FORGING NEW PATHS IN CANCER TREATMENT
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In January 2019, MagForce AG successfully introduced its “NanoTherm Therapy School” series, a practice-oriented, unique, multifaceted application training for the use of NanoTherm Therapy in treating brain tumors. It was developed in close partnership with leading experts Prof. Dr. Walter Stummer, PD Dr. Dr. Oliver Grauer, University Hospital Münster, and PD Dr. Johannes Wölfer, Hufeland Klinikum GmbH Mühlhausen. Targeted towards medical professionals working in the field of neuro-oncology, the training series aims at certifying surgeons in the use of the Company’s innovative NanoTherm technology.

In March 2019, MagForce announced that the installation of their mobile NanoTherm treatment center at the Independent Public Clinical Hospital No. 4 in Lublin had been completed.
April 2019
Inauguration Ceremony Marks Official Opening of a New NanoTherm Treatment Center at Independent Public Clinical Hospital No. 4 in Lublin, Poland

In the presence of invited guests ranging from government officials, scientific researchers, patient organizations, and members of the press, the new NanoTherm treatment center was officially inaugurated on April 3, 2019.

June 2019
MagForce AG Successfully Resolves and Completes Capital Increase from Authorized Capital under Exclusion of Statutory Subscription Rights

In June, the Management Board of MagForce AG successfully completed an increase by issuing 1,176,472 new no-par value bearer shares at a price of EUR 4.25.

Gross proceeds of the capital increase accruing to the Company amounted to EUR 5 million.

The additional capital will be mainly used to accelerate the on-going international expansion of MagForce, in particular in Europe.

June 2019
MagForce AG and the Paracelsus Clinic Zwickau Announce Cooperation Agreement and the Opening of a New NanoTherm Treatment Center

On the 20th anniversary of World Brain Tumor Day, MagForce and the Paracelsus Clinic Zwickau announced that they have entered into a cooperation agreement and plan to open a new NanoTherm treatment center for brain tumors in another geographically important location.
August 2019

MagForce USA, Inc. Completes Enrollment and Treatment for Stage 1 and Prepares for Next Stage of its Pivotal, Single-Arm Study for the Focal Ablation of Intermediate Risk Prostate Cancer with NanoTherm Therapy

In August, MagForce AG’s US subsidiary MagForce USA, Inc. successfully completed the first stage of its pivotal clinical US study for the focal ablation of intermediate risk prostate cancer. MagForce defined the clinical procedure and standardized the NanoTherm particles instillation process. Initial findings from the first patients have shown that with the changes to the NanoActivator and the defined instillation procedure, MagForce has observed only minimal side effects that have significantly improved over the studies in Germany more than a decade ago and very similar to those associated with a routine biopsy.
September 2019

MagForce AG Hosts Lunch Symposium on Local Therapies in Malignant Gliomas during the 19th European Congress of Neurosurgery (EANS2019)

On September 25, 2019, MagForce hosted a scientific lunch symposium titled “Local Therapies in Malignant Gliomas – update and new perspectives” during the 19th European Congress of Neurosurgery in Dublin, Ireland.

Chaired by Prof. Dr. Walter Stummer, Director of the Department of Neurosurgery at the University Hospital of Münster (UKM), Germany, the one-hour lunch symposium featured two keynote speeches:

After an introduction and overview on the current status of glioma treatments by Prof. Dr. Stummer, Ricardo Díez Valle, MD PHD, Head of the Department of Neurosurgery, Hospital Group Quirón Madrid, Spain, gave an update on local neurosurgical therapies. The symposium was rounded off with a talk from Prof. Dr. Stummer on “An Emerging Adjunct: NanoTherm® – NanoPaste Application”.

HIGHLIGHTS 2019
Dear MagForce Shareholders,

We are now well into the year 2019 and I am happy to report that at MagForce we are steadfast in our strategy and encouraged in our efforts to provide a transformative new treatment option in the field of oncology. Our NanoTherm therapy system, based on innovative nanotechnology, has proven to effectively destroy cancerous cells and precisely target only the tumor, helping to minimize damage to surrounding healthy tissue. On this basis, we remain committed to our two-pronged strategy in the US and Europe to offer patients worldwide an additional innovative cancer therapy.

Driving forward our European roll-out strategy with two additional hospitals offering MagForce’s NanoTherm therapy system for the treatment of brain tumors

Throughout the European Union our NanoTherm therapy system is approved for the treatment of brain tumors and is available to patients at clinics equipped with our patented therapy system. Since we treat an extremely aggressive form of solid tumors, fast access to therapy is of the highest priority. In order to tackle this challenge and provide broad access to this therapeutic option, our market development team continues to focus on identifying and building relationships with potential partner hospitals throughout Europe.

In April of 2019, we were pleased to report that the first hospital outside of Germany, the Independent Public Clinical Hospital No. 4 (SPKS4) in Lublin, Poland, opened its NanoTherm treatment center and is now offering our innovative therapy as an additional treatment option for brain tumor patients from Poland and surrounding countries. The SPSK4 team, led by Prof. Dr. hab. n. med. Tomasz Trojanowski and Prof. Dr. hab. n. med. Radoslaw Rola, have initiated patient treatments for a small Investigator Initiated Trial (IIT) to apply to the Agency for Health Technology Assessment and Tariff System for patient reimbursement of NanoTherm therapy as a supplementary treatment. In addition, private pay treatments with NanoTherm therapy financed by crowd or personal funding are now available.
In June, we announced that MagForce entered into a cooperation agreement with a further German hospital, the Paracelsus Clinic in Zwickau, where a mobile treatment center has been installed. In the meantime, construction has been completed and, subject to a standard final approval of the competent authority in Germany, the NanoActivator is ready-for-use in the clinic with its renowned neurosurgical team around Prof. Dr. med. habil. Jan-Peter Warnke.

These new cooperations in Germany and Poland cover geographically important regions, and therefore represent another crucial step in our European roll-out strategy. Additionally, we continue to see great interest in MagForce’s therapy from further European countries. In Spain, negotiations with a potential new clinical partner are in an advanced stage, and we are confident we will be able to update the market once a cooperation agreement has been successfully concluded. Also, in Italy we continue to pursue early stage discussions with specialist clinics.

While a broad geographic coverage to provide greater availability of our therapy is at the center of our roll-out strategy, we are also constantly working on further optimizing our therapy and educating medical professionals in its use to provide patients with the best care possible. To this day, 5-years survival rates for patients treated with standard of care have not significantly improved over the last decades and remain very poor at 5 percent. Currently, the best that can be offered applying conventional treatment methods is a modest 14-months overall median survival in patients undergoing maximum safe resection plus adjuvant chemoradiotherapy. Longer survival times are furthermore often limited by a decreased quality of life and to highly selected patient sub-groups with certain favorable prognostic factors. Local tumor ablative treatment modalities, such as NanoTherm therapy, have therefore received increasing interest, as NanoTherm therapy has demonstrated to increase overall median survival to 23.2 months.
In their quest to improve patient care, the neurosurgeons applying NanoTherm therapy for the treatment of brain tumors continue to find additional strategies to improve efficacy. Prof. Dr. Stummer and his team at the University Hospital of Münster (UKM) for example, who have been treating brain tumor patients with MagForce’s NanoTherm therapy since early 2015, introduced a new nanoparticles application technique called ‘NanoPaste’ in the clinic in 2016. The method itself and variations thereof are protected by MagForce’s international patent applications. In previous clinical research, the UKM team demonstrated that a better applicability of heat-focusing nanoparticles around the resection wall after surgical removal of a brain tumor could boost the thermotherapy treatment outcome. In a recent study published in January of 2019 in the Journal of Neuro-Oncology, the team was able to extend the previous findings demonstrating that NanoTherm therapy combined with radiotherapy may result in potent antitumor immune responses leading to long-term stabilization of recurrent GBM patients. The team now plans to further investigate their findings in a prospective study.

We also remain committed to providing the highest quality of treatment through ongoing support for physicians. Therefore, we were excited to announce our newly launched ‘NanoTherm Therapy School’ in January. ‘NanoTherm Therapy School’ offers a comprehensive application training series, developed in close collaboration with leading experts in the application of MagForce’s therapy and consists of three consecutive modules to certify surgeons in the use of its innovative NanoTherm technology: Module A – The Basics; Module B – Advanced Course – Stereotactic Instillation; and Module C – Interaction with New Neurosurgical Techniques. The first session, Module A, took place at the end of January 2019, and was met with great excitement from participants. Building on this success, Module B will be held in Berlin on November 14 and 15. On our website, you will find the program and registration details for the next module in November.
Pivotal US study for a unique focal prostate cancer treatment option completed Stage 1; preparations for next study stage initiated

Prostate cancer, though one of the most frequently diagnosed forms of cancer in the US, fortunately is treatable, if detected early. Still, there remains an important unmet need for patients who have progressed to the medium-risk stage and for whom the benefits of treatment with current methods come with a significant risk of related side effects. NanoTherm therapy has the potential to significantly change the way prostate cancer is treated, as it allows for a less invasive, less aggressive treatment modality that could cure the cancer or, at a minimum, reduce a patient’s chances of needing a more aggressive treatment in the future.

We are therefore very pleased that our ongoing US pivotal clinical study in the indication of prostate cancer continues to progress well and that we were able to announce the completion of enrollment, treatment, and the analysis of the results of this first stage. During Stage 1, MagForce USA has worked diligently with study investigators, medical technicians and patients to not only successfully develop a standardized clinical procedure but also demonstrated a favorable safety and tolerability profile.

In summary, Stage 1 of the study has shown the following important successes: Firstly, validation of standardized clinical procedure; secondly, initial findings in this cohort show only minimal treatment-related side effects, which were tolerable and similar to those commonly associated with biopsies; and thirdly, the ablation analysis showed very well defined ablation and cell death in the region of the nanoparticle deposit as we observed with the previous pre-clinical results.

The Stage 1 ablation results also confirm the observations of Knavel and Brace in 2013 that “from 42°C to 46°C irreversible damage occurs and after 10 minutes significant necrosis occurs. From 46°C to 52°C the time to cell death decreases owing to a
combination of microvascular thrombosis, ischemia, and hypoxia”. By heating from the inside out, as we do with focal ablation using the NanoTherm therapy system, minimization of side effects can be achieved. With the encouraging results from Stage 1, we are optimistic that we will also be able to successfully manage the treatments in the next stage of the clinical trial. With the high interest in enrollment we have received from prostate cancer patients and their attending physicians, we are confident that we will be able to successfully enroll the required number of prostate cancer patients for the last stage of the study.

**Continued shareholder support**

I continue to be gratified by the strong commitment shown by MagForce’s existing investors. In June, we successfully completed a capital increase of the registered share capital of MagForce by issuing 1,176,472 new no-par value bearer shares at a price of EUR 4.25 per share generating gross proceeds of EUR 5 million. In this private placement M&G International Investments Ltd., London, subscribed 705,883 of the new shares. As the CEO of MagForce, I made the decision to also participate in the financing round and purchased 470,589 of the new shares as a statement of my sustained confidence in our two-pronged strategy to provide our innovative NanoTherm technology for the benefit cancer patients.

The additional capital will primarily be used to accelerate the on-going international expansion of MagForce, in particular in Europe. Based on the highly satisfying treatment results, MagForce expects the European roll-out, combined with reimbursement approval in relevant countries, will significantly speed up revenue generation and profitability of the European business.
Well positioned for the future

During the first half of 2019, we have continued to pass several major milestones and have made significant progress both in the EU with our roll-out strategy and the US with the completion of the first stage in our pivotal clinical US study for the focal ablation of intermediate risk prostate cancer.

I am steadfast in my belief that by pursuing a strategy of expansion with sustainable partnerships in Europe and providing NanoTherm therapy in the US to patients suffering from prostate cancer, MagForce is well positioned for the future. I would like to express my thanks to our employees for their tireless efforts and achievements and to you, our shareholders, for placing your trust in us.

Sincerely,

Dr. Ben Lipps
Chief Executive Officer &
Chairman of the Management Board
Investor Relations

MagForce’s Share

The MagForce share (MF6.DE) started the new year with a price of EUR 5.29 and closed at EUR 5.25 on June 28, 2019. Until October 29, 2019 the price fell to EUR 4.83 and thus lost 8% since the end of the reporting period. During the first half of 2019, the share price reached a high of EUR 6.24 and a low of EUR 3.93. The average daily trading volume of the MagForce share on XETRA was 15,119 shares in the first half of 2019.

MagForce Share Price Development

Share price (in percent; May 2013 until October 2019)
**Key Facts MagForce Share**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Number of shares issued at the beginning of the period</td>
<td>26,463,802</td>
</tr>
<tr>
<td>Number of shares issued at the end of the period</td>
<td>27,640,274</td>
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<tr>
<td>Free float</td>
<td>70%</td>
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<tr>
<td>6-months high (XETRA) in EUR</td>
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<tr>
<td>6-months low (XETRA) in EUR</td>
<td>3.93</td>
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<td>Share price on January 2, 2019 (XETRA) in EUR</td>
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<tr>
<td>Share price on June 28, 2019 (XETRA) in EUR</td>
<td>5.25</td>
</tr>
<tr>
<td>Share price on October 29, 2019 (XETRA) in EUR</td>
<td>4.83</td>
</tr>
<tr>
<td>Market capitalization on January 2, 2019 (EUR millions)</td>
<td>140.0</td>
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<tr>
<td>Market capitalization on October 29, 2019 (EUR millions)</td>
<td>133.5</td>
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<tr>
<td>Average daily trading volume during the reporting period (XETRA)</td>
<td>15,119</td>
</tr>
</tbody>
</table>

**Scale 30 Index – Listing Increases MagForce’s Visibility**

The MagForce AG share has been listed on Deutsche Börse’s Scale 30 index since its introduction in March 2017. The Scale stock market segment has replaced the Entry Standard for shares and corporate bonds, in which MagForce shares were previously listed. The 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 Exchanges is decisive for inclusion in the index.

**Research-Coverage**

<table>
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<th>Institute</th>
<th>Latest Update</th>
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<td>Berenberg</td>
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<td>Edison Investment Research</td>
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<td>GBC Investment Research</td>
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<td>Hauck &amp; Aufhauser</td>
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<tr>
<td>MAINFIRST</td>
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Directors Dealings: CEO Ben Lipps Further Increases his Holdings

In the first half of 2019, the CEO of MagForce AG, Ben J. Lipps, increased his stake in the company by acquiring a total of 476,685 additional shares with a total volume of EUR 2,028,153, thus once again expressing his confidence in the company and its future growth.

MagForce AG Successfully Resolves and Completes Capital Increase from Authorized Capital under Exclusion of Statutory Subscription Rights

In June 2019 MagForce AG has resolved and completed, on basis of the authorization provided for in the Company’s articles of association, an increase of the registered share capital of the Company from EUR 26,463,802.00 to EUR 27,640,274.00 by issuing 1,176,472 new no-par value bearer shares under exclusion of the shareholders’ statutory subscription rights.

The new shares with dividend entitlement starting from January 1, 2018 were placed in a private placement as follows: 705,883 of the new shares with M&G International Investments Ltd., London, and 470,589 of the new shares with MagForce AG’s CEO, Dr. Ben Lipps, each at EUR 4.25 per new share. The gross proceeds of the capital increase accruing to the Company amount to EUR 5 million. The additional capital will be mainly used to accelerate the on-going international expansion of MagForce, in particular in Europe.

Transparent Communication for a Fair Valuation

The Company continues to work on increasing awareness of its own shares and the equity story among capital market participants. Great importance is attached to regular communication with shareholders. The aim is to communicate the strategic orientation and development of the company reliably and transparently, thereby strengthening investors' confidence in MagForce and achieving a fair valuation of the share.

Outside of the Annual General Meeting, management presented at various renowned investor conferences in Europe. During those events and in the course of international road shows MagForce held numerous one-on-one meetings with existing and potential new international shareholders.
In the first half of 2019, MagForce presented at: Goldman Sachs European Small & Mid-Cap Symposium, London, UK; German Spring Conference 2019, and MAINFIRST SMID Cap Conference, both in Frankfurt, Germany.

Shareholders have been informed about current developments via regular press releases, the letters to shareholders, and several research coverage updates on MagForce were published.
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. This innovative therapy is available to patients at the NanoTherm therapy centers in Germany and Lublin, Poland. Additional therapy centers are planned in Europe.

MagForce AG is the parent company of the MagForce group consisting of a total of six companies.

The US subsidiary MagForce USA Inc., with its place of Business in Nevada, USA, is currently developing NanoTherm therapy for the focal treatment of prostate cancer as part of a pivotal clinical trial and will then start marketing in the USA, Canada and Mexico. MagForce Ventures GmbH, Berlin, owns the distribution and development rights in the indications of prostate cancer and brain tumors for the regions USA, Canada and Mexico and is a 100 percent subsidiary of MagForce USA, Inc. Together with the wholly owned subsidiary MagForce USA Holding GmbH, Berlin, which acts as a holding company, MagForce AG holds the majority of the shares in MagForce USA, Inc.

Our Polish subsidiary MagForce sp. z o.o. based in Warsaw serves as a sales unit to access the Polish market for NanoTherm therapy. MagForce AG holds 100 percent of the shares in MagForce sp. z o.o.

The production and development of the NanoActivator devices for the companies of the MagForce group is carried out by our wholly owned subsidiary MT MedTech Engineering GmbH based in Berlin.
Market and industry conditions

MagForce is active in the medical device sector and is currently focused on commercialization of its NanoTherm therapy for the treatment of brain tumors in Europe and the development of NanoTherm therapy for the treatment of prostate cancer in the USA. The global market volume for treatment of prostate cancer is expected to grow to USD 13.6 billion until the year 2021 and for Glioblastoma to USD 3.3 billion until the year 2024.

**Glioblastoma, prostate cancer and treatment**

**Glioblastoma**

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

Around 7,500 people are diagnosed with brain cancer in Germany each year with an increasing tendency; approximately 4,000 of them with glioblastoma, accounting for about 1.4% 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. According to estimates by the International Agency for Research on Cancer (IARC: GLOBOCAN 2018) 296,851 people worldwide suffer from brain tumors in 2018. For Europe the number is 64,639, for the United States 24,237 and for Germany 7,769.

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, 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 16-20 months only. The median five-year survival rate following combined radiation and temozolomide therapy is 5-10 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. Negotiations on the reimbursement of costs are currently being conducted in parallel with further broadening of the data situation.

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 25 percent the most common type of cancer affecting men. In Germany, around 60,000 new prostate cancer diagnoses are made each year. According to estimates by the International Agency for Research on Cancer (IARC: GLOBOCAN 2018) 1,276,106 men worldwide are newly diagnosed with prostate cancer in 2018. For Europe the number is 449,761, for the United States 212,783 and for Germany 62,641.

Focal prostate cancer therapies are aimed at destroying only the prostate cancer lesions, sparing the healthy tissue in order to avoid side-effects and to maintain the patient’s quality of life. Therapies affecting the whole prostate gland, for example radical prostatectomy and radiation therapy, are considered definitive 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 low-grade prostate tumors. Treatment does not start until a specified diagnostic biopsy value in the blood (e.g. PSA) 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 of the prostate is that most of the metastases develop from a dominant concentration of cancerous cells in the prostate gland. If it is possible to identify this cancer concentration of cells, they can be destroyed using focal therapies, and the number of metastasizing prostate cancer cases, and thus the morbidity rate, can be reduced while the patient’s quality of life is maintained. The development of a focal therapy for treatment of prostate cancer therefore offers tremendous potential.

MagForce AG is testing the technologies it has developed as a new, focal treatment method for intermediate prostate cancer as a part of a pivotal registration trial in the USA and plans to enter this market through its subsidiary MagForce USA, Inc.

**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 needed in order to achieve an effective treatment. The NanoTherm therapy developed by MagForce 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, MagForce AG resolved and successfully implemented a capital increase from Authorized Capital. By issuing 1,176,472 new no-par value bearer shares, the share capital was increased from EUR 26,463,802 to EUR 27,640,274. The financing measure has a total volume of EUR 5 million, of which the Company received EUR 1.8 million after the reporting date on July 2, 2019.
Commercialization

With the official opening of the NanoTherm treatment center in Poland on April 3, 2019, NanoTherm therapy will be offered for the first-time outside of Germany by the Independent Public Clinical Hospital No. 4 of the Medical University in Lublin. The Independent Public Clinical Hospital No. 4 is one of the most renowned treatment centers for brain tumors in Poland and the largest hospital in Lublin Province with teaching and research facilities for the Medical University of Lublin.

The high number of patient inquiries from Poland highlights the great importance of the Polish market for MagForce. The installation of the first NanoTherm treatment center outside Germany laid the foundation for market access in Poland. MagForce is also meeting with great interest in NanoTherm therapy in Italy and Spain and is in concrete negotiations with interested parties.

MagForce AG is not only working on identifying and establishing relationships with partner clinics in other European countries, but also on establishing further treatment centers in Germany. On June 7, 2019, the conclusion of a cooperation agreement with the Paracelsus Clinic Zwickau was announced. The opening of a NanoTherm treatment center for brain tumors in Zwickau is planned for this year.

The mobile solution for the placement of NanoActivator devices developed by MagForce plays an important role in the implementation of the European roll-out plan. With the mobile NanoTherm treatment centers it is possible to integrate the NanoActivator into the existing infrastructure of a clinic without lengthy and cost-intensive construction measures. The time and cost savings in installing mobile NanoTherm treatment centers is a great advantage given the aggressiveness of glioblastomas, which requires rapid treatment. Simplified on-site installation allows patients to be treated in their home countries and is a key success factor in terms of reimbursement. On the one hand, the costs of NanoTherm therapy vary from country to country and on the other hand, the share of costs borne by the health systems varies. Placing the NanoActivators in the patients’ home countries will make it easier to reimburse the costs and enable many patients to access NanoTherm therapy. MagForce continues to work with experts to improve both domestic and cross-border reimbursement.

The mobile solution for the installation of NanoActivators has already been used in Lublin, Poland, and will also be used for the treatment center in Zwickau.
US pivotal study

On August 27, 2019, MagForce announced that its US subsidiary MagForce USA, Inc., successfully completed the first stage of the pivotal single-arm study with NanoTherm therapy for focal tumor ablation of intermediate risk prostate cancer.

The first stage was used to define the clinical procedure and to standardize the NanoTherm particles instillation process. Using state-of-the-art biopsy technology, NanoTherm particles are injected precisely and in the optimum concentration into the diseased target region of the prostate. The findings from the study to date show only minimal treatment-related side effects, which are usually associated with routine biopsies.

The next stage of the study will be conducted in collaboration with the renowned urology centers, the Texas Urology Group, the University of Texas, San Antonio, and the University of Washington, Seattle. Another study site was added in Sarasota, Florida at the Sarasota Interventional Radiology Center. MagForce will also work to further optimize the focal treatment procedure to minimize treatment time.

The Focal Thermal Ablation Registration Study will enroll up to 120 male patients in a single arm study. The aim of the study is to demonstrate that NanoTherm therapy can destroy carcinogenic lesions with minimal side effects for patients who have progressed to intermediate risk prostate cancer stage and are under active surveillance. By destroying these cancer lesions, it is anticipated that patients will be able to remain in Active Surveillance Programs and avoid definitive therapies such as surgery or whole gland radiation with their known side effects as long as possible.
Results of Operations, Net Assets and Financial Position

Following is a presentation of operations, net assets and financial position of the Company. In addition, reference is made to the explanations in the notes, where the individual items of the balance sheet and the income statement are presented in detail.

Results of operations

In the reporting period, revenues amounted to EUR 26 thousand (previous year: EUR 24 thousand) and resulted mainly from commercial treatments of patients with NanoTherm therapy.

Compared to the previous year, other operating income decreased by EUR 8,870 thousand from EUR 9,199 thousand to EUR 329 thousand. The high other operating income in the previous year is attributable to the transfer of shares in MagForce USA, Inc., between group companies, with the disclosure of hidden reserves in the amount of EUR 8,769 thousand.

The cost of materials decreased from EUR 364 thousand to EUR 194 thousand and was therefore EUR 170 thousand lower than in the previous year. This was due in particular to the reduction in expenses for purchased services for the NanoActivators.

The increase in personnel expenses from EUR 1,729 thousand to EUR 1,846 thousand mainly results from the additions of employees in the second half of 2018.

Amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 317 thousand and remained almost at the previous year’s level (EUR 298 thousand).

Other operating expenses amounted to EUR 1,608 thousand and were also at the level of the previous year (EUR 1,527 thousand).

For the first half of 2019, the operating result was therefore negative at EUR 3,610 thousand, whereas the previous year ended with a positive operating result of EUR 5,305 thousand due to the transfer of the shares in MagForce USA, Inc., within the group.
The financial result amounted to EUR -1,301 thousand and was EUR 104 thousand lower than in the previous year (EUR -1,197 thousand). This is due to the higher impairment of the investment in MT MedTech Engineering GmbH.

The half-year 2019 closed with a net loss for the period of EUR 4,912 thousand (previous year: net profit of EUR 4,106 thousand)

**Net assets**

The balance sheet total increased by EUR 1,375 thousand to EUR 38,509 thousand mainly due to the capital increase compensating the net loss of the period and the increase in liabilities and provisions.

On the assets side, tangible fixed assets decreased slightly by EUR 24 thousand to EUR 3,425 thousand. The value of financial assets remained unchanged at EUR 30,978 thousand.

Receivables and other assets increased by EUR 1,506 thousand to EUR 2,313 thousand. The increase is mainly due to the increase in other assets, which includes the receivable for the outstanding payment of the capital reserve resulting from the capital increase in the amount of EUR 1,824 thousand, which was paid in on July 2, 2019. Cash and cash equivalents amounted to EUR 1,178 thousand at the end of the reporting period (December 31, 2018: EUR 1,494 thousand).

On the liabilities side, the net accumulated deficit increased by EUR 4,912 thousand to EUR 56,976 thousand, as a result of the net loss for the period. The capital increase from Authorized Capital resulted in an increase in equity of EUR 5,000 thousand. The Company’s subscribed capital was increased from EUR 26,464 thousand to EUR 27,640 thousand by issuing 1,176,472 new shares against cash contribution. The capital reserves increased by EUR 3,824 thousand to EUR 47,583 thousand.

The increase in other provisions by EUR 522 thousand to EUR 2,407 thousand is mainly due to additions to provisions for personnel costs (EUR 201 thousand) and for share price linked debt components (EUR 262 thousand).

Liabilities increased by EUR 774 thousand to EUR 17,814 thousand in the first half of the year. While other liabilities declined, the remaining liability items increased.
Financial position

Net loss of the Company for the reporting period amounted to EUR 4,912 thousand (previous year: net profit EUR 4,106 thousand).

Cash flow from operating activities amounted to EUR -2,856 thousand (previous year: EUR – 4,009 thousand). The cash outflow from operating activities was derived indirectly from the net loss for the period.

Cash flow from investing activities amounted to EUR -785 thousand (previous year: EUR – 516 thousand) and related primarily to the contributions made in the reporting period to provide financial support for the subsidiary MT MedTech Engineering GmbH and the completion of the mobile NanoActivator therapy center in Lublin, Poland, as well as the construction of a new mobile NanoActivator therapy center in Zwickau, Germany.

The cash flow from financing activities amounted to EUR 3,325 thousand (previous year: EUR 9,189 thousand) and is mainly attributable to the proceeds from the capital increase from Authorized Capital.

At the end of the reporting period, the freely available liquidity amounted to EUR 1,178 thousand (December 31, 2018: EUR 1,494 thousand).

MagForce AG was able to meet all its payment obligations at any time during the reporting period.
Research and Development

We refer to our comments on page 57 of the Annual Report 2018.

Employees

As of June 30, 2019, MagForce AG had 26 employees (excluding members of the Management Board) and therefore two less than on December 31, 2018. As of June 30, 2019, 42 percent of the employees were women. The MagForce Group employed a total of 56 employees at the end of the reporting period.

Opportunities and Risks

A detailed description of the opportunities and risks can be found in the Annual Report 2018 starting on page 58. 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 in relation to the US dollar and the share price of MagForce AG, which in part is a parameter in the calculation of debt service. This can result in liquidity risks when settling liabilities linked to the exchange rate or share price.

At present, there are no financial instruments in place to hedge these risks, as in the opinion of the Management Board their costs are out of reasonable proportion to their benefits and the estimated effects of the risks described will be manageable. Insofar as these risks have already materialized, they are taken into account in the interim financial statements.
Report on Expected Developments

The forecast for the 2019 financial year, which was published in the Annual Report 2018 in June is confirmed by the Management Board. Accordingly, the statements made there remain valid.

Berlin, October 30, 2019

Dr. Ben J. Lipps  
Chief Executive Officer

Christian von Volkmann  
Chief Financial Officer

Prof. Dr. Hoda Tawfik  
Chief Medical Officer
INTERIM FINANCIAL STATEMENTS

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<table>
<thead>
<tr>
<th>Category</th>
<th>01/01-06/30/2019</th>
<th>01/01-06/30/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>26,200.00</td>
<td>23,600.00</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>329,264.07</td>
<td>9,198,614.17</td>
</tr>
<tr>
<td>thereof from exchange rate differences EUR 39,101.49 (Previous year: EUR 54,932.89)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of materials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Raw materials and supplies and purchased goods</td>
<td>12,631.39</td>
<td>13,952.19</td>
</tr>
<tr>
<td>b) Purchased services</td>
<td>181,149.12</td>
<td>350,325.68</td>
</tr>
<tr>
<td><strong>Personnel expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Salaries</td>
<td>1,668,510.59</td>
<td>1,572,513.65</td>
</tr>
<tr>
<td>b) Social security contributions</td>
<td>177,765.06</td>
<td>156,103.18</td>
</tr>
<tr>
<td>thereof for retirement benefits EUR 20,639.16 (Previous year: EUR 19,689.16)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amortization and depreciation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of intangible assets and property, plant, and equipment</td>
<td>317,319.70</td>
<td>298,221.48</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>1,608,487.91</td>
<td>1,526,534.01</td>
</tr>
<tr>
<td>thereof from exchange rate differences EUR 78,211.27 (Previous year: EUR 14,008.83)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating result</strong></td>
<td>-3,610,399.70</td>
<td>5,304,563.98</td>
</tr>
<tr>
<td><strong>Other interest and similar income</strong></td>
<td>107,787.16</td>
<td>107,807.11</td>
</tr>
<tr>
<td>thereof from affiliated companies EUR 107,337.52 (Previous year: EUR 107,337.52)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amortization of financial assets</strong></td>
<td>459,500.00</td>
<td>379,000.00</td>
</tr>
<tr>
<td><strong>Interest and similar expenses</strong></td>
<td>949,164.01</td>
<td>926,222.97</td>
</tr>
<tr>
<td>thereof from affiliated companies EUR 1,005.05 (Previous year: EUR 0.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial result</strong></td>
<td>-1,300,876.85</td>
<td>-1,197,415.86</td>
</tr>
<tr>
<td><strong>Result before other taxes</strong></td>
<td>-4,911,276.55</td>
<td>4,107,148.12</td>
</tr>
<tr>
<td><strong>Other taxes</strong></td>
<td>742.37</td>
<td>649.43</td>
</tr>
<tr>
<td><strong>Net profit / net loss</strong></td>
<td>-4,912,018.92</td>
<td>4,106,498.69</td>
</tr>
<tr>
<td><strong>Loss carried forward from the previous year</strong></td>
<td>52,064,160.62</td>
<td>56,422,214.73</td>
</tr>
<tr>
<td><strong>Accumulated deficit</strong></td>
<td>56,976,179.54</td>
<td>52,315,716.04</td>
</tr>
</tbody>
</table>
## Balance Sheet
### as of June 30, 2019

### Assets

<table>
<thead>
<tr>
<th>in EUR</th>
<th>06/30/2019</th>
<th>12/31/2018</th>
</tr>
</thead>
</table>

**A. Fixed assets**

**I. Intangible fixed assets**
- Purchased commercial trade mark rights and similar rights and values like licenses to those rights and values: 75,084.09
- 90,865.08

**II. Tangible fixed assets**
- 1. Leasehold improvements: 54,157.61
- 114,148.00
- 2. Technical assets and machines: 2,366,838.13
- 2,127,541.99
- 3. Other equipment, furniture, and fixtures: 194,425.85
- 209,072.00
- 4. Advance payments made and construction in progress: 809,912.07
- 950,335.43

**III. Financial assets**
- Shares in affiliated companies: 30,977,654.78
- 30,977,654.78

**B. Current assets**

**I. Inventories**
- Work in progress: 291,046.25
- 291,046.25

**II. Receivables and other assets**
- 1. Trade accounts receivables: 95,389.71
- 95,015.00
- 2. Receivables from affiliated companies: 124,046.34
- 450,017.57
- 3. Other assets: 2,093,809.57
- 262,069.38

**III. Cash in hand, bank balances and checks**
- 1,178,105.18
- 1,493,691.20

**C. Prepaid expenses**
- 248,607.46
- 72,653.49

**Total Assets:**
- 38,509,077.04
- 37,134,110.17
<table>
<thead>
<tr>
<th>Shareholders' equity and liabilities</th>
<th>06/30/2019</th>
<th>12/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Shareholders' equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Subscribed capital</td>
<td>27,640,274.00</td>
<td>26,463,802.00</td>
</tr>
<tr>
<td>Contingent capital: EUR 13,050,956.00 (Previous year: EUR 13,050,956.00)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Capital reserves</td>
<td>47,582,932.26</td>
<td>43,759,398.26</td>
</tr>
<tr>
<td>III. Accumulated deficit</td>
<td>-56,976,180.54</td>
<td>-52,064,160.62</td>
</tr>
<tr>
<td><strong>B. Special item for investment subsidies for fixed assets</strong></td>
<td>40,985.96</td>
<td>49,826.12</td>
</tr>
<tr>
<td><strong>C. Provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>2,407,270.43</td>
<td>1,884,819.08</td>
</tr>
<tr>
<td><strong>D. Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Convertible note</td>
<td>5,000,000.00</td>
<td>5,000,000.00</td>
</tr>
<tr>
<td>2. Liabilities to financial institutions</td>
<td>11,283,770.18</td>
<td>10,876,348.33</td>
</tr>
<tr>
<td>3. Trade accounts payable</td>
<td>544,116.20</td>
<td>340,672.35</td>
</tr>
<tr>
<td>4. Liabilities to affiliated companies</td>
<td>818,306.95</td>
<td>50,159.81</td>
</tr>
<tr>
<td>5. Other liabilities</td>
<td>167,600.60</td>
<td>773,244.84</td>
</tr>
<tr>
<td>thereof taxes EUR 58,493.69 (Previous year: EUR 259,897.17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>thereof social security EUR 1,596.71 (Previous year: EUR 4,776.22)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>17,813,793.93</td>
<td>17,040,425.33</td>
</tr>
<tr>
<td><strong>Total Shareholders’ equity and liabilities</strong></td>
<td>38,509,077.04</td>
<td>37,134,110.17</td>
</tr>
</tbody>
</table>
Analysis of Fixed Assets

<table>
<thead>
<tr>
<th></th>
<th>Acquisition cost</th>
<th>Additions</th>
<th>Reclassifications</th>
<th>Disposals</th>
<th>06/30/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>in EUR</strong></td>
<td>01/01/2019</td>
<td>Additions</td>
<td>Reclassifications</td>
<td>Disposals</td>
<td>06/30/2019</td>
</tr>
<tr>
<td><strong>A. Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>I. Intangible fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased commercial trade mark rights and similar rights</td>
<td>117,079.47</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>117,079.47</td>
</tr>
<tr>
<td><strong>II. Tangible fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,153,635.45</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,153,635.45</td>
</tr>
<tr>
<td>Technical assets and machines</td>
<td>5,098,555.38</td>
<td>21,815.92</td>
<td>434,071.11</td>
<td>974,490.42</td>
<td>4,579,951.99</td>
</tr>
<tr>
<td>Other equipment, furniture, and fixtures</td>
<td>623,567.01</td>
<td>10,312.28</td>
<td>0.00</td>
<td>0.00</td>
<td>633,879.29</td>
</tr>
<tr>
<td>Advance payments made and construction in progress</td>
<td>950,335.43</td>
<td>293,647.75</td>
<td>-434,071.11</td>
<td>0.00</td>
<td>809,912.07</td>
</tr>
<tr>
<td><strong>III. Financial assets</strong></td>
<td>7,826,093.27</td>
<td>325,775.95</td>
<td>0.00</td>
<td>974,490.42</td>
<td>7,177,378.80</td>
</tr>
<tr>
<td>Shares in affiliated companies</td>
<td>31,882,371.14</td>
<td>459,500.00</td>
<td>0.00</td>
<td>0.00</td>
<td>32,341,871.14</td>
</tr>
<tr>
<td>Loans to affiliated companies</td>
<td>2,453,107.83</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>2,453,107.83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>34,335,478.97</td>
<td>459,500.00</td>
<td>0.00</td>
<td>0.00</td>
<td>34,794,978.97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>42,278,651.71</td>
<td>785,275.95</td>
<td>0.00</td>
<td>974,490.42</td>
<td>42,089,437.24</td>
</tr>
</tbody>
</table>
## Analysis of Fixed Assets

### Intangible Fixed Assets

- **Purchased Commercial Trade Mark Rights and Similar Rights**
  - **2019**: 117,079.47
  - **2019 Additions**: 26,214.39
  - **2019 Disposals**: 15,780.99
  - **2019 Net Book Value**: 117,079.47

### Tangible Fixed Assets

- **Leasehold Improvements**
  - **2018**: 1,153,635.45
  - **2019 Additions**: 1,039,487.45
  - **2019 Disposals**: 59,990.39
  - **2019 Net Book Value**: 2,099,477.84

- **Technical Assets and Machines**
  - **2018**: 5,098,555.38
  - **2019 Additions**: 414,951.01
  - **2019 Disposals**: 0.00
  - **2019 Net Book Value**: 4,579,951.99

- **Other Equipment, Furniture, and Fixtures**
  - **2018**: 623,567.01
  - **2019 Additions**: 24,958.43
  - **2019 Disposals**: 0.00
  - **2019 Net Book Value**: 633,879.29

- **Advance Payments Made and Construction in Progress**
  - **2018**: 950,335.43
  - **2019 Additions**: 0.00
  - **2019 Disposals**: 0.00
  - **2019 Net Book Value**: 950,335.43

### Financial Assets

- **Shares in Affiliated Companies**
  - **2018**: 31,882,371.14
  - **2019 Additions**: 0.00
  - **2019 Disposals**: 0.00
  - **2019 Net Book Value**: 32,341,871.14

- **Loans to Affiliated Companies**
  - **2018**: 2,453,107.83
  - **2019 Additions**: 0.00
  - **2019 Disposals**: 0.00
  - **2019 Net Book Value**: 2,453,107.83
Notes to the Interim Financial Statements for the Period of January 1 to June 30, 2019

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, 2019 to June 30, 2019, 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

As in the previous year, the following accounting policies were applied in the preparation of the interim financial statements.

Fixed assets

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 fixed assets costing up to EUR 800.00 are written off 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, taking into account the lower of cost or market principle.

Receivables and other current assets are recognized at their nominal value or the lower fair market value. The 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**
The prepaid expenses include payments made before the balance sheet date that represent expenses 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 on the basis of 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 December 31, 2018, the reported negative equity of the subsidiary amounts to EUR 6,128 thousand (previous year: EUR 5,901 thousand). Net loss for the fiscal year from January 1 to December 31, 2018, amounted to EUR 1,105 thousand (previous year: EUR 670 thousand).

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

The company holds 67.9 percent of the shares directly and indirectly in MagForce USA, Inc., Incline Village, United States of America. As of December 31, 2018, the reported equity of the subsidiary amounts to USD 29,172 thousand (previous year: USD 24,092 thousand). Net loss for the financial year from January 1 to December 31, 2018, amounted to USD 3,920 thousand (previous year: USD 3,315 thousand).

In addition, the company is the sole shareholder of MagForce USA Holding GmbH, headquartered in Berlin. The company’s equity as at December 31, 2018, amounted to EUR 19,537 thousand (previous year: EUR 2,725 thousand). Net loss for the financial
year from January 1 to December 31, 2018, amounted to EUR 14 thousand (previous year: EUR 0 thousand).

In 2018 the Polish company MagForce sp. z o. o. with its registered office in Warsaw was incorporated. MagForce AG holds 100 percent of the shares. As of December 31, 2018, the equity of the subsidiary amounts to PLN 5 thousand, the net income for the year PLN 0 thousand.

**Inventories**

The inventories amount to EUR 291 thousand (December 31, 2018: EUR 291 thousand) and consist of capitalized development 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.

**Receivables and other assets**

Receivables and other assets in the amount of EUR 30 thousand (December 31, 2018: EUR 25 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include EUR 124 thousand (December 31, 2018: EUR 450 thousand) in other assets.

Other assets mainly relate to the outstanding payment into the capital reserve from the capital increase in June in the amount of EUR 1,824 thousand (December 31, 2018: EUR 0 thousand) and receivables from value added tax in the amount of EUR 126 thousand (December 31, 2018: EUR 94 thousand). In addition, other assets include rental deposits of EUR 30 thousand (December 31, 2018: EUR 25 thousand) with an indefinite remaining term.

**Subscribed capital**

As of January 1, 2019, the share capital amounted to EUR 26,463,802.00 and was divided into 26,463,802 no-par-value bearer shares (ordinary shares) with a pro rata amount of subscribed capital of EUR 1.00 per share.

By the implementation of a capital increase from Authorized Capital 2015/I, the share capital was increased during the half-year by 1,176,472 new no-par value bearer shares with a pro-rata amount of the share capital of EUR 1.00 each. The entry in the commercial register was effective on June 27, 2019.
The subscribed capital of the Company as of June 30, 2019, amounts to EUR 27,640,274.00 and is comprised of 27,640,274 no-par-value bearer shares (ordinary shares) with a notional interest in the share capital of EUR 1.00 each share.

**Contingent Capital 2007/I**

In accordance with the Company’s Articles of Association, its share capital was contingently increased by up to EUR 100,000.00 (Contingent Capital 2007/I) by issuing up to 100,000 no-par value bearer shares (ordinary shares). The Annual General Meeting on August 10, 2017, resolved to release EUR 68,450.00 of the Contingent Capital 2007/I. After partial cancellation the Contingent Capital 2007/I amounts to EUR 31,550.00.

Contingent Capital 2007/I serves to settle rights to subscribe for shares under stock options that are issued under the 2007 Stock Option Plan on the basis of 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, 2019, 19,884 options were outstanding and not forfeited. There were no changes during the reporting period ended on June 30, 2019.

**Contingent Capital 2012/II**

By resolution of the Annual General Meeting on August 16, 2012, the Company’s share capital was contingently increased by up to EUR 395,000.00 by issuing up to 395,000 no-par value bearer shares (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.

By resolution of the Annual General Meeting on August 6, 2013, an amount of EUR 245,000.00 has been cancelled out of Contingent Capital 2012/II according to section 6 of the Company’s Articles of Association. In addition, the Contingent Capital 2012/II was reduced by EUR 5,000.00 in 2017 through the exercise of subscription rights and accordingly, it amounts to EUR 145,000.00.

In the reporting period ended on June 30, 2019, no further options had been granted or exercised out of Contingent Capital 2012/II.

**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.

On February 27, 2017, the Company resolved, with the approval of the Supervisory Board, to issue a convertible bond from the contingent capital 2013/II in the total amount of EUR 5,000,000.00 and a conversion price of EUR 5.00 per share.

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 amounts to EUR 1,000,000.00 as of June 30, 2019.

**Contingent Capital 2013/III**

With resolution of the Annual General Meeting on August 6, 2013, the Company’s share capital was contingently increased by up to EUR 2,142,271.00 by issuing up to 2,142,271 no-par value bearer shares (Contingent Capital 2013/III). Contingent Capital 2013/III has been canceled by resolution of the Annual General Meeting of 10 August 2017 in the amount of EUR 286,999.00. Furthermore, in 2018 the
Contingent Capital 2013/III was reduced by EUR 115,630.00 through the exercise of subscription rights and accordingly amounts to EUR 1,739,642.00. 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 15,000 options were forfeited, 1,724,642 options form Contingent Capital 2013/III were still outstanding and exercisable as of June 30, 2019.

**Contingent Capital 2015/I**

With resolution of the Annual General Meeting on August 18, 2015, the Company’s share capital was contingently increased by up to EUR 170,000.00 by issuing up to 170,000 no-par value bearer shares (Contingent Capital 2015/I). Contingent Capital 2015/I was canceled by resolution of the Annual General Meeting on August 10, 2017, in the amount of EUR 120,000.00. Contingent Capital 2015/I amounts to EUR 50,000.00 after partial cancellation. 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, 2019, as well as of June 30, 2019, 50,000 stock options were issued under the Stock Option Plan 2015/I.
Contingent Capital 2017/I

With resolution of the Annual General Meeting on August 10, 2017, the Company’s share capital was contingently increased by up to EUR 547,495.00 by issuing up to 547,495 no-par value bearer shares (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.

In the period from January 1, 2019, to June 30, 2019, no options were granted under the 2017/I Stock Option Plan.

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.

Authorized Capital 2015/I

The Annual General Meeting on August 18, 2015, 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 17, 2020, by up to a total of EUR 12,811,355.00 against cash and/or noncash contributions (including mixed noncash contributions) by issuing up to 12,811,355 no-par value bearer shares (Authorized Capital 2015/I). The authorized capital 2015/I amounts to EUR 10,914,422.00 after partial utilization of EUR 1,896,933.00. The subscription right of shareholders is excluded in certain cases.
Capital reserves
The capital increase carried out from Authorized Capital 2015/I led to an increase in the capital reserves by a total of EUR 3,824 thousand of which EUR 2,000 thousand was received by the Company as of June 30, 2019. The remaining amount was paid in on July 2, 2019.

Net accumulated losses
The net accumulated losses contain accumulated losses brought forward of EUR 52,064 thousand. Net accumulated losses developed as follows:

<table>
<thead>
<tr>
<th>in EUR thousand</th>
<th>06 / 30 / 2019</th>
<th>12 / 31 / 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel-related</td>
<td>517</td>
<td>314</td>
</tr>
<tr>
<td>Outstanding supplier invoices</td>
<td>109</td>
<td>91</td>
</tr>
<tr>
<td>Supervisory Board remuneration</td>
<td>57</td>
<td>37</td>
</tr>
<tr>
<td>Audit costs</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Other</td>
<td>1,684</td>
<td>1,398</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,407</strong></td>
<td><strong>1,885</strong></td>
</tr>
</tbody>
</table>

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 January 1 to June 30, 2019, EUR 9 thousand (December 31, 2018: EUR 29 thousand) was reversed to the income statement from the special reserve for investment grants and subsidies.

Provisions
In comparison to the previous year the other provisions in the first half-year are composed of the following items:
Other include provisions for dismantling commitments amounting to EUR 103 thousand (December 31, 2018: EUR 109 thousand), for the annual report amounting to EUR 49 thousand (December 31, 2018: EUR 30 thousand), and for the annual general meeting amounting to EUR 46 thousand (December 31, 2018: EUR 33 thousand).

Furthermore, other provisions include share price linked debt components in the amount of EUR 1,477 thousand (December 31, 2018: EUR 1,216 thousand).

**Liabilities**

As of March 2, 2017, the Company had issued a convertible note in the amount of EUR 5,000 thousand with a term of three years and an interest rate of 5 percent each year. The conversion price after the end of the term is EUR 5.00 per share.

Liabilities to financial institutions in the amount of EUR 11,284 thousand (December 31, 2018: EUR 10,876 thousand) relate to the drawdown of the first tranche of EUR 10,000 thousand in January 2018 plus interest due to the loan agreement with the European Investment Bank, Luxembourg (EIB), and have a duration of 3.5 years.

As in the previous year, trade accounts payable amounting to EUR 544 thousand (December 31, 2018: EUR 341 thousand) are due within one year.

Liabilities to affiliated companies include EUR 344 thousand (December 31, 2018: EUR 49 thousand) of trade payables and EUR 474 thousand (December 31, 2018: EUR 1 thousand) of other liabilities.

Other liabilities mainly include liabilities from wages and salaries in the amount of EUR 18 thousand (December 31, 2018: EUR 421 thousand) and from wage and church taxes in the amount of EUR 55 thousand (December 31, 2018: EUR 252 thousand). It also includes the interest accrued up to June 30, 2019, and due on 1 September 2019, for the convertible note in the amount of EUR 82 thousand (December 31, 2018: EUR 81 thousand).

All liabilities, unless otherwise specified, have a remaining term of up to one year.

In connection with the financing agreement, certain rights to NanoTherm therapy were secured by the EIB.
Income statement disclosures

**Revenues**
In the first half-year, the Company generated sales revenues in the amount of EUR 26 thousand (previous year: EUR 24 thousand).

Revenues result mainly from the commercial treatment of patients with NanoTherm therapy and amounted to EUR 23 thousand (previous year: EUR 23 thousand).

**Other operating income**
Other operating income mainly results from recharging of management services and other administrative services to subsidiaries in the amount of EUR 229 thousand (previous year: EUR 269 thousand), from the reversal of provisions in the amount of EUR 14 thousand (previous year: EUR 66 thousand), and from exchange rate differences in the amount of EUR 39 thousand (previous year: EUR 55 thousand). While other operating income in the previous year was mainly influenced by the transfer of shares in MagForce USA, Inc. (EUR 8,769 thousand), no further shares were transferred in the first half of 2019.

**Cost of material**
Cost of material consists of expenses for raw materials and supplies and for purchased goods in the amount of EUR 13 thousand (previous year: EUR 14 thousand), and expenses for purchased services in the amount of EUR 181 thousand (previous year: EUR 350 thousand). The reduction in the cost of materials compared to the previous year is mainly due to lower purchased services for the NanoActivators.

**Personnel expenses**
Personnel expenses in the amount of EUR 1,846 thousand (previous year: EUR 1,729 thousand) consist mainly of expenses for wages and salaries in the amount of EUR 1,668 thousand (previous year: EUR 1,573 thousand) as well as expenses for social security and retirement benefits in the amount of EUR 178 thousand (previous year: EUR 156 thousand). The increase in personnel expenses mainly results from the additions of employees in the second half of 2018.
Personnel expenses of EUR 180 thousand (previous year: EUR 147 thousand) from the performance of management services were recharged to the subsidiaries.

In the first half-year of 2019, the expenses for retirement benefit plans amount to EUR 21 thousand (previous year: EUR 20 thousand) resulting from a defined contributions pension scheme.

**Other operating expenses**

Other operating expenses of EUR 1,608 thousand (previous year: EUR 1,527 thousand) are largely at the previous year’s level and mainly include expenses for legal, auditing and consulting fees of EUR 256 thousand (previous year: EUR 191 thousand), travel expenses of EUR 195 thousand (previous year: EUR 174 thousand), investor relations of EUR 154 thousand (previous year: EUR 191 thousand), commercialization / marketing of EUR 145 thousand (previous year: EUR 153 thousand) and IT and maintenance of EUR 133 thousand (previous year: EUR 130 thousand). Expenses from the write down of interest receivables from the subsidiary MT MedTech Engineering GmbH amounting to EUR 107 thousand (previous year: EUR 0 thousand), financing costs of EUR 92 thousand (previous year: EUR 40 thousand), expenses from exchange rate differences of EUR 78 thousand (previous year: EUR 14 thousand) and patent costs of EUR 77 thousand (previous year: EUR 84 thousand) are also included.

**Other interest and similar income**

Other interest and similar income amounting to EUR 108 thousand (previous year: EUR 108 thousand) are related to interest income. Thereof EUR 107 thousand (previous year: EUR 107 thousand) are attributable to affiliated companies.

**Amortization of financial assets**

The amortization of financial assets relates to the impairment of the investments in the subsidiary MT MedTech Engineering GmbH in 2019.

**Interest and similar expenses**

Interest and similar expenses in the amount of EUR 810 thousand related to long-term loans. Furthermore, interest and similar expenses include EUR 125 thousand of interest expenses on the convertible note of March 2, 2017.
Supplemental disclosures

**Other financial obligations**
Other financial obligations amounting to EUR 351 thousand (previous year: EUR 352 thousand) resulted from rental contracts for offices in Berlin-Adlershof and Martinsried as well as from leases for car vehicles and office equipment.

**Employees**
The Company employed 26 (previous year: 26) employees (without Management Board) on average over the financial year.

**Shareholder structure**
Irrespective of the total number of shares held by them, all shareholders have the same voting rights per share in accordance with section 20 (6) of 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.

**Preparation of consolidated financial statements**
MagForce AG is not required to prepare consolidated financial statements for the period ending on June 30, 2019.

**Governing bodies of the Company**

**Management Board**

<table>
<thead>
<tr>
<th>Name / Position</th>
<th>Member since</th>
<th>Appointed until</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ben J. Lipps</td>
<td>09 / 01 / 2013</td>
<td>08 / 31 / 2020</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Chemical Engineer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof. Dr. Hoda Tawfik</td>
<td>10 / 01 / 2012</td>
<td>09 / 30 / 2020</td>
<td>Chief Medical Officer</td>
</tr>
<tr>
<td>Pharmacist</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christian von Volkmann</td>
<td>10 / 01 / 2012</td>
<td>09 / 30 / 2020</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>MBA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Supervisory Board

› **Norbert Neef** (Chairman), lawyer in Berlin; 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 Liegenschaftsbeteiligung GmbH, Vienna
  - Film House Germany AG, Berlin.

› **Dr. Wiebke Rösler**, physician.

Report on subsequent events

The capital increase resolved by the Management Board and approved by the Supervisory Board on June 25, 2019, resulted in an increase in cash and cash equivalents in the amount of EUR 5,000 thousand, of which EUR 1,824 thousand were received by the Company after the balance sheet day on July 2, 2019.

On August 27, 2019, MagForce announced that its U.S. subsidiary MagForce USA, Inc., has completed the first stage of its pivotal single-arm study with NanoTherm therapy for focal tumor ablation of intermediate risk prostate cancer. The next stage of the clinical trial is currently being initiated with three prestigious urological centers.

Berlin, October 30, 2019

The Management Board

Dr. Ben J. Lipps  Christian von Volkman  Prof. Dr. Hoda Tawfik
Chief Executive Officer  Chief Financial Officer  Chief Medical Officer
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