MagForce AG Publishes Financial Results for the Year 2015 and Operative Highlights

- Installation of further NanoActivator® devices at University hospitals in Cologne and Frankfurt and start of commercial treatments of brain tumors at renowned clinics in Germany
- Vivantes Friedrichshain, Department of Neurosurgery, has initiated commercial NanoTherm™ treatments for brain cancer in collaboration with Charité – Universitätsmedizin Berlin
- The first clinical US NanoActivator® was successfully installed in Seattle, Washington, near the University of Washington Medical Center, and is currently utilized for pre-clinical registration studies

Operative Highlights:

Brain Cancer NanoTherm™ Therapy at MagForce AG

In Germany, MagForce AG installed three additional NanoActivator® devices and qualified two of these for treatment of brain tumors during 2015, so MagForce started into the year 2016 with six NanoActivator® clinics in Germany participating in the Post Marketing Study. Four of these NanoActivator® clinics are also providing the commercial NanoTherm™ treatment of brain tumors patients.

In April 2016, Vivantes Friedrichshain, Berlin, Department of Neurosurgery, has initiated commercial NanoTherm™ treatments for brain cancer in collaboration with Charité - Universitätsmedizin Berlin, Clinic for Radiation Therapy, which is also participating in the ongoing Post-Marketing Study. Vivantes Friedrichshain offers NanoTherm™ therapy to commercial patients in Berlin in conjunction with their excellent working relationship with the Clinic for Radiation Therapy of the Charité - Universitätsmedizin Berlin. This cooperation between the Charité and Vivantes will provide the opportunity for patients from outside Germany to obtain this NanoTherm™ therapy in Berlin, which is strategically close to Eastern European countries.
Prostate Cancer Therapy at MagForce USA, Inc.

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

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 all with well-known side effects like impairment of urinary and sexual functions. It is expected that the registration clinical trial will prove that NanoTherm™ therapy can fulfill the desired outcome in the focal treatment of prostate cancer.

During 2015, MagForce successfully installed the first clinical NanoActivator® in Seattle, Washington, near the University of Washington Medical Center. It is operational and is being utilized for pre-clinical studies and will be utilized for the Focal Thermal Ablation Registration Study for prostate cancer. This NanoActivator® is similar in design to the NanoActivator® devices operating at university hospitals in Germany. However, the USA NanoActivator® has been modified to apply NanoTherm™ therapy for the treatment of prostate cancer in addition to the treatment of brain tumors.

Financial Results and Outlook:

Results of operations, net assets and financial position

MagForce’s financial development in the fiscal year 2015 was in line with the Company’s expectations. MagForce started commercialization of its NanoTherm™ therapy and reached additional important milestones.

Net loss was at EUR 1.5 million, so that is EUR 0.5 million above the previous year (2014: EUR 1.0 million). Adjusted for the effect of out-licensing of U.S. rights to develop and commercialize NanoTherm™ therapy net loss for the year decreased by EUR 3.3 million from EUR 7.9 million in 2014 to EUR 4.6 million in 2015. The decrease of the net loss adjusted for the out-licensing effects is due to the sale of four NanoActivator® devices to MagForce USA, Inc., first commercial treatments of patients with the NanoTherm™ therapy and reduced operating costs. The out-licensing of development and commercialization rights resulted in other operating income of EUR 3.0 million in 2015 (2014: EUR 6.9 million). Despite a slight increase of the average number of employees, personnel costs have been reduced by EUR 0.3 million to EUR 2.7 million (2014: EUR 3.0 million). Personnel expenses
amounting to EUR 0.6 million (2014: EUR 0.3 million) were charged to subsidiaries. Other operating expenses decreased by EUR 1.5 million to EUR 3.2 million (2014: EUR 4.7 million) and thus developed as forecast.

Sales revenues 2015 amounted to EUR 2.6 million (2014: nil) and include revenues from the sale of four NanoActivator® devices to MagForce USA, Inc. (EUR 2.4 million) as well as commercial treatment of patients with the NanoTherm™ therapy (EUR 0.2 million).

Cash outflow from operating activities amounted to EUR 5.1 million, compared to EUR 8.7 million in the previous year.

Liquid funds of the Company include cash, cash equivalents as well as short term loans and amount to EUR 4.5 million (December 31, 2014: EUR 11.2 million). MagForce’s liquidity has developed as expected by management and therefore is in line with the forecast at the end of 2015. No capital measures have been executed in 2015. The Company started commercialization and reached further important milestones in this regard.

To enforce the USA market entry, MagForce AG and MagForce USA, Inc. have enforced the ambulatory prostate NanoActivator® chair development. MedTech Engineering, a 100% MagForce AG subsidiary, has established an accelerated development program starting July 1, 2016. To facilitate this development time schedule, MagForce AG was granted a credit line of USD 2.5 million by MagForce USA, Inc.

To provide the USA based subsidiary with resources for an accelerated launch of the Prostate Focal NanoTherm™ therapy after the NanoTherm™ therapy is cleared for sale, Lipps & Associates, LLC has provided a USD 3.0 million line of credit for MagForce USA, Inc.

Outlook 2016

Looking forward, MagForce will focus on the start of the registration study of NanoTherm™ therapy for the treatment of prostate cancer in the USA through its subsidiary MagForce USA, Inc. Further, MagForce will continue the development of the commercialization of NanoTherm™ therapy for the treatment of brain tumors in Germany and its neighbor countries, which started in 2015, and will start to develop an ambulatory NanoActivator® device for prostate cancer.

For the financial year 2016 the Company expects a thorough 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 markable reduction of the net loss for the fiscal year 2016.

By intensifying cooperations with local and international patient organizations, MagForce aims to further establish NanoTherm™ therapy and to increase the number of patient inquiries. Furthermore new ways of 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 on appropriate events and its collaboration with foreign patient organizations. Those measurements are expected to generate sustainable sales.

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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