MagForce AG Publishes Financial Results for the First Half of 2017 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 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
- Solid liquidity position of EUR 7.7 million following successful financing initiatives, laying the groundwork for future development
- Additional agreement in the amount of up to EUR 35.0 million loan financing over the coming three years signed with European Investment Bank (after period end)
- Outlook and financial prognosis for 2017 confirmed

Berlin, Germany, and Nevada, USA, September 29, 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 for the first half of 2017, ending on June 30, 2017, and 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 to the treatment of brain tumors, continue to find additional medical benefits when NanoTherm therapy is incorporated into their primary treatment regimen.

In August, and thus after period-end, the European Investment Bank (EIB) and MagForce have signed a financing agreement which will allow the Company to borrow up to EUR 35.0 million over the coming three years, subject to achieving a set of agreed performance criteria. The transaction with MagForce was made possible by the European Fund for Strategic Investments (EFSI). EFSI is the central pillar of
the Investment Plan for Europe, in which the EIB Group and the European Commission as strategic partners aim to boost the competitiveness of the European economy.

EIB loan financing will support NanoTherm’s Europe-wide roll-out for brain cancer. Furthermore, it will support European and global approval for prostate cancer – another oncological condition, which can be treated with NanoTherm therapy. In addition, MagForce is working on next generation nanoparticles, which will not only be able to generate heat but can also be used as drug transport mechanisms.

The facility granted by the EIB enables MagForce to pursue its mid to long term strategic goals with financing flexibility – with the following cornerstones:

- The first tranche of EUR 10.0 million is available after closing and the remaining tranches can be drawn over three years with repayment in five years.

- These four additional tranches can be provided depending on the achievement of operating and regulatory milestones with no commitment fees and no obligation to draw the tranches.

In Germany, there are annually around 7,000 new brain cancer incidences, in the remaining European countries another 42,136 people suffering from this disease, and the numbers are growing yearly by more than four percent. For that reason, the European roll-out includes the establishment of treatment centers in selected European countries and thus to allow patients to be treated in their home countries. This makes MagForce’s NanoTherm therapy more timely available for patients with aggressive brain tumors. Further, easier reimbursement will be available directly in the selected European countries where MagForce has the CE Mark for the treatment of brain tumors.

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. MagForce has had many constructive discussions with the FDA in 2017 and the Company believes that it can address their remaining clinical protocol concerns in 2017.

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

While MagForce is now approximately nine months behind schedule, the Management is still confident and will make every effort to achieve the original targets in terms of market entry and commercialization of NanoTherm therapy in the USA.

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 this interim financial report 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 first half year was reduced to EUR 3,023 thousand (prior year: EUR 3,193 thousand) and Non GAAP net loss also slightly decreased to EUR 2,181 thousand (prior year: EUR 2,184 thousand). Compared to the prior year reporting period personnel expenses increased by EUR 35 thousand to EUR 1,707 thousand (prior year: EUR 1,672 thousand) chiefly due to changes in personnel structure and one-off expenses related to financing measures. Non GAAP personnel expenses decreased therefore to EUR 1,632 thousand (prior year: EUR 1,672 thousand).

Revenue and other operating income amounted to EUR 1,289 thousand (prior year: EUR 745 thousand) and Non GAAP revenue and other operating income amounted to EUR 1,271 thousand (prior year: EUR 745 thousand). The increase mainly stems from cost recharges for biocompatibility studies requested by the FDA, development costs for the ambulatory NanoActivator, as well as stocking up of inventories in preparation for the upcoming prostate cancer study in the US.

Other operating expenses have been reduced slightly to EUR 1,876 thousand (prior year: EUR 1,938 thousand), while Non GAAP operating expenses have been increased to EUR 1,344 thousand (prior year: EUR 1,202 thousand). This is mainly due to prior year allowance adjustments of intercompany loans to MT MedTech GmbH in the amount of EUR 735 thousand.
Cash outflows from operating activities amounted to EUR -3,154 thousand (prior year: EUR -3,413 thousand).

Cash flows from investing activities amounted to EUR -3 thousand (prior year: EUR 3,118 thousand), and cash flows from financing activities amounted to EUR 10,285 thousand (prior year: EUR 2,268 thousand).

Liquid funds of the Company including cash, cash equivalents amounted to EUR 7,742 thousand as of June 30, 2017 (December 31, 2016: EUR 614 thousand).

Capital market transactions and funding of the Company

In addition to the EUR 35.0 million financing agreement with European Investment Bank (EIB) that MagForce announced after period end (see above), the Company successfully completed two more financing measures:

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.

In addition on June 28, 2017 MagForce AG resolved and successfully implemented a capital increase from authorized capital. The Company’s share capital was therefore 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

The outlook for the year 2017, as reported in the 2016 annual report, published on June 30, 2017 was reaffirmed by the management:

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](http://www.magforce.com)

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