

## MagForce AG AG Publishes Financial Results for the Year 2017 and Operative Highlights

- **Following a constructive cooperation with the FDA during 2017, MagForce USA received Investigational Device Exemption approval to conduct a clinical trial with NanoTherm therapy as focal ablation treatment for intermediate risk prostate cancer in February 2018 (after period-end)**
- **Implementation of a focused European expansion strategy during 2017; Poland and Italy have been identified as two initial target countries outside of Germany**
- **Successful capital increase with renowned UK-based M&G International Investments with gross proceeds for MagForce AG of EUR 5.0 million**
- **MagForce and the European Investment Bank (EIB) entered into a financing agreement for up to EUR 35 million**

**Berlin, Germany, and Nevada, USA, May 3, 2018** - MagForce AG (Frankfurt, Scale, XETRA: MF6, ISIN: DE000A0HGQF5), a leading medical device company in the field of nanomedicine focused on oncology, published today its financial results as of and for the year ended December 31, 2017 as well as operative highlights.

### Operative Highlights:

#### Treatment of Intermediate Risk Prostate Cancer in the USA:

Throughout 2017, MagForce focused in the US on achieving its key objective, i.e. the start of the clinical trial with NanoTherm therapy as focal ablation treatment for intermediate risk prostate cancer and achieved an important milestone in February 2018, when the US FDA granted approval for MagForce's IDE application. Management sees a huge market potential for our NanoTherm therapy in the US, which has the potential to tap into the prostate cancer market, worth an estimated 300 million USD, as a unique focal treatment option.

Within the past two decades, in the US over 250 Active Surveillance Programs (ASPs) have been established to follow the slow growth of Prostate Cancer in order to avoid the side effects of definitive therapy (radiation or surgery), for as long as possible. The goal is clear: to ensure the highest quality of life possible for men with prostate cancer while delaying or even completely avoiding invasive treatments. Still, approximately 60 percent

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of the patients in these programs require definitive therapy such as whole gland surgery or radiation at one point once the small tumors have progressed to intermediate risk stage. ASPs have therefore been seeking a focal therapy for the past decade which would ablate these small tumors to enable patients to remain in active surveillance. If approved, NanoTherm could become such a less invasive, effective and well-tolerated addition to the current treatment options for prostate cancer patients and management believes, that NanoTherm will be able to allow patients to remain in active surveillance as long as possible.

In April 2018, MagForce USA received Institutional Review Board (IRB) approval from the clinical sites (University of Washington, Seattle and Christus Santa Rosa, San Antonio) for the clinical trials. Patient recruitment is anticipated to start in Q2 2018. Then, the treatment of the first ten patients is expected to demonstrate ablation effectiveness with minimal side effects. MagForce believes the registration trial will prove that NanoTherm therapy will allow men diagnosed with Prostate Cancer to have a high quality of life, while delaying or even avoiding invasive treatments. According to the Company's plans, after a successful completion of the trial, the start of the commercialization of NanoTherm therapy is targeted for Q4 2019.

### **European roll-out to provide brain cancer patients fast access to therapy**

Regarding commercialisation, the year 2017 was characterized by the search and identification of partner hospitals in European countries outside of Germany. MagForce AG continues to work relentlessly to make its innovative NanoTherm therapy available to brain cancer patients across the continent. Due to the aggressive nature of glioblastoma, there is a narrow window for patients to receive treatment. In order for patients to benefit from our NanoTherm therapy, access has to be fast.

To provide accelerated treatment options, MagForce has developed a European roll-out plan and anticipates treatment centers to be opened in selected European countries soon to allow patient treatment in their home countries. In this context, MagForce developed a mobile solution for the placement of NanoActivator devices which enables the Company to place the devices sooner and more cost-effective in other European countries.

Brain treatment inquiries from patients in Poland, Germany and Italy continue to increase. Approximately 60 percent of patient inquiries who could qualify for NanoTherm therapy are from Poland - the first European expansion target country. Over the past year, MagForce's market development team has worked diligently on identifying and building relationships with possible partner hospitals in further European countries and management is confident that the Company soon will be able to announce a first cooperation with a clinic outside of Germany.

The costs for treatments in connection with NanoTherm therapy and costs covered by the health care systems vary from country to country. Through the placement of NanoActivator devices in European countries and obtaining domestic reimbursement a treatment with NanoTherm therapy becomes for many patients

affordable that had to refuse a treatment before.

### Results of operations, net assets and financial position

**Revenues** increased to EUR 716 thousand compared to EUR 474 thousand in the previous year. Furthermore, due to the development of an ambulatory NanoActivator finished goods increased by EUR 291 thousand so **that operating performance** increased from EUR 474 thousand to EUR 1,007 thousand.

**Other operating income** increased significantly by EUR 2,522 thousand to EUR 3,629 thousand (prior year: EUR 1,107 thousand). The increase stems mainly from the transfer of shares of MagFore USA, Inc. to MagForce USA Holding GmbH, which accounts for approximately EUR 2.0 million increase in results.

**Personnel expenses** were stable with an increase of only EUR 46 thousand to EUR 3,298 (prior year: EUR 3,252 thousand). **Other operating expenses** increased to EUR 7,105 thousand (prior year: EUR 4,309 thousand) mainly related to the increased business activity of the company and the external financing measures implemented in the financial year.

In consequence, the **operating result** of EUR -7,410 thousand was almost at the previous year's level of EUR -7,461 thousand. In total net loss for the business year was stable and amounted to EUR 7,465 thousand (prior year: EUR 7,231 thousand).

**Cash outflows from operating activities** amounted to EUR -5,341 thousand (prior year: EUR -6,575 thousand). Net cash used in operating activities indirectly derived from the net loss for the reporting period. The cash outflows largely relate to financing of the operating business.

**Cash outflows from investing activities** amounted to EUR -578 thousand (prior year: cash inflow of EUR 3,073 thousand).

**Cash flows from financing activities** amounted to EUR 5,970 thousand (prior year: EUR 2,723) and related mainly to the issuance of a convertible loan as well as the capital increase in June, which was offset by cash outflows from the repayment of previously existing loans.

**Cash and cash equivalents** as of December 31, 2017 amounted to EUR 666 thousand (prior year: EUR 614 thousand).

### Capital market transactions and funding of the Company

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To improve liquidity and to accelerate the on-going international expansion the Company executed various financing measures during the year.

In Q1 2017, the Company issued a convertible bond of EUR 5.0 million with a maturity of three years, an interest rate of 5% p.a., and a conversion price at EUR 5.00 per share.

In a private placement in Q2 2017, M&G International Investments Ltd., London, subscribed for shares with gross proceeds for MagForce AG of EUR 5 million.

In Q3 2017, the European Investment Bank (EIB) and MagForce signed a financing agreement that allows the Company to borrow up to EUR 35 million in the following three years if specific milestones are achieved. The EIB financing supports the European wide launch of NanoTherm therapy for the treatment of brain tumors. Moreover, it will help MagForce to apply for the EU- and worldwide admission of the therapy for the treatment of prostate cancer. Finally it will help MagForce to develop the next generation of NanoTherm particles that generates not only heat but can be used for the delivery of medicines.

### **Outlook and financial prognosis 2018 and beyond**

In Q1 2018, MagForce drew EUR 10 million from the EIB line of credit.

During 2018, MagForce will focus on executing on the planned expansion strategy for NanoTherm therapy in Europe for the treatment of brain tumors in the first countries, reimbursement in selected European countries, the start of the clinical study for marketing authorization of NanoTherm therapy for the treatment of prostate cancer in the USA through its subsidiary MagForce USA, Inc., and, the start of the production of ambulatory NanoActivator devices for the treatment of prostate cancer in the USA.

The Company expects to expand its business activities in the financial year 2018 beyond Germany by executing operationally on the planned European expansion strategy for the NanoTherm therapy in the indication of brain tumors. In parallel, MagForce plans to further intensify cooperations with local and international patient organizations to further establish NanoTherm therapy and to increase the number of patient inquiries. Additionally, new ways for reimbursement in Germany and selected countries will be established to make NanoTherm therapy available to as many patients as possible. The Company plans to start a cooperation program to receive reimbursement in the participating countries.

The Company expects for the business year 2018 a higher operational loss due to increasing commercial activities.

**About MagForce AG and MagForce USA, Inc.**

MagForce AG, listed in the Scale segment of the Frankfurt Stock Exchange (MF6, ISIN: DE000A0HGQF5), together with its subsidiary MagForce USA, Inc. is a leading medical device company in the field of nanomedicine focused on oncology. The Group's proprietary NanoTherm<sup>®</sup> therapy enables the targeted treatment of solid tumors through the intratumoral generation of heat via activation of superparamagnetic nanoparticles.

NanoTherm<sup>®</sup>, NanoPlan<sup>®</sup>, and NanoActivator<sup>®</sup> are components of the therapy and have received EU-wide regulatory approval as medical devices for the treatment of brain tumors. MagForce, NanoTherm, NanoPlan, and NanoActivator are trademarks of MagForce AG in selected countries.

**Disclaimer**

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