

Corporate News

June 30, 2020

MagForce AG Publishes Financial Results for the Year 2019 and Operative Highlights

- **Europe: Successful implementation of the expansion strategy - significant increase in treatment numbers of brain tumor patients (post period)**
- **USA: FDA approval to proceed with its streamlined trial protocol for the next stage of pivotal U.S. single-arm study for the focal ablation of intermediate risk prostate cancer with the NanoTherm therapy system received - first patients enrolled (post period)**

Berlin, Germany, and Nevada, USA, June 30, 2020 - 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, 2019 as well as operative highlights.

Operative Highlights

In 2019, MagForce achieved important corporate goals and made decisive progress in its development.

Europe: Faster and easier access to treatment with NanoTherm therapy for brain tumor patients

All Company activities in Europe are aimed at further increasing awareness of the NanoTherm therapy system and making the therapy available to patients: MagForce successfully introduced its 'NanoTherm Therapy School' series, a practice-oriented, unique, multifaceted application training for the use of NanoTherm Therapy in treating brain tumors developed in close partnership with leading experts Prof. Dr. Walter Stummer, PD Dr. Dr. Oliver Grauer, University Hospital Münster, and PD Dr. Johannes Wölfer, Hufeland Klinikum GmbH Mühlhausen. Targeted towards medical professionals working in the field of neuro-oncology, the training series aims at certifying surgeons in the use of the Company's innovative NanoTherm technology. Two sessions were successfully completed in 2019. In Lublin, Poland, the first treatment center outside Germany, and in Zwickau, another NanoTherm therapy center in Germany, the Parcelsus Clinic, were opened.

These achievements already led to enormously increased corporate sales in the first quarter of 2020. MagForce continues to successfully drive forward its European roll-out strategy in the current fiscal year.

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USA: High medical need for a new less invasive, effective and well-tolerated treatment option for prostate cancer in the USA

In 2019, MagForce USA, Inc. successfully completed the first stage of its pivotal clinical US study for the focal ablation of intermediate risk prostate cancer. During this Stage 1 a standardized clinical procedure was validated and developed: MagForce USA had to develop a new procedure by which the NanoTherm is placed in a clinical targeted volume (CTV) of less than 2 to 4cc of volume in the human prostate and provides for a true focal ablation therapy. By modifying the thixotropic nature of the NanoTherm, an increase in viscosity of 100 times was achieved, which allowed NanoTherm to remain at the reverse biopsy instillation site and allow time for the NanoTherm conjugation to occur stabilizing the NanoTherm particles in the CTV. Initial findings showed only minimal treatment related side effects, which were tolerable and similar to those commonly associated with biopsies. The ablation analysis showed very well-defined ablation and cell death in the region of the nanoparticle deposit as it was observed with the previous pre-clinical studies.

The purpose of this focal ablation registration study, which will enroll up to 120 men in a single arm study, is to demonstrate that NanoTherm therapy can focally ablate cancer lesions with minimal side effects for patients who have progressed to intermediate risk prostate cancer stage and are under active surveillance. By destroying these cancer lesions, it is anticipated that patients will be able to remain in Active Surveillance Programs and avoid definitive therapies such as surgery or whole gland radiation with their well-known side effects as long as possible.

In April 2020 the FDA approved a streamlined trial protocol, for the next stage of the Company's pivotal U.S. study with the NanoTherm therapy system for the focal ablation of intermediate risk prostate cancer. The next stage of the clinical trial is being initiated with three well-respected urological centers in Texas, Washington and Florida who actively enrolled patients in Stage 1. In the meantime first patients were enrolled and MagForce is starting treatments.

Results of operations, net assets and financial position

In the financial year, **revenues** amounted to EUR 840 thousand (previous year: EUR 67 thousand). Revenues were generated from the commercial treatment of patients with NanoTherm therapy in Germany in the amount of EUR 47 thousand (previous year: EUR 66 thousand) and NanoTherm deliveries to subsidiaries in the amount of EUR 793 thousand (previous year: EUR 0 thousand).

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Other operating income amounted to EUR 904 thousand. While the previous year was dominated by the extraordinary effect of the intra-group transfer of shares in MagForce USA Inc., which resulted in the realization of hidden reserves in the amount of EUR 13,895 thousand, there was no further transfer of shares in 2019. Consequently, other operating income decreased from EUR 14,909 thousand by EUR 14,005 thousand compared to previous year. Other operating income mainly consists of costs recharged to subsidiaries for management services and other administrative services in the amount of EUR 545 thousand (previous year: EUR 561 thousand), the reversal of provisions in the amount of EUR 173 thousand (previous year: EUR 293 thousand), exchange rate differences in the amount of EUR 75 thousand (previous year: EUR 71 thousand) and income relating to other periods in the amount of EUR 47 thousand (previous year: EUR 7 thousand).

Personnel expenses of EUR 3,987 thousand (previous year: EUR 3,921 thousand) also include bonus payments.

Other operating expenses of EUR 3,371 thousand are EUR 197 thousand higher than in the previous year (EUR 3,174 thousand). The increase in other operating expenses is mainly due to higher impairment losses on interest receivables from the affiliated company MT MedTech Engineering GmbH that is funded by MagForce AG as well as higher patent costs.

While the previous year due to extraordinary effects showed a positive operating result of EUR 6,828 thousand, 2019 closed with a negative **operating result** of EUR 6,203 thousand. The positive operating result of the previous year 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 13,895 thousand. Normalized for this effect, the Company would have reported a higher negative operating result of EUR 7,067 thousand in the previous year. Interest income of EUR 215 thousand was largely at the same level as in the previous year (EUR 231 thousand), while interest expenses fell by EUR 140 thousand from EUR 1,823 thousand to EUR 1,683 thousand. The reason for the decrease in interest expenses is lower interest on share price linked liabilities. The write-down of the contributions to fund the operations of the subsidiary MT MedTech Engineering GmbH amounted to EUR 1,058 thousand (previous year: EUR 877 thousand). The partially contrary effects resulted overall in only a slight increase in the negative financial result of EUR 58 thousand from EUR 2,468 thousand to EUR 2,526 thousand.

The year 2019 closed with a **net loss** for the year of EUR 8,731 thousand. The net income of EUR 4,358 thousand in the previous year was due to the extraordinary effect of the intra-group transfer of shares in MagForce USA Inc. with the realization of hidden reserves amounting to EUR 13,895 thousand. Normalized for this effect the previous year ended with a net loss of EUR 9,537 thousand.

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Cash flow from operating activities amounted to EUR -5,671 thousand (previous year: EUR - 7,106 thousand). The cash outflow from operating activities was derived indirectly from the net loss for the period. The cash outflows mainly relate to the financing of operating activities.

Cash flow from investing activities amounted to EUR - 1,941 thousand (previous year: EUR - 1,370 thousand) and mainly related to the contributions made in the reporting year to provide financial support for the subsidiary MT MedTech Engineering GmbH as well as the construction of mobile NanoActivator therapy centers and the expenses for the preparation of the technical documentation of the MagForce products.

Cash flow from financing activities amounted to EUR 6,286 thousand (previous year: EUR 9,304 thousand) and is mainly attributable to the proceeds from the capital increase and the stock options exercised. The payments were offset by cash outflows in the form of interest payments.

At the end of the year, the **freely available liquidity** amounted to EUR 167 thousand (previous year: EUR 1,494 thousand).

Outlook and financial prognosis of 2020

For the year 2020, the following focal points are planned for the Company's development:

In Europe: Increase in the number of commercially treated patients in Poland and Germany, initiation of further placements of NanoActivator devices in Germany and other European countries for the treatment of brain tumors, and the establishment of an efficient reimbursement procedure in Germany and the target countries for NanoTherm therapy in combination with surgery, radiation or chemotherapy as well as continuation and establishment of the "NanoTherm Therapy School" as application training for the use of NanoTherm therapy with the aim of certifying surgeons using the innovative NanoTherm technology.

In the USA: Conducting the second stage of the pivotal trial of NanoTherm therapy in the indication prostate cancer for the territory of the USA by the subsidiary MagForce USA, Inc., preparations for the commercialization of NanoTherm therapy for the treatment of prostate cancer in the USA. Further the completion of the development of an ambulatory NanoActivator device for the focal treatment of prostate cancer.

The impact of the outbreak of the corona pandemic on the future core activities described above cannot be predicted in detail at this time.

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Financial outlook

The Company expects a significant increase in the number of patients treated in both Germany and Poland in the financial year 2020, which will have a positive effect on earnings.

MagForce expects an increase in production volumes of NanoTherm to supply the US subsidiary due to the continuation of its pivotal trial and preparations for commercialization in the USA, as well as for the treatment of patients in Germany and Poland. The production of NanoActivator ambulatory devices will take place depending on the progress of the prostate study in the USA.

The expected revenues will not be able to compensate the expenses due to the continuation of the expansion strategy and the associated initiation of treatment series to obtain reimbursement as well as the necessary expansion of commercialization activities, so that a significant operating loss is also expected for the financial year 2020.

Management expects higher debt financing of the business activities and an associated increase in the negative financial result, provided that there are no significant opposing effects from share price linked debt components.

On June 24, 2020 MagForce signed an agreement with U.S. investment firm Yorkville Advisors Global LP for a growth financing via convertible notes of up to EUR 15 million to be drawn in probably up to five tranches. The first tranche of EUR 2.5 million each is expected to be drawn shortly. This financing enables MagForce to further implement its commercial strategy and support the roll-out of its NanoTherm Therapy treatment system.

It can be assumed that the corona pandemic will affect our forecasts, the exact scope of which cannot be estimated at this time.

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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