magforce®
THE NANOMEDICINE COMPANY

Annual Report 2021

MagForce AG

Fighting Cancer with NanoTherm Therapy

CONTENT

LETTER TO THE SHAREHOLDERS

June 30, 2022

Dear MagForce Shareholders,

I would like to take the publication of the Annual Report 2021 as an opportunity to inform you about our latest achievements. Without wanting to dwell on this topic too much, the serious COVID-19 situation has repeatedly presented us with challenges, administratively and operationally, right into the second quarter of 2022. I am convinced we have overcome these challenges, and I am pleased to update you on the most important developments, both, in the U.S. and in Europe:

USA – Focal Prostate Cancer Treatment

In late 2021, MagForce USA obtained FDA approval to utilize the commercial protocol for the ongoing clinical trial. This was a necessary pre-condition to also receive the green light from state ethics committees ("Institutional Review Board", IRB) in the beginning of Q1 2022 to proceed with the study at each of the three focal treatment centers. Following these approvals, patient outreach and patient screening programs were intensified during Q2. This was done together with key urology groups in close proximity to MagForce USA's focal treatment centers and the patient outreach group. To further expedite the process and raise awareness, MagForce USA entered into a collaboration with two additional urological practices. These so-called reference centers are located near the Company's study sites. Both centers run Active Surveillance programs and screen their patient base for eligible subjects. Suitable candidates then are referred to MagForce USA, with the Company handling the study recruitment and treatment process.

In addition, MagForce USA has joined forces with a leading US prostate cancer organization, ZERO – The End of Prostate Cancer. In its mission to end prostate cancer and help all who are impacted, ZERO advances research, provides support, and creates solutions to achieve health equity to meet the most critical needs of the community. ZERO facilitates interactive prostate cancer support groups that provide individuals impacted by the disease the opportunity to share and learn with other prostate cancer patients, survivors, and caregivers. Patients will have access to information on NanoTherm therapy and the ongoing pivotal study through ZERO's vast network and chapters throughout the U.S.

Another very significant milestone was our recent success in securing reimbursement not only for the future commercial operation but also for the ongoing clinical study.

In April 2022, MagForce USA received commercial code approval from the American Medical Association (AMA). Subsequently, set-up of the reimbursement and billing system is currently in process; the transition from clinical trial to commercial status now will be less cumbersome since the billing procedures will be similar and in place. This also sets the stage for us to apply for approval to cover the costs of the clinical trial. In May, MagForce USA secured coverage approval by Medicare, the U.S. health insurance system, to reimburse MagForce USA for patient treatments with our NanoTherm therapy system as well as related and routine items and services during the ongoing study. Given this new development, we are now able to ramp up patient treatments. This also means that MagForce USA will start generating cash flow from patient treatments already during the study.

The FDA will review of the interim results of the clinical trial while the study continues to treat patients. Therefore, MagForce USA will have the opportunity to expeditiously shift from the clinical trial to commercialization.

In light of the achievements described above, as well as the very good treatment results we've seen in the study so far, including an excellent side effect profile, we very much look forward to progressing Stage 2b of our pivotal study. We made important steps that will enable us to smoothly transition from our clinical study to the market: 1) CMS's decision to reimburse the company for patient treatments in the clinical trial all the way to approval, and 2) continued treatment of patients after submitting for market approval, allowing us to provide more treatment evidence in H1 2023. Based on these new developments, MagForce USA will be in a stronger financial position to complete the transition to the market.

Europe – Glioblastoma Treatment

In Europe, as COVID-19 infections have decreased, inquiries from glioblastoma patients and, thus, the number of treatments has increased significantly, especially in Poland. MagForce is seeing great support for its NanoTherm therapy system by leading Polish neurosurgeons and by the International Alivia Cancer Foundation. In particular, through Alivia's Piggy Bank Fundraising Program, Polish patients receive NanoTherm therapy even before general reimbursement has been achieved. Alivia is also active in Spain, where MagForce will open the next NanoTherm Treatment Center still this year.

In Poland, in the Lublin NanoTherm Treatment Center, treatments have been successfully applied for for several years. Recently, a glioblastoma surgery with instillation of NanoTherm particles was performed for the first time in the city of Poznan. One week following surgery, the patient was transferred to the NanoTherm Treatment Center in Zwickau where he received the activation in the NanoActivator. This approach has proven to work well and significantly expands the radius in which glioblastoma patients can be reached.

Going forward, neurosurgeons at up to ten Polish private and public clinics will be trained and certified for NanoTherm application. Patients will be sent to Polish or German NanoTherm Treatment Centers for activation depending on where they live. Therefore, many more patients will be able to receive treatment in Poland without the need to invest in additional NanoActivator sites, improving capacity utilization of the existing centers. We have also recently signed tender agreements in Polish public hospitals in Wroclaw and Lublin.

My sincere thanks to all those who have driven the Company's development forward again this year, including our employees for their efforts and achievements; our shareholders for continuing to place your trust in us; and the clinicians, patients, and their families, for whom, after all, we are doing this important 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.

INVESTOR RELATIONS

Development of the Share Indices

In 2021, the Corona pandemic continued to influence stock market activity worldwide. The different start of the indices was due in particular to the inconsistent containment measures of the respective countries. The DAX opened at 13,890 points and recorded its low for the year at 13,311 points on January 28. In Germany, the start of vaccination (December 2020) and the vaccination campaign in the first six months of 2021 boosted hopes for easing and a return to normality. Growing corporate profits also bolstered optimism, causing DAX listings to rise. From the summer onward, supply bottlenecks, logistics problems, high energy and commodity prices, and the accompanying swelling inflation became increasingly apparent. Consequently, the DAX fell by around 1,000 points from its interim high of 16,030 points by early October. In mid-November, declining infection figures sent Germany's leading index to a new all-time high of 16,290 points. However, the Omikron virus variant then caused new uncertainty, so that the DAX closed at 15,885 points, up 15.8% at the end of the year. The leading U.S. index, the Dow Jones, closed 2021 up 19.8% on the previous year, while the EURO STOXX50 was 20% higher at the end of 2021 than at the beginning of the year.

The MagForce Share

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.

In 2021, the MagForce share (MF6.DE) started the year at EUR 5.02 and closed at EUR 2.72 on December 31, 2021, down 45.8%. During the reporting period, the share's high was EUR 5.36 and its low was EUR 2.45. The company's market capitalization was EUR 147 million at the beginning of January 2021 and EUR 81 million at the end of December. On average, 180,799 MagForce shares were traded daily on XETRA and Tradegate (2020: 40,604 shares).

Key Figures MagForce Share

Number of shares outstanding at the beginning of the reporting period	29,358,088
Number of shares outstanding at the end of the reporting period	29,931,738
Number of shares outstanding at June 15, 2022	30,572,690
Free float	70%
2021 High (XETRA) in EUR on 06/01/2021	5.36
2021 Low (XETRA) in EUR on 12/20/2021	2.45
Price at beginning of reporting period (XETRA) in EUR	5.02
Price at the end of the reporting period (XETRA) in EUR	2.72
Price on June 15, 2022 (XETRA) in EUR	1.82
Market capitalization at the beginning of the reporting period (EUR million)	147
Market capitalization at the end of the reporting period (EUR million)	81
Market capitalization at June 15, 2022 (EUR million)	56
Average daily trading volume 2021	180,799

Research Coverage

Institute	Last updated	Target price in EUR
Edison Investment Research	November 2021	Scale Note without price target
GBC Investment Research	November 2021	11.00
Hauck & Aufhäuser	April 2022	11.00

Successful Financing of MagForce AG

To further implement its growth strategy and strengthen its balance sheet, MagForce successfully completed the following financing in fiscal year 2021:

In March, a growth financing was concluded with Apeiron Investment Group Ltd. ("Apeiron") via convertible bonds with a total volume of up to EUR 2.5 million. The interest rate is 5.0% and the term is 24 months.

The conversion price is EUR 4.00. The term of the convertible bonds is 24 months. On the maturity date, the Company must repay all parts of a tranche of convertible bonds that have not yet been converted on the maturity date.

Investor Relations Activities

In line with the regulatory measures in connection with the pandemic, MagForce's investor relations activities were mainly virtual for another year. In 2021, management informed capital market participants about the current development of the Company at national and international virtual roadshows and conferences. The Annual General Meeting was also held virtually again in 2021.

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.

REPORT OF THE SUPERVISORY BOARD

During the fiscal year, the Supervisory Board was regularly informed about the course of business and the earnings situation of the company by means of written and oral reports.

The Supervisory Board monitored the management of the company on an ongoing basis. In seven meetings held in the 2021 financial year, all business transactions and pending decisions requiring the approval of the Supervisory Board in accordance with the law and the Articles of Association were discussed in detail. All members of the Supervisory Board participated in these meetings.

The Supervisory Board meetings focused on securing the Company's financial resources, the operational and strategic development of the Company, and related measures. As in the previous year, the expansion of the commercialization of NanoTherm therapy and the more rapid dissemination of the therapy in the USA were discussed in detail. The development and corporate planning were discussed by the Management Board and the Supervisory Board on a quarterly basis.

Among other things, the following topics were discussed and the following resolutions were passed at the meetings:

On January 26, 2021, the Supervisory Board was informed by the Management Board about the current liquidity situation and was asked to approve the issuance of a further tranche of convertible bonds in the amount of EUR 2.5 million under the Master Purchase Agreement with Yorkville Advisors.

On February 3, 2021, the Supervisory Board was informed of the pending extension of a convertible bond with Lansdowne Partners. The extension of the bond was approved by circular resolution on 10 March 2021.

The annual financial statements for 2020, including the audit report and the auditor's opinion, were presented at the Supervisory Board meeting on 22 June 2021. At the same meeting, the Supervisory Board discussed the 2020 annual financial statements with the company's auditor and Executive Board member Christian von Volkmann. At the same meeting, the report of the Supervisory Board for the 2020 financial year and the annual financial statements and management report for the 2020 financial year were adopted. Subsequently, a regular Supervisory Board meeting was held, in which the operational progress of the company and the status of financing activities were discussed.

By resolution passed by written circular dated 15 July 2021, the Supervisory Board approved the agenda for the Company's Annual General Meeting on 12 August 2021.

In its virtual meeting on August 23, 2021, the Supervisory Board reconstituted itself following the election of Stefan Schütze at the Company's Annual General Meeting and elected Mr. Schütze as Chairman and Klemens Hallmann as Deputy Chairman of the Supervisory Board. In addition, the Supervisory Board informed itself about the Company's current financing activities and the further progress of the clinical study in the USA.

In its virtual meeting on September 27, 2021, the Supervisory Board was informed about the financial situation, in particular the raising of capital. The Management Board presented and explained the financing situation and gave an overview of the various financial instruments. Subsequently, the progress of the clinical development in the USA in the prostate cancer study was explained by Dr. Lipps.

In its virtual meeting on December 13, 2021, the Supervisory Board obtained an overview of the Company's financial situation. Furthermore, the progress and next steps in the clinical trial were discussed as well as an overview of the financing activities and an outlook for the year 2022. In the same meeting, the draft budget

for 2022 and the outlook for the year 2022 were discussed. The final resolution on the 2022 budget was postponed until the beginning of 2022.

The Chairman of the Supervisory Board was in constant contact with the members of the Management Board. Issues of corporate strategy, business development, patent issues, legal disputes and important incidents of the company were discussed.

The Supervisory Board also discussed important strategic projects with the Management Board. As in previous years, the focus was on securing the company's competitiveness and concepts for its future growth.

The annual financial statements as of December 31, 2021, and the management report for fiscal year 2021, as well as the accounting records, prepared by the Executive Board, were audited by AIOS GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, the auditors appointed by the Annual General Meeting, and received an unqualified audit opinion.

The Supervisory Board also carefully examined the annual financial statements as at 31 December 2021 and the Management Board's management report on the 2021 financial year. The auditor participated in the discussion of the annual financial statements and was available to provide additional information.

The documents to be examined and the auditor's reports were handed over to each member of the Supervisory Board for examination in due time.

The Supervisory Board exercised its right to inspect the company's books and writings, in particular by submitting significant individual contracts, also irrespective of whether they require approval. Transactions requiring the approval of the Supervisory Board by virtue of statutory provisions or the Articles of Association were examined by the Supervisory Board and its approval was decided upon.

The Supervisory Board took note of and approved the auditor's reports. The final result of the Supervisory Board's own review fully corresponds to the result of the audit. The Supervisory Board sees no reason to raise any objections.

The Supervisory Board approved the annual financial statements prepared by the Management Board as at 31 December 2021 on 22 June 2022. The annual financial statements are thus adopted.

The Supervisory Board would like to thank the Management Board and all employees for their great personal commitment and the work they have done in fiscal year 2021, especially with regard to the commercialization of NanoTherm therapy and their tireless efforts to further develop and disseminate new forms of therapy to fight cancer.

Berlin, 22 June 2022
The Supervisory Board

Stefan Schütze
Chairman of the Supervisory Board

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 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, but the focus will be on Germany and Poland in 2022.

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 operational yet.

Macroeconomic situation

In 2021, the global economy increasingly recovered from the Corona crisis, but its effects continued to shape economic development. In particular, supply chains remained strained, accompanied by capacity bottlenecks. The spread of the highly contagious omicron variant of the coronavirus had led to peaks in new infections in many countries, but the economic impact of the pandemic waves was increasingly less severe.

In its updated economic forecast, the German Council of Economic Experts states that Germany's gross domestic product (GDP) grew by 2.9 percent in 2021. In the euro zone, GDP growth was 5.3 percent and global GDP had grown by 6.0 percent.

The increasing decline in the economic impact of the Corona crisis is being overshadowed by the Russian war of aggression against Ukraine, which is weighing on the outlook for the global economy. In particular, economic growth in the euro zone will weaken significantly. Dependence on Russian energy supplies entails a major risk of lower economic output and even recession.

The German Council of Economic Experts lowered its GDP forecast for 2022 from 4.7 percent to 1.9 percent in Germany, while for the euro zone there was a correction from 4.3 percent to 2.9 percent and for global GDP a reduction from 4.4 percent to 3.3 percent.

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.g. 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 financial year

Finance

In June 2020, MagForce AG entered into an agreement with the US investment firm Yorkville Advisors Global LP (Yorkville) to issue convertible notes of up to EUR 15.0 million. Under this agreement, MagForce AG may, at its own discretion and under certain conditions, issue convertible notes 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 December 31, 2021, an amount of EUR 3.3 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 notes in the total amount of EUR 2.5 million with a term of 24 months. By December 31, 2021, MagForce AG had received cash of EUR 1.9 million from this agreement through the issuance of convertible notes.

Commercialization

MagForce AG covers important geographical regions with its NanoTherm treatment centers in Münster, Zwickau, Mühlhausen and Lublin.

In September, a collaboration agreement was signed with the Spanish clinic Complejo Hospitalario Integral Privado (CHIP). CHIP Hospital performs more than 7,800 surgeries per year at its facilities and has a medical team of 147 physicians from more than 30 specialties, including neurosurgery. MagForce AG expects

commercial treatments to begin in the second half of 2022, subject to the granting of all approvals by the local authorities.

In addition, MagForce AG strives to enter into agreements with public and private hospitals located in the region of a partner clinic with a NanoActivator device. These clinics instill the NanoTherm particles into patients on-site and refer them to the nearest NanoTherm treatment center with a NanoActivator device. In this way, the existing capacities can be optimally used without having to install additional devices.

Due to the aggressiveness of glioblastoma, it is crucial that patients have access to therapy in a timely manner, since the time window for treatment is narrow. With the "Plug-and-Treat" solution, MagForce AG is able to install NanoTherm treatment centers quickly and efficiently. This innovative solution enables MagForce AG to set up and put into operation NanoTherm treatment centers within three months without lengthy and expensive 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 have to be placed on the hospital premises and connected to the power grid. This solution, which has proven itself several times, will also be used by the new Spanish cooperation partner CHIP.

In addition to the fast, local availability of NanoTherm therapy, reimbursement and optimal application play a major role.

MagForce AG is working intensively with experts on solutions for an efficient reimbursement process for NanoTherm therapy, both for patients treated in Germany and abroad. An important component of this is the implementation of so-called Investigator-Initiated Trials (IIT). These are studies initiated and managed by the hospitals themselves. The results of the trials are then used to apply for reimbursement. Such a study is already underway in Lublin, and an IIT is also planned as part of the new cooperation with CHIP Hospital.

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 not only the theory but also the 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 study 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. These are owned and operated by MagForce and are autonomous units independent of the hospitals. With the completion of the US study and the receipt of FDA approval, a seamless transition to the commercial treatment of prostate cancer patients could take place. In subsequent years, additional focal treatment centers will be opened at strategically important locations in the USA in order to guarantee a broad geographic coverage and to enable the treatment of patients on site. Operating its own, fully equipped treatment centers enables MagForce not only to bill for the use of the NanoTherm therapy system, but also for the entire treatment of the patient. This makes it possible to triple sales.

The COVID-19 pandemic continued to complicate MagForce AG's commercialization activities. Progress has been made steadily, but not to the extent planned and with a significant delay.

US pivotal study

The pivotal U.S. clinical trial of the NanoTherm Therapy System for focal ablation of intermediate-risk prostate cancer conducted by U.S. subsidiary MagForce USA Inc. is in its final stage. The final stage of the study is being conducted in phases (Stage 2a and Stage 2b) to provide early assurance that the minimal side effects observed in the first stage, are maintained in the streamlined, one-day treatment.

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

In Stage 2a, a streamlined study protocol was used, in which the treatment of patients is completed within one day, while the treatment in the first stage continued for several weeks.

In addition, the accuracy of the nanoparticle instillation was significantly improved in Stage 2a compared to Stage 1. With the optimized instillation procedure, more than 90% coverage of the clinical target volume ("CTV") was achieved, resulting in a larger NanoTherm particle mass in the clinical target area. Due to the good coverage, all patients had sufficient heating of the NanoTherm depot during nanoparticle activation and pathologically confirmed ablation in the clinical target volume including cancerous tissue present in this CTV. At the same time, there was no evidence of ablation in the surrounding healthy tissue beyond 1 to 2 mm of the NanoTherm depot, which further confirmed the safety of this focal therapy.

Both the preliminary analysis of the Stage 2a data 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 efficacy results were also obtained. Ablation analysis showed very well-defined ablation and cell death in the nanoparticle depot area.

After receiving approvals for the final study protocol from the FDA and the ethics committees (Institutional Review Board, IRB) of the respective federal states, MagForce was able to start Stage 2b of the pivotal US study in December and enroll the first patients in the study.

Stage 2b will include up to 100 men whose prostate cancer has reached the intermediate stage and who are under active surveillance. The goal of Stage 2b is to confirm the good results observed in Stage 2a in a larger patient population. The study is being conducted at MagForce USA Inc.'s own NanoTherm treatment centers in San Antonio (Texas), Seattle (Washington) and Sarasota (Florida). These are stand-alone units, independent of hospitals and operated by MagForce, making potential limitations from the COVID-19 pandemic well manageable.

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

In the financial year, revenues amounted to EUR 352 thousand (previous year: EUR 621 thousand). Revenues come from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 149 thousand (previous year: EUR 527 thousand) and NanoTherm and catheter deliveries for the USA study in the amount of EUR 203 thousand (previous year: EUR 94 thousand).

Other own work capitalized in the amount of EUR 250 thousand (previous year: EUR 437 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 1,262 thousand in the financial year (previous year: EUR 26,486 thousand) and mainly includes income from the reversal of provisions in the amount of EUR 668 thousand (previous year: EUR 34 thousand) and the charging on of management services and other administrative services to affiliated companies in the amount of EUR 475 thousand (previous year: EUR 444 thousand). The previous year was characterized by the disclosure of hidden reserves in the amount of EUR 25,583 thousand in connection with the transfer of shares in MagForce USA Inc.

Cost of materials increased from EUR 627 thousand to EUR 919 thousand. The increase in cost of materials is mainly due to the intra-group purchase of NanoTherm.

Personnel expenses in the amount of EUR 3,984 thousand (previous year: EUR 4,121 thousand) also include expenses for bonuses.

Amortization of intangible assets and depreciation of property, plant and equipment amounted to EUR 678 thousand and was EUR 13 thousand slightly higher than in the previous year (EUR 665 thousand).

Other operating expenses amounted to EUR 3,020 thousand and were therefore EUR 495 thousand lower than in the previous year (EUR 3,515 thousand). The decrease in other operating expenses is mainly attributable to lower costs for capital procurement measures.

The operating result in the financial year 2021 amounted to EUR -6,737 thousand, in contrast to the positive result of the previous year of EUR 18,620 thousand, which was due to the disclosure of hidden reserves in the amount of EUR 25,583 thousand. Normalized for the extraordinary effect, the previous year's operating result would have been EUR -6,963 thousand.

At EUR 215 thousand, interest income corresponded to that of the previous year (EUR 215 thousand), while interest expenses fell by EUR 97 thousand from EUR 3,038 thousand to EUR 2,941 thousand. The main reason for the reduction in interest expenses is lower interest on liabilities that are partially linked to the share price. The write-down of contributions to finance the operating activities of the subsidiary MT MedTech Engineering GmbH amounted to EUR 1,110 thousand (previous year: EUR 1,048 thousand). The reduction in interest expenses correspondingly led to a slight improvement in the negative financial result by EUR 34 thousand from EUR 3,870 thousand to EUR 3,836 thousand.

While the previous year closed with a net income of EUR 14,747 thousand due to the above-described extraordinary effect of the disclosure of hidden reserves as part of the intragroup transfer of shares in MagForce USA Inc., the 2021 financial year ended with a net loss of EUR 10,574 thousand. Compared to the previous year's result adjusted for the extraordinary effect (EUR -10,836 thousand), the annual result improved by EUR 262 thousand.

Net assets

Total assets decreased by EUR 2,763 thousand from EUR 65,592 thousand to EUR 62,829 thousand.

Intangible assets increased by EUR 344 thousand and amounted to EUR 1,964 thousand at the end of the year (previous year: EUR 1,620 thousand). The change is mainly due to the capitalization of expenses for the creation of product files for the medical devices of MagForce AG as part of the requirements of the new Medical Devices Regulation. Property, plant, and equipment decreased as part of scheduled depreciation by EUR 620 thousand to EUR 2,987 thousand (previous year: EUR 3,607 thousand), while financial assets remained unchanged at EUR 56,568 thousand.

Current assets decreased by EUR 2,384 thousand from EUR 3,493 thousand to EUR 1,109 thousand. The reduction in current assets is mainly due to the decrease in cash and cash equivalents by EUR 1,592 thousand and the decrease in other assets by EUR 468 thousand.

On the liabilities side, the net loss for the year increased the accumulated deficit by EUR 10,574 thousand to EUR 56,622 thousand. The exercise of conversion rights from convertible bonds increased equity by EUR 1,900 thousand. The Company's share capital was increased from EUR 29,358 thousand to EUR 29,932 thousand by issuing 573,650 new shares. The capital reserves increased by EUR 1,326 thousand to EUR 53,531 thousand.

Other provisions fell by EUR 387 thousand to EUR 2,164 thousand. This was mainly due to the reduction in provisions for liabilities partially linked to the share price and for outstanding invoices.

Liabilities increased in the financial year by EUR 6,443 thousand to EUR 33,777 thousand. In addition to the increase in liabilities to affiliated companies of EUR 3,269 thousand, liabilities from convertible bonds increased by EUR 1,775 thousand and liabilities to banks by EUR 1,040 thousand.

Financial position

The Company's net loss for the year amounted to EUR 10,574 thousand (previous year: net profit EUR 14,747 thousand).

Cash flow from operating activities amounted to EUR - 4,927 thousand (previous year: EUR - 5,698 thousand). Cash outflow from operating activities was derived indirectly from net loss. Cash outflows largely relate to the financing of operating activities.

Cash flow from investing activities amounted to EUR - 1,816 thousand (previous year: EUR - 2,981 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 5,151 thousand (previous year: EUR 10,218 thousand) and was mainly attributable to the cash inflows resulting from the issue of convertible notes and intercompany loans. The cash inflows were offset by interest payments.

At the end of the financial year, freely available liquidity amounted to EUR 115 thousand (previous year: EUR 1,706 thousand).

Comparison of results of operations, net assets, and financial position with previous year's forecast

MagForce AG ended the year with a net loss of EUR 10,574 thousand, whereas the previous year closed with a net profit of EUR 14,747 thousand. The positive result of the previous year is due to the intra-group transfer of shares in MagForce USA Inc. which resulted in the recognition of hidden reserves of EUR 25,583 thousand. Adjusting the result of the previous year by the extraordinary effect would result in a net loss of EUR 10,836 thousand.

As expected, a negative operating result was generated in the financial year 2021, which amounted to EUR - 6,737 thousand (previous year: EUR 18,620 thousand, adjusted: EUR -6,963 thousand).

In accordance with the forecast, the financial result was also negative and amounted to EUR - 3,836 thousand (previous year: EUR -3,870 thousand). Interest payments continued to burden the financial result, while the reduction in provisions for share price-linked debt components had a positive effect and led to a slight improvement in the financial result of EUR 34 thousand.

Due to the pandemic, sales could not be increased in the 2021 financial year, but a collaboration agreement was signed with the Spanish clinic Complejo Hospitalario Integral Privado (CHIP) in September 2021, laying the foundation for the opening of another NanoTherm treatment center in Europe. MagForce AG expects to treat the first commercial patients in Spain during the 2022 financial year.

An Investor-Initiated Trial (IIT) is being conducted at the NanoTherm treatment center in Lublin, Poland. An IIT is also planned as part of the cooperation with CHIP. The IIT is a study initiated and managed by the hospitals themselves. The results of the studies are then used to apply for reimbursement.

Encouraging progress was also made in the USA study. Stage 2a was completed with very good results, and approval for the last Stage 2b was also granted. The final stage of the study will be conducted at MagForce's own NanoTherm treatment centers at locations in San Antonio (Texas), Seattle (Washington) and Sarasota (Florida). Enrollment of the first patients in Stage 2b took place in December.

Research and Development

Clinical development

After receiving approval from the U.S. Food and Drug Administration (FDA) in February 2018, the clinical trial for focal tumor ablation of intermediate prostate cancer with NanoTherm therapy was started.

The study is being conducted by the US subsidiary MagForce USA Inc. in the USA and intends to show that NanoTherm therapy can locally destroy carcinogenic lesions of the prostate with minimal side effects. The aim of the study is to develop a treatment alternative to definitive therapy for prostate cancer patients with intermediate risk.

The pivotal, two-stage study for the application of NanoTherm therapy in the indication of prostate cancer with intermediate risk will include up to 120 patients.

During the first stage of the study, adjustments were made to the NanoActivator and a standardized instillation process for the precise injection of the nanoparticles with the optimal concentration was developed. With the applied precision technology, a degree of automation is achieved that is a decisive advantage for the placement of the particles in the target region.

The results of the first stage show only minimal treatment-related side effects, as they occur in routine biopsies. The ablation analysis documents a very well-defined ablation and cell death in the region of the nanoparticle deposit. With the completion of the first stage in August 2019, a favorable safety and tolerability profile could be demonstrated.

In April 2020, FDA approval was received for the streamlined study protocol and for the conduct of the second stage of the study. The streamlined study protocol allows the treatment of patients to be completed in one day as opposed to the stretched treatment during the first stage. To ensure at an early stage that the one-day treatment does not jeopardize the good results of the stretched treatment, the second stage is carried out in two phases, Stage 2a and final Stage 2b.

In February 2021, patient treatment in Stage 2a was completed. Analysis of the data from Stage 2a confirms the previous results from Stage 1. Also with the streamlined study protocol, a favorable safety and tolerability profile as well as a very well-defined ablation and cell death in the area of the instilled nanoparticles could be achieved. The instillation accuracy of the nanoparticles was significantly improved, and more than 90% coverage of the clinical target volume (CTV) was achieved. This ensured sufficient heating of the NanoTherm depot during the activation of the nanoparticles.

In December 2021, after approval from the FDA and the ethics committees, Stage 2b could be started and the first patients were enrolled in the study. Stage 2b will include up to 100 men and aims to show that the good results from previous stages can be confirmed in a larger patient population. The study will be conducted at MagForce's three treatment centers in Texas, Washington, and Florida.

Patent and brand applications

The therapeutic platform of MagForce AG is secured by long-acquired internal know-how and a broad patent portfolio that is constantly monitored and maintained.

Employees

At the end of 2021, MagForce AG had 33 employees (excluding members of the Management Board), four more than in the previous year. Women made up 42 percent of the workforce as of December 31, 2021 (previous year: 38 percent). The MagForce Group had a total of 69 employees at the end of the year (previous year: 64 employees).

Opportunities and Risks

Opportunities

The goal of MagForce AG is to establish NanoTherm therapy as an effective cancer therapy for the successful treatment of patients worldwide.

With its NanoTherm therapy system, MagForce AG has an innovative treatment method that was developed based on nanotechnology. The NanoTherm therapy system is a widely applicable, effective, and well-tolerated therapy that MagForce AG intends to establish as an alternative or supplement to conventional forms of cancer therapy such as surgery, chemotherapy, and radiation therapy. The data situation proves a favorable safety and tolerability profile and shows that NanoTherm therapy is generally much less onerous for patients than conventional therapy methods.

In the indication brain tumor, patients have been treated commercially since 2015. Since then, MagForce AG has succeeded in steadily increasing the acceptance of NanoTherm therapy with the support of leading experts. The establishment of the NanoTherm Therapy School contributes significantly to this. The availability of NanoTherm therapy is being consistently expanded. The active NanoTherm treatment centers are located in strategically important regions. MagForce AG is continuously working with experts on solutions for reimbursement of NanoTherm therapy.

The pivotal clinical study for the use of NanoTherm therapy in the focal treatment of intermediate prostate cancer in the USA is in the final stage. MagForce USA Inc. has three proprietary clinical treatment centers in the USA and could begin commercial treatment immediately upon FDA approval. With its own treatment centers, MagForce is able to not only provide the nanoparticles and the NanoActivator, but also to offer the entire treatment from a single source, thus maximizing the added value. To expand the availability of the therapy, further treatment centers are planned to be established at strategically important locations in the USA.

The potential of MagForce AG's NanoTherm technology is enormous. It can be further developed in various indications for the treatment of solid tumors. Existing products can also be improved through continuous optimization. Accordingly, the area of research and development offers significant opportunities.

Strategic partnerships regarding financing and commercialization measures could offer further opportunities to fully exploit the potential of MagForce AG.

Risks

The above-mentioned opportunities are confronted with various risks, in particular financial risks, which are described below.

Risk of lack of profitability and liquidity
The Company has sustained operating losses in the past and might not become profitable in the medium-term. Moreover, MagForce AG generated so far only few revenues. Regarding the risk to continuing as a going concern with reference to the liquidity of the Company, we refer to the section “Report on expected developments; summary of expected developments by the Management Board.”

The Company might require significant funds to market its products
The Company does not rule out the possibility that its capital requirements and operating expenses will rise over the coming years due to the expansion of its production, marketing, and research and development activities. In addition, it cannot guarantee that, if required, additional funds will be available at reasonable financial terms.

Risk of product CE approval being withdrawn
CE approval of the Company’s products under the Medizinproduktegesetz (MPG – German Medical Devices Act) can be withdrawn. CE approval of the Company’s medical devices is dependent on the declaration of conformity. This is reviewed and rated at regular intervals in audits/inspections performed by the notified body. Among other things, confirmation of approval also depends on the capacities of the audit body, individual decisions made as part of complex assessments, and the interaction of and compliance with various regulations and industry standards. Any faults that arise during audits or non-compliance with legal requirements could lead to the withdrawal of product approval.

Commercial success depends on acceptance of NanoTherm therapy
The Company's commercial success relies heavily on the acceptance of NanoTherm therapy among physicians, clinics, patients, funding bodies, and other key opinion leaders. The Company bears therefore a high marketing risk.

Risks from general development delays
MagForce could be late to respond to market developments, technological trends, or new scientific findings and could therefore suffer a loss in competitiveness.

Limited protection offered by industrial property rights
MagForce AG relies on protecting its developments through patents, other industrial property rights, and confidential expertise to maintain its competitive position. The Company's competitive position could be compromised if it fails to sufficiently protect its own inventions or enforce any industrial property rights. With the expiry or loss of intellectual property rights of MagForce AG, the Company may have an increase of competition and/or product imitators, which can lead to falling prices and/or lower market shares.

Risks from industrial property rights of third parties
The efforts of MagForce AG in order to avoid infringement of intellectual property rights of third parties or the defense against actions of third parties in violation of their rights could be expensive and, if not successful, could lead to a restriction or ban on the marketing of NanoTherm technology, the payment of royalties or other payments, or compel MagForce AG to change products design.

Competitors with greater funding and resources
MagForce AG competes in the market for cancer therapies with other companies that have greater financial and human resources. In addition, it is possible that competitors could be purchased by major, financially strong companies, or that new competitors could enter the market. Such new or increased competition could lead to lower selling prices, put pressure on margins, and/ or cause the loss of the target market share specified in the Company's planning.

Unknown environmental and health risks associated with nanoparticles
Nanoparticles could have as yet unknown effects on the human body or the environment. There are currently no indications of any potential negative environmental impact of iron oxide nanoparticles being released into the environment. However, because these nanoparticles represent a relatively new technology, it cannot be definitively ruled out at this stage that they might cause negative environmental effects or interactions.

Reliance on employees
MagForce AG currently has 33 employees plus management, some of whom are the only people performing their functions or who hold several important positions. Business operations could be jeopardized if an employee is unavailable for work, the Company loses staff, or if it is not in a position to recruit additional suitable technical and management employees over the long term. MagForce AG's business involves expertise that is shared by a small number of employees. If these employees were to leave, the negative impact could be significant.

Risk of costs not being covered by health insurance funds and other health care providers and insurers
It cannot be guaranteed that the entire cost of MagForce AG's NanoTherm therapy will be covered by statutory and private health insurance funds.

Risks relating to infrastructure and growth
If the Company does not adapt its internal control and management systems in line with its planned growth, this could result in the inefficient use of resources and failure to recognize developments that could endanger further growth or even the Company's continued existence in suitable time.

Product liability risks
It is possible that product liability claims could be asserted against the Company for which its insurance cover is inadequate. Furthermore, such claims could significantly damage the Company's reputation, irrespective of whether the insurance cover is adequate.

Legal risks associated with changes to the applicable law
Changes to the applicable legal provisions and regulations could compromise or prevent the production and marketing of the products. The introduction of new statutory or regulatory restrictions relating to the manufacture and use of products using nanotechnology could lead to a significant administrative and financial burden for the Company and its partners.

Risks related to business plan assumptions
Future planning scenarios of the Company are subject to inherit risks of the underlying assumptions. Should revenues planned by the Company or the monetarization of assets not materialize as expected or be delayed, and thus resulting in net revenues short of expectations, the Company may be dependent on cash inflows from outside of its business.

Risks related to debt, interest expenses and other similar expenses
Borrowing fees are partly linked to the development of the share price and the utilization of loans. Thus, in the event of a positive development of the share price and / or a higher utilization of loans, there is a risk that the fees to be paid for debt will be higher. In addition, due to the higher utilization of interest-bearing debt, a higher charge from the debt service is to be expected for this in the future.

Capital market risks, interest rates
At present, the Company benefits from the low interest rates and the associated positive developments, among others, of stock prices and debt conditions. Should the interest rate rise again, this could lead to unfavorable developments for the share price and / or the remuneration for borrowed capital.

Exchange rate risks
The Company transacts part of its business in US dollars. The resulting exchange rate risks may adversely affect the financial and earnings position of the Company.

Overall picture of the risk situation
The main risk of the above is the risk of lack of profitability and liquidity due to the current low level of sales, which do not cover the costs of the Company. This situation requires a further supply of liquidity to maintain solvency and thus, to ensure the survival of the Company.

Although the effects of the COVID-19 pandemic are increasingly diminishing, it cannot be ruled out that renewed waves of infection may result in restrictions, both in the treatment of patients in the existing centers and in the opening of new treatment centers. This would have correspondingly negative effects on the expansion and sales targets of MagForce AG. The implementation of financing measures could also be impacted. Furthermore, the effects of the war in Ukraine are not foreseeable. In particular, the treatment center in Lublin, Poland, could be affected due to possible restrictions in the treatment of patients.

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 have been taken into account in the annual financial statements.

Report on Expected Developments

The following core activities are planned for 2022:

- Increase in the number of commercially treated patients in Germany and Poland
- Creation of an efficient way of reimbursement for NanoTherm therapy
- Completion of the registration study for the NanoTherm therapy in the indication of prostate cancer in the USA

Expected results

MagForce AG expects an increase in revenues due to a rise in the number of commercially treated patients in Europe. A further increase in revenues is expected for the following years due to the increase in NanoTherm production volumes.

A positive operating result is also not expected for the 2022 financial year. The increased sales will relieve the operating result but will not be able to compensate for the current expenses.

The need to carry out further debt financing measures and make interest payments will continue to have a negative impact on the financial result.

It cannot be completely ruled out that there will be new waves of infection due to the COVID - 19 pandemic, which could have a negative impact on the expected results. However, the effects of the infection waves seem to be diminishing.

The war in Ukraine could also have a negative impact, particularly on the treatment of patients at the Lublin site in Poland.

Summary of expected developments by the Management Board

The business model of MagForce AG is characterized by the focus on the value drivers that can be realized in the short and medium term. This includes the commercialization of NanoTherm therapy for the treatment of brain tumors in Germany and its neighbouring countries.

The development of the NanoTherm therapy system in other indications as well as the further development of NanoTherm particles are planned for the long term.

The pivotal study of MagForce USA Inc. is in the final stage. Upon successful completion, the commercialization of NanoTherm therapy for the treatment of prostate cancer in the USA will start immediately.

In 2022 and 2023, further NanoTherm treatment centers for brain tumors are expected to open with a rise in the number of commercially treated patients in Europe. Commercialization activities in the USA should also contribute to increasing revenues.

At the same time, work will be continued to implement an efficient reimbursement procedure for NanoTherm therapy in Germany and the target countries and to train medical professionals, particularly as part of the NanoTherm Therapy School.

The Management Board is convinced that a focused establishment of NanoTherm therapy through the successive commercialization of the therapy at selected treatment centers in Germany and other European

countries will generate sustainable revenues. The profitability of MagForce AG will thus be secured in the long term, even if costs will initially rise.

The Management Board's assessment is also based on the positive reception of NanoTherm therapy by interested parties. The continuing immense demand for new forms of cancer therapy and the sustained growth of this market segment support this assessment.

The management of MagForce AG has successfully completed necessary measures to finance the Company in recent years and continues to regularly evaluate financing options to ensure that the Company has sufficient liquid funds even in these times of global uncertainty.

Based on cash and cash equivalents of EUR 115 thousand as of December 31, 2021 (previous year: EUR 1,706 thousand) and available credit lines, MagForce AG has prepared a financial plan according to which the business activities for the years 2022 and 2023 can be financed. Under this financial plan, the liquid funds and callable loans available as of December 31, 2021 and acquired up to the preparation date are sufficient to meet the payment obligations due at any time. The prerequisite for this, however, is that the assumptions on which the planning is based occur and the budgeted amounts are achieved in actual terms.

In the opinion of the Management Board, the Company can finance its operating business with the liquid funds available and by a drawdown of the loans provided if the assumptions of the financial plan, in particular planned revenues and further external financing measures materialize and projected costs are not substantially exceeded.

Accordingly, the Management Board assumes that the Company will continue as a going concern.

The planning of MagForce AG involves by nature inherent risks and uncertainties. It is based on the current assumptions, expectations, estimates, and projections of MagForce AG that were made to the best knowledge and belief and in consideration of prudent business judgment. In particular, the COVID-19 pandemic and the war in Ukraine could lead to unforeseen restrictions at short notice with a negative impact on planning. In this respect, deviations from the plan cannot be ruled out. Furthermore, uncertainties as to the forecast remain, as it cannot be ruled out that planned revenues may be delayed or may not materialize in the amount assumed in the plan, especially since MagForce AG has not yet generated any material revenues.

Berlin, June 21, 2022

The Management Board

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2021

Statement of Income

		2021 €	2020 €
1.	Revenues	351,983.79	621,142.65
2.	Increase in work in progress	0.00	2,945.00
3.	Other own work capitalized	250,152.41	437,144.22
4.	Other operating income thereof from exchange rate differences: € 49,806.01 (Previous year: € 316,040.42)	1,262,222.47	26,486,243.32
5.	Cost of materials		
	a) Raw materials and supplies and purchased goods	-492,763.12	-74,027.51
	b) Purchased services	-425,983.08	-552,550.21
		-918,746.20	-626,577.72
6.	Personnel expenses		
	a) Salaries	-3,544,137.86	-3,742,767.07
	b) Social security contributions and expenses for retirement benefits and other employee benefits thereof for retirement benefits: € 30,750.00 (Previous year: € 37,270.96)	-440,111.18	-377,755.28
		-3,984,249.04	-4,120,522.35
7.	Amortization and depreciation of intangible fixed assets and property, plant and equipment	-678,344.62	-665,488.54
8.	Other operating expenses thereof from exchange rate differences: € 344,226.00 (Previous year: € 48,527.34)	-3,019,550.77	-3,515,258.07
9.	**Operating result**	**-6,736,531.96**	**18,619,628.51**
10.	Other interest and similar income thereof from affiliated companies: € 214,675.04 (Previous year: € 214,675.04)	214,679.87	215,132.41
11.	Amortization of financial assets	-1,109,900.00	-1,047,770.00
12.	Interest and similar expenses thereof from affiliated companies: € 161,879.46 (Previous year: € 114,158.50)	-2,940,655.69	-3,037,779.35
13.	**Financial result**	**-3,835,875.82**	**-3,870,416.94**
14.	**Result after taxes**	**-10,572,407.78**	**14,749,211.57**
15.	Other taxes	-1,850.35	-2,560.51
16.	**Net loss / Net profit**	**-10,574,258.13**	**14,746,651.06**
17.	Loss carried forward from the previous year	-46,048,110.61	-60,794,761.67
18.	**Accumulated deficit**	**-56,622,368.74**	**-46,048,110.61**

Balance Sheet

A S S E T S

	12/31/2021 €	12/31/2020 €
A. FIXED ASSETS		
I. Intangible fixed assets		
1. Intangible assets under development	1,447,292.32	1,092,749.91
2. Purchased concessions, commercial trade mark rights and similar rights and values, and licences in such rights and values	103,603.08	109,692.08
3. Prepayments	412,610.20	417,430.20
	1,963,505.60	1,619,872.19
II. Tangible fixed assets		
1. Leasehold improvements	7.00	7.00
2. Technical assets and machines	1,977,064.99	2,562,385.99
3. Other equipment, furniture, and fixtures	136,827.00	173,844.00
4. Prepayments and construction in progress	872,998.71	870,978.77
	2,986,897.70	3,607,215.76
III. Financial assets		
Shares in affiliated companies	56,568,104.60	56,568,104.60
	61,518,507.90	61,795,192.55
B. CURRENT ASSETS		
I. Inventories		
1. Work in progress	293,991.25	293,991.25
2. Goods for resale	0.00	42,292.00
3. Customer advances	-67,329.42	-177,773.56
	226,661.83	158,509.69
II. Receivables and other assets		
1. Trade receivables	244,886.70	370,232.90
2. Receivables from affiliated companies	428,190.09	695,097.65
3. Other assets	94,220.58	562,480.43
	767,297.37	1,627,810.98
III. Cash in hand and bank balances	114,741.76	1,706,427.11
	1,108,700.96	3,492,747.78
C. PREPAID EXPENSES	202,240.02	303,725.62
	62,829,448.88	65,591,665.95

Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES

	12/31/2021 €	12/31/2020 €
A. SHAREHOLDERS' EQUITY		
I. Subscribed capital	29,931,738.00	29,358,088.00
Contingent capital: € 11,625,106.00 (Previous year: € 10,753,636.00)		
II. Capital reserves	53,531,086.22	52,204,742.25
III. Accumulated deficit	-56,622,368.74	-46,048,110.61
	26,840,455.48	35,514,719.64
B. SPECIAL ITEM FOR INVESTMENT SUBSIDIES	47,876.43	35,396.75
C. PROVISIONS		
Other provisions	2,163,855.12	2,551,038.02
D. LIABILITIES		
1. Convertible note	8,875,000.00	7,100,000.00
thereof convertible: € 8,875,000.00 (Previous year: € 7,100,000.00)		
2. Liabilities to financial institutions	16,766,450.85	15,725,982.33
3. Trade payables	648,034.05	301,794.52
4. Liabilities to affiliated companies	6,099,586.10	2,830,484.70
5. Other liabilities	1,388,190.85	1,375,906.30
thereof taxes: € 58,750.15 (Previous year: € 471,904.53) thereof social security: € 12,983.01 (Previous year: € 64,494.86)		
	33,777,261.85	27,334,167.85
E. DEFERRED INCOME	0.00	156,343.69
	62,829,448.88	65,591,665.95

Analysis of Fixed Assets

	HISTORICAL COST					DEPRECIATION				NET BOOK VALUE	
	01/01/2021 €	Additions €	Reclassifications €	Disposals €	12/31/2021 €	01/01/2021 €	Additions €	Disposals €	12/31/2021 €	12/31/2021 €	12/31/2020 €
I. INTANGIBLE FIXED ASSETS											
1. Intangible assets under development	1,092,749.91	354,542.41	0.00	0.00	1,447,292.32	0.00	0.00	0.00	0.00	1,447,292.32	1,092,749.91
2. Purchased concessions, commercial trade mark rights and similar rights and values, and licences in such rights and values	209,854.06	29,693.75	11,597.50	0.00	251,145.31	100,161.98	47,380.25	0.00	147,542.23	103,603.08	109,692.08
3. Prepayments	417,430.20	6,777.50	-11,597.50	0.00	412,610.20	0.00	0.00	0.00	0.00	412,610.20	417,430.20
	1,720,034.17	391,013.66	0.00	0.00	2,111,047.83	100,161.98	47,380.25	0.00	147,542.23	1,963,505.60	1,619,872.19
II. TANGIBLE FIXED ASSETS											
1. Leasehold improvements	1,153,635.45	0.00	0.00	0.00	1,153,635.45	1,153,628.45	0.00	0.00	1,153,628.45	7.00	7.00
2. Technical assets and machines	5,577,245.80	0.00	0.00	0.00	5,577,245.80	3,014,859.81	585,321.00	0.00	3,600,180.81	1,977,064.99	2,562,385.99
3. Other equipment, furniture, and fixtures	687,021.46	8,626.37	0.00	0.00	695,647.83	513,177.46	45,643.37	0.00	558,820.83	136,827.00	173,844.00
4. Prepayments and construction in progress	870,978.77	2,019.94	0.00	0.00	872,998.71	0.00	0.00	0.00	0.00	872,998.71	870,978.77
	8,288,881.48	10,646.31	0.00	0.00	8,299,527.79	4,681,665.72	630,964.37	0.00	5,312,630.09	2,986,897.70	3,607,215.76
III. FINANCIAL ASSETS											
1. Shares in affiliated companies	59,578,790.96	1,109,900.00	0.00	0.00	60,688,690.96	3,010,686.36	1,109,900.00	0.00	4,120,586.36	56,568,104.60	56,568,104.60
2. Loans to affiliated companies	2,453,107.83	0.00	0.00	0.00	2,453,107.83	2,453,107.83	0.00	0.00	2,453,107.83	0.00	0.00
	62,031,898.79	1,109,900.00	0.00	0.00	63,141,798.79	5,463,794.19	1,109,900.00	0.00	6,573,694.19	56,568,104.60	56,568,104.60
	72,040,814.44	1,511,559.97	0.00	0.00	73,552,374.41	10,245,621.89	1,788,244.62	0.00	12,033,866.51	61,518,507.90	61,795,192.55

Notes to the Annual Finanical Statements for the Financial Year 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 annual financial statements for the period of January 1, 2021, to December 31, 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 annual 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 December 31, 2021, the reported negative equity of the subsidiary amounted to EUR 6,676 thousand (previous year: EUR 6,321 thousand). Net loss for the financial year from January 1 to December 31, 2021, amounted to EUR 1,466 thousand (previous year: EUR 994 thousand).

In the financial year, an amount of EUR 1,110 thousand (previous year: 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 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 65.3 percent of the shares directly and indirectly in MagForce USA, Inc., Incline Village, United States of America. As of December 31, 2021, the reported equity of the subsidiary amounted to USD 17,067 thousand (previous year: USD 23,352 thousand). Net loss for the financial year from January 1 to December 31, 2021, amounted to USD 6,285 thousand (previous year: 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 46,579 thousand as of December 31, 2021 (previous year:

EUR 46,593 thousand). The net loss for the financial year from January 1 to December 31, 2021, amounted to EUR 14 thousand (previous year: 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 December 31, 2021, amounted to PLN 303 thousand (previous year: PLN 151 thousand). The net loss for the financial year from January 1 to December 31, 2021, amounted to PLN 152 thousand (previous year: 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 (previous year: 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 stock of catheters amounting to EUR 42 thousand reported under the balance sheet item goods for resale in the previous year was fully used up in the 2021 financial year.

Receivables and other assets

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

Receivables from affiliated companies relate to trade receivables at EUR 0 thousand (previous year: EUR 214 thousand) and to other assets at EUR 428 thousand (previous year: EUR 481 thousand).

Other assets mainly include receivables from value added tax in the amount of EUR 63 thousand (previous year: EUR 147 thousand). In addition, other assets include rental deposits of EUR 24 thousand (previous year: 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 financial year, the share capital was increased by 345,114 new no-par value bearer shares from Contingent Capital 2018/I and from Contingent Capital 2020/I by 228,536 new no-par value bearer shares, each with a proportionate amount of the share capital of EUR 1.00, through the exercise of conversion rights.

As of December 31, 2021, the Company's subscribed capital amounted to EUR 29,931,738.00 and was divided into 29,931,738 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).

10,247 options were issued from Contingent Capital 2007/I as of January 1, 2021. These expired in full in the financial year 2021.

Contingent Capital 2007/I is therefore canceled as of December 31, 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 December 31, 2021.

107,500 options were issued from Contingent Capital 2012/II as of January 1, 2021. There were no changes as of December 31, 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 December 31, 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 December 31, 2021.

1,697,192 options were issued from Contingent Capital 2013/III as of January 1, 2021. There were no changes as of December 31, 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 December 31, 2021.

50,000 options were issued from Contingent Capital 2015/I as of January 1, 2021. There were no changes as of December 31, 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 December 31, 2021.

77,500 options were issued from Contingent Capital 2017/I as of January 1, 2021. There were no changes as of December 31, 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. Contingent Capital 2018/I was reduced in the amount of EUR 345,114.00 by the issue of 345,114 new shares and amounted to EUR 399,952.00 as of December 31, 2021.

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. Contingent Capital 2020/I was cancelled by resolution of the Annual General Meeting on August 12, 2021, in the amount of EUR 5,089,064.00. Furthermore, Contingent Capital 2020/I was reduced in the amount of EUR 228,536.00 in connection with the issuance of 228,536 subscription shares and amounts to EUR 1,242,233.00 as of December 31, 2021.

Contingent Capital 2021/I

By resolution of the Annual General Meeting on August 12, 2021, the share capital was contingently increased by up to EUR 6,078,663.00 by issuing up to 6,078,663 new no-par value bearer shares (Contingent Capital 2021/I). The contingent capital increase serves to grant option rights or option obligations in accordance with the option conditions to the holders of warrants from warrant bonds or conversion rights or conversion obligations in accordance with the convertible bond conditions to the holders of convertible bonds issued by the Company by August 11, 2026, on the basis of the authorization resolution of the Annual General Meeting on August 12, 2021.

There were no changes as of December 31, 2021.

Contingent Capital 2021/II

By resolution of the Annual General Meeting on August 12, 2021, the share capital was contingently increased by up to EUR 487,071.00, divided into up to 487,071 no par value bearer shares (Contingent Capital 2021/II). Contingent Capital 2021/II serves exclusively to secure subscription rights issued to members of the Management Board and employees of the Company and to members of the management and employees of companies affiliated with the Company in the period up to and including August 11, 2026. The contingent capital increase will only be carried out to the extent that subscription rights are issued, and their holders exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or pay cash compensation in fulfilment of the subscription rights.

As of December 31, 2021, there were no changes, and no options were issued from Contingent Capital 2021/II.

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 December 31, 2021.

Capital reserves

Compared to December 31, 2020, the capital reserves increased by EUR 1,326 thousand due to the exercise of conversion rights from Contingent Capital 2018/I and Contingent Capital 2020/I in financial year 2021.

Net accumulated losses

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

Net accumulated losses

in EUR thousand	
Net accumulated losses as of December 31, 2020	46,048
Net loss 2021	10,574
Net accumulated losses as of December 31, 2021	56,622

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 December 31, 2021, an amount of EUR 4 thousand (previous year: EUR 4 thousand) was reversed from the special item for investment subsidies and recognized as income.

Provisions

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

Other provisions

in EUR thousand	**12/31/2021**	**12/31/2020**
Personnel-related	579	265
Outstanding supplier invoices	146	302
Supervisory Board remuneration	94	94
Audit costs	42	42
Other	1,303	1,848
Total	**2,164**	**2,551**

Other mainly include provisions for dismantling commitments amounting to EUR 103 thousand (previous year: EUR 103 thousand), for the annual report amounting to EUR 16 thousand (previous year: EUR 22 thousand), for the annual general meeting amounting to EUR 43 thousand (previous year: EUR 38 thousand) and for severance payments in the amount of EUR 72 thousand (previous year: EUR 0 thousand). Furthermore, share price linked debt components amounting to EUR 1,061 thousand (previous year: 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 700 thousand relate to zero-coupon convertible notes.

Liabilities to financial institutions in the amount of EUR 16,766 thousand (previous year: EUR 15,726 thousand) result from the payment of two tranches from the European Investment Bank (EIB) loan and 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 payables amounting to EUR 648 thousand (previous year: EUR 302 thousand) are due within one year.

Liabilities to affiliated companies include EUR 10 thousand (previous year: EUR 214 thousand) of trade payables and EUR 6,090 thousand (previous year: EUR 2,616 thousand) of other liabilities.

Other liabilities mainly include wage and salary liabilities of EUR 922 thousand (previous year: EUR 583 thousand), wage and church tax liabilities of EUR 54 thousand (previous year: EUR 472 thousand), liabilities for interest on convertible notes of EUR 282 thousand (previous year: EUR 164 thousand) and social security liabilities of EUR 13 thousand (previous year: 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 15,136 thousand (previous year: EUR 11,608 thousand) and over one year of EUR 18,641 thousand (previous year: EUR 15,726 thousand).

Income statement disclosures

Revenues

The Company generated revenues of EUR 352 thousand in the financial year (previous year: EUR 621 thousand).

Revenues result from the commercial treatment of patients with NanoTherm therapy in Germany and Poland in the amount of EUR 149 thousand (previous year: EUR 527 thousand) and from NanoTherm and catheter deliveries for the USA study in the amount of EUR 203 thousand (previous year: EUR 94 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 668 thousand (previous year: EUR 34 thousand) and recharges of management services and other administrative services to subsidiaries in the amount of EUR 475 thousand (previous year: EUR 444 thousand). The previous year was characterized by the realization of hidden reserves in the amount of EUR 25,583 thousand in connection with the transfer of shares in MagForce USA Inc.

Cost of materials

Cost of materials comprises expenses for raw materials and supplies, and for purchased goods in the amount of EUR 493 thousand (previous year: EUR 74 thousand) and expenses for purchased services in the amount of EUR 426 thousand (previous year: EUR 553 thousand). Compared to the previous year, cost of materials increased by EUR 292 thousand.

Personnel expenses

Personnel expenses in the amount of EUR 3,984 thousand (previous year: EUR 4,121 thousand) consist of expenses for wages and salaries in the amount of EUR 3,544 thousand (previous year: EUR 3,743 thousand) as well as expenses for social security and retirement benefits in the amount of EUR 440 thousand (previous year: EUR 378 thousand).

Personnel expenses of EUR 309 thousand (previous year: EUR 300 thousand) from the performance of management services and the provision of other services were recharged to the subsidiaries.

Expenses for retirement benefit plans amounted to EUR 31 thousand (previous year: EUR 37 thousand) resulting from a defined contributions pension scheme.

Other operating expenses

Other operating expenses amounting to EUR 3,020 thousand (previous year: EUR 3,515 thousand) mainly include legal, auditing and consulting costs of EUR 380 thousand (previous year: EUR 432 thousand), expenses from foreign currency valuation of EUR 344 thousand (previous year: EUR 49 thousand), costs for investor relations of EUR 303 thousand (previous year: EUR 305 thousand), IT and maintenance costs of EUR 240 thousand (previous year: EUR 234 thousand), costs for commercialization/marketing of EUR 219 thousand (previous year: EUR 211 thousand), an impairment loss of EUR 215 thousand (previous year: EUR 215 thousand) on interest receivables from the subsidiary MT MedTech Engineering GmbH, premises costs of EUR 206 thousand (previous year: EUR 195 thousand), travel expenses of EUR 177 thousand (previous year: EUR 162 thousand), financing costs of EUR 167 thousand (previous year: EUR 803 thousand) and patent costs of EUR 126 thousand (previous year: EUR 148 thousand).

Other interest and similar income

Other interest and similar income include interest income from affiliated companies in the amount of EUR 215 thousand (previous year: EUR 215 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 related to loans in the amount of EUR 1,680 thousand and to convertible notes in the amount of EUR 1,261 thousand. Interest to affiliated companies amounted to EUR 162 thousand.

Supplemental disclosures

Other financial obligations

Other financial obligations totaling EUR 441 thousand (previous year: EUR 273 thousand) result from rental contracts for premises, leasing of cars and office equipment and other service agreements.

Contingent liabilities

MagForce AG is jointly and severally liable for lease liabilities of its affiliated company MagForce USA Inc. in the amount of EUR 1,250 thousand.

Employees

The average number of employees in the Company (excluding Management Board members) is 32 (previous year: 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 December 31, 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

Stefan Schütze (Chairman), attorney at law and managing partner of C3 Management GmbH, supervisory board mandates:

- cyan AG, Munich
- Coreo AG, Frankfurt a. M.
- fashionette AG, Düsseldorf

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, managing director at Apeiron Investments, supervisory board of Bionomics Ltd., Adelaide, Australia

Norbert Neef (former Chairman), lawyer, chairman of the supervisory board of Singularity Capital AG, Frankfurt am Main; supervisory board of Gyant.com, Inc., San Francisco. Mr. Neef resigned from the Supervisory Board in August 2021.

Report on subsequent events

In January 2022, MagForce AG issued convertible notes in the amount of EUR 3.0 million as part of its convertible notes agreement with the US investment firm Yorkville Advisors Global LP.

In February 2022, MagForce AG extended a EUR 5.0 million convertible notes agreement with Lansdowne Investment Company Cyprus Limited and issued an additional EUR 2.0 million under this convertible note.

On April 8, 2022, MagForce AG announced that its subsidiary MagForce USA Inc. has received payment code approval by the American Medical Association (AMA). This lays an important foundation both for Medicare reimbursement for the ongoing clinical trial and for price negotiations with health care payers as part of the commercialization of NanoTherm therapy in the indication of prostate cancer.

Berlin, June 21, 2022

The Management Board

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

Independent Auditor's Report

To MagForce AG, Berlin

Audit Opinions

We have audited the annual financial statements of MagForce AG, Berlin, which comprise the balance sheet as of December 31, 2021, and the statement of profit and loss for the financial year from January 1 to December 31, 2021, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of MagForce AG, Berlin, for the financial year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2021 and of its financial performance for the financial year from January 1 to December 31, 2021 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Material Uncertainty Related to Going Concern

Without restricting this opinion, we point out that keeping to corporate planning is of fundamental importance for the continued existence of the Company. Our audit opinion on the annual financial statements is not modified in this respect.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business

corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our [audit] opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our [audit] opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an [audit] opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective [audit] opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate [audit] opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, June 21, 2022

AIOS GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Marco Schneider
German Public Auditor

Sebastian Motzkus
German Public Auditor

IMPRINT

Publisher and Copyright
©2022, MagForce AG

Editing and Text
MagForce AG

Date of Publication
June 30, 2022

MagForce AG
Max-Planck-Straße 3
12489 Berlin

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