

**INTERIM REPORT**  
AS OF SEPTEMBER 30  
**2019**

# PAXMAN AB (publ)

## THIRD QUARTER

### 2019



#### Yet another record quarter

- The Group's sales amounted to 22.9 (16.0) MSEK for the period July–September, making Q3 yet another record quarter for PAXMAN. For the first nine months of the year, sales amounted to 62.5 (39.6) MSEK, which means that PAXMAN has already outperformed the full year of 2018 with a full quarter to go.
- The Group's net result totaled 0.8 (-0.3) MSEK for the period July–September, turning the accumulated net result per 30 September into a positive one of 0.6 (-2.8) MSEK.
- EBITDA amounted to 4.4 (1.1) MSEK for the period July–September, and to 7.6 (0.7) MSEK for the first nine months of the year.
- Earnings per share were 0.05 (-0.02) SEK for the period July–September, and 0.04 (-0.18) SEK for the first nine months of the year.
- Cash flow before financing activities was -4.9 (-3.5) MSEK for the third quarter, fully funded by financing activities. For the first nine months of the year, the corresponding figure was -15.1 (-13.8) MSEK.
- Net liquid assets totaled -27.3 (-8.2) MSEK on 30 September.
- A total number of 454 scalp cooling systems were installed around the world in the first nine months of 2019, with the order book containing an additional 162 systems.



## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- On 20 August, PAXMAN announced that the company had received market registration in South Africa for the latest PSCS model of its scalp cooling system. Based on this, the company expects an increased order flow from its South African distributor Pharmacentrix during the rest of the year and in 2020.
- On 21 August, PAXMAN announced that the company had signed a distribution agreement for its scalp cooling system in 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 soon be submitted to the health care authorities in the country. A decision is expected in Q1 2020.

- On 13 September, PAXMAN announced that the company had received an order for 20 additional scalp cooling systems to Japan from its distributor Century Medical. PAXMAN has now accepted orders for 50 systems to Japan in total since market approval (Shonin) was received in late March 2019.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- No significant events were reported after the end of the period.

## Comment by the CEO

**In the third quarter of the year, PAXMAN continued to deliver strong, global growth combined with an increasingly robust and positive net result.**

PAXMAN's net profit for the third quarter of 2019 was 0.8 MSEK, compared to -0.3 MSEK for the same period last year and 0.3 MSEK for the previous quarter. The EBIDTA result increased to 4.4 MSEK compared to 2.3 MSEK during Q2 2019, corresponding to an impressive 91 % improvement. The strong Q3 result also contributed to turning PAXMAN's net result for 2019 positive for the first time. The net profit was 0.6 MSEK for the first nine months of the year.

PAXMAN's continued growth during the third quarter was visible in our sales numbers as well as when counting the number of new installations. Our sales was 22.9 MSEK for the quarter, compared to 16.0 MSEK during the same period last year. This corresponds to a 43 % sales growth. I am also proud to report that our total sales for 2019 has now surpassed the full year of 2018, even though we still have a full quarter to go. The positive net result for Q3 2019 is a consequence of this sales growth, but also of our focus on keeping the company's cost base under control.

A major part of PAXMAN's sales growth during the third quarter came from our global sales (excluding the US), but at the same time the US contributed with 9 MSEK which is a substantial share of our total sales volume. This can be compared to Q2 2019, when a substantial share of our growth came from catching up with orders received in Q1 combined with growth in the US. This development shows the strength in our international expansion, even though we have just scratched the surface of the total addressable market.

The last quarter of the year has also started in a promising way, with continued growth in the US in line with the latest 12 months combined with substantial orders from Japan, Brazil and Argentina as well as continued growth in the UK. The order flow is also strong from additional international markets, and we are in discussions with several entities regarding additional orders which are to be expected in 2019.

To raise knowledge on our scalp cooling among medical personnel in the US, and thereby contribute to increased usage of our installed systems, we launched PAXMAN Clinical Pioneer Programme in September. This full-day training programme is very popular in the UK, and the first US session in Boston showed that there is strong demand also on the other side of the Atlantic Ocean. In Boston, the 40 attendees were physicians, infusion nurses, social workers, navigators and other healthcare professionals from several cancer centres and sites including Mass

General Hospital, Dana Farber Cancer Institute, Tufts and Beth Israel. Based on this successful launch, we will extend the programme to additional US states in 2020 with the aim to improve best practice across the country while making sure we maintain our position as the market leader in scalp cooling.

2019 has seen a real emphasis on our organisational development, and during the third quarter we implemented a senior leadership team to support myself and our growing team in the execution of our vision and strategy to accelerate our growth potential in 2020. This change will enable us to continue our growth story in an effective and strategic manner. I am very thankful to be working with such an outstanding team and shareholders who understand and support our long-term vision.

Huddersfield in November 2019,



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



## Market developments

### GENERAL TRENDS

PAXMAN installed more systems in the US during the third quarter than ever before during a single quarter in 2019, and the first 20 systems were delivered to Japan.

#### USA

70 systems were installed in Q3 in the US market, the highest number of installs during a single quarter in 2019 to date. In total, PAXMAN now has over 550 systems in 275 locations in 38 states. The company is however convinced that it is important to continue to focus on improved enrolments, and continued reimbursement-related investments were made throughout the quarter. These activities will also continue in Q4. In addition to this, substantial investments have been made in key data to ensure that PAXMAN is focusing its efforts on the right institutions and physicians and continues to develop the right marketing and education campaigns aimed at key stakeholders. The company is also continuing to work closely with the National Comprehensive Cancer Network® (NCCN®) and key advocacy groups across the USA. In addition to this, the company is looking into several clinical trials to support additional use of scalp cooling in the US market.

#### JAPAN

During the third quarter, PAXMAN delivered 20 systems to Japan, and an additional 30 ordered systems are expected to be delivered in Q4. As previously stated, PAXMAN is not only selling the scalp cooling systems on the Japanese market, but also single patient use cooling caps. The new cooling cap specifically designed for Asian head shapes and sizes has now been launched, and its improved fit is expected to contribute further to PAXMAN's substantial potential in both Japan and additional Asian markets going forward.

### ADDITIONAL GLOBAL MARKETS

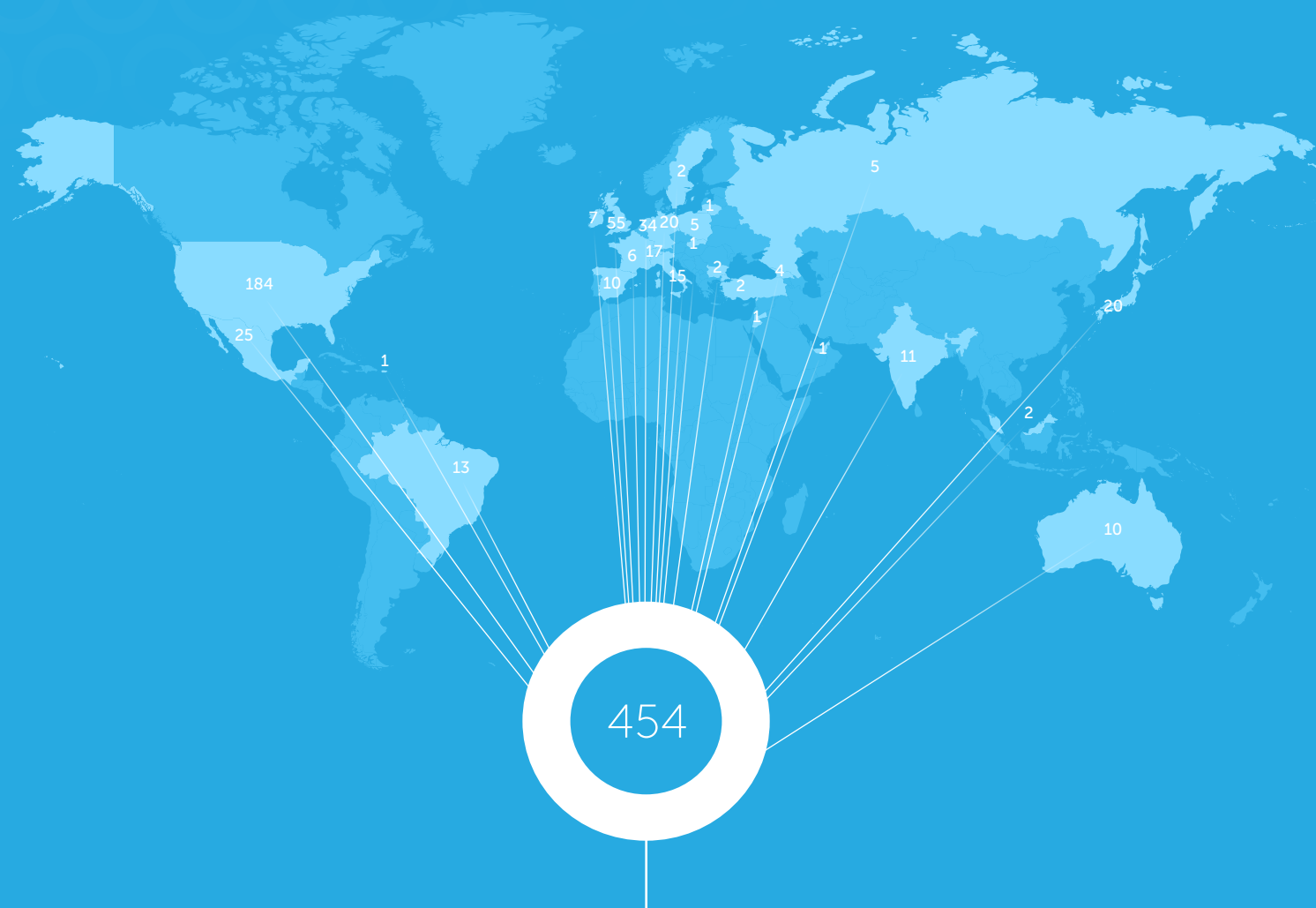
Additional global markets that performed well in Q3 include the UK, the Netherlands, Brazil, Australia, Russia and Switzerland. So far in Q4, the company has received substantial orders from the UK, Argentina, Japan and Brazil. The interest in India continues to grow following the successful results from TATA Memorial Hospital which were presented at the ESMO conference in Barcelona. New markets where PAXMAN has signed distribution agreements in Q3 and the beginning of Q4 include Varitron in Pakistan, Prion Poct in Romania, AMIT Ltd in Israel, PGFCI Healthcare in Saudi Arabia and Sanolabor in Slovenia. The above is evidence of the continued strong and growing interest in PAXMAN's scalp cooling technology and commercial offers across the world.

### EXHIBITIONS AND CONFERENCES

PAXMAN had a busy conference schedule in Q3, including its own UK Clinical Pioneer Programme events, as well as the 18th Annual International Congress on the Future of Breast Cancer® West, The MedTech Conference by AdvaMed in Boston, ESMO in Barcelona, Lynn Sage Breast Cancer Conference in Chicago, and a number of smaller regional events. Future conferences planned for Q4 include the MD Anderson Member Network Meeting, JADPRO in Seattle, UKONS in Telford, the Annual Navigations & Survivorship Conference in Nashville, and SABCS in San Antonio. Many of PAXMAN's partners are also supporting several domestic oncology conferences.

## Installed systems in January–September 2019

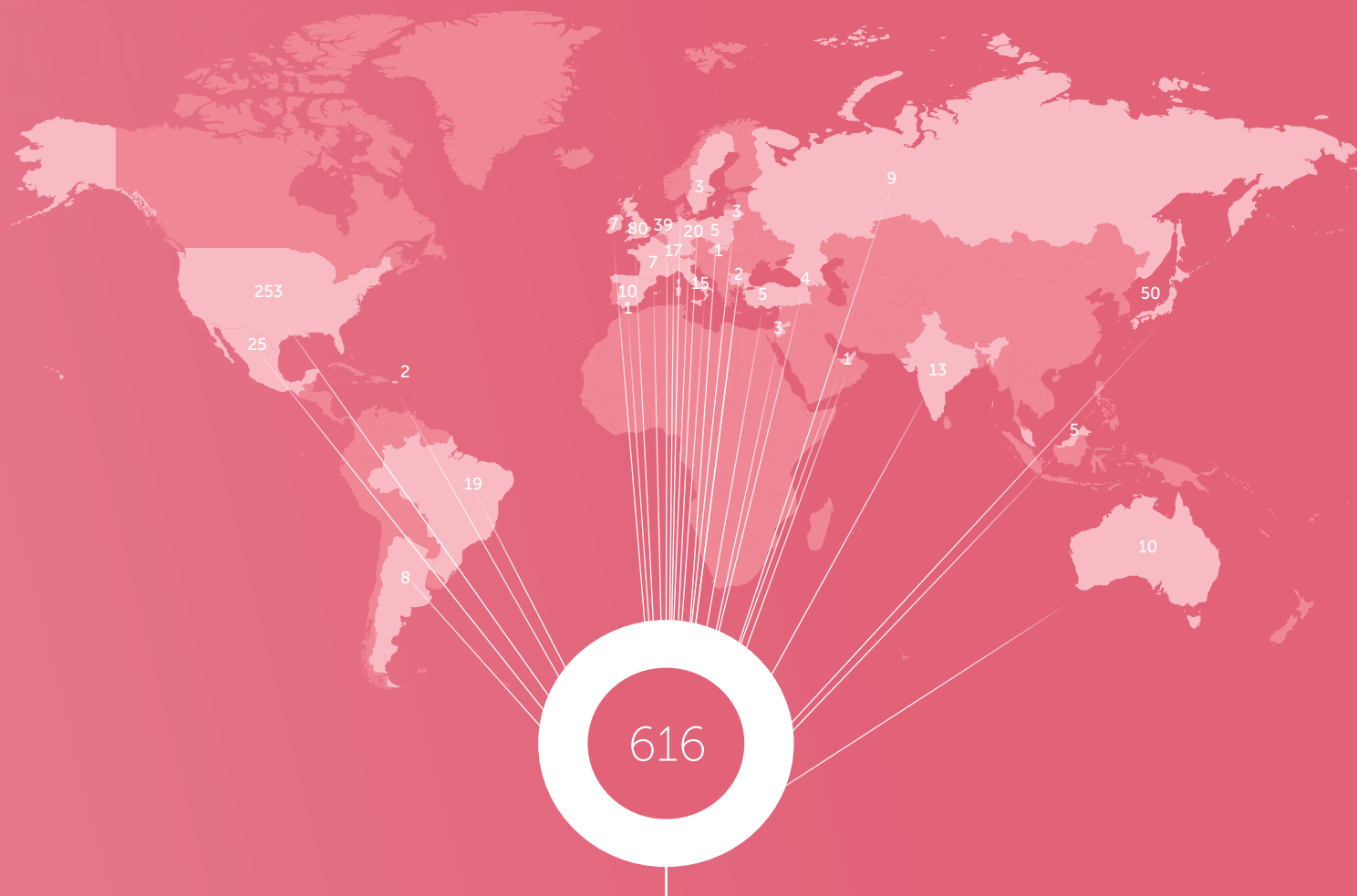
The systems are installed on-site following a signed delivery and rental agreement (in the USA and in Mexico) or after being sold to the customer (rest of the world).



Australia	10	Mexico	25
Brazil	13	Netherlands	34
Bulgaria	2	Poland	5
France	6	Puerto Rico	1
Georgia	4	Russia	5
Germany	20	Slovakia	1
Great Britain	55	Spain	10
India	11	Sweden	2
Ireland	7	Switzerland	17
Italy	15	Turkey	2
Japan	20	U A E	1
Jordan	1	USA	184
Lithuania	1	<b>Total</b>	<b>454</b>
Malaysia	2		

## Installed systems in January–September + confirmed orders up until 15 November 2019

The total number for the business operations so far in 2019, up until 15 November. This includes installed systems + confirmed orders that are yet to be installed.



Argentina	8	Lithuania	2
Australia	10	Malaysia	5
Brazil	19	Mexico	25
Bulgaria	2	Netherlands	39
France	7	Poland	5
Georgia	4	Puerto Rico	2
Germany	20	Russia	9
Gibraltar	1	Slovakia	1
Great Britain	80	Spain	10
India	13	Sweden	3
Ireland	7	Switzerland	17
Italy	15	Turkey	5
Japan	50	U A E	1
Jordan	3	USA	253
		<b>Total</b>	<b>616</b>

## Comments to the financial statements

### SALES AND EARNINGS

Sales in Q3 totaled 22.9 MSEK, marking yet another record and PAXMAN's strongest quarter to date. Year-to-date sales for the period January–September was 62.4 MSEK and has thus already surpassed the sales figure for the full year of 2018. This was achieved even though 30 of the systems ordered for Japan are yet to be invoiced, as are many orders from Brazil, Argentina and UK in particular.

PAXMAN reported a profit of 0.8 MSEK for Q3, which means that the accumulated result for 2019 is now also positive. For the period January–September it is 0.6 MSEK. At the same time, EBITDA increased to 4.4 MSEK in Q3, and to 7.6 MSEK year-to-date.

The company's costs are on budget and well under control, while depreciations are obviously increasing in line with the growing number of scalp cooling systems being installed in the US and Mexico. PAXMAN is also keeping up its strategic investments into activities promoting reimbursement in the US, with around 230,000 USD invested so far this year.

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

### CASH FLOW

The third quarter of the year produced a slightly negative operating cash flow of -0.4 MSEK, despite very strong earnings. This is primarily an effect of funding the increased global trade that has taken place in Q3. The company expects to see a positive inflow in Q4 as a result of the strong Q3 performance and continued positive developments in Q4. PAXMAN is still investing heavily in fixed assets in the US and Mexico, but to a growing extent these are funded internally. Of the -4.5 MSEK generated by investing activities, -3.8 MSEK refer to fixed assets destined for the US and Mexico and the remainder to trademarks and intellectual property rights.

### FINANCIAL POSITION

The Group's total liabilities amounted to 47.6 (21.1) MSEK on 30 September, of which 28.1 (8.5) MSEK were interest bearing. The Group's net liquid assets on 30 September amounted to -27.4 (-8.2) MSEK, of which 0.7 (0.3) MSEK were cash and cash equivalents. The company has secured a credit line of a total of 29 MSEK to fully capitalize on its now entirely organic growth on the US market. This credit is used exclusively for investments in fixed assets in the US

to support PAXMAN's continued expansion and profitability on this important market. As of 30 September, 25 MSEK of this credit was utilized.

PAXMAN has also been provided with additional funding by its UK bank in the form of a stock loan facility of 2.4 MSEK, to further support future growth. As earnings and cash flow are improving quarter by quarter, the company does not foresee any need for additional operating credits.

### EMPLOYEES

As of 30 September 2019, the Group had a total of 46 employees, of whom 1 employed by the parent company PAXMAN AB, 38 by Paxman Coolers Ltd and 7 by Paxman US, Inc.

As of 30 September 2018, the Group had a total of 40 employees, of whom 1 employed by the parent company PAXMAN AB, 32 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, 21 November 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 CET on 21 November 2019.*

## Consolidated income statement (condensed)

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net sales	22,953	16,004	62,471	39,578	58,023
Capitalized expenses	2,556	2,499	6,899	8,085	10,540
<b>Total operating income</b>	<b>25,509</b>	<b>18,503</b>	<b>69,370</b>	<b>47,663</b>	<b>68,563</b>
Raw materials and consumables	-8,794	-5,397	-22,989	-14,220	-23,087
Other operating expenses	-6,133	-6,989	-20,665	-18,764	-26,323
Personnel costs	-6,165	-4,998	-18,084	-13,958	-19,248
<b>Total operating costs</b>	<b>-21,092</b>	<b>-17,384</b>	<b>-61,738</b>	<b>-46,942</b>	<b>-68,658</b>
<b>EBITDA</b>	<b>4,417</b>	<b>1,119</b>	<b>7,632</b>	<b>721</b>	<b>-95</b>
Depreciation	-3,131	-1,334	-5,970	-3,337	-4,687
<b>Operating profit/loss</b>	<b>1,286</b>	<b>-215</b>	<b>1,662</b>	<b>-2,616</b>	<b>-4,782</b>
Net financial items	-439	-130	-986	-262	-382
<b>Profit/loss after net financial items</b>	<b>847</b>	<b>-345</b>	<b>676</b>	<b>-2,878</b>	<b>-5,164</b>
Tax	-1	42	-26	42	-1,937
<b>Net profit/loss for the period</b>	<b>846</b>	<b>-303</b>	<b>650</b>	<b>-2,836</b>	<b>-7,101</b>

## Consolidated balance sheet (condensed)

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>Assets</b>			
Intangible fixed assets	10,409	9,224	9,810
Tangible fixed assets	34,318	20,027	24,009
Financial fixed assets	47	49	47
<b>Total fixed assets</b>	<b>44,774</b>	<b>29,300</b>	<b>33,866</b>
Inventories	10,084	9,824	7,819
Current receivables	18,337	11,664	13,606
Cash and bank balances	701	278	448
<b>Total current assets</b>	<b>29,122</b>	<b>21,766</b>	<b>21,874</b>
<b>Total assets</b>	<b>73,896</b>	<b>51,066</b>	<b>55,739</b>
<b>Equity and liabilities</b>			
Shareholders' equity	25,851	29,837	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	10,482	591	425
<b>Non-current liabilities</b>	<b>10,482</b>	<b>591</b>	<b>425</b>
Liabilities to credit institutions	17,654	7,919	12,350
Accounts payable	15,819	9,790	12,922
Other current liabilities	3,612	2,814	4,169
<b>Current liabilities</b>	<b>37,085</b>	<b>20,523</b>	<b>29,441</b>
<b>Total equity and liabilities</b>	<b>73,896</b>	<b>51,066</b>	<b>55,739</b>

## Consolidated statement of cash flows (condensed)

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Cash flow from operating activities	-398	414	-1,606	-1,061	400
Cash flow from investing activities	-4,566	-3,870	-13,500	-12,768	-18,324
Cash flow from financing activities	4,552	2,855	15,359	5,750	10,015
<b>Cash flow for the period</b>	<b>-412</b>	<b>-601</b>	<b>253</b>	<b>-8,079</b>	<b>-7,909</b>
Cash and cash equivalents, opening balance	1,113	879	448	8,357	8,357
Cash and cash equivalents, closing balance	701	278	701	278	448

## Consolidated changes in equity (condensed)

TSEK	Jan-Sep 2019	Jan-Sep 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	-311	-93	-271
Equity-settled share-based payment transaction	118	-	-
Profit/loss for the period	650	-2,836	-7,101
<b>Closing balance</b>	<b>25,851</b>	<b>29,837</b>	<b>25,394</b>

## Key ratios

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating margin, %	5.6	Neg	2.7	Neg	Neg
EBITDA (TSEK)	4,417	1,119	7,632	721	-95
Equity/assets ratio, %	35.0	58.4	35.0	58.4	45.6
Liquid assets, net (TSEK)	-27,435	-8,232	-27,435	-8,232	-12,327
Market capitalization (TSEK)	951,142	384,300	951,142	384,300	385,901

## Parent company income statement (condensed)

TSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 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	-466	-357	-1,580	-1,067	-1,788
Personnel costs	-334	-256	-1,082	-850	-1,127
<b>Total operating costs</b>	<b>-800</b>	<b>-613</b>	<b>-2,662</b>	<b>-1,917</b>	<b>-2,915</b>
<b>Operating profit/loss</b>	<b>-800</b>	<b>-613</b>	<b>-2,662</b>	<b>-1,917</b>	<b>-2,915</b>
Net financial items	-196	52	-380	65	113
<b>Profit/loss after net financial items</b>	<b>-996</b>	<b>-561</b>	<b>-3,042</b>	<b>-1,852</b>	<b>-2,802</b>
Tax	-	-	-	-	-
<b>Net profit/loss for the period</b>	<b>-996</b>	<b>-561</b>	<b>-3,042</b>	<b>-1,852</b>	<b>-2,802</b>

## Parent company balance sheet (condensed)

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>Assets</b>			
Investments in Group companies	25,638	25,520	25,520
<b>Total fixed assets</b>	<b>25,638</b>	<b>25,520</b>	<b>25,520</b>
Receivables from Group companies	42,788	28,389	32,407
Other current receivables	750	542	475
Cash and bank balances	50	50	50
<b>Total current assets</b>	<b>43,588</b>	<b>28,981</b>	<b>32,882</b>
<b>Total assets</b>	<b>69,226</b>	<b>54,501</b>	<b>58,452</b>
<b>Equity and liabilities</b>			
Shareholders' equity	45,412	49,287	48,336
Liabilities to credit institutions	10,000	-	-
<b>Total long-term liabilities</b>	<b>10,000</b>	<b>-</b>	<b>-</b>
Liabilities to credit institutions	13,403	4,902	9,703
Other current liabilities	127	104	189
Accrued costs and prepaid income	284	208	224
<b>Total current liabilities</b>	<b>13,814</b>	<b>5,214</b>	<b>10,116</b>
<b>Total equity and liabilities</b>	<b>69,226</b>	<b>54,501</b>	<b>58,452</b>

## Data per share

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Earnings per share, SEK <sup>1)</sup>	0.05	-0.02	0.04	-0.18	-0.44
Earnings per share, SEK, diluted <sup>2)</sup>	0.05	-0.02	0.04	-0.18	-0.44
Equity per share, SEK <sup>1)</sup>	1.61	1.86	1.61	1.86	1.59
Cash flow from operating activities per share, SEK <sup>1)</sup>	-0.02	0.03	-0.10	-0.35	0.03
Share price on closing day, SEK	59.40	24.00	59.40	24.00	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 September 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 and are therefore valued at market value. A total of 1.4 MSEK will affect the personnel costs of Paxman Coolers Ltd for a period of three years (although with no effect on cash flow).

As of September 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.

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 results were recently presented at the ESMO conference in Barcelona. Hair preservation rate was significantly higher in the scalp cooling group (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 group compared to the control group six weeks after treatment.

### Ongoing studies

A study in Singapore with an Asian patient population is progressing well with completion expected in 2019. There have been some delays with the study in South Africa with African curly hair patients and we are now re-evaluating the protocol, however PAXMAN have now engaged with Medstar Georgetown University Hospital in the USA looking at measuring the efficacy of scalp cooling with 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 2019/2020. 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 cashflow 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 29 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 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](http://www.paxman.se) and is updated at the end of each quarter. As of 30 September 2019, the 10 largest shareholders held 81.7 % of all issued shares. On 30 September, PAXMAN had a total of 920 individual shareholders, an increase of 66 % since 1 January 2019.

## 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)

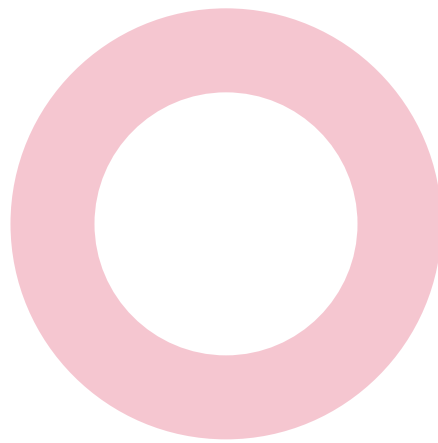
PAXMAN AB (publ) has appointed FNCA Sweden AB its Certified Adviser. FNCA can be reached at +46 (0)8 – 528 003 99 or email [info@fnca.se](mailto:info@fnca.se).

## FINANCIAL CALENDAR

Year-End Report for the financial year 2019		21 February 2020
Interim report as of 31 March 2020		27 May 2020
Annual general meeting 2020		27 May 2020
Interim report as of 30 June 2020		27 August 2020
Interim report as of 30 September 2020		20 November 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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PIONEERS IN SCALP COOLING