

Corporate News

June 30, 2021

MagForce AG Publishes Financial Results for the Year 2020 and Operative Highlights

- **Europe: High growth in treatment numbers beginning of 2020 – after severe COVID-19 impact European roll-out now picks up speed again**
- **USA: Stage 2a of pivotal single-arm study for the focal ablation of intermediate risk prostate cancer completed – additional data support excellent results**

Berlin, Germany, and Nevada, USA, June 30, 2021 - 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, 2020 as well as operative highlights.

Operative Highlights

Europe – Brain Cancer Treatment: Within the first two months of 2020, MagForce was able to exceed the total number of treatments of the entire year 2019. This was a great success, however, unfortunately this trend did not continue due to the first and second wave of the pandemic, which put a considerable strain on the healthcare system and also affected the clinics offering the NanoTherm Therapy system. As a result, and as for numerous other indications, MagForce saw lower treatment numbers throughout the last ten months of 2020. Given the much improved situation, management is looking into the future optimistically and is confident to be able to follow on from the success of the first quarter of 2020.

In summary, MagForce has made good progress in the European roll-out strategy throughout 2020. Currently, four centers are offering NanoTherm therapy of which 2020 two treatment centers in Germany have started to commercially treat brain tumor patients at their respective sites. This is, for one, the Paracelsus Clinic in Zwickau with which MagForce entered into a cooperation agreement in June of 2019, and which started to actively treat patients at the beginning of 2020. And secondly it is the Hufeland Clinic Mühlhausen in Thuringia, where a NanoActivator device was installed and audited during H2/2020 and which started patient treatments in December last year. Both treatment centers are led by experienced key opinion leaders in their field and are located in strategically important geographic regions. The Zwickau clinic for example not only receives inquiries from patients in Germany but also from the Czech Republic, Hungary, Ukraine, and Russia. With the expansion of treatment centers,

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MagForce's innovative therapy option is now available to larger patient populations across Germany and Eastern Europe, closing an important treatment gap for Europe.

While there were delays in the installations of further NanoActivator devices in partner hospitals in Spain and Italy, due to the severe impact of the COVID-19 pandemic in these countries, management is happy to report that: 1) MagForce is active with the Spanish partner and expects to install the first NanoActivator device in Spain in Q4, 2021 and 2) MagForce is in advanced negotiations with potential partners in Austria and Germany, as well as Italy. By 2022, MagForce plans to have eight brain cancer treatment centers offering NanoTherm treatment for glioblastoma in Europe.

USA – Focal Prostate Cancer Treatment: Over the past year, the tremendous advantages of the structure MagForce implemented in the U.S. with centers for the focal treatment of prostate cancer that are set-up as stand-alone units, independently from hospitals, became obvious. Thereby MagForce was able to mitigate the effects of the pandemic, so that COVID-19 had comparatively little impact on the ability for recruiting prostate cancer patients and conducting its pivotal U.S. study with the NanoTherm Therapy system.

Those independent treatments centers ensured the significant progress of MagForce's study: In April of 2020, MagForce received FDA approval to proceed with the streamlined trial protocol for the next Stage and consequently Stage 2a of the clinical trial was initiated.

Management is pleased to report, that treatment results in Stage 2a of the study communicated in early 2021, mirrored the results of the first Stage. The very impressive and favorable safety and tolerability profile demonstrated in Stage 1 was also confirmed. The findings showed that only the expected minimal treatment-related side effects could indeed be maintained. Compared to Stage1, MagForce was able to improve the accuracy of instillation in Stage 2a to more than 90%, resulting in a greater NanoTherm particle mass in the targeted area. This streamlined procedure will allow patient treatment to be completed within a single day, thus minimizing the burden of repeated visits to the treating facility. This has proved to be important in the face of the pandemic but even more important in causing minimal disruption to patients' daily life.

The FDA is reviewing MagForce USA's results from Stage 2a, which are consistent with what MagForce expected previously. MagForce USA has already started recruiting patients for the next Stage, which will demonstrate the ability to provide focal ablation treatment for active surveillance patients whose prostate cancer has progressed to require a clinical review and treatment change, such as focal ablation of the identified cancer.

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MagForce's commercial model is considering continuing the operation of stand-alone Focal Cancer Treatment Centers owned and staffed by MagForce USA. This allows MagForce USA to bill for the entire procedure (including the instillation of the NanoTherm liquid) as it is standard with, for example, dialysis treatments. The addressable market in the USA alone is worth USD 4.1 billion per year considering the revenue from the entire procedure.

Results of operations, net assets and financial position

In the financial year, **revenues** amounted to EUR 621 thousand (previous year: EUR 840 thousand). Revenues were generated from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 527 thousand (previous year: EUR 85 thousand) and NanoTherm deliveries to subsidiaries in the amount of EUR 94 thousand (previous year: EUR 755 thousand).

Other operating income amounted to EUR 26,486 thousand (previous year: EUR 904 thousand) in the financial year. The increase in other operating income is due to the extraordinary effect of the intra-group transfer of shares in MagForce USA Inc., which led to the realization of hidden reserves in the amount of EUR 25,583 thousand. Excluding this effect, other operating income amounted to EUR 903 thousand and thus to the previous year's level. Other operating income also includes recharges of management services and other administrative services to subsidiaries in the amount of EUR 444 thousand (previous year: EUR 545 thousand) and income from exchange rate differences in the amount of EUR 316 thousand (previous year: EUR 75 thousand).

Personnel expenses of EUR 4,121 thousand (previous year: EUR 3,987 thousand) also include bonus payments. In addition, the slight increase in the number of employees contributed to the increase in personnel expenses.

Other operating expenses amounted to EUR 3,515 thousand and were therefore EUR 144 thousand higher than in the previous year (EUR 3,371 thousand). The increase in other operating expenses is mainly due to capital raising measures.

While the previous year showed a negative **operating result** of EUR 6,203 thousand, 2020 closed with a positive operating result of EUR 18,620 thousand. The positive operating result is due to the extraordinary effect of the intra-group transfer of shares in MagForce USA Inc. with the realization of hidden reserves in the amount of EUR 25,583 thousand. Normalized for this effect, the Company would have reported a negative operating result of EUR 6,963 thousand in the financial year.

At EUR 215 thousand, interest income was the same as in the previous year (EUR 215 thousand), while interest expenses increased by EUR 1,355 thousand from EUR 1,683 thousand to EUR 3,038

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thousand. The reasons for the increase in interest expenses are, on the one hand, new borrowing and, on the other hand, higher interest rates for liabilities that are partially linked to the share price. The write-down of contributions to fund the operations of the subsidiary MT MedTech Engineering GmbH amounted to EUR 1,048 thousand (previous year: EUR 1,058 thousand). The increase in interest expenses accordingly led to an increase in the negative financial result by EUR 1,344 thousand from EUR 2,526 thousand to EUR 3,870 thousand.

Due to the aforementioned extraordinary effect of the realization of hidden reserves in connection with the intra-group transfer of shares in MagForce USA Inc., the 2020 financial year closed with a **net profit** of EUR 14,747 thousand (previous year: net loss of EUR 8,731 thousand). Normalized for this effect, the Company would have reported a net loss for the year of EUR 10,836 thousand.

Cash flow from operating activities amounted to EUR -5,698 thousand (previous year: EUR -5,671 thousand). Cash outflow from operating activities was derived indirectly from net profit. Cash outflows largely relate to the financing of operating activities.

Cash flow from investing activities amounted to EUR -2,981 thousand (previous year: EUR -1,941 thousand) and mainly related to payments for the construction of mobile NanoActivators and expenses for the preparation of technical documentation for MagForce products. Furthermore, contributions were made to the subsidiary MT MedTech Engineering GmbH to provide financial support.

Cash flow from financing activities amounted to EUR 10,218 thousand (previous year: EUR 6,286 thousand) and was mainly attributable to the cash inflows resulting from the capital increase carried out and the issue of convertible bonds, as well as the drawdown of further funds from the EIB loan. The cash inflows were offset by interest payments.

At the end of the year, the **freely available liquidity** amounted to EUR 1,706 thousand (previous year: EUR 167 thousand).

Outlook and financial prognosis of 2021

For the year 2021, the following focal points are planned for the Company's development:

In Europe: MagForce expects a further increase in the number of commercially treated patients in Germany and Poland, the initiation of further placements of NanoActivators in Germany and other European countries for the treatment of brain tumors, and continuation of activities to establish an efficient reimbursement procedure in Germany and the target countries for NanoTherm therapy.

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In the USA: MagForce expects the completion of the second Stage of the pivotal clinical study for NanoTherm Therapy in the indication prostate cancer and the start of commercialization activities of NanoTherm Therapy for the treatment of prostate cancer.

MagForce has taken measures to continue to pursue its goals without significant delays, even in the context of the COVID-19 pandemic. However, it cannot be ruled out with certainty that, in particular due to the worsening of the COVID-19 pandemic, goals cannot be achieved or that their implementation will be postponed.

Financial outlook

MagForce AG expects a significant increase in revenues due to a rise in the number of commercially treated patients in Europe and the start of commercialization activities in the USA upon successful completion of the US pivotal study. In this context, an increase in NanoTherm production volumes is also expected. The production of ambulatory NanoActivators will take place depending on the progress of commercialization in the USA.

Due to continued expenses for the European expansion strategy, a positive operating result is not expected for the financial year 2021 despite higher revenues. The positive operating result in 2020 resulted from the realization of hidden reserves through the intercompany transfer of shares in MagForce USA Inc.

A sustained negative financial result is expected for the 2021 financial year, as further debt financing measures are likely and rising interest payments will have a negative impact on the financial result.

Despite measures taken against the COVID-19 pandemic by MagForce, it cannot be ruled out that a worsening of the pandemic will lead to restrictions in commercialization activities, so that revenue targets cannot be achieved with a corresponding negative impact on the expected results.

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 system enables the targeted treatment of solid tumors through the intratumoral generation of heat via activation of superparamagnetic nanoparticles.

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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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