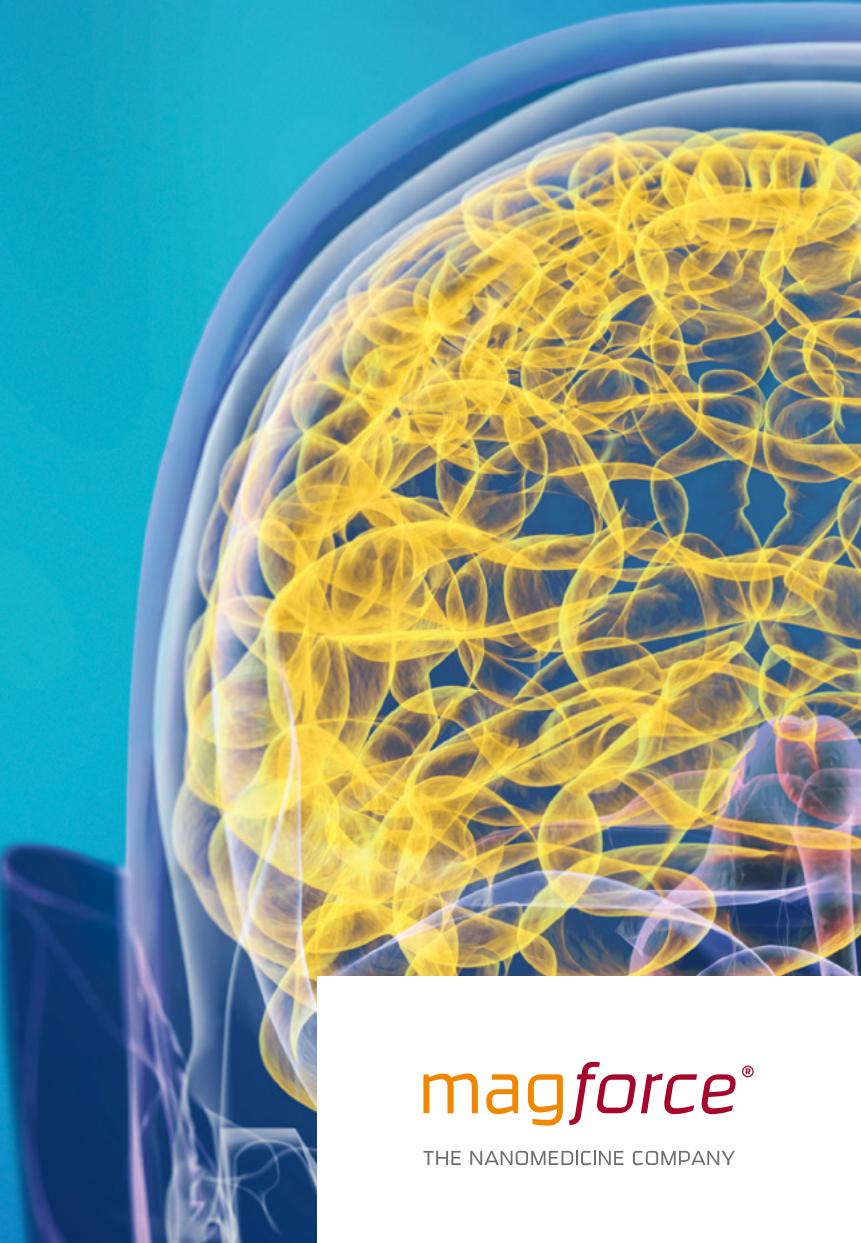


Regional Expansion with a Defined Strategy

Half-Year Report 2017



MagForce AG
Fighting Cancer with
NanoTherm Therapy

magforce[®]
THE NANOMEDICINE COMPANY

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A Year of Regional Expansion with a Defined Strategy

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Highlights 2017

#January

MagForce AG Presents Its NanoTherm Therapy

for the Treatment of Brain Tumors at ECCO2017 from January 27–30, 2017 in Amsterdam. MagForce AG was represented by a booth at the ECCO2017 Congress, the European Cancer Congress held by the European CanCer Organisation (ECCO) from January 27–30, 2017, in Amsterdam, the Netherlands, presenting its NanoTherm therapy for the treatment of glioblastoma and other brain tumors.



#April

MagForce AG Hosts Symposium for Focal Therapy

in Glioblastoma at WFNOS 2017 Meeting. MagForce AG hosted a Scientific Symposium titled “Focal Therapy in Glioblastoma – Current Status / What’s New?” at the 5th Quadrennial Meeting of the World Federation of Neuro-Oncology Societies (WFNOS). Sponsored by the European Association of Neuro-Oncology (EANO), the WFNOS was held from May 4–7, 2017, in Zurich, Switzerland. The one hour lunch symposium featured three keynote speeches: besides an introduction of the current state of the art for glioma treatment by Prof. Weller, Prof. Michael Vogelbaum, MD / PhD / FAANS, Chair for Neuro-Oncology and Neurosurgery, Cleveland Clinic will present a latest update on focal therapy in gliomas and Prof. Walter Stummer, MD, Director of the Department of Neurosurgery at the University Hospital Münster, will talk about new aspects of thermotherapy in brain tumors.

#May
MagForce AG Reports Highlights of Symposium for Focal Therapy

in Glioblastoma at WFNOS 2017 Meeting. MagForce AG hosted a very successful Scientific Symposium titled “Focal Therapy in Glioblastoma – Current Status / What’s New?” on May 6 during the 5th Quadrennial Meeting of the World Federation of Neuro-Oncology Societies (WFNOS). The one-hour lunch symposium that featured three keynote speeches saw record number of 300 attendees as well as a high and increasing international interest by a number of clinics and first-class neurosurgeons from other European countries for the Company’s NanoTherm therapy which is especially valuable to MagForce, since the Company continues to expand its commercialization to additional European sites in order to allow patient treatment with NanoTherm therapy in their home countries.

300
attendees at
MagForce's WFNOS
2017 lunch symposium



#June

MagForce AG Co-Sponsors Brain Cancer Patient Event

of University Hospital Münster held on occasion of the 2017 World Brain Tumor Day. MagForce AG again co-sponsored an event hosted by the Brain Tumor Center of the University Hospital Münster for brain cancer patients and their relatives held on occasion of the 2017 World Brain Tumor Day.



#June

MagForce AG hosts Live Demonstration of NanoTherm Therapy

at Long Night of the Sciences 2017 in Berlin. For the first time, MagForce AG was part of the Long Night of the Sciences ("Lange Nacht der Wissenschaften") held on Saturday, June 24, 2017 in Berlin and Potsdam, Germany, where the Company joined more than 70 universities, research institutes, universities of applied science, and technology-oriented companies, providing interested parties, patients and their families with a unique insight into its scientific work and its medical application in an interactive environment.

#June

MagForce AG Announces Successful Share Capital Increase

from Authorized Capital. On June 28, 2017, MagForce AG successfully completed a capital increase from authorized capital under exclusion of statutory subscription rights increasing the Company's share capital from EUR 25,622,711.00 to EUR 26,343,172.00 by issuing 720,461 new no-par value bearer shares. The new shares with dividend entitlement starting from January 1, 2016 were placed with M&G International Investments Ltd., London, in a private placement at EUR 6.94 per new share. The gross proceeds of the capital increase accruing to the Company amount to EUR 5.0 million. The proceeds of the capital increase shall be used to further support the growth and equity base of the Company.

#August

MagForce AG Enters into Finance Agreement

with European Investment Bank. MagForce and the European Investment Bank (EIB) entered into a EUR 35 million financing agreement of which EUR 10 million is available immediately and further EUR 25 million may be drawn in up to four tranches within the next 36 months based on prior achievements of, among other things, certain operational milestones. This funding will be used for the roll-out of MagForce's NanoTherm therapy for the treatment of brain cancer across Europe and also support the development and global commercialisation of prostate cancer solutions and MagForce's next generation NanoTherm.

98.0%

of the Annual
General Meeting ap-
proved the proposed
agenda items

#August

MagForce AG Announces Positive Results

of 2017 Annual General Meeting. The Annual General Meeting approved all resolution items with a clear majority of more than 98 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 2016 fiscal year, as well as an outlook for the current year. Subsequently, he gave an update on the status of the strategic plan and touched upon the recently announced finance agreement with the European Investment Bank through which the Company is optimally positioned to roll out MagForce's NanoTherm therapy across Europe.

#Letter to the Shareholders



Prof. Dr. Hoda Tawfik

Chief Medical Officer



Dr. Ben J. Lipps

Chairman & Chief Executive Officer



Christian von Volkmann

Chief Financial Officer

Dear MagForce Shareholders,

During 2017 MagForce has successfully moved forward on both of our defined paths:

Path 1: Treatment of brain cancer in Europe

Path 2: Treatment of intermediate risk prostate cancer in the USA

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.

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 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 and have a term of 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 summary, MagForce will use the proceeds:

- For the expansion of our NanoTherm therapy in the indication of brain tumor;
- The achievement of reimbursement for our NanoTherm therapy in the indication of brain tumor in selected European countries;
- The introduction of our NanoTherm therapy for the treatment of intermediate risk prostate cancer in Europe; and
- To support the development of our Next Generation NanoTherm.

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 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. We have had many constructive discussions with the FDA in 2017 and we believe we can address their remaining clinical protocol concerns in 2017.

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

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

Financing

As mentioned in the past MagForce's management was pursuing several financing options to reach our expansion goals.

In March 2017, in order to bolster liquidity and facilitate new product development beyond 2017, we issued a three-year convertible note. Product development includes laying the groundwork for expanding MagForce's therapy to additional tumors, like brain metastasis, and to also use our nano-particles as a drug delivery mechanism. The note is in the amount of EUR 5.0 million, will bear an interest rate at 5 percent p.a. and have a conversion price at 5.00 EUR / share. The note has been issued to an investment vehicle managed by Lansdowne Partners Austria.

In June 2017, MagForce AG resolved and successfully implemented a capital increase from authorized capital. The Company's share capital was 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 cash inflow from the capital increase, which of course also boosts MagForce's equity base, is intended to be used for further growth and acceleration of our regional expansion, especially in Europe.

Dear Shareholders, we are very grateful for your continuous support of our efforts.

Sincerely,

Dr. Ben J. Lipps

Chief Executive Officer & Chairman of the Management Board

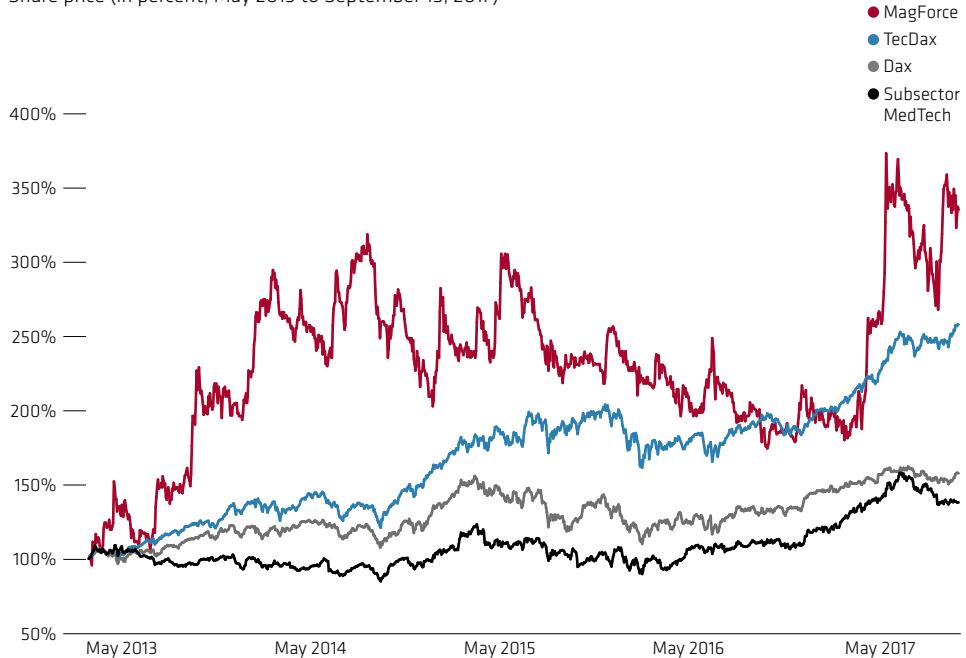
Investor Relations

MagForce's Shares up 46,85 Percent in H1 2017

On June 30, 2017, MagForce shares (MF6.DE) closed at EUR 6.68, up 46.85 percent in H1 2017, and the price increased since to EUR 7.75 as of September 15, 2017. The share price high was at EUR 8.90 and the low was at EUR 4.05 during the first half of 2017. The Company's market capitalization at the end of the reporting period amounted to EUR 175.97 million, up from EUR 116.56 million at the beginning of the year. The average daily trading volume of MagForce's shares on XETRA in the first half of 2017 was 39,054 shares.

MagForce Share Price Development

Share price (in percent; May 2013 to September 15, 2017)



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	26,343,172
Free float	66.2%
6-month high (XETRA) in EUR	8.90
6-month low (XETRA) in EUR	4.05
Price at the beginning of the period (XETRA) in EUR	4.60
Price at the end of the period (XETRA) in EUR	6.68
Price at September 15, 2017 (XETRA) in EUR	7.75
Market capitalization at the beginning of the period (EUR millions)	121.18
Market capitalization at the end of the period (EUR millions)	175.97
Market capitalization at September 15, 2017 (EUR millions)	204.13
Average daily trading volume during the period (XETRA)	39,054
Average daily trading volume until September 15, 2017 (XETRA)	37,822

Transparent Communication for a Fair Valuation

As in the past, the Company continues to work on increasing the awareness for its shares and its equity story 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 its shares.

Since March 2017 MagForce's shares are listed in the new "Scale" segment for small and medium-sized enterprises (SMEs) of Deutsche Börse. Scale has replaced the Entry Standard for equities and corporate bonds in which the MagForce share has been included previously.

Outside of the Annual General Meeting, management 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 existing and potential new international shareholders.

In the first half of 2017, MagForce has presented at: 8th DVFA Spring Conference 2017 in Frankfurt, Germany, Goldman Sachs European Small & Mid-Cap Symposium in London, United Kingdom, Berenberg European Conference USA 2017 in Tarrytown, USA, and Deutsche Bank 20th Annual dbAccess German, Swiss & Austrian Conference in Berlin, Germany.

During the second half of 2017, MagForce will present at: Goldman Sachs Fourteenth Annual European Medtech and Healthcare Services Conference 2017 in London; Berenberg & Goldman Sachs Sixth German Corporate Conference 2017 in Munich; and the German Equity Forum in Frankfurt.

Shareholders have been informed about current developments via regular press releases, the letters to shareholders, and several research coverage updates on MagForce were published.

Research Coverage

Research House	Analyst	Rating / Price target in EUR
GBC Investment Research	Cosmin Filker, Marcel Goldmann	BUY / 15.00
Hauck & Aufhäuser	Torben Teichler	BUY / 11.00
Berenberg	Tom Jones, Michael Ruzic-Gauthier	BUY / 9.45
Edison Investment Research	Dr. Daniel Wilkinson, Dr. Susie Jana	BUY / 8.60 (AG only)

Directors' Dealings

During the first half of 2017, MagForce CEO Ben J. Lipps increased his holding in MagForce through the acquisition of additional shares by a total volume of EUR 118,064.50, stating his trust in the company and its future growth. After period end, he further invested EUR 49,996.22.

In addition, Hallmann Holding International Investment GmbH acquired shares at a total volume of EUR 625,000.00. Hallmann Holding International GmbH together with Klemens Hallmann, who was elected as Supervisory Board member during the Annual General Meeting 2017, is one of MagForce's core shareholders.

Successful Financings to Lay the Groundwork for Future Development, Including EIB Loan of up to EUR 35 million

In 2017, MagForce's management has been very successful in pursuing non / low dilutive financing options to reach its European expansion goals:

After period end, MagForce announced a finance agreement with European Investment Bank (EIB) according to which the EIB will provide a loan of up to EUR 35 million to MagForce AG. Up to EUR 10 million is available for disbursement from signature of the agreement. Further EUR 25 million may be drawn in up to four tranches within the next 36 months based on prior achievements of, among other things, certain operational milestones. There is no obligation to call these tranches and no obligation to pay any commitment interest. Each tranche must be repaid five years after drawdown.

The loan aims to enhance MagForce's financial capabilities and will be used for the roll-out of MagForce's NanoTherm therapy for the treatment of brain cancer across Europe. It will also support the development and global commercialisation of prostate cancer solutions and MagForce's next generation NanoTherm.

On June 28, 2017, MagForce AG successfully completed a capital increase from authorized capital under exclusion of statutory subscription rights increasing the Company's share capital from EUR 25,622,711.00 to EUR 26,343,172.00 by issuing 720,461 new no-par value bearer shares. The new shares with dividend entitlement starting from January 1, 2016 were placed with M&G International Investments Ltd., London, in a private placement at EUR 6.94 per new share.

The gross proceeds of the capital increase accruing to the Company amount to EUR 5.0 million. The proceeds of the capital increase shall be used to further support the growth and equity base of the Company.

In addition, MagForce has issued a three-year convertible note. The note is in the amount of EUR 5.0 million, will bear an interest rate at 5 percent p.a. and has a conversion price of EUR 5.00 / share. The note has been issued to an investment vehicle managed by Lansdowne Partners Austria.

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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. Additional therapy centers are planned in Europe.

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

Glioblastom

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 closer 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™), approved in the United States for treatment of Glioblastoma, is shrouded in the United States and Europe due to uncertainty following the announcement of equivocal data of this drug in Phase III clinical trials. In contrast to that another medical device in addition to the temozolomide therapy used after a standard chemotherapy could improve the mean survival time, as it was shown in the published results in April 2017. This medical device is based on an alternating electrical field (Novocure, OptuneTM / NovoTTF™ 100A) and could become an important part of conventional treatment for Glioblastoma.

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 or a therapy option within a clinical study 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 in 2012; 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. In the year 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 equal alternative to the interventional therapy for lowgrade prostate tumors. Treatment does not start until a specified diagnostic biopsy value is exceeded or an enlargement of the prostate tumor 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 to limit ablation to the tumor or defined regions of the prostate gland, respectively. Thus, avoiding treatment of the whole prostate gland with its significant side effects and resulting impairment of quality of life. 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 2017. For more information we refer you to page 38 of the annual report 2016.

Results of Operations, Net Assets, and Financial Position

Results of operations

Net loss for the first half year 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).

Revenue and other operating income amounted to EUR 1,289 thousand (prior year: EUR 745 thousand), while 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.

To arrive at Non GAAP figures revenue and other operating income have been reduced by EUR 18 thousand for the recharge of transportation costs from the sale of one NanoActivator to MagForce USA, Inc.

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).

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 adjustments of intercompany loans to MT MedTech GmbH in the amount of EUR 735 thousand.

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.

Non GAAP reconciliation

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

in EUR thousand	Six-months ended 06/30/2017	Six-months ended 06/30/2016
German GAAP Net loss / Net gain	-3,023	+3,193
Revenue and other operating income adjustments:		
- Freight charges of NanoActivators to MagForce USA, Inc.	-18	-
Non-cash depreciation and amortization adjustments	+253	+274
Value allowance for prepayments to MT MedTech GmbH	-	+735
Financing costs	+607	-
Non GAAP Net loss	-2,181	-2,184

Net assets

In the reporting period, total assets increased from EUR 20,278 thousand to EUR 27,879 thousand. On the asset side, the amount for long-term assets decreased by EUR 249 thousand to EUR 18,493 thousand chiefly due to regular amortization and depreciation, and the amount for current assets increased by EUR 699 thousand to EUR 1,461 thousand. Liquid funds of the Company including cash and cash equivalents amounted to EUR 7,742 thousand (December 31, 2016: EUR 614 thousand). The increase of liquid funds mainly comes from the payment of a 3-year convertible note with an amount of EUR 5,000 thousand and two loans from Lipps & Associates LLC amounting to USD 3,000 thousand the first one and to EUR 400 thousand the second one.

On the liabilities side, the net accumulated deficit increased by EUR 3,023 thousand to EUR 51,980 thousand, whereas the Company's share capital and the capital reserves remained unchanged. Received payments for capital increase increased by EUR 5,000 thousand (prior year: 0) due to the authorized capital increase on June 28, 2017 and the entry in the commercial register on July 03, 2017. During the reporting period accrued liabilities decreased by EUR 85 thousand to EUR 1,171 thousand due to a reduction in outstanding supplier invoices amounting to EUR 162 thousand (December 31, 2016: EUR 251 thousand). Liabilities increased by EUR 5,762 thousand to EUR 8,977 thousand compared to the end of the financial year 2016, mainly due to the issue of a convertible note of EUR 5,000 thousand and the loans from Lipps & Associates with an amount of USD 3,000 thousand and of EUR 400 thousand. This increase was reduced by the repayment of the loan of MagForce USA, Inc. in the amount of USD 3,000 thousand.

Financial position

Net loss of the Company for the first half year amounted to EUR 3,023 thousand (prior year: EUR 3,193 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 and cash equivalents amounted to EUR 7,742 thousand as of June 30, 2017 (December 31, 2016: EUR 614 thousand).

Net cash used in operating activities was indirectly derived from the net loss for the reporting period. The cash inflows largely relate to the outpayment of the 3- years convertible note as well as the loans from Lipps & Associates LLC.

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

MagForce AG's financial development in the half year 2017 was in line with the management's expectations.

Research and Development

We refer to our comments in the 2016 annual report on page 44.

Employees

At the end of June 30, 2017, MagForce AG had 25 employees (excluding members of the Management Board) and therefore 3 less compared to the closing date December 31, 2016. As of June 30, 2017, 64 percent of the employees were women. The MagForce Group of companies employed a total of 45 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 2016 annual report from page 45 onwards. The statements rendered in the annual report remain active as of today.

Report on Expected Developments

The outlook for the year 2017, as reported in the 2016 annual report, published on June 30, 2017 was reaffirmed by the management. Those forecasts and statements therefore continue to apply.

Report on Post-Balance Sheet Date Events

Regarding the report on essential events happened after the balance sheet date the Management refers to the information given in the Notes.

Berlin, September 29, 2017



Dr. Ben J. Lipps

Chief Executive Officer



Christian von Volkmann

Chief Financial Officer



Prof. Dr. Hoda Tawfik

Chief Medical Officer

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Statement of Income

in EUR	06/30/2017	06/30/2016
Revenues	683,508.82	143,481.53
Other operating income	605,872.53	601,843.41
thereof from exchange rate differences EUR 110,691.58 (Prior year: EUR 16,198.25)		
	1,289,381.35	745,324.94
Cost of materials		
a) Raw materials and supplies and purchased goods	75,214.14	26,172.02
b) Purchased services	382,578.17	217,940.95
	457,792.31	244,112.97
Personnel expenses		
a) Salaries	1,555,538.22	1,509,869.19
b) Social security contributions	151,950.95	162,399.05
thereof for retirement benefits EUR 20,339.16 (Prior year: EUR 22,453.30)		
	1,707,489.17	1,672,268.24
Amortization and depreciation		
of intangible assets and property, plant and equipment	252,784.30	273,964.65
Other operating expenses	1,875,520.28	1,937,649.13
thereof from exchange rate differences EUR 125,926.11 (Prior year: EUR 28,059.65)		
	4,293,586.06	4,127,994.99
Other interest and similar income	102,897.61	190,859.24
thereof from affiliated companies EUR 102,897.54 (Prior year: EUR 80,284.90)		
Interest and similar expenses	120,858.09	814.92
thereof from affiliated companies EUR 30,842.40 (Prior year: EUR 814.92)		
	-17,960.48	190,044.32
Result before other taxes	-3,022,165.19	-3,192,625.73
Other taxes	519.33	733.87
Net loss	3,022,684.52	3,193,359.60
Loss carried forward from the prior year	48,957,050.87	41,725,767.92
Accumulated deficit	51,979,735.39	44,919,127.52

Balance Sheet as of June 30, 2017

Assets

in EUR	06/30/2017	12/31/2016
A. Intangible assets		
I. Intangible assets		
Purchased commercial trade mark rights and similar rights and values like licenses to those rights and values	2,367.14	2,811.08
II. Tangible fixed assets		
1. Buildings and leasehold improvements	312,049.54	389,969.00
2. Technical assets and machines	1,705,814.56	1,317,281.99
3. Other equipment, furniture and fixtures	232,827.30	252,432.00
4. Advance payments made and construction in progress	1,206,446.73	1,746,757.74
	3,457,138.13	3,706,440.73
III. Financial assets		
Shares in affiliated companies	15,033,058.85	15,033,058.85
	18,492,564.12	18,742,310.66
B. Current assets		
I. Inventories		
Finished goods and goods for resale	10,450.00	71,250.00
II. Receivables and other assets		
1. Trade accounts receivables	96,175.00	71,120.00
2. Receivables from affiliated companies	799,659.83	346,181.42
3. Other assets	554,681.70	273,384.20
	1,450,516.53	690,685.62
III. Cash in hand, bank balances and checks	7,742,149.21	613,884.43
C. Prepaid expenses	183,752.15	159,997.55
	27,879,432.01	20,278,128.26

Shareholders' equity and liabilities

in EUR	06/30/2017	12/31/2016
A. Shareholders' equity		
I. Subscribed capital	25,622,711.00	25,622,711.00
Contingent capital: 12,131,355.00		
II. Contributions received to implement the resolved capital increase	4,999,999,34	0,00
III. Additional paid-in capital	38,984,211.76	38,984,211.76
IV. Accumulated deficit	-51,979,735.39	-48,957,050.87
	17,627,186.71	15,649,871.89
B. Special item for contributions designated to a purpose	6,409.17	39,286.81
C. Special item for investment subsidies for fixed assets	98,329.28	118,160.78
D. Accrued liabilities		
Other accruals	1,170,760.02	1,255,738.06
E. Liabilities		
1. Convertible note	5,000,000.00	0,00
2. Trade accounts payables	544,034.27	260,197.59
3. Liabilities against subsidiaries	247,499.12	2,903,123.63
4. Other liabilities	3,185,213.44	51,749.50
thereof taxes EUR 51,830.58 (Prior year: EUR 32,966.64)		
thereof social security EUR 4,792.41 (Prior year: EUR 1,977.42)		
	8,976,746.83	3,215,070.72
	27,879,432.01	20,278,128.26

Analysis of Fixed Assets

in EUR	01/01/2017	Acquisition costs			Reclassifi- cations	06/30/2017			
		Additions	Disposals						
A. Fixed assets									
I. Intangible assets									
Purchased commercial trade mark rights and similar rights	22,394.68	0.00	0.00	0.00		22,394.68			
II. Fixed tangible assets									
Buildings and leasehold improvements	1,153,635.45	0.00	0.00	0.00		1,153,635.45			
Technical assets and machines	3,403,943.72	0.00	0.00	540,311.01		3,944,254.73			
Other equipment, furniture and fixtures	566,583.70	3,037.76	0.00	0.00		569,621.46			
Advance payments made and construction in progress	1,746,757.74	0.00	0.00	-540,311.01		1,206,446.73			
	6,870,920.61	3,037.76	0.00	0.00		6,873,958.37			
III. 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			
	24,407,307.17	3,037.76	0.00	0.00		24,410,344.93			

Accumulated depreciation				Net book value	
01/01/2017	Additions	Disposals	06/30/2017	06/30/2017	12/31/2016
19,583.60	443.94	0.00	20,027.54	2,367.14	2,811.08
763,666.45	77,919.46	0.00	841,585.91	312,049.54	389,969.00
2,086,661.73	151,778.44	0.00	2,238,440.17	1,705,814.56	1,317,281.99
314,151.70	22,642.46	0.00	336,794.16	232,827.30	252,432.00
0.00	0.00	0.00	0.00	1,206,446.73	1,746,757.74
3,164,479.88	252,340.36	0.00	3,416,820.24	3,457,138.13	3,706,440.73
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
5,664,996.51	252,784.30	0.00	5,917,780.81	18,492,564.12	18,742,310.66

Notes to the Interim Financial Statements for the Period of January 1, 2017, to June 30, 2017

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 Company is a small corporation within the meaning of section 267(1) of the Handelsgesetzbuch (HGB – German Commercial Code). The interim financial statements for the period of January 1, 2017, to June 30, 2017, were prepared in accordance with the provisions of the HGB for small corporations and the provisions of the Aktiengesetz (AktG – German Stock Corporation Act).

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

The accounting and valuation methods of the annual financial statements as of December 31, 2016 remained unchanged for the preparation of the half-year financial statements. For further details, please refer to the notes to the financial statements for the year ended December 31, 2016.

Balance sheet disclosures

Fixed assets

A description of the development of the items of fixed assets, which is based on the acquisition costs, is given in the analysis of fixed assets.

Disclosures on shareholdings

The Company owns 100 percent of the shares of MT MedTech Engineering GmbH, Berlin. As of December 31, 2016 the reported negative equity amounted to EUR 5,230 thousand. Net loss for the year from January 1 to December 31, 2016, amounted to EUR 1,044 thousand.

In 2013 an impairment charge was recognized for the shareholdings in MT MedTech Engineering GmbH to carry the investment at the lower fair market value of EUR 1.00 in accordance with the principle of conservatism. 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. remain unchanged and amounted to EUR 15,033 thousand as of December 31, 2016. 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 to USD 27,108 thousand as of December 31, 2016. The net loss for the financial period 2016 amounted USD 4,312 thousand.

Inventories

Inventories amounted to EUR 10 thousand (December 31, 2016: EUR 71 thousand) and consist of hyperthermia catheters for use in clinical trials and commercial treatments in hospitals.

Receivables and other assets

Receivables and other assets in the amount of EUR 1,426 thousand (December 31, 2016: EUR 665 thousand) have a residual term of up to one year. The other assets include rental deposits in the amount of EUR 25 thousand (December 31, 2016: EUR 25 thousand) with an indefinite remaining term.

Receivables from affiliated companies amounting to EUR 256 thousand (December 31, 2016: EUR 218 thousand) are attributable to trade receivables and EUR 544 thousand (December 31, 2016: EUR 128 thousand) to other assets.

The other assets include funds-in-transit in the amount of EUR 244 thousand (December 31, 2016: EUR 0) and value added tax receivables of EUR 135 thousand (December 31, 2016: EUR 91 thousand).

Subscribed capital

Share capital as of June 30, 2017 remain unchanged compared to December 31, 2016 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.

Contributions received to implement the resolved capital increase

On June 28, 2017, the Management Board of MagForce AG decided, with the consent of the Supervisory Board from June 28, 2017 and making use of the authorized capital 2015/I, to increase the Company's share capital from EUR 25,622,711.00 by EUR 720,461.00 to EUR 26,343,172.00 by issuing up to 720,461 no-par value bearer shares with an amount of EUR 1.00 on the subscribed capital. The issue price amounted to EUR 6.94. The Annual General Meeting of August 18, 2015 excluded the subscription right of shareholders. Gross proceeds of this transaction amounted to EUR 5.0 million.

The payment and the registration to the commercial register took place on June 30, 2017. The entry in the commercial register took place on July 3, 2017 and is therefore shown as a separate item in the shareholder's equity as of June 30, 2017.

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 48,957 thousand. Net accumulated losses developed as follows:

in EUR thousand	
Net accumulated losses as of December 31, 2016	48,957
Net loss for the period January 1 to June 30, 2017	3,023
Net accumulated losses as of June 30, 2017	51,980

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 allowances

The investment allowances 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, 2017, 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, 2017 are composed of the following items:

in EUR thousand	06/30/2017	12/31/2016
Personnel-related	584	518
Outstanding supplier invoices	162	251
Supervisory board remuneration	51	90
Audit costs	26	53
Legal counseling	20	20
Other	328	324
Total	1,171	1,256

Liabilities

On March 2, 2017 the company issued a convertible note in the amount of EUR 5,000 thousand with a maturity of three years and an interest rate of 5.0 percent yearly. The conversion price at the end of maturity is EUR 5.00 per share.

As in the prior year, trade accounts payable are due within one year.

Liabilities owed to subsidiaries relates mainly to recharges from the subsidiaries. The loan from MagForce USA, Inc. with an amount of USD 3,000 thousand from the previous year were repaid on May 4, 2017.

Current liabilities to subsidiaries are attributable to trade accounts payable of EUR 190 thousand (December 31, 2016: EUR 0) and to other liabilities of EUR 58 thousand (December 31, 2016: EUR 2,903 thousand).

Other liabilities primarily contain two loans from Lipps & Associates, LLC. One of them is from February 1, 2017 with an amount of EUR 400 thousand and an interest rate of 5.0 percent yearly. The other one is from June 26, 2017 with an amount of USD 3,000 thousand and an interest rate of 4.0 percent yearly. Both loans have a due term until June 30, 2019.

All other liabilities have a remaining term of less than one year.

Income statement disclosures

Revenues and other operating income

During the six months period the company generated revenues in the amount of EUR 683 thousand (prior year period: EUR 143 thousand) and other operating income amounting to EUR 606 thousand (prior year period: EUR 602 thousand). Revenues and other operating income include revenues from commercial treatment of patients with NanoTherm therapy, NanoTherm deliveries to MagForce USA Inc., as well as recharges to subsidiaries.

Cost of material

The costs for raw materials, supplies, and purchased goods amounted to EUR 75 thousand (prior year period: EUR 26 thousand) and costs for purchased services amounted to EUR 383 thousand (prior year period: EUR 218 thousand).

Personnel expenses

Personnel expenses in the amount of EUR 1,707 thousand (prior year period: EUR 1,672 thousand) mainly comprises salaries of EUR 1,556 thousand (prior year period: EUR 1,510 thousand) as well as expenses for social security and retirement benefit plans payments totalling EUR 152 thousand (prior year period: EUR 162 thousand). The increase in personnel expense results from a changed employment structure and one-off payments related to financing measures. Personnel expense amounting to EUR 302 thousand (prior year period: EUR 318 thousand) was recharged to MagForce USA, Inc. for management duties as well as development services.

Other operating expense (non-personnel related)

Other operating expenses are composed of the following items:

in EUR thousand	Six-months ended 06/30/2017	Six-months ended 06/30/2016
Finance costs	532	0
Investor Relations	230	191
Car and travelling expenses	137	142
Patents	104	84
Legal, audit, and consulting	111	138
Rent and upkeep	81	80
Commercialization	60	94
Other	621	1,209
Total	1,876	1,938

The decrease in the item other of other operating expenses is due to the fact that as of June 30, 2017 there was no need to make a partial allowance adjustment of the loan against MT MedTech Engineering GmbH since it will be offset against future recharges of the subsidiary.

Other interest and similar income

Other interest and similar income amounted to EUR 103 thousand (prior year period: EUR 191 thousand) and related to interest income. Other interest and similar income in the amount of EUR 103 thousand (prior year period: EUR 80 thousand) is attributable to affiliated companies.

Supplemental disclosures

Other financial obligations

Other financial obligations amounting to EUR 392 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 26 (prior year period: 29) employees (excluding Members of the Management Board) during the first half year. The MagForce Group of companies employed a total of 45 employees in four companies at the end of the reporting period.

Notifications in accordance with section 20 of the AktG in conjunction with section 160 (1) no. 8 of the AktG

Avalon Capital One GmbH, Frankfurt am Main, notified MagForce in accordance with para. 20 sec. 1 AktG by letter dated June 4, 2013 that it holds an interest of more than 25 percent in MagForce AG's subscribed capital.

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.

Preparation of consolidated financial statements

MagForce AG is not required to prepare consolidated financial statements for the period ending on June 30, 2017.

Report on post-balance-sheet date events

The loan from Lipps & Associates, LLC from June 26, 2017 in the amount of USD 3,000 thousand has been repaid on July 31, 2017.

The capital increase from June 30, 2017 was entered in the commercial register on July 3, 2017.

MagForce AG and the European Investment Bank (EIB) signed a financing agreement on August 8, 2017 that allows the company to borrow up to EUR 35 million. Thereof up to EUR 10.0 million are available after signing the agreement. The remaining EUR 25 million can be released at call in four tranches within the next 36 months. They are bound to the achievement of specific operating milestones. There is neither the obligation to call these tranches nor are any commitment interests to pay. Every tranche must be repaid within 5 years after drawing.

By contract dated August 4, 2017, the holder of the convertible note of March 2, 2017, waived his right to collateralize his claims against payment of a fee due on the final maturity date of the convertible note. This fee is share-price-dependent and accordingly, not quantifiable.

Berlin, September 29, 2017

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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MagForce AG
Max-Planck-Straße 3
12489 Berlin, Germany

T +49 30 308 380 0
F +49 30 308 380 99
www.magforce.com