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1 March 2016

AirXpanders issues Shareholder Newsletter

Palo Alto, CA, United States, 1 March 2016: AirXpanders Inc (ASX: AXP) a medical device company focused on the design, manufacture, sale and distribution of the AeroForm® tissue expander, has lodged its Shareholder Newsletter with the ASX today.

The newsletter is available in digital-only format. Those interested in receiving Company news each quarter should register at www.airxpanders.com/contact-us/.

- ENDS -

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About AirXpanders:

Founded in 2005, AirXpanders is a medical devices company focused on the design, manufacture, sale and distribution of its AeroForm® tissue expander used in patients undergoing breast reconstruction following mastectomy. It considers that its AeroForm® device is the best innovation in expander technology in 50 years. AeroForm® uses controlled delivery of small amounts of gas (CO₂) to achieve tissue expansion prior to the placement of a permanent breast implant. AeroForm® successfully eliminates the need for needle-based expansion required for traditional saline tissue expanders and provides a faster, less painful and less stressful breast reconstruction journey. The Company has CE Mark and TGA approval for AeroForm® and is fully reimbursed under Australian private health plans with relevant coverage. To date, AeroForm® has been successfully implanted in over 400 patients worldwide. AirXpanders devices are not cleared or approved for use in the United States and are considered for investigational use only. AirXpanders is cleared for commercialization in Europe and in Australia.

For more information, refer to the Company's website at www.airxpanders.com.



Scott Dodson **CEO**

Highlights

- Full year results released, maiden revenue of US\$292,608 for the year ended December 31, 2015
- Positive quarterly sales trend continues with revenue up 70% in December quarter
- Market share already approaching 20% in Australia, with over 70 surgeons trained
- Breast Cancer Patient Education Act passed by US Congress, significantly increases market opportunity in the US
- Operational focus on completing manufacturing transfer and scale-up and preparing for US launch

A message from the CEO

Dear investors,

On February 26 we released our Full Year Financial Results for the year ended December 31, 2015 - which illustrates the success AirXpanders has achieved as a company since our listing in June 2015.

In Australia, we received strong uptake from both patients and physicians for the AeroForm® Tissue Expander, resulting in revenue growth of 70% in the December quarter compared to the previous quarter. We also submitted the de novo application for the device to the US Food and Drug Administration (**FDA**) and have commenced preparation for the US commercial launch. From a financial standpoint, our total revenue for the year was US\$292,608 and our cash position at the end of year was US\$19,137,802.

We achieved a great deal in the past year, but as a close to the financial year reporting, I want to share our vision for the year ahead. We have a number of major goals and milestones ahead including:

- Secure FDA clearance of AeroForm® in the United States;
- In anticipation of clearance, establish a sales force in the US;
- Following clearance, successfully launch AeroForm® in the US market;
- Continue to accelerate market share in Australia;
- Complete automation and transfer of manufacturing to Costa Rica, and begin to realise the benefits of increased capacity and improved margins;
- Ongoing product enhancements.

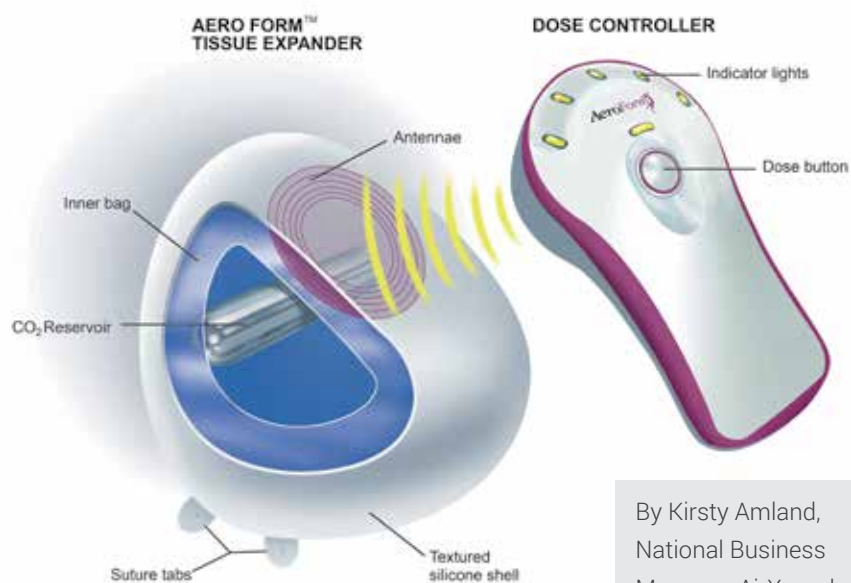
As we set out to achieve our goals for this year, we are building a team of very talented and experienced people and there is a real sense of excitement and great energy within the AirXpanders organisation. While there is a great deal of activity underway, we are always mindful of the importance of sound financial management, and remain very disciplined from a budgetary standpoint.

Since our last e-news update, the US Congress passed the *Breast Cancer Patient Education Act of 2015*, and its implications are vast for companies like AirXpanders. Currently, less than half of all women in the US requiring a mastectomy are offered breast reconstruction surgery, and fewer than one in five elect to undergo reconstruction. The Act now mandates that all breast cancer patients are educated and informed of the availability of breast reconstruction, prostheses, and other options. This represents a significant opportunity for AirXpanders in the US market which alone has an addressable market in the order of US\$800+ million.

We are excited about the opportunities ahead for AirXpanders and on behalf of the Board and Management, we greatly appreciate the support of our investors. We hope that you find this update of value. Feel free to drop me a line with any feedback at sdodson@airxpanders.com.

Yours sincerely,

Scott Dodson
CEO and President
AirXpanders Inc



By Kirsty Amland,
National Business
Manager, AirXpanders

How AirXpanders works with surgeons to encourage AeroForm® adoption

AirXpanders has already achieved an impressive market share of almost 20% in Australia, based on a monthly run rate, since launching in June 2015. We sometimes receive requests from our investors to better understand the sales cycle, particularly in relation to bringing new surgeons on board. This article is designed to provide further insight into our experience in the Australian market.

In our first six months in market, our objective has been to build surgeon awareness of AeroForm®, gain commitment to trial AeroForm®, and then to convert legacy saline tissue expander business. Therefore, an important part of the AeroForm® sales cycle is to educate surgeons and encourage them to adopt our device in their practices. A surgeon's decision to adopt AeroForm® can be a lengthy process as many steps are involved, including patient selection, product evaluation and results assessment. In fact, a surgeon's decision to adopt AeroForm® – that is, decide to offer it for all suitable patients – could take anywhere from three to nine months.

When a surgeon makes a commitment to evaluate the AeroForm® device, they first need to find suitable reconstruction

patients. This part of the process can take a matter of weeks, and up to three months, depending on how many breast reconstructions they do and the types of breast reconstruction procedures they specialise in.

Once a patient has been identified, an AirXpanders Territory Manager will liaise with hospital authorities to set the company up as a vendor. They will then train the hospital staff on the use of AeroForm®, such as how it should be handled and how it will be used by the surgeon in the procedure. To support the surgeon and operating room nurses, the AirXpanders Territory Manager attends the procedure when AeroForm® is implanted and guides the team through the insertion of the expander and the pairing of the expander with the dose controller during the operation. The Territory Manager will also train the surgeon's practice staff on the use of the device so that they can effectively train the patient.

Once the device has been implanted, it will take approximately three weeks for recovery and for wounds to heal. The patient then begins expansion at home, at their own pace using the wireless controller. The expansion process will

take from two to four weeks depending on the size of the expander. When the patient reaches full expansion, the surgeon will determine whether the breast tissue is sufficiently stretched and then allow the breast "pocket" to stabilise before exchanging the expander for a permanent breast implant.

At this point, the surgeon will evaluate AeroForm® based on his/her satisfaction with the ease of use. It is here that they decide whether to offer AeroForm® to all of his/her tissue expander patients.

Once the surgeon decides to adopt AeroForm®, the AirXpanders sales team will continue to support the practice through patient training as well as other needs such as placing orders and providing patient materials.

In our short time in the Australian market we have had excellent feedback from both surgeons and patients, and AeroForm® is proving to be the expander of choice for those surgeons who have already been able to try it for several months'. As we expand our reach, the market education activities such as our early user forums have been invaluable, as more surgeons increase their familiarity with the device and commence adoption. Of course the nursing staff, hospitals and patient advocacy groups are all important stakeholders and our team has been effective at working closely through all relevant parts of the customer organisation, and we have established a strong partnership with patient advocacy group – Reclaim Your Curves.

In 2016, we will continue the sales and education activity that has been underway to date, focusing on supporting our surgeons who have completed training and then continuing to expand our reach. This year we will have a major presence at the Royal Australasian College of Surgeons conference in May, which is the largest industry conference for plastic surgeons in Australia. We will also launch our new product enhancements to the Australian market during 2016.



US Government passes Breast Cancer Patient Education Act

AirXpanders welcomes the passage of the Breast Cancer Patient Education Act of 2015 (BCPEA) by the US Congress.

This bipartisan bill will provide meaningful education about breast reconstruction to all patients facing a breast cancer diagnosis. It requires that all breast cancer patients undergoing a mastectomy be informed of their right to breast reconstruction under federal law, and be provided with information about when breast reconstruction or prostheses may be appropriate within their recovery plan.

According to the American Society of Plastic Surgeons (ASPS), who championed the BCPEA, less than half of all women requiring a mastectomy are currently offered breast

reconstruction surgery and only one in five women opt to undergo the procedure. A 2009 study indicated that the reason most women do not undergo breast reconstruction is because they are not informed of their options and are not referred to a breast reconstruction surgeon.

According to the American Cancer Society, over 230,000 women were diagnosed with new cases of invasive breast cancer in the United States in 2015. More than 70,000 women will develop recurrent breast cancer or recurrent cancer following their lumpectomy.

AirXpanders estimates that the current served market for tissue expanders in the US is approximately 120,000 units

per year. With the passage of the BCPEA, the served market in the US is expected to increase significantly.

"This is an important victory for breast cancer patients in the United States, who will now be assured of being educated about their right to breast reconstruction and the options available to them to help them regain their shape," said Scott Dodson, CEO and President of AirXpanders.

"We congratulate the efforts of the ASPS and the entire breast reconstruction community who have been actively engaging with Congress to see this critical piece of legislation introduced, and we are proud to have played a role, through our own advocacy efforts, in helping to make this bill a law."



AirXpanders: News and coverage

TheAge.com.au

AirXpanders CEO Scott Dodson says Australia is a good stepping stone to USA

January 4 2016

Australian Financial Review

AirXpanders claims a fifth of breast rehab market

January 5 2016

Bioshares

An 'Outstanding' Entry for AirXpanders AeroForm® into the Australian Market

January 12 2016

Moelis & Company

Expanding Opportunity

January 28 2016

FN Arena

Moelis Highlights Potential in AirXpanders

January 28 2016



Highlighting the important work of Reclaim Your Curves

Reclaim Your Curves is a registered charity run by a crew of volunteers, created to assist women to plan their life after breast cancer, specifically women seeking breast reconstruction. It is the first patient support group in Australia that exists to educate and support patients in relation to breast reconstruction. RYC has been a great partner and advocate for AirXpanders in Australia, and we are very proud to support this important organisation.

Every day in Australia, 43 women will be told they have breast cancer, with 17 receiving the further devastating news that they need to have a mastectomy. Of those 17, only two will then restore their bodies through breast reconstruction.

Australia's low rate of breast reconstruction is due largely to a lack of information about the options available and reflects the lack of practical support available to assist women in navigating the minefield of complex decisions associated with reconstruction. The US recently legislated that all breast cancer patients must be educated and informed of the availability of breast reconstruction, and we believe Australian patients would benefit from similar legislation.

Reclaim Your Curves, a consumer-led charity created to educate and support women seeking reconstruction is working to ensure that every woman diagnosed with breast cancer is aware of her choices post-mastectomy and has easy access to support throughout her reconstruction journey.

Reclaim Your Curves established a website with extensive resources and information and hosts an active online community of women at all stages of the reconstructive process. With the help of AirXpanders, and in conjunction with surgeons and other health professionals, Reclaim Your Curves also commenced a series of community awareness events to educate women in regional areas about



Events

April 30

Quarterly financial results

(4C) followed by
Quarterly Investor Update
Conference Call (exact
time and date TBC)

May 17

**Annual General Meeting,
Sydney**

the options available for reconstruction. These events are the first time many women have had the opportunity to explore what is possible and to hear first-hand the experiences of others.

In an effort to reach as many women as possible, Reclaim Your Curves has just released a campaign featuring women who have undergone reconstruction, with the message that there are options and support available for those women who want to reclaim their curves. For more information about Reclaim Your Curves, and to view the campaign, please visit: www.reclaimyourcurves.org.au