ADVANCING STRATEGIES IN CANCER TREATMENT

HALF-YEAR REPORT 2021

MagForce AG
Fighting Cancer with Nanomedicine

magforce®
THE NANOMEDICINE COMPANY

THE NANOTHERM THERAPY SYSTEM

NanoTherm therapy is a new approach to the local treatment of solid tumors. The method is based on the principle of introducing magnetic nanoparticles directly into a tumor and then heating them in an alternating magnetic field, the produced heat destroys the cancer tissue.

Contents

Interim Management Report

Interim Financial Statements

HIGHLIGHTS 2021

February 2021

MagForce USA announces completion of Patient Treatment in Stage 2a of pivotal U.S. single-arm study for the focal ablation of intermediate risk prostate cancer with the NanoTherm Therapy system

Stage 2a confirms positive findings of Stage 1 - only minimal and tolerable treatment-related side effects observed – also with streamlined procedure.

Preparations for Stage 2b with the MagForce USA sites are underway, the trial will focus on offering a treatment alternative to intermediate risk prostate cancer patients to that of definitive therapy.

The American Society of Clinical Oncology reported in 2020 an estimated 191,930 new cases of prostate cancer in the United States. In spite of advances in diagnosis and treatment, an estimated 33,330 resulting deaths occurred. Clearly, early diagnosis and MagForce's focal therapy have a strong chance to reduce the death rate for prostate cancer.

April 2021

MagForce USA announces additional supportive data from Stage 2a of its pivotal U.S. single-arm study for the focal ablation of intermediate risk prostate cancer with the NanoTherm Therapy system

The results of focal treatment effectivity remain extremely reassuring:

The further analysis of the Stage 2a results confirm positive initial findings published in February.

Ablation-analysis showed well-defined ablation and cell death in the area of the nanoparticle deposit, with minimum tissue damage outside 2 to 4 mm from the eposit edge.

June 2021

MagForce Supports World Brain Tumor Day and Informs about Various Patient Events to Raise Awareness for One of the Deadliest Oncological Indications

Zwickau, Germany – Paracelsus Clinic Zwickau Hosts Patient Hotline "Meet a Professor"

Paracelsus Clinic Zwickau hosting an open hotline "Meet a Professor" where patients will be able to put forth any questions they may have regarding brain tumors and multiple treatment options. Prof. Dr. med. Habil. Warnke and Christian Schürer, Assistant Physician and contact for the NanoTherm Therapy System at the Paracelsus Clinic Zwickau, answering questions on the subject of glioblastomas and the NanoTherm Therapy as an alternative treatment option.

Lublin, Poland - Alivia Cancer Foundation, SPSK4 Hospital and MagForce Invite you to join their Infoline on the Treatment of Brain Tumors Using the NanoTherm Therapy System

On occasion of the 2021 World Brain Tumor Day, the SPSK4 hosts a free Infoline, supported by MagForce and Alivia Cancer Foundation. Prof. Tomasz Trojanowski, Polish National Consultant for Neurosurgery and a member of the Scientific Advisory Board of the Minister of Health of Poland, Prof. Radoslaw Rola, Head and Chairman of the Neurosurgery and Paediatric Neurosurgery Departments, and Dr Jacek Woźniak, Specialist of the Center for Innovative Therapies, are available for a free consultation and answer all patient question regarding the NanoTherm Therapy System at SPSK4.

DGNC 2021, Virtual – MagForce is Main Sponsor of the Leading Conference in the Field of Neurosurgery

Taking place around the World Brain Tumor Day, the 72nd Annual Meeting of the German Society of Neurosurgery (DGNC) held jointly with the Polish Society of Neurosurgeons will provide a virtual platform to present scientific findings, discuss new innovative treatments and exchange information about the most recent research results and future visions.

As main-sponsor, MagForce is excited to support this important event in the field of neurosurgery and represented with a virtual booth, where MagForce representatives are available for questions regarding its NanoTherm Therapy System.

August 2021

Annual General Meeting of MagForce AG

Also this year, the Annual General Meeting was held in a virtual setting. The CEO and Chairman of the Management Board, Dr. Ben J. Lipps, greeted attendees, via video. Thereafter, CFO, Christian von Volkmann, reported on the current operational developments and provided an overview of the 2020 fiscal year, as well as an outlook for the current year. Subsequently, he gave an update on the status of the strategic plan.

September 2021

MagForce and CHIP Hospital Málaga Announce Collaboration Agreement for the Commercial Treatment of Glioblastoma Cancer Patients with the NanoTherm Therapy System in Spain

Complejo Hospitalario Integral Privado (CHIP) will be first clinic in Spain to offer MagForce's technology for the commercial treatment of brain cancer patients.

Additionally, an investigator-initiated trial (IIT) is planned to be conducted at the public Carlos Haya University Hospital Málaga to support patient reimbursement in Andalusia.

Agreement represents important milestone in MagForce's European roll-out strategy of the NanoTherm therapy system for the treatment of brain tumors.

October 2021

MagForce USA, Inc. has Received FDA's Conditions for Approval of the Final Protocol of the Pivotal U.S. Study for the Focal Ablation of Prostate Cancer with the NanoTherm Therapy System

The U.S. Food and Drug Administration (FDA) has provided MagForce USA with the conditions for approval of the final clinical protocol for the clinical study for the focal ablation of prostate cancer. These conditions consist of clarifications of definitions and additions of certain administrational measures to the protocol.

MagForce USA will continue to conduct the clinical trial in its own treatment centers. MagForce will submit interim data packages at 15 and 30 patients treated for FDA review, whilst treatments continue. Based on the current plan and conditions set out by the FDA, the clinical trial is expected to be completed in summer 2022. Following trial completion, the interim data packages supplied will be updated and submitted to the FDA for their approval.

Letter to the Shareholders

Dear MagForce Shareholders,

We entered 2021 with clear priorities to further drive the success of our two-pronged strategy: 1) to advance our clinical trial to provide prostate cancer patients in the US with a new treatment option that will allow them to avoid definitive treatments with their well-known side effects for as long as possible and 2) to accelerate commercial adoption of our NanoTherm Therapy system for treating glioblastoma in Europe.

Of course, COVID-19 continued and continues to affect us all, but with the pandemic easing its iron grip, we are seeing less and less impact on our business. I am, therefore, very pleased to note that the positive trend, we have seen in the past, in terms of patient numbers as well as the number of centers in Europe adopting our system, is recovering. Additionally, in the US, patient recruitment and treatment remained comparably unaffected, and we are seeing the very good treatment results we had hoped for in our U.S. pivotal study.

MagForce AG – Europe – Brain Cancer Treatment

In our last shareholder letter in June, we were able to report on the good progress made in our European roll-out strategy throughout 2020. This clearly shows that MagForce is providing an important and much-needed novel therapy option for the treatment of glioblastoma. While we did experience some delays, mainly due to the pandemic, we are back on track to reach our goal of having eight brain cancer treatment centers offering NanoTherm treatment for glioblastoma in Europe by the end of 2022.

In addition to making our therapy widely available, reimbursement remains a top priority. In Germany, private patients are currently reimbursed, public assurances usually reimburse the treatment on single request. MagForce is moving the process to obtain regular reimbursement forward, whilst the NanoTherm therapy evaluation has been further optimized in the meantime. Once all clinical data required are available, neurosurgeons at our centers can now decide within 48 hours, on the eligibility of a patient for treatment.

Continued dynamic development in key market Poland

Poland continues to be an important market for our therapy. The Independent Public Clinical Hospital No. 4 (SPSK4) in Lublin, one of the leading brain treatment centers in Poland, has been offering our NanoTherm therapy system as an additional treatment option since 2019 and has been experiencing high demand ever since.

To utilize existing capacity in the best possible manner, MagForce, together with SPSK4, has entered into agreements with public and private neurosurgical clinics in the area surrounding Lublin. These agreements enable the local clinics to instill NanoTherm with patients, who will then be transferred to SPSK4 for activation in the NanoActivator device. This means that more than 300 patients could be treated with NanoTherm therapy with one device per year and shift without the need to install additional devices. All treatments will be documented in a clinical registry data base. These data, together with the results from an Investigator-Initiated Trial (IIT) still this year starting at SPSK4, will then be included in a Health Technology Assessment (HTA) to be submitted later by SPSK4 to apply for the reimbursement of NanoTherm therapy as a supplementary treatment in Poland.

Driving commercial adoption – first clinic started in Spain

Despite COVID-19 related delays in the installation of additional NanoActivator devices in partner clinics, we have continued discussions and were pleased to announce in September 2021 that we had signed a collaboration agreement with Complejo Hospitalario Integral Privado (CHIP), Málaga, the first clinic in Spain to offer our NanoTherm therapy for the commercial treatment of glioblastoma patients. The private clinic will be equipped with our ‚plug-and-treat' solution - a mobile container fully operational with a pre-installed NanoActivator device, allowing for a significantly shortened set-up time to start patient treatments. Subject to inspections and permissions by local authorities, commercial treatments are expected to commence in the first half year 2022. To support reimbursement in Spain, an IIT with the NanoTherm therapy system is planned at Carlos Haya University Hospital in Málaga in cooperation with CHIP.

Strong interest from other clinics in and outside Germany

Discussions are underway with other clinics that have expressed strong interest in having our NanoTherm therapy system at their sites. We are in advanced negotiations with potential partners in Austria and Germany, as well as Italy, and are confident that we will be able to announce agreements with additional clinics in Germany and elsewhere within the first half year 2022.

Providing support and raising awareness

Due to the aggressive nature of glioblastoma, timely therapy is critical in effectively treating brain tumors as there is only a narrow window for patients to receive treatment. Unfortunately, for many patients coming to our centers, the disease has already progressed to a stage where surgical interventions are no longer an option. Therefore, raising awareness among patients and physicians about the importance of early intervention and the availability of treatment options is a top priority. To achieve that, we are working closely with the centers offering our therapy and are leveraging the interest in the ongoing clinical studies from the medical community.

We also continue to provide physicians and affiliated partner clinics with broad support. As an example, we provide comprehensive training at our ‚NanoTherm Therapy School', a practice-oriented, unique and versatile application training course for the use of the NanoTherm Therapy system. This highly successful program was developed in close cooperation with leading experts and is targeted towards physicians and medical professionals in the fields of neurosurgery and neuro-oncology. The goal of the training is to certify surgeons in the use of our innovative NanoTherm technology for the treatment of glioblastoma. In May 2021, the third module in the training was implemented. The registration numbers and participant feedback indicate that interest in our innovative therapy remains strong.

MagForce USA, Inc. – USA – Focal Prostate Cancer Treatment

In the first half of 2021, we were able to achieve significant milestones on our path towards approval of our NanoTherm therapy system for the treatment of prostate cancer in the US. We completed patient treatment in Stage 2a of our pivotal single-arm study and announced additional data in April supporting the already very encouraging initial findings.

Though anticipated, we were pleased that the Stage 2a findings mirrored the results of Stage 1 and confirmed the highly favorable safety and tolerability profile. Treatment with the NanoTherm therapy system in Stage 1 and Stage 2a showed no unanticipated or serious adverse events but only minimal treatment-related side effects, which were tolerable and similar to those commonly associated with biopsies.

Another goal of Stage 2a was to improve the accuracy of instillation. This was achieved with 92 percent coverage of the clinical target volume (CTV), resulting in a greater NanoTherm particle mass in the target area. Due to this good coverage, all patients had sufficient deposit heating during the activation and pathologically confirmed ablation in the CTV, including the cancer present there. At the same time, there was no indication of ablation beyond 1 to 2 mm of the NanoTherm deposit in the surrounding healthy tissue, demonstrating the safety of this focal therapy.

Following the Stage 2a results, we submitted the clinical protocol for Stage 2b to the FDA. In October, the Agency provided feedback on the conditions for approval of the final clinical protocol consisting of clarifications of definitions and addition of certain administrational measures. Importantly, we will be able to use targeted biopsy to assess efficacy. MagForce has submitted the necessary documentation to the FDA and hopes to receive final clearance to commence Stage 2b in November 2021. In preparation, patient screening procedures are being expedited at MagForce's NanoTherm treatment centers.

The Stage 2b part of the single-arm pivotal study is planned to evaluate the use of NanoTherm ablation for the treatment of prostate cancer patients with intermediate grade lesions. Up to 100 patients are planned to be treated in this stage and then return to active surveillance without definitive treatment, such as external beam radiation or prostatectomy. MagForce plans to submit interim data packages to the FDA at 15 and 30 patients treated for FDA review, whilst treatments continue.

We will continue to conduct the clinical trial in our own treatment centers and currently do not expect major delays in completing the study, which is expected for Summer 2022. We then plan to submit updated data to the FDA for potential marketing approval.

While we treat patients under the final clinical protocol of our US pivotal trial, we will begin commercialization preparations. Our strategy is to continue to operate stand-alone Focal Cancer Treatment Centers owned and staffed by MagForce USA. This will allow MagForce USA to bill for the entire procedure (including the instillation of the NanoTherm) generating up to threefold revenues compared to just selling NanoTherm particles.

Globally, there are over 500,000 prostate cancer patients annually who could benefit from an effective focal treatment with minimal side effects like our NanoTherm therapy. The addressable market in the USA alone is worth 4.1 billion USD per year when considering revenue from the entire procedure. Operating proprietary Focal Cancer Treatment Centers enables MagForce to make more efficient use of its devices and increase revenue per patient significantly. With our own dedicated staff, patients will receive treatment from experts who are highly experienced in applying our therapy to generate the best possible results.

Looking ahead, we will continue our strategy of expanding in Europe with sustainable partnerships and of advancing the development of NanoTherm therapy in the USA to provide patients suffering from prostate cancer an important new treatment option. I would like to express my deepest gratitude to all those who have driven the Company's development forward again this year, including our employees for their tireless efforts and achievements; to our shareholders for continuing to place their trust in us; and to the clinicians, patients and their families, who are the true focus of our work. I am excited about what the future holds and what we can achieve together.

Sincerely,

Dr. Ben Lipps
Chief Executive Officer MagForce AG
Chief Executive Officer MagForce USA, Inc.

Dr. Ben Lipps
Chairman &
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

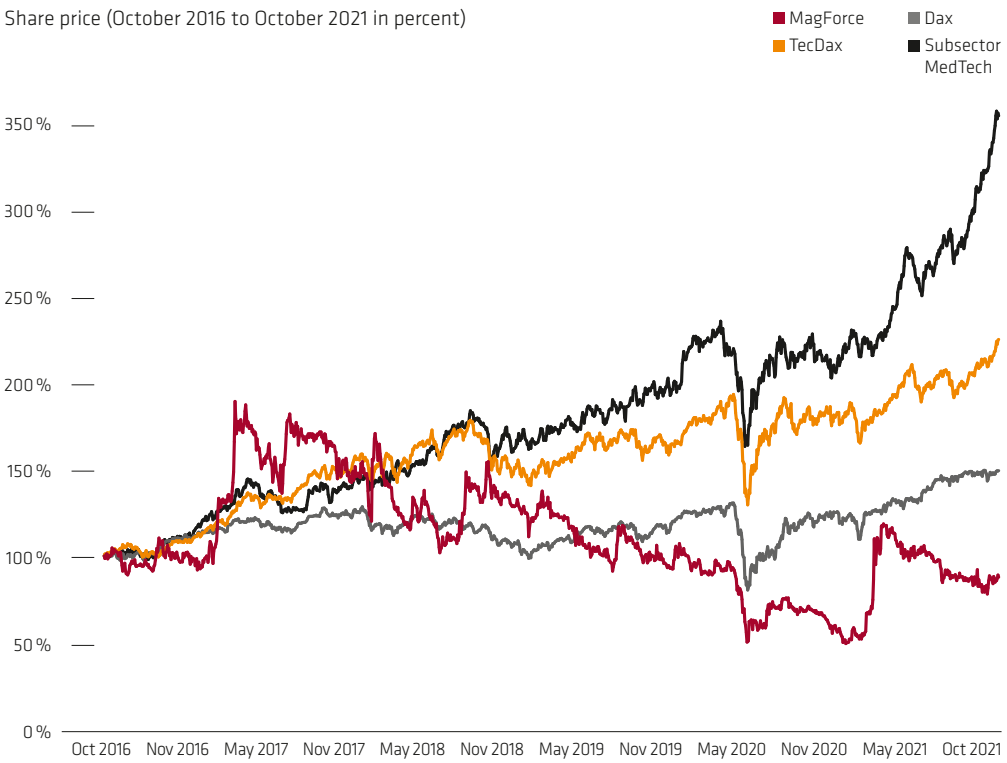
Investor Relations

The MagForce Share

In 2021, the MagForce share (MF6.DE) started the year at EUR 5,04 and closed at EUR 3.70 on June 30, 2021. During the reporting period, the share's high was EUR 5.36 and its low was EUR 3.68. The market capitalization of the company was EUR 148 million at the beginning of January 2021 and EUR 109 million at the end of June. On average, 32,735 MagForce shares were traded daily on XETRA and Tradegate (2020: 40,604 shares).

The MagForce AG share continues to be listed in the Scale 30 index of Deutsche Börse. This selection index measures the performance of the 30 most liquid shares listed in the Scale segment for small and medium-sized enterprises (SMEs). The order book turnover on the Xetra and Frankfurt Stock Exchange trading venues is decisive for inclusion in the index.

MagForce Kursentwicklung



Key Figures MagForce Shares

Number of shares issued at the beginning of the period	29,358,088
Number of shares issued at the end of the period	29,462,468
Freefloat	70%
H1-21 High (XETRA) in EUR January 6, 2021	5.36
H1-21 Low (XETRA) in EUR June 22, 2021	3.68
Share price at the beginning of the period (XETRA) in EUR	5.04
Share price at the beginning of the period (XETRA) in EUR	3.70
Market capitalization at the beginning of the period (Mio. EUR)	148
Market capitalization at the end of the period (Mio. EUR)	109
Average daily traiding volumue H1-21, XETRA and Tradegate in shares	32,735

Research-Coverage

Institute	Latest Update	Target Price in EUR
Berenberg	June 2021	10.10
Edison Investment Research	July 2021	9.30
GBC Investment Research	October 2021	11.00
Hauck & Aufhäuser	February 2021	11.00
Stifel (Mainfirst)	June 2021	13.00

Successful Financing Measures of MagForce AG

To further implement its growth strategy and strengthen its balance sheet, MagForce successfully completed in March 2021 a growth financing with Apeiron Investment Group Ltd. via convertible bonds with a total volume of EUR 2.5 million. The interest rate is 5.0% and the term is 24 months.

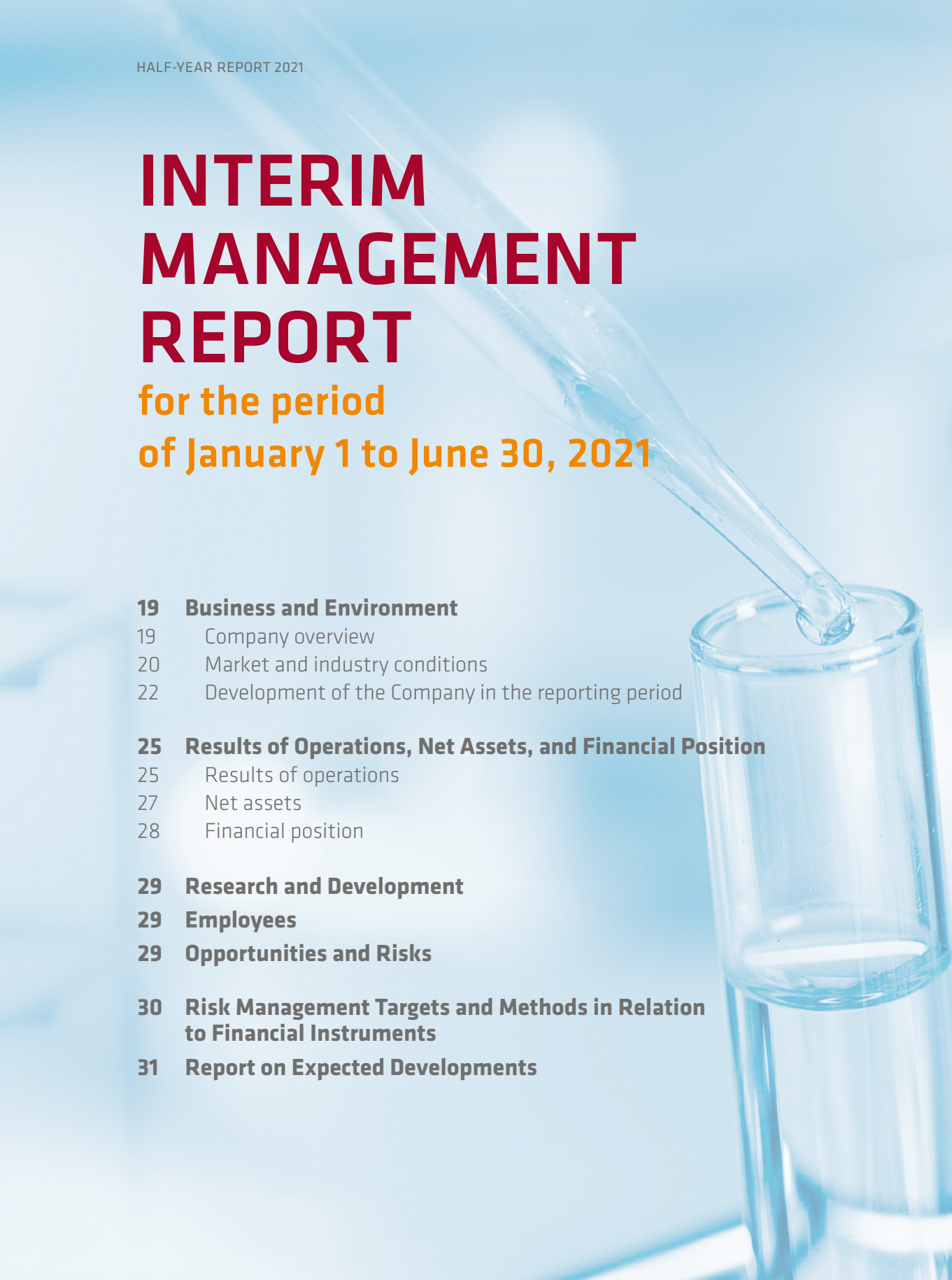
Investor Relations Activities

The pandemic with the accompanying regulatory requirements as well as precautionary health measures continued in 2021 and further influenced MagForce AG's investor relations work. Therefore, in the first half of 2021, the management continued to inform capital market participants about the current development of the Company mainly through numerous national and international virtual roadshows and conferences, thus still communicating MagForce's strategic direction and the Company's development in a reliable and transparent manner, with the aim of strengthening investor confidence in MagForce and attracting new investors. The 2021 Annual General Meeting was again held virtually.

In the Investor Relations section of the MagForce website (magforce.com), the Company provides comprehensive information on the business situation, current news, and an overview of future events and activities. In addition, shareholders are informed about current developments in regular press releases and letters to shareholders, and several research houses publish updates on their research coverage.

INTERIM MANAGEMENT REPORT

for the period of January 1 to June 30, 2021



Business and Environment

Company overview

MagForce AG is a leading company in the field of nanotechnology-based cancer therapy and the first company in the world to receive European approval for a medical device using nanoparticles. The innovative therapy is currently available to patients at NanoTherm treatment centers in Germany and in Lublin, Poland. Additional NanoTherm treatment centers are being planned in strategically important regions both in Germany and other European countries.

The MagForce Group consists of a total of seven companies with MagForce AG as its parent company.

MagForce USA, Inc., based in Nevada, is currently developing NanoTherm therapy for the focal treatment of prostate cancer. The clinical trial is in the final stage. After successful completion of the study, commercialization will begin in the USA, Canada and Mexico.

The distribution and development rights in the indications prostate cancer and brain tumor for the region of the USA, Canada and Mexico are bundled in MagForce Ventures GmbH, Berlin, whose shares are 100 percent owned by MagForce USA Inc.

Together with the wholly owned subsidiary, MagForce USA Holding GmbH, Berlin, which operates as a holding company, MagForce AG holds the majority of the shares in MagForce USA Inc.

MT MedTech Engineering GmbH, based in Berlin, produces and develops the NanoActivator devices and is wholly owned by MagForce AG.

MagForce sp. z o.o., Warsaw, Poland, and MagForce Nanomedicine S.L., Madrid, Spain, are sales companies in which MagForce AG each holds 100 percent of the shares. MagForce Nanomedicine S.L. is not yet operational.

Market and industry conditions

MagForce AG is active in the medical device market and is currently concentrating on the commercialization of its NanoTherm therapy in the indication of brain tumor in Europe and on completing the last stage of the US study with NanoTherm therapy for the indication of prostate cancer and the subsequent market entry in the USA.

Worldwide, around 160,000 patients a year require treatment for glioblastoma. There is therefore a global market potential for this form of treatment of around EUR 4 billion annually. Due to significantly higher case numbers, the market potential in the indication of prostate cancer is much higher. Globally, it is estimated that more than 500,000 patients could be treated each year. Depending on the business model, the market potential is between USD 3.5 and 12.5 billion per year.

Glioblastoma, prostate cancer, and treatment

Glioblastoma

Glioblastoma is the most common and most malignant brain tumor; it mainly affects adults. The WHO (World Health Organization) classifies glioblastoma in the highest category, grade IV, due to the very poor prognosis and the difficulty or impossibility of treatment. Glioblastoma cannot be surgically cured and is largely resistant to radiation and chemotherapy.

In Europe, approximately 48,000 people are diagnosed with a brain tumor each year. Among these, the number of glioblastoma cases is about 24,000. Estimates for Germany are 4,000 glioblastoma diagnoses per year and 18,000 in the USA.

The International Agency for Research on Cancer (IARC: GLOBOCAN 2020) quantifies the number of new cases of tumor diseases of the brain and central nervous system for the year 2020 worldwide at 308,102, for Europe at 67,114 and for the USA at 24,538.

Conventional treatments for newly diagnosed glioblastoma are still dominated by surgery accompanied by radiotherapy and temozolomide. Other forms of treatment, such as the use of angiogenesis inhibitors, have not proven successful in first-line therapy. In contrast to that another medical device in addition to the temozolomide therapy used after a standard chemotherapy has shown an improvement in the mean survival time and the five-year survival of glioblastoma patients. However, a breakthrough in the therapy was not achieved so far.

Despite the intensive standard treatment for a newly diagnosed glioblastoma, after a few months the tumor often grows back. There is no standard therapy for the treatment of a recurrent 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 definitive cure is nearly impossible in this indication. The average survival time with glioblastoma is 16 to 20 months only. The median five-year survival rate following combined radiation and temozolomide therapy is 5 to 10 percent. There is, therefore, a clear need for new therapies with different mechanisms of action. NanoTherm therapy represents such a new therapy method, which is applied.

Prostate cancer

Prostate cancer is the second most common cancer diagnosed and the third leading cause of death among men worldwide. In Germany, prostate cancer is the most common cancer in men with around 60,000 new prostate cancer diagnoses each year.

The International Agency for Research on Cancer (IARC: GLOBOCAN 2020) quantifies the number of new cases of prostate cancer for the year 2020 worldwide at 1,414,259 for Europe at 473,344 and for the USA at 209,512.

Focal prostate cancer therapies are designed to destroy only cancer-affected carcinogenic lesions of the prostate and to preserve healthy tissue, thereby avoiding side effects and maintaining the patient's quality of life. Therapies that affect the entire prostate, such as radical prostatectomy and radiotherapy, are considered curative therapies, but involve significant deterioration in quality of life, including incontinence, erectile dysfunction and other side effects. Active surveillance of prostate cancer is considered an equal alternative to interventional therapy for low-grade prostate cancer stages. Active treatment is only carried out when a certain diagnostic value (e.B. PSA) in the blood is exceeded or a manual examination indicates the progression of the tumor. However, there are concerns here about missing the window of opportunity for appropriate treatment.

The main idea of focal therapy of the prostate is the restriction of treatment to the tumor location or a part of the prostate and thus the avoidance of the treatment of the entire prostate, which results in significant side effects and limitations in quality of life as described above. The development of a focal therapy for the treatment of prostate cancer therefore offers considerable potential.

The U.S. study on the focal treatment of intermediate-risk prostate cancer is in the final stage. The commercial treatment of prostate cancer patients in the USA will begin as soon as the study is completed.

Competition

In contrast to the pharmaceutical approach to cancer therapy, there is currently no comparable clinically proven thermotherapy procedure on the market in which heat is generated directly in the tumor on a focal basis. With conventional heat therapy devices that are available on the market, the heat applied to the tumor can only be controlled through external field control (interference, focusing). The spatial distribution and tissue-dependent energy absorption of this method makes it difficult to restrict the treatment to the small cancer lesions only. This leads to unwanted heating of healthy tissue, causing side effects and restrictions to the temperatures within the tumor tissue that are required for a therapeutic effect. The NanoTherm therapy developed by MagForce AG uses a new mechanism of action, which opens up completely new application possibilities for thermotherapy.

Development of the Company in the reporting period

Finance

In June 2020, MagForce AG entered into an agreement with the US investment firm Yorkville Advisors Global LP (Yorkville) to issue convertible bonds of up to EUR 15.0 million. Under this agreement, MagForce AG may, at its own discretion and under certain conditions, issue convertible bonds in tranches to Yorkville until June 2023. After the first tranche of EUR 2.5 million was issued in June 2020, the second tranche of EUR 1.5 million was issued in June 2021. By June 30, 2021, an amount of EUR 1.8 million had been converted into equity through the exercise of conversion rights.

In March 2021, MagForce AG signed an agreement with Apeiron Investment Group Ltd. on the issue of convertible bonds in the total amount of EUR 2.5 million with a term of 24 months. By June 30, 2021, MagForce AG had received cash of EUR 1.9 million from this agreement through the issuance of convertible bonds.

Commercialization

MagForce AG covers important geographical regions with its NanoTherm treatment centers in Münster, Zwickau, Mühlhausen and Lublin. The plans for further NanoTherm treatment centers both in Germany and in other European countries are well advanced. With the existing and planned NanoTherm treatment centers, especially in Spain and Italy, MagForce AG will be very well positioned throughout Europe and will have greatly expanded the availability of NanoTherm therapy.

With its "plug-and-treat" container solution, MagForce AG is able to install NanoTherm treatment centers quickly and efficiently. This innovative solution enables MagForce AG to set up and commission NanoTherm treatment centers within three months without the need for lengthy and costly construction work. With the "plug-and-treat" solution, the NanoActivator and the associated technical equipment are no longer installed in the clinic's premises, but in special treatment containers. These then only need to be placed on the clinic premises and connected to the power grid.

In addition to the quick, local availability of NanoTherm therapy, reimbursement and optimal implementation play a major role. MagForce AG works intensively with experts on solutions for an efficient reimbursement procedure for NanoTherm therapy, both for patients treated in Germany and abroad. The NanoTherm Therapy School, organized by MagForce AG, is very well accepted by the medical experts and makes a significant contribution to ensuring that patients receive the best possible NanoTherm therapy. During the NanoTherm Therapy School, participants are taught the theory and practical surgical application steps required for the successful use of NanoTherm technology in the treatment of glioblastoma. Through the practical training on the anatomical preparation, the participants can familiarize themselves with the procedure and the clinical equipment used for it under largely real surgical conditions.

With the clinical centers in San Antonio (Texas), Seattle (Washington), and Sarasota (Florida), MagForce USA Inc. already has three fully equipped treatment centers in the USA for the indication of prostate cancer. With the completion of the USA study and FDA approval, commercial treatment of prostate cancer patients could begin immediately. In order to ensure a broad geographic coverage, further own treatment centers are planned. In addition to the establishment of own treatment centers, further ambulatory NanoActivators are to be set up in urological clinics offering the NanoTherm therapy system for the respective clinical site. Operating its own fully equipped treatment centers will enable MagForce to bill not only for the use of the NanoTherm therapy system, but also for the patient's entire treatment.

The commercialization activities of MagForce are progressing steadily, but due to the COVID-19 pandemic under significantly more difficult conditions, which lead to inevitable time delays.

US pivotal study

The pivotal U.S. clinical trial with the NanoTherm therapy system for focal ablation of intermediate-risk prostate cancer conducted by the U.S. subsidiary MagForce USA Inc. is in the final stage.

In February 2021, MagForce AG and MagForce USA Inc. announced the completion of patient treatment in the first phase of Stage 2 (Stage 2a).

Both the preliminary analysis of the data from Stage 2a in February and the further analysis in April 2021 confirmed the positive results of Stage 1. Even with the streamlined study protocol, only minimal, well-tolerated, treatment-related side effects were observed. In addition to the favorable safety and tolerability profile, very encouraging results on effectiveness were also achieved. The ablation analysis shows a very well defined ablation and cell death in the area of the nanoparticle deposit. The streamlined procedure enables the patient to be treated within a single day.

MagForce has already actively started patient recruitment for the next stage. Stage 2b of the study will include up to 100 men and will be conducted at MagForce's three own treatment centers in Texas, Washington and Florida.

Despite many restrictions caused by the COVID-19 pandemic, MagForce USA Inc. is able to carry out the study in its outpatient facilities due to exemptions for the healthcare sector. Although the security measures taken by MagForce to contain COVID-19 infections lead to certain delays, these are limited.

Results of Operations, Net Assets, and Financial Position

The Company's results of operations, net assets, and financial position are presented below. In addition, reference is made to the remarks in the notes.

Results of operations

The Company generated revenues of EUR 191 thousand in the first half of the year and thus generated significantly lower revenues compared to the previous year (EUR 384 thousand). Revenues result from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 112 thousand (previous year: EUR 326 thousand) and from NanoTherm and catheter deliveries for the U.S. study in the amount of EUR 79 thousand (previous year: EUR 58 thousand).

Other own work capitalized in the amount of EUR 156 thousand (previous year: EUR 196 thousand) relates to capitalized expenses for the preparation of product files for MagForce AG's medical products in accordance with the requirements of the new Medical Device Regulation (MDR).

Other operating income amounted to EUR 769 thousand (previous year: EUR 332 thousand) as of June 30, 2021. The increase in other operating income is mainly attributable to the reversal of provisions recognized for debt components that are partially linked to the share price. Other operating income also includes recharges of management services and other administrative services to subsidiaries in the amount of EUR 213 thousand (previous year: EUR 206 thousand).

Cost of materials increased from EUR 286 thousand to EUR 468 thousand. The increase in the cost of materials is mainly attributable to the increase in the cost of raw materials and supplies and of purchased goods.

At EUR 2,029 thousand, personnel expenses are largely at the level of the previous year (EUR 2,097 thousand).

Amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 343 thousand and was EUR 46 thousand slightly higher than in the previous year (EUR 297 thousand).

Other operating expenses amounted to EUR 1,429 thousand and were therefore EUR 238 thousand lower than in the previous year (EUR 1,667 thousand). The decrease in other operating expenses is mainly due to lower capital raising costs.

Compared to the previous year, the operating result was improved by EUR 280 thousand from EUR -3,432 thousand and amounted to EUR –3,152 thousand as of June 30, 2021.

At EUR 107 thousand, interest income was in line with the previous year (EUR 107 thousand), while interest expenses increased by EUR 419 thousand from EUR 1,030 thousand to EUR 1,449 thousand due to the issuance of further convertible notes and higher interest on existing financial liabilities. The write-down of contributions to fund the operations of the subsidiary MT MedTech Engineering GmbH amounted to EUR 559 thousand (previous year: EUR 521 thousand). Accordingly, the negative financial result for the half-year increased by EUR 458 thousand from EUR –1,443 thousand to EUR –1,901 thousand.

MagForce AG closed the six-month period ended June 30, 2021, with a net loss of EUR –5,054 thousand (previous year: EUR –4,877 thousand).

Net assets

Total assets decreased by EUR 1,291 thousand from EUR 65,592 thousand to EUR 64,301 thousand.

The increase in intangible fixed assets is mainly due to the capitalization of expenses for the creation of the product files for the medical devices of MagForce AG within the framework of the requirements of the new Medical Device Regulation. While financial assets remained unchanged, property, plant and equipment decreased as part of the regular depreciation.

Current assets decreased by EUR 1,385 thousand from EUR 3,493 thousand to EUR 2,108 thousand. The reduction in current assets is mainly due to the decrease in receivables and other assets and in bank balances.

On the liabilities side, the net loss increased the accumulated deficit by EUR 5,054 thousand to EUR 51,102 thousand. Due to the exercise of conversion rights from convertible bonds, equity was increased by EUR 400 thousand. The Company's share capital was increased from EUR 29,358 thousand to EUR 29,462 thousand by issuing 104,380 new shares. The capital reserves increased by EUR 296 thousand to EUR 52,500 thousand.

Other provisions decreased by EUR 163 thousand to EUR 2,388 thousand. This was mainly due to the reversal of provisions for share price-linked financial liabilities.

As of June 30, 2021, liabilities increased by EUR 3,612 thousand to EUR 30,946 thousand. This is mainly due to the increase in liabilities to banks in the amount of EUR 518 thousand and the liabilities from convertible bonds in the amount of EUR 3,275 thousand.

Financial position

Net loss of the Company for the reporting period amounted to EUR –5,054 thousand (previous year: EUR –4,877 thousand).

Cash flow from operating activities amounted to EUR –2,794 thousand (previous year: EUR –2,290 thousand). Cash outflow from operating activities was derived indirectly from net result. Cash outflows largely relate to the financing of operating activities.

Cash flow from investing activities amounted to EUR –1,050 thousand (previous year: EUR –1,850 thousand) and mainly related to payments for the construction of mobile NanoActivators and expenses for the preparation of technical documentation for MagForce products. Furthermore, contributions were made to the subsidiary MT MedTech Engineering GmbH to provide financial support.

Cash flow from financing activities amounted to EUR 2,788 thousand (previous year: EUR 5,653 thousand) and was mainly attributable to the cash inflows resulting from the issue of convertible bonds. The cash inflows were offset by interest payments.

At the end of the reporting period, freely available liquidity amounted to EUR 650 thousand (12/31/2020: EUR 1,706 thousand).

Research and Development

We refer to our comments on page 46 of the Annual Report 2020.

Employees

As of June 30, 2021, MagForce AG had 34 employees (excluding members of the Management Board) and therefore five more than on December 31, 2020. As of June 30, 2021, 41 percent of the workforce consisted of women (31/12/2020: 38 percent). The MagForce Group employed a total of 67 employees at the end of the reporting period (31/12/2020: 64 employees).

Opportunities and Risks

A detailed description of the opportunities and risks can be found in the Annual Report 2020 starting on page 48. The statements made there apply unchanged.

Risk Management Targets and Methods in Relation to Financial Instruments

Significant risks from the use of financial instruments relate to the exchange rate risk against the US dollar and the share price of MagForce AG, which in part is a parameter in the calculation of debt service. This can lead to liquidity risks when settling liabilities that are linked to the exchange rate or share price.

At present, there are no financial instruments to hedge these risks, as in the opinion of the Management Board their costs are out of proportion to their benefits and the estimated effects of the risks described are manageable. To the extent that these risks have already materialized, they are taken into account in the interim financial statements.

Report on Expected Developments

The ongoing effects of the COVID-19 pandemic had a noticeable impact on the business of MagForce AG. As a result, revenues could not be increased compared to the previous year and the plans for the construction of further treatment centers both in Germany and in other European countries are taking place under difficult conditions.

However, MagForce is confident that it will significantly increase revenues by the end of the year and that it will make significant progress in the work to open new NanoTherm treatment centers.

At the beginning of 2021, Stage 2a of the USA study on the focal treatment of intermediate prostate cancer with NanoTherm therapy was completed. Patients are currently being recruited for the final stage of the study. Due to the measures taken by MagForce to prevent COVID-19 infections and the operation of its own treatment centers, MagForce does not expect any significant delays in the continuation of the study.

Berlin, October 8, 2021

The Management Board

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

INTERIM FINANCIAL STATEMENTS

Statement of Income

in EUR	01/01 - 06/30/2021	01/01 - 06/30/2020
Revenues	191,090.00	384,181.27
Increase in work in progress	0.00	2,945.00
Other own work capitalized	155,704.69	195,536.35
Other operating income	735,390.92	332,164.84
thereof from exchange rate differences EUR 1,406.98 (previous year: EUR 40,537.06)		
Cost of materials		
a) Raw materials and supplies and purchased goods	214,761.74	56,922.23
b) Purchased services	253,025.76	229,288.06
	467,787.50	**286,210.29**
Personnel expenses		
a) Salaries	1,816,902.46	1,905,530.69
b) Social security contributions and expenses for retirement benefits and other employee benefits	211,873.32	191,058.22
thereof for retirement benefits EUR 15,050.00 (previous year: EUR 20,939.16)		
	2,028,775.78	**2,096,588.91**
Amortization and depreciation		
of intangible fixed assets and property, plant and equipment	342,721.00	297,386.45
Other operating expenses	1,394,405.42	1,667,094.06
thereof from exchange rate differences EUR 91,072.59 (previous year: EUR 28,102.32)		
Operating result	**-3,151,504.09**	**-3,432,452.25**
Other interest and similar income	107,342.35	107,692.86
thereof from affiliated companies EUR 107,337.52 (previous year: EUR 107,337.52)		
Amortization of financial assets	559,200.00	520,870.00
Interest and similar expenses	1,449,289.04	1,029,725.06
thereof from affiliated companies EUR 61,669.70 (previous year: EUR 48,983.81)		
Financial result	**-1,901,146.69**	**-1,442,902.20**
Result after taxes	**-5,052,650.78**	**-4,875,354.45**
Other taxes	1,166.48	1,247.08
Net loss	**-5,053,817.26**	**-4,876,601.53**
Loss carried forward from the previous year	-46,048,110.61	-60,794,761.67
Accumulated deficit	**-51,101,927.87**	**-65,671,363.20**

Balance Sheet as of June 30, 2021

Assets

in EUR	06/30/2021	12/31/2020
A. Fixed assets		
I. Intangible fixed assets		
1. Intangible assets under development	1,260,104.60	1,092,749.91
2. Purchased concessions, commercial trade mark rights and similar rights and values, and licences in such rights and values	88,242.54	109,692.08
3. Prepayments	422,457.70	417,430.20
	1,770,804.84	**1,619,872.19**
II. Tangible fixed assets		
1. Leasehold improvements	7.00	7.00
2. Technical assets and machines	2,268,143.06	2,562,385.99
3. Other equipment, furniture, and fixtures	158,685.89	173,844.00
4. Prepayments and construction in progress	872,998.71	870,978.77
	3,299,834.66	**3,607,215.76**
III. Financial assets		
Shares in affiliated companies	56,568,104.60	56,568,104.60
	61,638,744.10	**61,795,192.55**
B. Current assets		
I. Inventories		
1. Work in progress	293,991.25	293,991.25
2. Goods for resale	239,857.00	42,292.00
3. Customer advances	-177,773.56	-177,773.56
	356,074.69	**158,509.69**
II. Receivables and other assets		
1. Trade accounts receivables	270,031.70	370,232.90
2. Receivables from affiliated companies	354,651.96	695,097.65
3. Other assets	476,921.01	562,480.43
	1,101,604.67	**1,627,810.98**
III. Cash in hand and bank balances	650,277.13	1,706,427.11
	2,107,956.49	**3,492,747.78**
C. Prepaid expenses	554,095.95	303,725.62
	64,300,796.54	**65,591,665.95**

Shareholders' equity and liabilities

in EUR	06/30/2021	12/31/2020
A. Shareholders' equity		
I. Subscribed capital	29,462,468.00	29,358,088.00
Contingent capital: EUR 10,617,706.00 (previous year: EUR 10,753,636.00)		
II. Capital reserves	52,500,360.04	52,204,742.25
III. Accumulated deficit	–51,101,927.87	–46,048,110.61
	30,860,900.17	**35,514,719.64**
B. Special item for investment subsidies	42,033.81	35,396.75
C. Provisions		
Other provisions	2,388,357.47	2,551,038.02
D. Liabilities		
1. Convertible note	10,375,000.00	7,100,000.00
thereof convertible EUR 10,375,000.00 (previous year: EUR 7,100,000.00)		
2. Liabilities to financial institutions	16,243,729.34	15,725,982.33
3. Trade accounts payable	370,523.41	301,794.52
4. Liabilities to affiliated companies	2,767,807.84	2,830,484.70
5. Other liabilities	1,189,074.23	1,375,906.30
thereof taxes EUR 55,181.98 (previous year: EUR 471,904.53)		
thereof social security EUR 4,142.80 (previous year: EUR 64,494.86)		
	30,946,134.82	**27,334,167.85**
E. Deferred income	63,370.27	156,343.69
	64,300,796.54	**65,591,665.95**

Analysis of Fixed Assets

	Historical cost			
in EUR	01/01/2021	Additions	Disposals	06/30/2021
I. Intangible fixed assets				
Intangible assets under development	1,092,749.91	167,354.69	0.00	1,260,104.60
Purchased concessions, commercial trade mark rights and similar rights and values, and licences in such rights and values	209,854.06	4,067.50	0.00	213,921.56
Prepayments	417,430.20	5,027.50	0.00	422,457.70
	1,720,034.17	**176,449.69**	**0.00**	**1,896,483.86**
II. Tangible fixed assets				
Leasehold improvements	1,153,635.45	0.00	0.00	1,153,635.45
Technical assets and machines	5,577,245.80	0.00	0.00	5,577,245.80
Other equipment, furniture, and fixtures	687,021.46	7,802.92	0.00	694,824.38
Prepayments and construction in progress	870,978.77	2,019.94	0.00	872,998.71
	8,288,881.48	**9,822.86**	**0.00**	**8,298,704.34**
III. Financial assets				
Shares in affiliated companies	59,578,790.96	559,200.00	0.00	60,137,990.96
Loans to affiliated companies	2,453,107.83	0.00	0.00	2,453,107.83
	62,031,898.79	**559,200.00**	**0.00**	**62,591,098.79**
	72,040,814.44	**745,472.55**	**0.00**	**72,786,286.99**

	Accumulated depreciation				Net book value	
	01/01/2021	Additions	Disposals	06/30/2021	**06/30/2021**	12/31/2020
	0.00	0.00	0.00	0.00	1,260,104.60	1,092,749.91
	100,161.98	25,517.04	0.00	125,679.02	88,242.54	109,692.08
	0.00	0.00	0.00	0.00	422,457.70	417,430.20
	100,161.98	**25,517.04**	**0.00**	**125,679.02**	**1,770,804.84**	**1,619,872.19**
	1,153,628.45	0.00	0.00	1,153,628.45	7.00	7.00
	3,014,859.81	294,242.93	0.00	3,309,102.74	2,268,143.06	2,562,385.99
	513,177.46	22,961.03	0.00	536,138.49	158,685.89	173,844.00
	0.00	0.00	0.00	0.00	872,998.71	870,978.77
	4,681,665.72	**317,203.96**	**0.00**	**4,998,869.68**	**3,299,834.66**	**3,607,215.76**
	3,010,686.36	559,200.00	0.00	3,569,886.36	56,568,104.60	56,568,104.60
	2,453,107.83	0.00	0.00	2,453,107.83	0.00	0.00
	5,463,794.19	**559,200.00**	**0.00**	**6,022,994.19**	**56,568,104.60**	**56,568,104.60**
	10,245,621.89	**901,921.00**	**0.00**	**11,147,542.89**	**61,638,744.10**	**61,795,192.55**

Notes to the Interim Financial Statements for the Period of January 1 to June 30, 2021

Basis of presentation

MagForce AG has its place of business at Max-Planck-Strasse 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, 2021, to June 30, 2021, 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 statement of income.

The Company took advantage of some of the disclosure options for small corporations according to section 274a and 288 HGB.

Designation of the balance sheet items has been modified corresponding with the needs of the Company according to section 265(6) HGB.

Accounting policies

The following accounting policies were applied in the preparation of the interim financial statements.

Fixed assets

Internally generated intangible fixed assets were capitalized at the cost incurred in their development. Significant third-party services are recorded directly in the balance sheet and not shown under other own work capitalized (net method). There is no amortization because these are still in development.

Purchased intangible fixed assets are recognized at acquisition cost and amortized over their useful lives.

Property, plant, and equipment are valued at acquisition cost less scheduled depreciation. Depreciation is amortized on a pro-rata temporis basis using the straight-line method and the expected useful life.

Low-value assets with acquisition cost of up to EUR 800 are written off in full in the year of acquisition.

Long-term financial assets are carried at acquisition cost or the lower fair value.

Current assets

Inventories are valued at acquisition cost, considering the lower of cost or market principle. Use was made of the option pursuant to section 268(5) sentence 2 HGB to openly deduct advance payments received on orders from inventories.

Receivables and other current assets are recognized at their nominal value or the lower fair market value. Specific valuation allowances have been recognized for receivables for which it is unlikely that all contractually agreed payments can be collected at maturity.

Cash and cash equivalents are reported in the financial statements at the nominal value.

Prepaid expenses and deferred income

Prepaid expenses include payments made before the balance sheet date that represent expenses for certain periods after the balance sheet date. In addition, discounts on issued notes were capitalized and amortized over the term of the underlying notes.

Deferred income includes payments received before the balance sheet date that represent income for certain periods after the balance sheet date.

Special items

A special item was recognized for investment grants and subsidies that will be recognized in other operating income and depreciated over the remaining useful life of the underlying assets.

Provisions

Other provisions reflect all risks and uncertain obligations that were identifiable by the reporting date based on prudent business judgment. They are recognized in the amount necessary to settle the obligations.

Liabilities

Liabilities are recognized at their settlement amounts.

Currency translation differences

Assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date. For a residual term of more than one year, the realization principle (section 252(1) No. 4 half-sentence 2 HGB) and the acquisition cost principle (section 253(1) sentence 1 HGB) were observed.

Balance sheet disclosures

Fixed assets

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

Disclosures on shareholdings

The Company owns all shares of MT MedTech Engineering GmbH, Berlin. As of June 30, 2021, the reported negative equity of the subsidiary amounted to EUR 6,399 thousand (12/31/2020: EUR 6,321 thousand). Net loss for the reporting period from January 1 to June 30, 2021, amounted to EUR 638 thousand (12/31/2020: EUR 994 thousand).

In the first half of the year, an amount of EUR 559 thousand (12/31/2020: EUR 1,048 thousand) was paid into the free capital reserve in accordance with section 272(2) No. 4 HGB. 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 the principle of conservatism. Should MT MedTech Engineer-

ing GmbH generate sustainable gains in the future, the carrying amount will be written back to its historic cost.

The Company holds 65.3 percent of the shares directly and indirectly in MagForce USA, Inc., Incline Village, United States of America. As of June 30, 2021, the reported equity of the subsidiary amounted to USD 20,141 thousand (12/31/2020: USD 23,352 thousand). Net loss for the reporting period from January 1 to June 30, 2021, amounted to USD 3,212 thousand (12/31/2020: USD 5,325 thousand).

Furthermore, the Company holds 100 percent of the shares in MagForce USA Holding GmbH, based in Berlin. The company's equity amounted to EUR 46,589 thousand as of June 30, 2021 (12/31/2020: EUR 46,593 thousand). The net loss for the reporting period from January 1 to June 30, 2021, amounted to EUR 4 thousand (12/31/2020: EUR 14 thousand).

MagForce AG holds 100 percent of the shares in MagForce sp. z o. o. based in Warsaw. The company's negative equity as of June 30, 2021, amounted to PLN 189 thousand (12/31/2020: PLN 151 thousand). The net loss for the reporting period from January 1 to June 30, 2021, amounted to PLN 38 thousand (12/31/2020: PLN 73 thousand).

At MagForce Nanomedicine S.L. based in Madrid, MagForce AG holds 100 percent. The subsidiary was founded with a subscribed capital of EUR 5 thousand and has not yet commenced operations.

Inventories

Work in progress amounting to EUR 294 thousand (12/31/2020: EUR 294 thousand) relates to capitalized costs for the further development of the ambulatory NanoActivator for the focal treatment of prostate cancer which will be invoiced upon finalization of serial production.

The balance sheet item goods for resale in the amount of EUR 240 thousand includes stocks of catheters and NanoTherm (12/31/2020: EUR 42 thousand).

Receivables and other assets

Receivables and other assets in the amount of EUR 24 thousand (12/31/2020: EUR 24 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include EUR 11 thousand (12/31/2020: EUR 214 thousand) in trade receivables and EUR 344 thousand (12/31/2020: EUR 481 thousand) in other assets.

Other assets mainly include receivables from value added tax in the amount of EUR 72 thousand (12/31/2020: EUR 147 thousand). In addition, other assets include rental deposits of EUR 24 thousand (12/31/2020: EUR 24 thousand) with an indefinite remaining term.

Subscribed capital

As of January 1, 2021, the Company's subscribed capital amounted to EUR 29,358,088.00 and was divided into 29,358,088 no-par value bearer shares (ordinary shares) with a proportionate amount in the share capital of EUR 1.00 per share.

During the first half of the year share capital was increased by 76,961 new no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 through the exercise of conversion rights from the Contingent Capital 2018/I. Furthermore, through the exercise of conversion rights from the Contingent Capital 2020/I, the share capital was increased by 27,419 new no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 per share during the first half of the year.

As of June 30, 2021, the Company's subscribed capital amounted to EUR 29,462,468.00 and was divided into 29,462,468 no-par value bearer shares (ordinary shares) with a proportionate amount of the share capital of EUR 1.00 per share.

Contingent Capital 2007/I

Contingent Capital 2007/I serves to settle rights to subscribe for shares under stock options that are issued under the 2007 Stock Option Plan based on the authorization by the Annual General Meeting on June 29, 2007. The contingent capital increase will only be implemented to the extent that rights to subscribe for shares under stock options are exercised, and the Company does not settle the rights to subscribe for shares by way of a cash settlement or by granting treasury shares.

No expenses are recognized for the 2007 Stock Option Plan in accordance with the view expressed in part of the literature. The Stock Option Plan is designed for members of the Management Board and for selected employees who are designated by the Management Board with the approval of the Supervisory Board. One option entitles the holder to acquire one share following payment of the contractually agreed strike price. The Company reserves the right to settle the value of the stock options in cash.

As of January 1, 2021, the share capital was contingently increased by up to EUR 31,550.00 through the issue of up to 31,550 new no-par value bearer shares (Contingent Capital 2007/I).

As of January 1, 2021, 10,247 options had been issued from Contingent Capital 2007/I. These expired completely in the first half of 2021.

The Contingent Capital 2007/I is therefore canceled as of June 30, 2021.

Contingent Capital 2012/II

Contingent Capital 2012/II exclusively serves to secure subscription rights for shares that were issued as part of the 2012 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 15, 2017. The contingent capital increase will only be implemented to the extent that subscription rights are issued, and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

As of January 1, 2021, the share capital was contingently increased by up to EUR 107,500.00 through the issue of up to 107,500 new no-par value bearer shares (Contingent Capital 2012/II). There were no changes as of June 30, 2021.

As of January 1, 2021, 107,500 options from Contingent Capital 2012/II had been issued. There were no changes as of June 30, 2021.

Contingent Capital 2013/II

The Annual General Meeting on August 6, 2013, authorized the Management Board, with the consent of the Supervisory Board, to issue bearer and/or registered bonds or notes with warrants and/or convertible bonds or notes with a total nominal value of up to EUR 100,000,000.00 and with a maximum maturity of 20 years on one or more occasions in the period up to August 5, 2018, and to grant options to the holders of bonds with warrants and conversion rights to the holders of convertible bonds for up to a total of 9,569,084 no-par value bearer shares of the Company with an aggregate notional interest in the share capital of up to EUR 9,569,084.00, as specified in greater detail by the terms and conditions of the bonds or notes with warrants or convertible bonds or notes.

By resolution of the Annual General Meeting on August 9, 2018, the Contingent Capital 2013/II in the amount of EUR 8,569,084.00 was partially cancelled and remained unchanged at EUR 1,000,000.00 as of June 30, 2021.

Contingent Capital 2013/III

Contingent Capital 2013/III exclusively serves to secure subscription rights for shares that were issued as part of the 2013 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 5, 2018. The contingent capital increase will only be implemented to the extent that subscription rights are issued, and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

As of January 1, 2021, the share capital was contingently increased by up to EUR 1,712,192.00 through the issue of up to 1,712,192 new no-par value bearer shares (Contingent Capital 2013/III). There were no changes as of June 30, 2021.

As of January 1, 2021, 1,697,192 options from Contingent Capital 2013/III had been issued. There were no changes as of June 30, 2021.

Contingent Capital 2015/I

Contingent Capital 2015/I exclusively serves to secure subscription rights for shares that were issued as part of the 2015 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 17, 2020. The contingent capital

increase will only be implemented to the extent that subscription rights are issued, and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

As of January 1, 2021, the share capital was contingently increased by up to EUR 50,000.00 through the issue of up to 50,000 new no-par value bearer shares (Contingent Capital 2015/I). There were no changes as of June 30, 2021.

As of January 1, 2021, 50,000 options from Contingent Capital 2015/I had been issued. There were no changes as of June 30, 2021.

Contingent Capital 2017/I

Contingent Capital 2017/I exclusively serves to secure subscription rights for shares that were issued as part of the 2017 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 9, 2022. The contingent capital increase will only be implemented to the extent that subscription rights are issued, and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

As of January 1, 2021, the share capital was contingently increased by up to EUR 547,495.00 through the issue of up to 547,495 new no-par value bearer shares (Contingent Capital 2017/I). There were no changes as of June 30, 2021.

As of January 1, 2021, 77,500 options from Contingent Capital 2017/I had been issued. There were no changes as of June 30, 2021.

Contingent Capital 2018/I

The Annual General Meeting on August 9, 2018, authorized the Management Board, with the consent of the Supervisory Board, to issue bearer and/or registered bonds or notes with warrants and/or convertible bonds or notes with a total nominal value of up to EUR 100,000,000.00 and with a maximum maturity of 20 years on one or more occasions in the period up to August 8, 2023, and to grant options to the holders of bonds with warrants and conversion rights to the holders of convertible bonds for up to a total of 9,537,269 no-par value bearer shares of the Company with an aggregate notional interest in the share capital of up to EUR 9,537,269.00, as specified

in greater detail by the terms and conditions of the bonds or notes with warrants or convertible bonds or notes.

As of January 1, 2021, Contingent Capital 2018/I amounted to EUR 745,066.00. As of June 30, 2021, the Contingent Capital 2018/I was reduced in the context of the issue of 76,961 subscription shares in the amount of EUR 76,961.00 and amounts to EUR 668,105.00.

Contingent Capital 2020/I

The Annual General Meeting on August 13, 2020, authorized the Management Board, with the consent of the Supervisory Board, to issue bearer and/or registered bonds or notes with warrants and/or convertible bonds or notes with a total nominal value of up to EUR 50,000,000.00 and with a maximum maturity of 20 years on one or more occasions in the period up to August 12, 2025, and to grant options to the holders of bonds with warrants and conversion rights to the holders of convertible bonds for up to a total of 6,559,833 no-par value bearer shares of the Company with an aggregate notional interest in the share capital of up to EUR 6,559,833.00, as specified in greater detail by the terms and conditions of the bonds or notes with warrants or convertible bonds or notes.

As of January 1, 2021, Contingent Capital 2020/I amounted to EUR 6,559,833.00. As of June 30, 2021, the Contingent Capital 2020/I was reduced in the context of the issue of 27,419 subscription shares in the amount of EUR 27,419.00 and amounts to EUR 6,532,414.00.

Authorized Capital 2020/I

The Annual General Meeting on August 13, 2020, authorized the Management Board to increase the Company's share capital, with the consent of the Supervisory Board, once or in multiple partial instalments in the period up to August 12, 2025, by up to a total of EUR 13,852,612.00 against cash and/or noncash contributions by issuing up to 13,852,612 no-par value bearer shares (Authorized Capital 2020/I). The subscription right of shareholders is excluded in certain cases.

As of January 1, 2021, Authorized Capital 2020/I amounted to EUR 12,687,612.00. There were no changes as of June 30, 2021.

Capital reserves

Compared to December 31, 2020, the capital reserves increased by EUR 296 thousand in the first half of 2021 due to the exercise of conversion rights from the Contingent Capital 2018/I and 2020/I.

Net accumulated losses

The net accumulated losses contain accumulated losses brought forward of EUR 46,048 thousand. Net accumulated losses developed as follows:

in EUR thousand	
Net accumulated losses as of December 31, 2020	46,048
Net loss for the period January 1 to June 30, 2021	5,054
Net accumulated losses as of June 30, 2021	**51,102**

Special item for investment subsidies for fixed assets

The investment grants were made in accordance with the Investitionszulagengesetz (German Investment Grants Act). In the period from January 1 to June 30, 2021, an amount of EUR 2 thousand (12/31/2020: EUR 4 thousand) was reversed to the income statement from the special reserve for investment grants and subsidies.

Provisions

Other provisions as of June 30, 2021, compared to December 31, 2020, consisted of the following:

in EUR thousand	06/30/2021	12/31/2020
Personnel-related	476	265
Outstanding supplier invoices	312	302
Supervisory Board remuneration	127	94
Audit costs	53	42
Other	1,421	1,848
Total	**2,389**	**2,551**

Other include provisions for dismantling commitments amounting to EUR 103 thousand (12/31/2020: EUR 103 thousand), for the annual report amounting to EUR 40 thousand (12/31/2020: EUR 22 thousand), and for the annual general meeting amounting to EUR 54 thousand (12/31/2020: EUR 38 thousand). Furthermore, share price linked debt components amounting to EUR 1,217 thousand (12/31/2020: EUR 1,678 thousand) are included.

Liabilities

Convertible notes in the amount of EUR 1,875 thousand have a remaining term of more than one year. Convertible notes in the amount of EUR 2,200 thousand relate to zero-coupon convertible bonds.

Liabilities to financial institutions in the amount of EUR 16,244 thousand (12/31/2020: EUR 15,726 thousand) result from the disbursement of two tranches from the European Investment Bank (EIB) loan as well as from accrued interest. The remaining term of the loan is more than one year. In connection with the financing agreement, certain rights to NanoTherm Therapy were secured by the EIB.

As in the previous year, trade accounts payable amounting to EUR 371 thousand (12/31/2020: EUR 302 thousand) are due within one year.

Liabilities to affiliated companies include EUR 15 thousand (12/31/2020: EUR 214 thousand) of trade payables and EUR 2,753 thousand (12/31/2020: EUR 2,616 thousand) of other liabilities.

Other liabilities mainly include liabilities from wages and salaries in the amount of EUR 749 thousand (12/31/2020: EUR 583 thousand) and from wage and church taxes in the amount of EUR 55 thousand (12/31/2020: EUR 472 thousand) as well as liabilities for interest on convertible notes in the amount of EUR 277 thousand (12/31/2020: EUR 164 thousand) and social security liabilities in the amount of EUR 4 thousand (12/31/2020: EUR 63 thousand).

Unless otherwise stated, all liabilities have a remaining term of up to one year. This results in total liabilities with a remaining term of up to one year of EUR 12,827 thousand (12/31/2020: EUR 11,608 thousand) and over one year of EUR 18,119 thousand (12/31/2020: EUR 15,726 thousand).

Income statement disclosures

Revenues

The Company generated revenues of EUR 191 thousand in the reporting period (previous year: EUR 384 thousand).

Revenues result from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 112 thousand (previous year: EUR 326 thousand) and from NanoTherm and catheter deliveries for the USA study in the amount of EUR 79 thousand (previous year: EUR 58 thousand).

Other own work capitalized

Other own work capitalized relates to capitalized expenses for the preparation of product files for MagForce AG's medical products in accordance with the requirements of the new Medical Device Regulation (MDR).

Other operating income

Other operating income mainly consists of the reversal of provisions in the amount of EUR 487 thousand (previous year: EUR 49 thousand) and recharges of management services and other administrative services to subsidiaries in the amount of EUR 213 thousand (previous year: EUR 206 thousand).

Cost of materials

Cost of materials comprises expenses for raw materials and supplies, and for purchased goods in the amount of EUR 215 thousand (previous year: EUR 57 thousand), and expenses for purchased services in the amount of EUR 253 thousand (previous year: EUR 229 thousand). Compared to the previous year, cost of materials increased by EUR 182 thousand.

Personnel expenses

Personnel expenses in the amount of EUR 2,029 thousand (previous year: EUR 2,097 thousand) consist of expenses for wages and salaries in the amount of EUR 1,817 thousand (previous year: EUR 1,906 thousand) as well as expenses for social security and retirement benefits in the amount of EUR 212 thousand (previous year: EUR 191 thousand).

Personnel expenses of EUR 148 thousand (previous year: EUR 153 thousand) from the performance of management services were recharged to the subsidiaries.

Expenses for retirement benefit plans amounted to EUR 15 thousand (previous year: EUR 21 thousand) resulting from a defined contributions pension scheme.

Other operating expenses

Other operating expenses of EUR 1,394 thousand (previous year: EUR 1,667 thousand) mainly include expenses for legal, auditing and consulting costs of EUR 196 thousand (previous year: EUR 195 thousand), expenses for investor relations of EUR 152 thousand (previous year: EUR 149 thousand), IT and maintenance costs of EUR 120 thousand (previous year: EUR 120 thousand), an impairment loss of EUR 107 thousand (previous year: EUR 107 thousand) on interest receivables from the subsidiary MT MedTech Engineering GmbH, premises costs of EUR 99 thousand (previous year: EUR 89 thousand), financing costs of EUR 98 thousand (previous year: EUR 320 thousand), expenses from exchange rate differences in the amount of EUR 91 thousand (previous year: EUR 28 thousand), expenses for commercialization and marketing of EUR 82 thousand (previous year: EUR 97 thousand), patent costs of EUR 71 thousand (previous year: EUR 80 thousand) as well as travel expenses of EUR 55 thousand (previous year: EUR 86 thousand).

Other interest and similar income

Other interest and similar income include interest income from affiliated companies in the amount of EUR 107 thousand (previous year: EUR 107 thousand).

Amortization of financial assets

The amortization of financial assets relates to the write-down of the capital contributions made for financial support of the subsidiary MT MedTech Engineering GmbH.

Interest and similar expenses

Interest and similar expenses were attributable to loans in the amount of EUR 825 thousand and convertible bonds in the amount of EUR 624 thousand. Interest due to affiliated companies amounted to EUR 62 thousand.

Supplemental disclosures

Other financial obligations

Other financial obligations totaling EUR 191 thousand (12/31/2020: EUR 273 thousand) result from rental contracts for premises, leasing of cars and office equipment as well as purchase commitments.

Contingent liabilities

MagForce AG is jointly and severally liable for lease liabilities of its affiliated company MagForce USA Inc. in the amount of EUR 1,520 thousand.

Employees

The average number of employees in the Company (excluding Management Board members) is 32 (12/31/2020: 28).

Shareholder structure

Irrespective of the total number of shares held by them, all shareholders have the same voting rights per share in accordance with the Articles of Association of MagForce AG.

Furthermore, MagForce AG is not aware of which direct or indirect participations or controlling interests exist in it, or who holds these investments or exercises such control and what type of control it is.

Preparation of consolidated financial statements

MagForce AG is not required to prepare consolidated financial statements for the period ending on June 30, 2021.

Governing bodies of the Company

Management Board

Name / Position	Member since	Appointed until	Function
Dr. Ben J. Lipps Chemical Engineer	09/01/2013	08/31/2022	Chief Executive Officer
Christian von Volkmann MBA	10/01/2012	09/30/2022	Chief Financial Officer

Supervisory Board

- **Norbert Neef** (Chairman), lawyer, chairman of the supervisory board of Singularity Capital AG, Frankfurt am Main; supervisory board of Gyant.com, Inc., San Francisco.
- **Klemens Hallmann** (Deputy Chairman), entrepreneur, supervisory board mandates:
  - JDC Group AG, Wiesbaden,
  - C-Quadrat Investment AG, Vienna,
  - SÜBA Liegenschaftsbeteiligungs GmbH, Vienna,
  - Film House Germany AG, Berlin.
- **Aaron Weaver,** Investor Relations Manager, supervisory board of Bionomics Ltd., Adelaide, Australia

Berlin, October 8, 2021

The Management Board

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

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