MagForce AG Publishes Financial Results for the Year 2016 and Operative Highlights

- Continued expansion of commercialization of NanoTherm therapy for the treatment of brain tumors in Europe; obtaining domestic reimbursement ahead and streamlined implementation of cross-border process
- Second clinical treatment site for the treatment of intermediate prostate cancer in the US established at CHRISTUS Santa Rosa Hospital – Medical Center in San Antonio, Texas; IDE approval process with the FDA progressing
- Successful capital increase with renowned UK-based M&G International Investments with gross proceeds of EUR 5.0 million mainly to accelerate the on-going international expansion (after period-end)

Berlin, Germany, and Nevada, USA, June 30, 2017 - 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, 2016 as well as operative highlights.

Operative Highlights:

Treatment of brain cancer in Europe:

MagForce AG is continuing to expand the commercialization of its innovative NanoTherm therapy for the treatment of brain cancer in Europe. In their quest to improve patient care, the neurosurgeons applying NanoTherm therapy for the treatment of brain tumors continue to find additional medical benefits when NanoTherm therapy is incorporated into their primary treatment regimen.

MagForce presented at many renowned conferences and congresses, which increases the awareness of its unique therapy within the main target groups, such as the medical community, patient advocacy groups, patients, their relatives, and caregivers. The Company is also increasingly receiving positive feedback from patients regarding their experiences with the NanoTherm therapy.

During 2016, MagForce has streamlined the implementation of the cross-border reimbursement process, however, due to the aggressiveness of glioblastoma, there is a limited time interval to achieve treatment. In order to give patients the benefit from the NanoTherm treatment, the Company continues...
to increase the medical awareness of the value of NanoTherm therapy to encourage patients and neurosurgeons to consider NanoTherm therapy earlier following the diagnosis of their tumor status.

The current roll-out plan sees MagForce placing its NanoActivator devices in a number of European countries and thus enabling patients to be treated in their home countries. Facilitating treatment of patients in their home countries will also simplify reimbursement in those countries where MagForce already has the CE mark approval for the treatment of brain tumours. Amongst others, MagForce’s commercial and medical teams have identified Poland, Italy, Switzerland and Spain as suitable countries for NanoTherm treatment centres.

At the same time, MagForce is in the process of obtaining domestic reimbursement for NanoTherm therapy in Germany.

Treatment of Intermediate Risk Prostate Cancer in the USA:

MagForce USA, Inc. had filed an Investigational Device Exemption (IDE) with the USA Food and Drug Administration (FDA) for NanoTherm therapy to treat Intermediate Risk Prostate Cancer. During 2016, MagForce USA repeated and updated the pre-clinical studies (originally conducted in Germany about 10 years ago) with its clinical NanoActivator installed at University of Washington 2015.

The results of these pre-clinical studies and the proposed clinical trial protocol were submitted to the FDA in late fourth quarter, 2016. An in-person follow-up meeting with FDA representatives was held in early January 2017 to discuss MagForce’s submissions and identify required clarification. This meeting was again very productive and MagForce believes it can successfully address their questions.

MagForce plans another in-person meeting with the FDA in the near future to determine, if its proposed approach to address their requests is accepted.

The key to achieving the Company’s goals is to continue to establish clinical treatment sites and obtain the necessary administrative approvals. MagForce has completed the installation of the NanoActivator at a second site located at CHRISTUS Santa Rosa Hospital – Medical Center in San Antonio, Texas.

While MagForce is now approximately six months behind schedule, the Management is still confident and will make every effort to achieve its original targets in terms of market entry and commercialization of NanoTherm therapy in the USA – which is projected for 2018.
Results of operations, net assets and financial position

Non GAAP financial measures are used by MagForce’s management to make operating decisions because they facilitate internal comparisons of MagForce’s performance to historical results. The Non GAAP measures are presented in the year-end financial publication as MagForce’s management believes that they will provide investors with means of evaluating, and an understanding of how MagForce’s management evaluates, MagForce’s performance and results on a comparable basis that is not otherwise apparent on a German GAAP basis, since many non-recurring, infrequent or non-cash items that MagForce’s management believes are not indicative of the core performance of the business may not be excluded when preparing financial measures under German GAAP.

These Non GAAP measures should not be considered in isolation from, as substitutes for, or superior to financial measures prepared in accordance with German GAAP.

Net loss for the business year was EUR 7,231 thousand (prior year: EUR 1,547 thousand). Non GAAP net loss remained almost stable at EUR 5,107 thousand (prior year: EUR 5,050 thousand).

Compared to the prior year period personnel expenses increased by EUR 262 thousand to EUR 3,252 thousand (prior year: EUR 2,990 thousand) due to an increased average number of employees in 2016 (29; prior year: 23).

Revenue and other operating income amounted to EUR 1,581 thousand (prior year: EUR 7,702), while Non GAAP revenue and other operating income increased by EUR 136 thousand to EUR 1,581 thousand (prior year: EUR 1,445 thousand). The Non GAAP increase chiefly stems from higher recharges to subsidiaries. Revenue and other operating income were adjusted to arrive at Non GAAP figures by the prior-year amounts resulting from the extension of the distribution and development rights for the countries Canada and Mexico in January 2015 (EUR 3,033 thousand), the sale of four NanoActivator devices to MagForce USA, Inc. (EUR 2,421 thousand) and by the write-up of the loans of MT MedTech GmbH (EUR 803 thousand).

Other operating expenses increased to EUR 4,309 thousand (prior year: EUR 3,173 thousand), while Non GAAP operating expenses remained almost stable at EUR 6,918 thousand (prior year: EUR 6,824 thousand). Other operating expenses were adjusted for the impairment of the loans to MT MedTech GmbH in the amount of EUR 1,218 thousand (prior year: nil) to arrive at Non GAAP.

Cash outflows from operating activities amounted to EUR -6,575 thousand (prior year: EUR -5,185 thousand).
Cash inflows from investing activities amounted to EUR 3,073 thousand (prior year: Cash outflow of EUR -2,575 thousand). Cash inflows for the year 2016 are largely due to repayments of short term loans in the amount of EUR 3,000 thousand. **Cash flows from financing activities** amounted to EUR 2,723 (prior year: EUR nil).

Cash and cash equivalents as of December 31, 2016 amounted to EUR 614 thousand (prior year: EUR 1,393 thousand).

**Capital market transactions and funding of the company after the end of period**

To improve liquidity and to ensure the development of new products beyond 2017 the Company issued a EUR 5.0 million convertible loan on March 2, 2017 with a maturity of 3 years, an interest rate of 5% p.a., and a conversion price at EUR 5.00 per share. Furthermore Lipps & Associates LLC continues providing lines of funds to support expansion plans as a means of non-dilutive funding.

In addition on June 28, 2017 MagForce AG resolved and successfully implemented a capital increase from authorized capital. The Company's share capital will therefore be increased from EUR 25,622,711.00 to EUR 26,343,172.00 by issuing 720,461 new no-par-value shares at a price of EUR 6.94 per share by partially utilising existing authorised capital against cash contributions. All new shares were subscribed by UK-based M&G International Investments Ltd. in a private placement. Gross proceeds for MagForce AG amount to EUR 5.0 million. The additional capital will be mainly used to accelerate the on-going international expansion of MagForce, in particular in Europe.

**Outlook and financial prognosis 2017 and beyond**

In 2017, MagForce will focus on establishing an expansion strategy in Europe for the treatment of brain tumors, initiating a study to ensure refund of treatment expenses in selected European countries, starting the clinical study for marketing authorization for the treatment of prostate cancer in the US and initiating the production of related ambulatory NanoActivator devices.

The Company expects an extension of its business activity due to the planned expansion strategy in Europe. This is accompanied with a study to ensure reimbursement of treatment expenses in participating countries. As a result from the increased activity, MagForce expects higher commercial expenses and in 2018 an increased net loss.

For the years 2017 and 2018, the Company plans to intensify cooperation with local and international patient organizations to further establish NanoTherm therapy and to increase the number of patient inquiries. Furthermore, new ways for reimbursement in Germany and selected countries will be
established to make NanoTherm therapy available to as many patients as possible. Also, the Company plans to enhance its presence at appropriate events and with foreign patient organizations. MagForce’s management has executed the necessary measures and set up a plan to finance the Company’s expansion targets for Europe in 2017 and 2018.

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.

For more information, please visit: www.magforce.com.

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