

Executing a Defined Strategy

Half-Year Report 2016

MagForce AG
Fighting Cancer with NanoTherm Therapy

magforce[®]

THE NANOMEDICINE COMPANY

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Executing a Defined Strategy

MagForce has successfully moved forward on its path to develop NanoTherm therapy into a valued therapy for the treatment of brain and prostate cancer in Europe (Path 1) and the USA (Path 2).



Fighting Cancer with
NanoTherm Therapy

Highlights 2016

April

MagForce AG Announces Initiation of Commercial NanoTherm Treatments for Brain Cancer at Vivantes Friedrichshain in Collaboration with Charité – Universitätsmedizin Berlin

Vivantes Friedrichshain, Department of Neurosurgery, has initiated commercial NanoTherm treatments for brain cancer in collaboration with Charité – Universitätsmedizin Berlin, Clinic for Radiation Therapy, who is participating also 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.

May

MagForce AG Supports Brain Cancer Patient Event of University Hospital Münster in the Run-Up to World Brain Tumor Day 2016

MagForce was participating in the event for brain cancer patients and their relatives which was hosted by the Brain Tumor Center of University Hospital Münster. Purpose of the event was to inform the persons concerned about the important and supporting concomitant therapies like art- and sports therapy to psychooncologically support the patients as well as about treatment options for brain cancer.

June

MagForce AG Supports World Brain Tumor Day 2016 and Attends 67th Annual Meeting of the German Society of Neurosurgery

MagForce was represented with a booth at the 67th Annual Meeting of the German Society of Neurosurgery (Deutsche Gesellschaft für Neurochirurgie, DGNC), one of the biggest conferences for the neuro-surgical community in Germany and dedicated to large-scale scientific exchange with neurosurgery key opinion leaders. With its

presence MagForce has the opportunity to further popularize its NanoTherm therapy for the treatment of glioblastoma and other brain tumors.

MagForce AG Announces Positive Results of 2016 Annual General Meeting

The Annual General Meeting approved all agenda items with a clear majority in excess of 98.8 percent. The CEO and Chairman of the Management Board, Dr Ben J. Lipps, reported on the current operational developments and provided an overview of the 2015 fiscal year, as well as an outlook for the current year. Subsequently, he gave an update on the status of the strategic plan.

MagForce AG Attends EANS 2016 from September 4-8 in Athens, Greece

MagForce AG was represented by a booth in the 16th European Congress of Neurosurgery, EANS 2016, held by the European Association of Neurosurgical Societies in Athens, Greece. Moreover, the team of Prof. Dr Walter Stummer, Director of the Department of Neurosurgery and the lead investigator of the Post-Marketing study at the University Hospital Münster, had an oral presentation reporting on experiences with the NanoTherm therapy. This abstract titled “‘NanoPaste’: Thermotherapy via nanoparticles directly instilled onto glioma resection cavity walls – technique and feasibility” won the prestigious “EANS 2016 Best Abstract Award”.

MagForce AG Presented Its NanoTherm Therapy for the Treatment of Brain Tumors at 36th ESSO Congress in Krakow, Poland

MagForce AG attended the 36th ESSO Congress, held by the European Society of Surgical Oncology from September 14-16, 2016, in Krakow, Poland. MagForce was presenting its NanoTherm therapy for the treatment of glioblastoma and other brain tumors.

August

September

Letter to the Shareholders

Dear MagForce Shareholders,

Since the publication of our last Shareholder Letter three months ago, we continued our joint efforts on both of our defined paths and we are pleased to give you an update on the respective developments:

Path 1: The treatment of brain cancer in Europe

Path 2: The treatment of intermediate risk prostate cancer in the USA

Path 1:

In Europe, MagForce AG is continuing to expand the commercialization phase of our valuable NanoTherm therapy.

The first phase of our European Commercialization was to install NanoActivator devices in Germany and assist the neurosurgeon and radiologist as they became familiar with our NanoTherm therapy and its applicability.

The second phase was to initiate our commercialization efforts with the goal of increasing our patient inquiries to 100 per month. The combination of clinical success and our marketing efforts will result in us achieving our patient inquiry level. We are 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, we have 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, we will continue our efforts to increase the medical awareness of the value of NanoTherm therapy to allow earlier patient inquiries.

Phase four of our Commercialization Program will be to obtain domestic reimbursement for 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.

In early September, MagForce was represented by a booth in the 16th European Congress of Neurosurgery, EANS 2016, held by the European Association of Neurosurgical Societies in Athens, Greece. Moreover, the team of Prof. Dr Walter Stummer, Director of the Department of Neurosurgery and the lead investigator of the post-marketing study at the University Hospital Münster, had an oral presentation reporting on experiences with the NanoTherm therapy. This abstract about the results with the new application of MagForce's NanoTherm therapy was then selected to receive the EANS 2016 Best Abstract Award and gained a lot of medical and scientific attention.

Further, MagForce AG attended the 36th ESSO Congress, held by the European Society of Surgical Oncology from September 14-16, 2016, in Krakow, Poland. MagForce was presenting its NanoTherm therapy for the treatment of glioblastoma and other brain tumors. Both events supported MagForce's awareness level at the main target groups, such as patient advocacy groups, patients, their relatives, caregivers, and the medical community - which is an important driver for the commercialization of our valuable therapy.

In summary, 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.

Path 2:

In the USA, 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 in 2015. We are still working with the FDA to update preclinical studies, which were conducted approximately ten years ago, to current US regulatory standards and we continue making very good progress toward adapting NanoTherm therapy as a focal treatment for prostate cancer. Our 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 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 years 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.

Investor Relations

Until today, this year we presented at: 22nd Medtech Investing Europe Conference in Lausanne, MKK Munich Capital Markets Conference in Munich, Berenberg European Conference USA in Tarrytown, Deutsche Bank db Access German, Swiss & Austrian Conference 2016 in Berlin, Goldman Sachs Euro Medtech & Healthcare Services Conference in London, and Berenberg and Goldman Sachs Fifth German Corporate Conference in Munich. We also conducted international roadshows presenting MagForce’s equity story to interested investors.

I would like to thank our talented and dedicated staff who are creating the successes. Again, thank you for your interest and support of MagForce.

Sincerely,



Dr Ben J. Lipps

Chief Executive Officer & Chairman of the Management Board

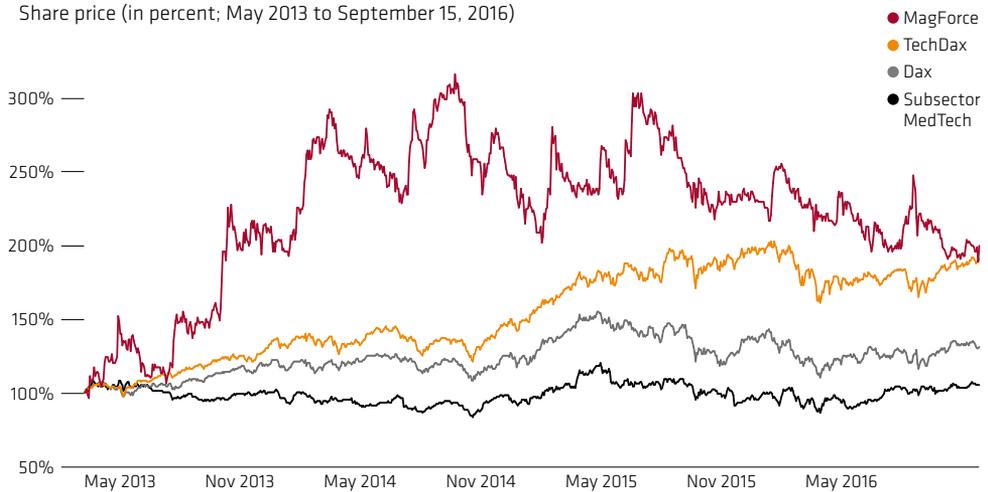
Investor Relations

MagForce's shares

On June 30, 2016, MagForce shares (MF6.DE) closed at EUR 5.00, down 8.3 percent compared to its closing price on January 4, 2016. The share price high was at EUR 5.70 and the low was at EUR 4.11 during the first half year of 2016. The Company's market capitalization decreased from EUR 140 million to EUR 128 million. The average daily trading volume of MagForce's shares on XETRA in the first half year of 2016 was 14,446 shares.

MagForce share price development

Share price (in percent; May 2013 to September 15, 2016)



Key facts MagForce share

Number of shares issued at the beginning of the period	25,622,711
Number of shares issued at the end of the period	25,622,711
Free float (in percent)	70
6-month high (XETRA) in EUR	5.70
6-month low (XETRA) in EUR	4.11
Price at the beginning of the period (XETRA) in EUR	5.45
Price at the end of the period (XETRA) in EUR	5.00
Price at September 15, 2016 (XETRA) in EUR	4.60
Market capitalization at the beginning of the period (EUR thousands)	139,644
Market capitalization at the end of the period (EUR thousands)	128,114
Market capitalization at September 15, 2016 (EUR thousands)	117,864
Average daily trading volume until June 30, 2016 (XETRA)	14,446
Average daily trading volume until September 15, 2016 (XETRA)	12,434

Investor Relations

Like in the past, the Company continues to work on increasing the awareness for its shares in the financial community and sets great store on a regular dialog with its shareholders. The goal is to communicate the Company's strategy and development reliably and transparently to gain investor confidence in MagForce and achieve a fair valuation of MagForce's shares.

Thus, management again presented at various renowned investor conferences in Europe and in the US. During those events and in the course of the international road shows, MagForce handled numerous one-on-one meetings with international existing and potential new shareholders.

In the first half of 2016, MagForce has presented at: Berenberg European Conference USA in Tarrytown, USA; 20th MKK – Munich Capital Market Conference, 22nd Medtech Investing Conference in Lausanne, and dbAccess German, Swiss & Austrian Conference in Berlin.

During the second half of 2016, MagForce will present at: Berenberg & Goldman Sachs European Medtech & Healthcare Services Conference 2016 in London; Berenberg and Goldman Sachs Fifth Annual German Corporate Conference in Munich; German Equity Forum in Frankfurt.

Shareholders have been informed about current developments via the letters to shareholders, and research coverage updates on MagForce were published:

Research house	Analyst	Rating / Price target in EUR
GBC Investment Research	Cosmin Filker, Felix Gode	BUY / 13.20
Hauck & Aufhauser	Torben Teichler	BUY / 12.40
Berenberg	Tom Jones, Graham Doyle, Frazer Hall	BUY / 8.40
Edison Investment Research	Dr Philippa Gardner, Emma Ulker, Dr Mick Cooper	9.80

Interim Management Report



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Business and Environment

Company overview

MagForce AG is a pioneer in the area of nanotechnology-based cancer treatment. It is the first company in the world to receive European approval for a medical product using nanoparticles. In Germany, this innovative therapy is available to patients at the NanoTherm therapy centers at the Vivantes Klinikum Friedrichshain and Charité-Universitätsmedizin hospital, both in Berlin, and the university hospitals Münster, Kiel, Cologne and Frankfurt. Additional therapy centers are planned in Germany.

MagForce USA Inc., with its place of Business in Nevada, USA, is a majority-owned subsidiary of MagForce AG and was founded to develop NanoTherm therapy for treatment of brain tumors and prostate cancer in the USA and later on launch the NanoTherm therapy in the American market.

Market and industry conditions

MagForce is active in the medical device sector and is currently focused on commercialization of its NanoTherm therapy for treatment of brain tumors in Europe and the development of NanoTherm therapy for the treatment of prostate cancer in the USA. The projected annual treatment costs in these indications amount to EUR 15 billion for prostate cancer and EUR 2 billion for brain tumors. Due to the increase of cancer patients, these expenses are assumed to grow significantly in the coming years.

Glioblastoma, prostate cancer and treatment

Glioblastoma

Glioblastoma is the most common and most aggressive brain tumor. This tumor mainly affects adults and is classified as grade IV tumor by the WHO (World Health Organization) due to the very poor prognosis and the difficulty or impossibility of treatment. The Glioblastoma is surgically incurable and largely resistant to radiation and chemotherapy.

Around 7,000 people are diagnosed with brain cancer in Germany each year; approximately 3,800 with glioblastoma, accounting for about 1.4 percent of all new cancer diagnoses. This makes glioblastoma one of the rarer forms of cancer. In Europe, around

13,000 glioblastoma cases are diagnosed each year, and in the United States this number is close to 10,000 per year. (IARC: GLOBOCAN 2012. Estimated Cancer Incidence, Mortality and Prevalence worldwide)

Conventional treatments for newly diagnosed glioblastoma are still dominated by surgery accompanied by radiotherapy and temozolomide (e.g. Merck & Co.'s Temodar / Temodal and generics). Only a few drugs are approved or in late-stage development for glioblastoma, and in recent years numerous drugs have disappointed in Phase III clinical studies. In March 2016 a newly developed immunotherapy that showed great promises for the treatment of Glioblastoma failed again. The future use of bevacizumab (Roche / Genentech / Chugai, Avastin) in the United States and Europe is shrouded in uncertainty following the announcement of equivocal data of this drug in Phase III clinical trials.

Despite the intensive standard treatment, after a few months the tumor often grows back. There is no standard therapy for the treatment of a grown back tumor. A new resection, accompanied with a repeating chemotherapy (Alkylanz, Bevacizumab) or radiotherapy, is commonly prescribed. Currently a final healing is nearly impossible in this indication. The average survival time with glioblastoma is 15 months only. Glioblastoma is almost always terminal. The median five-year survival rate following combined radiation and temozolomide therapy is 9.8 percent. There is, therefore, a clear need for new therapies with different mechanisms of action.

Prostate cancer

Prostate cancer is the second most frequently diagnosed cancer and the third leading cause of death in males worldwide. Prostate cancer is with 26 percent the most common type of cancer affecting men. In Germany, around 63,400 new prostate cancer diagnoses are made each year; in the United States over 233,000; and over 400,000 cases in Europe. (IARC: GLOBOCAN 2012. Estimated Cancer Incidence, Mortality and Prevalence worldwide)

MagForce AG is determined to develop and establish its technology as a new focal treatment method for intermediate prostate cancer. MagForce AG plans to enter this market through its subsidiary MagForce USA, Inc. On May 21, 2015, the Company announced it had filed an Investigational Device Exemption (IDE) with the USA Food and Drug Administration (FDA).

Prostate cancer focal therapies are aimed at destroying only the prostate cancer lesions, sparing the healthy tissue in order to maintain the patient's quality of life. Therapies affecting the whole prostate gland, for example radical prostatectomy and radiation therapy, are considered final therapies, but come with a significant impairment of a patient's quality of life, which includes incontinence, erectile dysfunctions and other side effects. Active surveillance of prostate cancer is regarded as the least aggressive approach. Treatment does not start until a specified diagnostic biopsy value is exceeded or an enlargement of prostate is indicated by a manual examination. However, there are doubts to miss the timeframe for an appropriate treatment.

The main thought behind focal therapy is that most of the metastases develop from a dominant concentration of cancerous cells in the prostate gland. If it is possible to identify this cancer concentration of cells, they can be destroyed using focal therapies, and the number of metastasizing prostate cancer cases, and thus the morbidity rate, can be reduced while the patient's quality of life is maintained. The development of a focal therapy for treatment of prostate cancer therefore offers tremendous potential.

Competition

The competitive landscape has not changed significantly during the first six months of 2016. For more information we refer you to page 30 of the annual report 2015.

Results of Operations, Net Assets, and Financial Position

Non GAAP measures

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.

Results of operations

Due to the adoption of new revenue reporting rules (section 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 you to the Notes to the Interim Financial Statements.

Net loss (prior year: profit) for the first half year was EUR 3,193 thousand (prior year: EUR 525 thousand) while Non GAAP net loss slightly decreased for the half year by EUR 85 thousand to EUR 2,184 thousand (prior year: EUR 2,269 thousand).

Revenue and other operating income amounted to EUR 745 thousand (prior year: EUR 4,887 thousand), while Non GAAP revenue and other operating income increased by EUR 85 thousand to EUR 745 thousand (prior year: EUR 660 thousand). The Non GAAP increase chiefly stems from higher personnel recharges to subsidiaries of EUR 393 thousand compared to EUR 284 thousand in the prior year period.

Revenue and other operating income were adjusted to arrive at Non GAAP for the extension of the distribution and development rights for the countries Canada and Mexico in January 2015 amounting to EUR 3,033 thousand 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 1,227 thousand.

Compared to the prior year reporting period personnel expenses increased by EUR 207 thousand to EUR 1,672 thousand chiefly due to the formation of a new commercial team to accelerate our 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.

Non GAAP reconciliation

The following table is a reconciliation to arrive at Non GAAP measures:

in EUR thousand	Six-months ended June 30, 2016	Six-months ended June 30, 2015
German GAAP net loss / net gain	-3,193	+525
Revenue and other operating income adjustments:		
Sale of NanoActivator devices to MagForce USA, Inc.	-	-1,227
License extension of distribution and development rights	-	-3,033
Cost of Materials adjustment for NanoActivator devices sold in 2015	-	+1,198
Non-cash depreciation and amortization adjustments	+274	+183
Service prepayments to MT-MedTech GmbH	+735	+85
Non GAAP net loss	-2,184	-2,269

Net assets

In the reporting period, total assets decreased from EUR 24,858 thousand to EUR 23,515 thousand. On the asset side, the amount for long-term assets decreased by EUR 180 thousand to EUR 19,353 thousand chiefly due to regular amortization and depreciation, and the amount for current assets decreased by EUR 53 thousand to EUR 603 thousand. Liquid funds of the Company including cash, cash equivalents as well as short term loans amounted to EUR 3,366 thousand (December 31, 2015: EUR 4,495 thousand). During the period ended June 30, 2016 short term loans were fully repaid by lenders and accordingly decreased by EUR 3,102 thousand to EUR nil. Cash and cash equivalents as of the end of the reporting period amounted to EUR 3,366 thousand (December 31, 2015: EUR 1,393 thousand).

On the liabilities side, the net accumulated deficit increased by EUR 3,193 thousand to EUR 44,919 thousand, whereas the Company's share capital and the capital reserves remained unchanged. During the reporting period accrued liabilities decreased by EUR 167 thousand to EUR 903 thousand due to a decrease in outstanding supplier invoices. Liabilities increased by EUR 2,085 thousand compared to the end of the financial year 2015, mainly due to intercompany liquidity allocations from MagForce USA, Inc. in the amount of USD 2,500 thousand.

Financial position

Net loss (prior year: net profit) of the Company for the first half year amounted to EUR 3,193 thousand (prior year: EUR 525 thousand). Cash outflows from operating activities amounted to EUR -3,413 thousand (prior year: EUR -3,829 thousand). Cash inflows from investing activities amounted to EUR 3,118 thousand (prior year: EUR 130 thousand), and cash flows from financing activities amounted to EUR 2,268 thousand (prior year: EUR nil).

Liquid funds of the Company including cash, cash equivalents of EUR 3,366 thousand (December 31, 2015: EUR 1,393 thousand) as well as short term loans of EUR nil (prior year: EUR 3,102 thousand) amounted to EUR 3,366 thousand at the end of the period (December 31, 2015: EUR 4,495 thousand).

Net cash used in operating activities was indirectly derived from the net loss for the reporting period. The cash outflows largely relate to financing of the operating business and in the prior year period also to the issuance of short-term loans.

Summary of the results of operations, net assets, and financial position

MagForce AG's financial development in the half year 2016 was in line with the management's expectations.

Research and Development

We refer to our comments in the 2015 annual report on page 35.

Employees

At the end of June 30, 2016, MagForce AG had 29 employees (excluding members of the Management Board). As of June 30, 2016, 62 percent of the employees were women. The MagForce Group of companies employed a total of 52 employees in four companies at the end of the reporting period.

Opportunities and Risks

A detailed description of opportunities and risks can be found in the 2015 annual report from page 36 onwards. The statements rendered in the annual report remain active as of today.

Report on Expected Developments

The outlook for the year 2016, as reported in the 2015 annual report, published on June 30, 2016 was reaffirmed by management. Those forecasts and statements therefore continue to apply.

Report on Post-Balance Sheet Date Events

No material events or developments occurred since the balance sheet date that would have a significant impact on the results of operation, net assets, and financial position that need to be reported and would significantly impact the statements made in the interim financial statements.

Berlin, September 30, 2016



Dr Ben J. Lipps
Chief Executive Officer



Christian von Volkmann
Chief Financial Officer



Prof. Dr Hoda Tawfik
Chief Medical Officer

Interim Financial Statements



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Income Statement

in EUR	06/30/2016	06/30/2015
Revenues	592,263.18	1,293,398.95
Other operating income	153,061.76	3,594,055.49
thereof from exchange rate differences EUR 28,059.65 (prior year: EUR 62,912.57)		
	745,324.94	4,887,454.44
Cost of materials		
a) Raw materials and supplies and purchased goods	26,172.02	1,229,677.75
b) Purchased services	217,940.95	267,861.41
	244,112.97	1,497,539.16
Personnel expenses		
a) Salaries	1,509,869.19	1,303,218.80
b) Social security contributions	162,399.05	162,047.95
thereof for retirement benefits EUR 22,453.30 (prior year: EUR 20,114.52)		
	1,672,268.24	1,465,266.75
Amortization and depreciation		
of intangible assets and property, plant and equipment	273,964.65	182,936.23
Other operating expenses (non personnel)	1,937,649.13	1,379,183.31
thereof from exchange rate differences EUR 28,059.65 (prior year: EUR 62,912.57)		
	4,127,994.99	4,524,925.45
Operating result	-3,382,670.05	362,528.99
Other interest and similar income	190,859.24	162,661.64
thereof from affiliated companies EUR 176,608.67 (prior year: EUR 287,196.37)		
Interest and similar expenses	814.92	23.96
thereof from affiliated companies EUR 814.92 (prior year: EUR 0)		
	190,044.32	162,637.68
Result from ordinary activities	-3,192,625.73	525,166.67
Other taxes	733.87	131.00
Net profit / loss	-3,193,359.60	525,035.67
Loss carried forward from the prior year	41,725,767.92	40,179,000.17
Accumulated deficit	44,919,127.52	39,653,964.50

Balance Sheets as of June 30, 2016

Assets

in EUR	06/30/2016	12/31/2015
Intangible assets		
Purchased commercial trade mark rights and similar rights and values like licenses to those rights and values	3,746.27	6,762.08
Tangible fixed assets		
Buildings and leasehold improvements	582,582.03	653,313.00
Technical assets and machines	1,463,393.23	1,607,736.99
Other equipment, furniture and fixtures	261,717.53	258,215.00
Advance payments made and construction in progress	2,009,051.24	1,974,249.20
	4,316,744.03	4,493,514.19
Financial assets		
Shares in affiliated companies	15,033,058.85	15,033,058.85
	19,353,549.15	19,533,335.12
Current assets		
Inventories		
Finished goods and goods for resale	71,250.01	80,750.00
	71,250.01	80,750.00
Receivables and other assets		
Trade accounts receivables	102,338.46	91,033.46
Receivables from affiliated companies	154,265.32	148,314.11
Other assets		
a) Short-term loans	0.00	3,101,547.56
b) Receivables from tax authorities	61,379.28	273,655.38
c) Remaining other assets	213,931.14	62,187.63
	531,914.20	3,676,738.14
Cash in hand, bank balances and checks	3,365,672.53	1,393,081.41
Prepaid expenses	193,226.76	174,353.28
	23,515,612.65	24,858,257.95

Shareholders' equity and liabilities

in EUR	06/30/2016	12/31/2015
Shareholders' equity		
Subscribed capital	25,622,711.00	25,622,711.00
Additional paid-in capital	38,984,211.76	38,984,211.76
Accumulated deficit	-44,919,127.52	-41,725,767.92
	19,687,795.24	22,881,154.84
Special item for contributions designated to a purpose	42,538.22	90,041.53
Special item for investment subsidies for fixed assets	137,992.28	157,823.78
Accrued liabilities		
Other accruals	903,401.65	1,070,367.64
Liabilities		
Trade accounts payables	397,495.90	522,472.70
Advanced payments received	0.00	0.00
Liabilities against subsidiaries	2,289,032.12	62,467.00
Other liabilities	57,357.24	73,930.46
thereof taxes EUR 48,499.64 (prior year: EUR 46,905.64)		
thereof social security EUR 1,139.68 (prior year: EUR 2,140.03)		
	2,743,885.26	658,870.16
	23,515,612.65	24,858,257.95

Analysis of Fixed Assets

in EUR	Acquisition costs				06/30/2016
	01/01/2016	Additions	Disposals	Reclassifications	
Fixed assets					
Intangible assets					
Purchased commercial trade mark rights and similar rights	22,394.68	0.00	0.00	0.00	22,394.68
Fixed tangible assets					
Buildings and leasehold improvements	857,124.40	0.00	0.00	29,957.15	887,081.55
Technical assets and machines	3,403,365.72	2,816.00	0.00	-1,408.00	3,404,773.72
Other equipment, furniture and fixtures	521,070.26	26,603.49	0.00	1,408.00	549,081.75
Advance payments made and construction in progress	1,974,249.20	64,759.19	0.00	-29,957.15	2,009,051.24
	6,755,809.58	94,178.68	0.00	0.00	6,849,988.26
Long-term financial assets					
Shares in affiliated companies	15,060,884.05	0.00	0.00	0.00	15,060,884.05
Loans to affiliated companies	2,453,107.83	0.00	0.00	0.00	2,453,107.83
	17,513,991.88	0.00	0.00	0.00	17,513,991.88
	24,292,196.14	94,178.68	0.00	0.00	24,386,374.82

	Accumulated depreciation				Net book value	
	01/01/2016	Additions	Disposals	06/30/2016	06/30/2016	12/31/2015
	15,632.60	3,015.81	0.00	18,648.41	3,746.27	6,762.08
	203,811.40	100,688.12	0.00	304,499.52	582,582.03	653,313.00
	1,795,628.73	145,751.76	0.00	1,941,380.49	1,463,393.23	1,607,736.99
	262,855.26	24,508.96	0.00	287,364.22	261,717.53	258,215.00
	0.00	0.00	0.00	0.00	2,009,051.24	1,974,249.20
	2,262,295.39	270,948.84	0.00	2,533,244.23	4,316,744.03	4,493,514.19
	27,825.20	0.00	0.00	27,825.20	15,033,058.85	15,033,058.85
	2,453,107.83	0.00	0.00	2,453,107.83	0.00	0.00
	2,480,933.03	0.00	0.00	2,480,933.03	15,033,058.85	15,033,058.85
	4,758,861.02	273,964.65	0.00	5,032,825.67	19,353,549.15	19,533,335.12

Notes to the Annual Financial Statements for the Period of January 1, 2016 to June 30, 2016

Basis of presentation

MagForce AG has its place of business at Max-Planck-Str. 3 in 12489 Berlin, Germany, and is registered in the commercial register of Berlin-Charlottenburg under HRB 98748 B. The interim financial statements presented were prepared pursuant to section 242 following and section 264 following of the Handelsgesetzbuch (HGB – German Commercial Code), the principles of the Aktiengesetzbuch (AktG – German Stock Corporation Act) as well as the Company's articles of association. The rules for small corporations govern.

The total cost (nature of expense) format in accordance with section 275(2) of the HGB is used for the presentation of the income statement. The Company took advantage of some of the disclosure options for small corporations according to section 288(1) HGB.

Accounting policies

Accounting policies were applied in continuation to the annual financial statements as of December 31, 2015. For further details please refer to the disclosures in the annual financial statement as of December 31, 2015. Changes may result from the first time adoption of the Accounts Directive Implementation Act (Bilanz-Richtlinienumsetzung Gesetz – BilRuG), published on July 22, 2015 (Federal Law Gazette – BGBl. I 2015, 1245 ff.). As a result of the first time adoption of the new definition of revenues according to section 277 para. 1 HGB, comparability of revenues with prior years is limited.

Balance sheet disclosures

Fixed assets

Changes in the items of fixed assets are presented in the statement of changes in fixed assets, based on the acquisition cost of the fixed assets.

Disclosures on shareholdings

The Company owns 100 percent of the shares of MT MedTech Engineering GmbH, Berlin. As of December 31, 2015 the reported negative equity amounted to EUR 4,187 thousand. Net loss for the year from January 1 to December 31, 2015 amounted to EUR 239 thousand.

In 2013 an impairment charge was recognized for shareholdings in MT MedTech Engineering GmbH to carry the investment at the lower fair market value of EUR 1.00 according to prudent business practice. Should MT MedTech Engineering generate sustainable gains in the future, the carrying amount will be written back to historic costs.

Shareholdings in MagForce USA, Inc. amounted to EUR 15,033 thousand as of December 31, 2015. The Company maintains to own 77 percent of MagForce USA, Inc., Nevada, USA, incorporated by contract on March 10, 2014. Equity of this subsidiary amounted USD 28,084 thousand as of December 31, 2015. The net loss for the financial period 2015 amounted USD 2,646 thousand.

Inventories

Inventories amounted to EUR 71 thousand (December 31, 2015: EUR 81 thousand) and consist of catheters for use in clinical trials and commercial treatments in hospitals.

Receivables and other assets

In the reporting year, all receivables and other assets were due within one year.

Other assets comprise value added tax receivables in the amount of EUR 60 thousand (December 31, 2015: EUR 139 thousand). As of December 31, 2015 other assets also comprised short term loans with a nominal amount of EUR 3,000 thousand and accrued interest of EUR 102 thousand.

Subscribed capital

Share capital as of June 30, 2016 remained unchanged compared to December 31, 2015 of the prior year's balance sheet and amounted to EUR 25,622,711 comprised of 25,622,711 no-par value bearer shares (ordinary shares) with a notional interest in the share capital of EUR 1.00 per share.

Capital reserves

The capital reserves contain an amount of EUR 38,484 thousand within the meaning of section 272(2) no. 1 of the HGB and an amount of EUR 500 thousand within the meaning of section 272(2) no. 4 of the HGB.

Net accumulated losses

The net accumulated losses contain accumulated losses brought forward of EUR 41,726 thousand. Net accumulated losses developed as follows:

in EUR thousand	
Net accumulated losses as of December 31, 2015	41,726
Net loss for the period January 1 to June 30, 2016	3,193
Net accumulated losses as of June 30, 2016	44,919

Special item for contributions designated to a purpose

The Company received funds from third parties under the condition to use them solely to support the Company's patient programs.

Special item for investment subsidies for fixed assets

The investment subsidies were granted from funds made available under the "Joint Scheme for Improving Regional Economic Structures". The investment grants were made in accordance with the Investitionszulagengesetz (German Investment Grants Act). In the period January 1 to June 30, 2016, EUR 20 thousand (prior year: EUR 20 thousand) was reversed to the income statement from the special reserve for investment grants and subsidies.

Accrued liabilities

The accrued liabilities as of June 30, 2016 are composed of the following items:

in EUR thousand	06/30/2016	12/31/2015
Personnel-related	487	440
Outstanding supplier invoices	140	327
Supervisory Board remuneration	57	81
Audit costs	21	40
Legal counseling	8	15
Provision for contingent losses	0	24
Other	190	167
Total	903	1,070

Liabilities

As in the prior year, trade payables and other liabilities are due within one year.

Liabilities against subsidiaries relates mainly to a credit line of USD 2.5 million from its subsidiary MagForce USA, Inc. as well as cost transfers from the same subsidiary. The loan has a term until December 31, 2017 and bears 5.0 percent interest p.a. The credit line was drawn on June 28, 2016.

Other liabilities primarily contain payroll and church tax liabilities.

Income statement disclosures

Revenues and other operating income

During the six months period the company generated revenues in the amount of EUR 592 thousand (prior year: EUR 1,293 thousand) and other operating income amounting to EUR 153 thousand (prior year: EUR 3,594 thousand). 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.

Other operating income of the prior year included a gain in the amount of EUR 3,033 thousand from the extension of the distribution and development rights for the countries Canada and Mexico.

Cost of material

The costs for raw materials, supplies, and purchased goods amounted to EUR 26 thousand (prior year: EUR 31 thousand) and costs for purchased services amounted to EUR 218 thousand (prior year: EUR 268 thousand). Amounts reported for the prior year period included the cost of sale of two NanoActivator devices in the amount of EUR 1,198 thousand sold to MagForce USA, Inc.

Personnel expenses

Personnel expenses in the amount of EUR 1,672 thousand (prior year: EUR 1,465 thousand) mainly comprises salaries of EUR 1,510 thousand (prior year: EUR 1,303 thousand) as well as expenses for social security and retirement benefit plans payments totaling EUR 162 thousand (prior year: EUR 162 thousand). The increase in personnel expense results from an increased number of average employed personnel. Personnel expense amounting to EUR 318 thousand (prior year: EUR 259 thousand) was recharged to MagForce USA, Inc. for management duties as well as development services and is reported as revenues for the period ended June 30, 2016.

Other operating expense (non-personnel related)

Other operating expenses are composed of the following items:

in EUR thousand	Six-months ended June 30, 2016	Six-months ended June 30, 2015
Service prepayments to MT MedTech GmbH	735	85
Investor Relations	191	218
Legal, audit, and consulting	138	292
Car and travelling expenses	142	178
Commercialization	94	76
Patents	84	118
Rent and upkeep	80	76
Other	474	335
Total	1,938	1,379

Other interest and similar income

Other interest and similar income amounted to EUR 191 thousand (prior year: EUR 163 thousand) and related to interest income. Other interest and similar income in the amount of EUR 80 thousand (prior year: EUR 85 thousand) is attributable to affiliated companies.

Supplemental disclosures

Other financial obligations

Other financial obligations amounting to EUR 578 thousand resulted from rental contracts for the premises in Berlin-Adlershof and Martinsried as well as from leases for vehicles and office equipment.

Employees

On average the company had a staff of 28 (prior year: 22) employees (excluding members of the Management Board) during the first half year. The MagForce Group of companies employed a total of 52 employees in four companies at the end of the reporting period.

Shareholder structure

In accordance with Article 20(6) of MagForce's Articles of Association, all shareholders have equal voting rights per share, irrespective of the total number of shares they hold.

Beyond the above MagForce is not aware of any direct or indirect investments in the Company, or of any shareholdings conveying control, or of the identity of any party holding such investments or exercising such control, or of the nature of such control.

No auditors review performed

No review procedures have been performed by an auditor on the interim financial statements for the period ended June 30, 2016.

Berlin, September 30, 2016
Management Board



Dr Ben J. Lipps
Chief Executive Officer



Christian von Volkmann
Chief Financial Officer



Prof. Dr Hoda Tawfik
Chief Medical Officer

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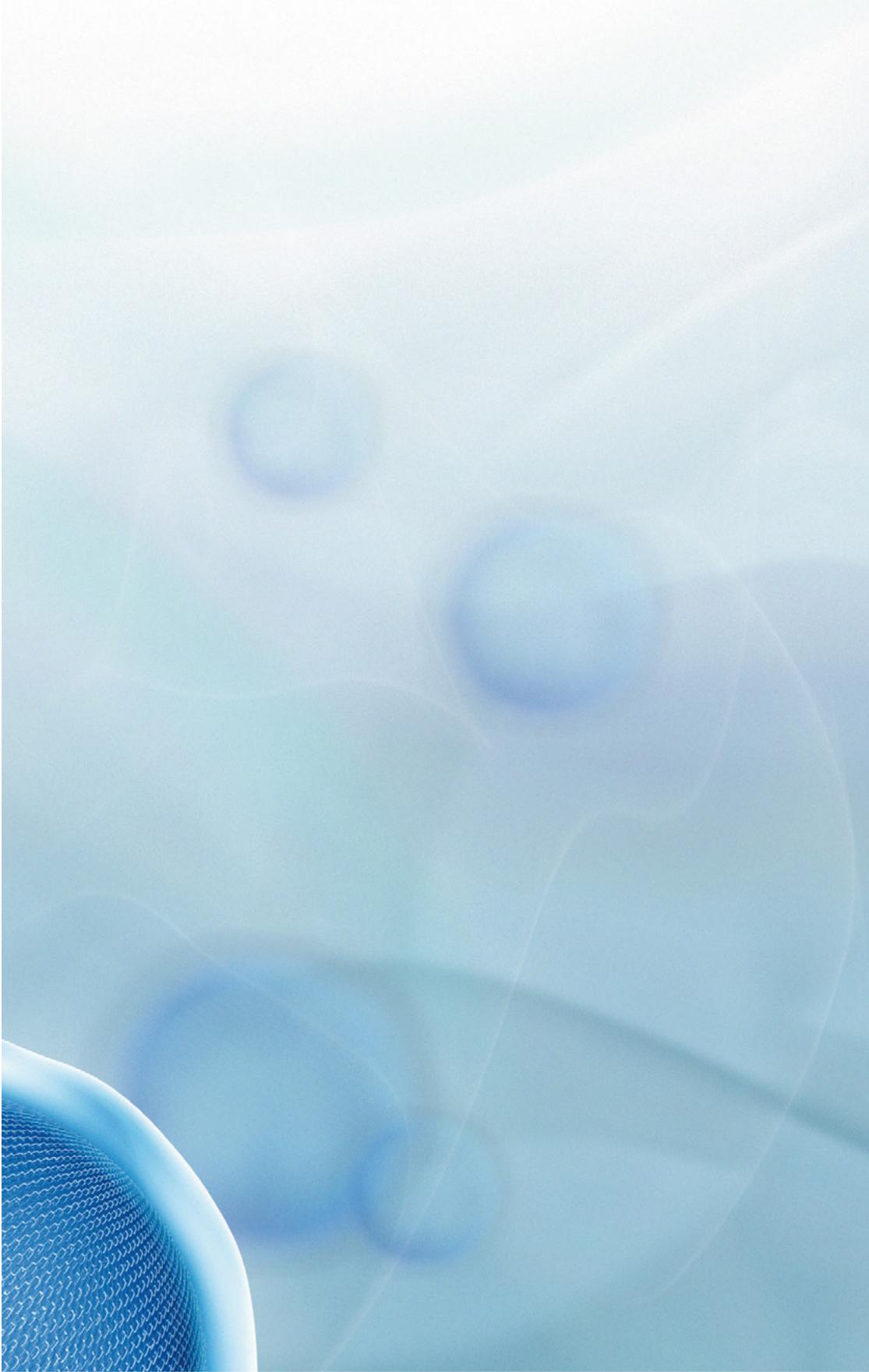
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