hopefully, the study will provide a further insight into the role of temperature, and the benefits of cooler temperatures.

CLINICAL STUDIES AND COLLABORATIONS, CONT.

Paxman is proud to be working with one of the company's largest customers in the United States to understand the role of scalp cooling with newer, novel therapies for the treatment of metastatic breast cancer and hair loss prevention, which is seen as a huge benefit for patients. If the study is successful,

this will significantly increase the number of patients that can be treated with Paxman's scalp cooling and provide support to those patients with a difficult diagnosis and where quality of life becomes even more important.

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. 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. These inclusions 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.

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 2019, the company strengthened its position as the superior global market leader with 597 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 including 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 will continue to build strong partnerships worldwide. This will be achieved partly by deepening existing relationships with distributors and other partners, and partly by signing agreements with partners in new markets where the company is not yet active. This may include additional collaboration agreements with the large pharmaceutical company Teva Pharmaceuticals in addition to the existing licensing agreement for Mexico.

In 2020, Paxman will also continue the transition from selling equipment to clinics to the new business model that generates income for each personal cooling cap that is sold and/or 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 2019 (pages 43-45). 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 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 and is updated at the end of each quarter. As of 30 June 2020, the 10 largest shareholders held 79.5% of all issued shares. On 30 June, Paxman had a total of 900 individual shareholders.

Annual general meeting 2021

The next AGM of PAXMAN AB (publ) will be held in Karlshamn, Sweden, on 26 May 2021 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 2021 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 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
www.Paxmanscalpcooling.com
www.Paxman.se
www.PaxmanUSA.com

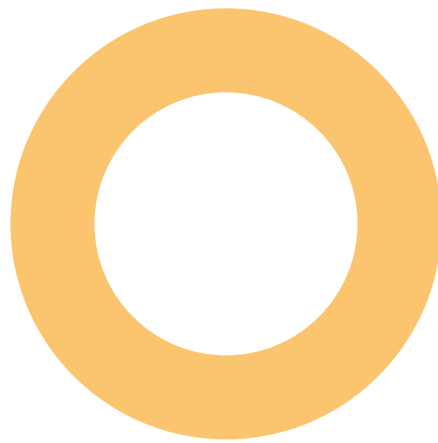
Paxman AB (publ) has appointed FNCA Sweden AB its Certified Adviser. FNCA can be reached at +46 (0)8 – 528 003 99 or email info@fnca.se.

Financial calendar

Interim report as of 30 September 2020		20 November 2020
Summarized financial statements for the year 2020		26 February 2021
Interim report as of 31 March 2021		26 May 2021
Annual General Meeting 2021		26 May 2021

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.





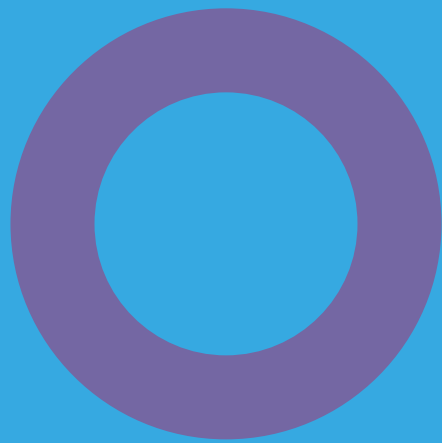
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