

## Corporate News

June 20, 2019

### MagForce AG Publishes Financial Results for the Year 2018 and Operative Highlights

- **Continued implementation of refined European expansion strategy during 2018; new NanoTherm treatment centers in strategically important geographical regions in Poland and Germany (post period)**
- **Gearing up towards the next stage of pivotal US prostate cancer trial following U.S. FDA IDE and IRB approval; enrollment of first patients in July 2018**

**Berlin, Germany, and Nevada, USA, June 20, 2019** - 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, 2018 as well as operative highlights.

#### Operative Highlights

2018 was a pivotal year for MagForce in which the Company passed several major milestones and made progress on key goals along its two defined paths.

#### European roll-out to enable faster access to treatment after brain cancer diagnosis

**In Europe**, MagForce has continued to pursue its refined expansion strategy for the commercialization of its innovative NanoTherm therapy for the treatment of brain cancer, i.e. the identification of partner hospitals with the goal to make NanoTherm more broadly available. As part of its accelerated European roll-out, MagForce developed a mobile treatment center enabling the Company to place NanoActivator devices more quickly and cost-effectively by avoiding protracted construction and allowing for easy integration into existing hospital infrastructures, facilitating faster access to the therapy for patients.

The refined strategy was well received with rising interest from clinics from all over Europe and the Company was able to sign its first collaboration agreement outside of Germany in July of 2018 with one of the leading brain tumor centers in Poland - the first European expansion target country. Here, Independent Public Clinical Hospital No. 4 (SPKS4) is now offering NanoTherm therapy as an additional treatment option for brain tumor patients from Poland and surrounding countries after the inauguration of the mobile NanoTherm treatment center in April of 2019. The collaboration with a Polish clinic was a

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natural progression as immediately when MagForce began treating patients commercially in Germany in late 2015 and early 2016, the Company saw an elevated interest for the therapy in patients from this country. With NanoTherm therapy now available in their home country, these patients will have a significantly reduced economic burden to receive treatment since non-NanoTherm therapy procedures are all reimbursed in Poland and travel will be limited. Consequently, only the NanoTherm therapy will have to be funded by private pay or crowdfunding until MagForce can get reimbursement for the treatment costs.

Post-period, the Company recently announced that it had also entered into an agreement with a further German hospital, the Paracelsus Clinic in Zwickau, where a treatment center is planned to open over the summer. Both new partnerships in Germany and Poland cover geographically important regions, marking another important step in our European roll-out strategy. Throughout 2018, we also continued to see increased interest in our therapy in Italy and Spain, where we are currently in negotiations regarding first treatment centers.

### **Development of a unique focal treatment option for Intermediate Risk Prostate Cancer in the US**

**In the US**, 2018 started off with the news we all had been waiting for. In February, the U.S. FDA approved MagForce's Investigational Device Exemption (IDE) application for the focal ablation of intermediate risk prostate cancer, after having reviewed all the safety and new preclinical data the Company provided in 2016 and 2017. Additionally, the Company re-conducted and updated its pre-clinical biocompatibility studies conducted in Germany more than ten years ago to the FDA's latest preclinical standards.

The IDE approval allowed MagForce to commence with its pivotal clinical evaluation with the objective to demonstrate that NanoTherm can ablate prostate cancer lesions with minimal side effects and after having received Institutional Review Board (IRB) approval from the two clinical US sites, CHRISTUS Santa Rosa Hospital - Medical Center in San Antonio, Texas, and University of Washington in Seattle, the clinics started enrolling the first patients in July of 2018.

Building on the whole gland studies previously conducted in Germany more than a decade ago, MagForce USA over the past year has diligently worked to develop clinical procedures to allow accurate instillation of the NanoTherm particles with the latest, cutting-edge biopsy technology available into the targeted human prostate Region of Interest (ROI) at the required concentration that would destroy the cancerous cells without side effects. The Company has successfully developed the clinical procedure and standardized the process such that the instillation of the particles is equal across all study physicians. The most important finding is that with the changes to the NanoActivator and the developed instillation procedure, MagForce has observed side effects that have not only significantly improved over the studies more than a decade ago, but are very similar to the ones associated with a routine biopsy.

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Due the processes described above, however, Stage I has taken significantly longer than projected, but with the knowledge acquired the Company will make every effort to accelerate the study and expects to finalize the first stage soon. MagForce is already diligently working towards preparing and accelerating recruitment for the next stage. This includes the extended recruitment of eligible patients, the addition of a third study site and, the introduction of ambulatory NanoActivator chairs to selected Active Surveillance Programs.

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

**Revenues** for the financial year amounted to EUR 67 thousand compared to EUR 716 thousand in the previous year. Revenues recorded as realized result mainly from commercial treatments of patients with NanoTherm therapy. The reimbursement of NanoTherm therapy by health insurance companies is in negotiation and thus such amounts are currently not reflected in revenues. Furthermore, treatments of foreign patients declined due to bureaucratic hurdles and extensive cross-border reimbursement procedures. In addition, intragroup deliveries and services were lower than previous year.

**Other operating income** increased significantly by EUR 11,280 thousand to EUR 14,909 thousand (previous year: EUR 3,629 thousand). Most of the operating income resulted from the transfer of 975,000 shares in MagForce USA, Inc. to MagForce USA Holding GmbH, with hidden reserves of EUR 13,895 thousand being lifted (previous year: EUR 2,024 thousand).

**Personnel expenses**, including bonus payments, amounted to EUR 3,921 thousand (previous year: EUR 3,298 thousand). The increase is primarily due to the exercise of stock options (EUR 308 thousand) and regular salary increases. **Other operating expenses** decreased by EUR 3,931 thousand to EUR 3,174 thousand (previous year: EUR 7,105 thousand), largely due to the decrease in expenses for external financing measures. Furthermore, unlike previous years, in 2018 MagForce AG financed MedTech Engineering via contributions to the capital reserves. Thus, unscheduled amortization of contributions are presented within the financial result.

Consequently, the **operating result** for the financial year 2018 was positive at EUR 6,828 thousand (previous year: EUR -7,411 thousand). Without this extraordinary effect, mentioned under operating income above, the operating result would have been negative at EUR -7,067 thousand and as forecasted. The year 2018 closed with a **net profit** for the year of EUR 4,358 thousand (previous year: net loss of EUR 7,465 thousand). Interest and similar expenses increased from EUR 265 thousand to EUR 1,823 thousand in particular due to the first tranche of the EIB loan received in January 2018. The financial result was also impacted by the unscheduled depreciation of the funding granted to the subsidiary MT MedTech Engineering GmbH in the amount of EUR 877 thousand.

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**Cash outflows from operating activities** amounted to EUR -7,106 thousand (previous year: EUR - 5,341 thousand). The higher cash outflow chiefly results from changes in net working capital. The cash outflow from operating activities was derived indirectly from the net profit for the year. Cash outflows were largely related to financing of the operating business.

**Cash outflows from investing activities** amounted to EUR -1,370 thousand (previous year: EUR - 578 thousand) and related primarily to contributions made in the reporting year to provide financial support for the subsidiary MT MedTech Engineering GmbH and the construction of the mobile NanoActivator therapy center.

**Cash flows** from financing activities amounted to EUR 9,304 thousand (previous year: EUR 5,970 thousand) and were mainly attributable to the draw-down of the first tranche of the EIB facility as well as proceeds from the exercise of stock options, which were offset by cash outflows from the repayment of previously existing loans and the payments of interest.

**Cash and cash equivalents** as of December 31, 2018 amounted to EUR 1,494 thousand (previous year: EUR 666 thousand).

### Capital market transactions and funding of the Company

The first tranche of the loan from the European Investment Bank (EIB) in the amount of EUR 10.0 million was received by MagForce in January 2018. EIB financing covers a volume of up to EUR 35.0 million and enables the MagForce AG the liquidity to follow up its medium- and long-term targets.

In August 2018 a capital increase of the subsidiary MagForce USA, Inc. was successfully completed. The issuance of a total of 866,666 new shares generated gross proceeds of approximately USD 9.0 million for MagForce USA, Inc. Proceeds from the capital increase are used to finance the initiated pivotal clinical trial in the US with NanoTherm therapy for focal tumor ablation in intermediate risk prostate cancer and related business operations.

### Outlook and financial prognosis of 2019 and beyond

In the financial year 2019, the Company expects to expand its business activities to additional European countries, such as Italy and Spain, where it is currently in contract negotiations and by further executing operationally on the refined expansion strategy for NanoTherm therapy in the indication of brain tumors. In parallel, MagForce plans to intensify cooperations with local and international patient organizations to further establish NanoTherm as an alternative therapy option and to increase the number of patient inquiries. Additionally, MagForce will continue to pursue new ways of reimbursement in Germany, Poland

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and selected countries to make NanoTherm therapy accessible to as many patients as possible. Another element in establishing MagForce's innovative cancer therapy is the continuation of the 'NanoTherm Therapy School' with the aim of certifying surgeons in the use of NanoTherm technology.

In the US, MagForce is progressing the clinical study for marketing authorization of NanoTherm therapy for the treatment of prostate cancer. The Company is moving towards completion of Stage I of this pivotal study and in parallel is preparing the next stage by extending patient recruitment and planning to open a third study site in the Western part of the country. In order to prepare for commercialization and hit the ground running after approval, NanoActivator chairs will be placed in selected urology programs where medical professionals will be able to gain experience on training phantoms, commonly used for new urological procedures.

### **Financial outlook**

Due to the execution of the registration study and the preparations for commercialization in the US and market entry in Poland, an increase in production volumes of NanoTherm is expected. The ambulatory NanoActivator devices required for the treatment of prostate cancer will be produced depending on the progress of the prostate study.

Even if the European expansion strategy should bear first fruit with sales from Poland, a significant operating loss is expected for the financial year 2019, in particular due to the intensified continuation of the expansion strategy and the associated initiation of treatment series to obtain reimbursement as well as the necessary expansion of commercialization activities.

In the case of financing the expanded business activity by drawing additional tranches from the EIB loan or other loans, the financial result will continue to be more negative than in the previous year.

### **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® therapy enables the targeted treatment of solid tumors through the intratumoral generation of heat via activation of superparamagnetic nanoparticles.

NanoTherm®, NanoPlan®, and NanoActivator® 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.

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