

CEO LETTER



Dear PolarCool shareholders, welcome to my summary of 2022 and future prospects!

First of all, I want to thank all shareholders who have given us your trust by investing in PolarCool. 2022 has been an eventful year for the company and we have taken great steps forward towards our important goal of establishing a new acute treatment method for concussions with the aim of alleviating the effects of concussions and improving recovery. I am proud and glad that in 2022 we have moved forward on all levels; evidence-, regulatory- and marketwise and are now ready to expand sales in 2023.

STRONG CLINICAL EVIDENCE

Above all, I am very happy that the single most important milestone was achieved in early October with the publication of the 5-year study with PolarCap® in the well-reputed Journal of Neurotrauma. A quality stamp for the study, its demonstrated significant results and with it confirmed evidence of the effect of treatment with the PolarCap® System. We notice that the strengthened evidence has meant that the dialogues with medical representatives for clubs and leagues have now moved forward.

POSITIVE ECONOMIC EFFECTS OF POLARCAP® DEMONSTRATED

With strengthened medical evidence, the focus of our discussions with clubs have moved on and now center on the financial calculation and the gains the clubs can make with improved treatment. We have carried out work to produce a calculation for the clubs to see the financial benefits. With the support of the results from the published study, we can now also show the financial benefits an investment in the PolarCap® System means for clubs. The starting point for the calculation, in addition to the proven effect of PolarCap®, is available data for the clubs in the SHL in relation to concussion frequency and salary level during the 5-year study period. Calculations show that a club in SHL that provided PolarCap®, on average annually reduced the total number of absent days due to concussions by 59 days. Something which meant a cost saving of approximately 300 TSEK per season. The calculation can now also be applied to other leagues and sports.

CONTINUED MARKETING PROGRESS

As you noticed in our communication about market progress, we have in the initial establishment phase for the PolarCap® System focused on top leagues and clubs in Europe in ice hockey, rugby, football, and handball where the frequency of concussions is high. This strategy will remain unchanged moving forward due to the successes achieved in these prioritized segments. During 2022, several new breakthroughs have been made and today we have 38 systems out in 4 sports in 6 countries across Europe. We believe that the continued potential is great as more clubs start to use the PolarCap® System, which creates ripples in our discussions with other clubs. Together with the attention from the 5-year publication, we see good opportunities for accelerating sales in the near future. As the product is established in the higher divisions, the ambition is to work for league solutions as well as broaden the customer base in the lower divisions.

With the strengthened clinical evidence and thus increased medical acceptance for the PolarCap® System, the board estimates that the Company will have 100–150 systems on the European market by the end of 2023. The forecast is that the number of rented systems in Europe will thereafter be doubled annually.

NEW MARKETS FOR POLARCAP® SYSTEM

During 2023, we will work intensively to obtain a so-called de Novo approval for the US market and there focus on ice hockey, American football and soccer. The possibility of obtaining a de Novo approval has arisen thanks to the strong clinical data published. In addition to the market approval itself, this type of approval opens up for attractive insurance reimbursement for the treatment. In the US, we also see great opportunities for collaboration with BrainCool and its subsidiary CoolPrevent regarding distribution and aftermarket. PolarCool's goal is to establish a strong installed base in Europe in 2023 in order to be both production- and market-ready to start sales upon market approval in the USA. We also intend to introduce the PolarCap® System to the Australian market during 2023 where we are already in dialogues with a distributor as well as having a PolarCap® System put in place for evaluation approved by the regulatory authorities.

Although treatment with PolarCap® has proven particularly effective for sports-related concussions, which will continue to be our area of focus, we see exciting new business areas for the product. Not least in rehabilitation, where both older and recent studies from the USA have shown beneficial effects, even when treating at a later stage after the injury. We believe that rehabilitation will be an area where PolarCap® should be clinically evaluated. Regarding clinical evaluation, we are also looking forward to completing the work with the partially EU-funded biomarker study in boxing. The study is carried out in close collaboration with Lund University. The vision is to establish the PolarCap® System as an emergency standard treatment also for repeated blows to the head, but also as mentioned earlier to be used in the rehabilitation phase. The fact that the study includes biomarkers will hopefully also help to strengthen the evidence shown in previous studies that did not contain biomarkers.

REGULATORY PROGRESS AND PRODUCT DEVELOPMENT

Regulatory, we will continue the work started to obtain our own MDR certificate according to the EU's new regulations, where the timetable we received from Intertek, the notified body, points to that this will take place during Q3 this year. MDR-certification is an important step which means that we can manage the quality assurance in-house, which will mean a significant cost saving for the company.

In 2023, the goal is also for a new, more cost-effective headcap to be ready for launch, which further improves margins through lower production costs. The new headcap will also be important in our ambition to further develop the use within the new business areas of whiplash and rehab.

INCREASED AWARENESS ABOUT CONCUSSIONS

Awareness of the problems with concussions in sports has also increased in recent years. We see examples such as a couple of hundred British ex. rugby players who in autumn 2022 took legal action against rugby's governing body for failings in the management of concussions. A couple of months later, French players sued the French federation and the league on the same grounds. The problems are also being noticed in other sports such as football, where concussion was a topic during the recently finished FIFA World Cup in Qatar. This increasing awareness of the problem naturally contributes to an increased interest in solutions such as PolarCap®.

FUTURE PROSPECTS

Our business model where customers rent the portable CE marked cooling unit for two- to three-year periods means recurring revenues. In addition, there are additional consumables needed that are purchased by the customers, which means a variable income and increased profitability for each rented system. The income from 150 rented systems, given company approved MDR-certificate, is expected to cover the company's cost base with current operations. However, PolarCool expects to achieve FDA approval during the year, which in that case will mean an investment in the USA and thus increased costs

With all this said, PolarCool's board and I as CEO continue to see the future positively. Our customers send clear signals that our product is appreciated and meets the high expectations that are set. We therefore look forward to continuing to

enable improved recovery for athletes suffering concussions, and above all to reduce the risk of the devastating long-term absence that, without treatment, has shown to be all too common.

Finally, I would like to once again thank our shareholders who have shown great confidence and will hopefully be able to see a continued positive trend going forward. We continue to work according to plan and hope you want to continue the journey with us going forward!

Sincerely

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