

## Corporate News

September 30, 2016

### MagForce AG Publishes Financial Results for the First Half of 2016 and Operative Highlights

- Accelerated commercial efforts to establish NanoTherm™ therapy in Germany and the EU leads to growing interest in applying NanoTherm™ therapy for the treatment of brain tumors; medical results very gratifying
- Good progress in the US toward adapting NanoTherm™ therapy as a focal treatment for prostate cancer; interim results of ongoing preclinical studies clearly support the earlier European data
- Outlook for 2016 confirmed

**Berlin, Germany, and Nevada, USA, September 30, 2016** - MagForce AG (Frankfurt, Entry Standard, 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 2016, ending on June 30, 2016, and operative highlights.

#### Operative Highlights:

##### Brain Cancer NanoTherm™ Therapy at MagForce AG

In Europe, MagForce AG is continuing to expand the commercialization phase of its valuable NanoTherm™ therapy: The **first phase** was to install NanoActivators® in Germany and assist the neurosurgeons and radiologists as they became familiar with NanoTherm™ therapy and its applicability. The **second phase** was to initiate the Company's commercialization efforts with the goal of increasing patient inquiries to 100 per month. The combination of clinical success and marketing efforts will result in the Company achieving the targeted patient inquiry level. MagForce is currently half way there. In the **third phase**, cross-border reimbursement processes have been optimized based on the fact that a majority of the patients requesting treatment require the implementation of the Cross-Border Directive of the European Union. However, the medical procedure for treating glioblastoma generally requires surgery and radiation resulting in the patient's obligation to fund the country differential costs for surgery and radiation in his home country and the higher costs for these treatments in Germany, as well as for 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. Toward that end, the Company will continue its efforts to increase the medical awareness of the value of NanoTherm™ therapy to allow earlier patient inquiries.

**Phase four** of the Commercialization Program will be to obtain domestic reimbursement for

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NanoTherm™ therapy in Germany and selected countries in the EU where MagForce has the CE Mark for the treatment of brain tumors.

As mentioned three months ago, Management is actively exploring financing options, such as third-party leases of NanoActivator® equipment, or other non-equity financing options in order to further accelerate MagForce’s expansion in Europe.

**Prostate Cancer Therapy at MagForce USA, Inc.**

In the USA, MagForce USA, Inc.’s has filed an Investigational Device Exemption (IDE) with the USA Food and Drug Administration (FDA) for NanoTherm™ therapy to treat Intermediate Risk Prostate Cancer in 2015. MagForce is still working with the FDA to update preclinical studies, which were conducted approximately ten years ago, to current US regulatory standards and continues making very good progress toward adapting NanoTherm™ therapy as a focal treatment for prostate cancer. NanoTherm™ therapy for the focal treatment of prostate cancer is viewed as a very promising complement to current treatment approaches. These preclinical studies are underway with interim results clearly supporting the earlier European data.

The purpose of the proposed Focal Thermal Ablation Registration study that will enroll up to 120 men is to demonstrate that NanoTherm™ can ablate cancer lesions for patients who have Gleason Score 7 prostate cancer and are under active surveillance. By ablating the lesions, patients will be able to maintain active surveillance and avoid surgery and other treatments with their well-known side effects.

“I am still confident we will achieve our original targets in terms of market entry and commercialization of NanoTherm™ therapy in the USA because we clearly have a “time safety factor” built in our business plan, plus we have accelerated the ambulatory prostate NanoActivator® chair development to ensure timely delivery of this device. In Europe, our commercial treatment rate is still too slow but the medical results are very gratifying. The experiences we made from our commercialization efforts over the past 18 months pinpointed how to reach our commercialization targets, and we are enforcing the respective implementation. We are on the right path and overall making progress with our brain cancer Commercialization Program in Europe,” **commented Dr. Ben J. Lipps, CEO of MagForce AG and MagForce USA, Inc.** “In summary, I am very optimistic that MagForce will develop and expand our NanoTherm™ therapy into a valued therapy for the treatments of brain cancer and prostate cancer and move towards achieving the goals set in the five year target plan. The growing interest in applying NanoTherm™ therapy for the treatment of brain tumors and the progress of our work with the FDA are very encouraging. Thus, we are successfully moving forward on our exciting and challenging path.”

**Financial Results and Outlook:**

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

*MagForce adopted new revenue reporting rules for periods starting after December 31, 2015. In*

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*addition, MagForce reports for the first time Non-GAAP financial measures that are used by MagForce's management to make operating decisions, as they facilitate internal comparisons of MagForce's performance to historical results. MagForce's management believes that Non-GAAP measures 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 to be 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.*

*Due to the adoption of new revenue reporting rules (sec. 277 para. 1 HGB as amended by BilRuG) for periods starting after December 31, 2015, revenue includes also management recharges to subsidiaries that were included in other operating income in prior years. For additional information we refer to the Notes to the Interim Financial Statements.*

**Net loss** (prior year: profit) for the first half year was EUR 3.2 million (prior year: EUR 0.5 million) while Non-GAAP net loss slightly decreased for the half year by EUR 0.1 million to EUR 2.2 million (prior year: EUR 2.3 million).

Compared to the prior year reporting period **personnel expenses** increased by EUR 0.2 million to EUR 1.7 million chiefly due to the formation of a new commercial team to accelerate the Company's efforts to establish NanoTherm™ therapy in Germany and the EU. The additional expenses attached to this indispensable staffing were compensated by frugal use of MagForce's resources in other areas of controllable expense spending.

**Revenues and other operating income** amounted to EUR 0.7 million (prior year: EUR 4.9 million), while Non-GAAP revenue and other operating income increased by EUR 0.1 million to EUR 0.7 million (prior year: EUR 0.6 million). Revenues and other operating income include revenues from commercial treatment of patients with NanoTherm™ therapy on a cash basis as well as reimbursement of treatment costs by third parties and recharges to subsidiaries. The Non-GAAP increase chiefly stems from higher personnel recharges to subsidiaries of EUR 0.4 million compared to EUR 0.3 million in the prior year period.

Revenue and other operating income were adjusted to Non-GAAP for the extension of the distribution and development rights for the countries Canada and Mexico in January 2015 amounting to EUR 3.0 million as well as the sale of two NanoActivator® devices to MagForce USA, Inc. in the first half year of 2015 in the amount of EUR 1.2 million. Revenue includes also management recharges to subsidiaries that were included in other operating income in prior years.

**Cash outflows from operating activities** amounted to EUR -3.4 million (prior year: EUR -3.8 million).

**Cash inflows from investing activities** amounted to EUR 3.1 million (prior year: EUR 0.1 million),

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and **cash flows from financing activities** amounted to EUR 2.3 million (prior year: EUR nil).

**Liquid funds** of the Company including cash and cash equivalents of EUR 3.4 million (December 31, 2015: EUR 1.4 million) as well as short term loans of EUR nil (December 31, 2015: EUR 3.1 million) amounted to EUR 3.4 million at the end of the period (December 31, 2015: EUR 4.5 million).

### Financial outlook 2016

For the financial year 2016 the Company expects an increase in revenues from the treatment of patients with NanoTherm™ therapy compared to last year. A more economical enterprise resource planning will result in further reduced operating costs. Adjusted for the special effects of the out-licensing transaction in 2015 that reduced the net loss by EUR 3.0 million, the Company expects a reduction of the net loss for the fiscal year 2016. With its liquidity and current plans, the Company will be able to cover its operating expenses through 2017.

### About MagForce AG and MagForce USA, Inc.

MagForce AG, listed in the entry standard 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. Mithril Capital Management, a growth-stage technology fund founded by Ajay Royan and Peter Thiel, along with MagForce AG, are investors and strategic partners in MagForce USA, Inc.

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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### Disclaimer

*This release may contain forward-looking statements and information which may be identified by formulations using terms such as "expects", "aims", "anticipates", "intends", "plans", "believes", "seeks", "estimates" or "will". Such forward-looking statements are based on our current expectations and certain assumptions, which may be subject to a variety of risks and uncertainties. The results actually achieved by MagForce AG may substantially differ from these forward-looking statements.*

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*MagForce AG assumes no obligation to update these forward-looking statements or to correct them in case of developments, which differ from those, anticipated.*

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