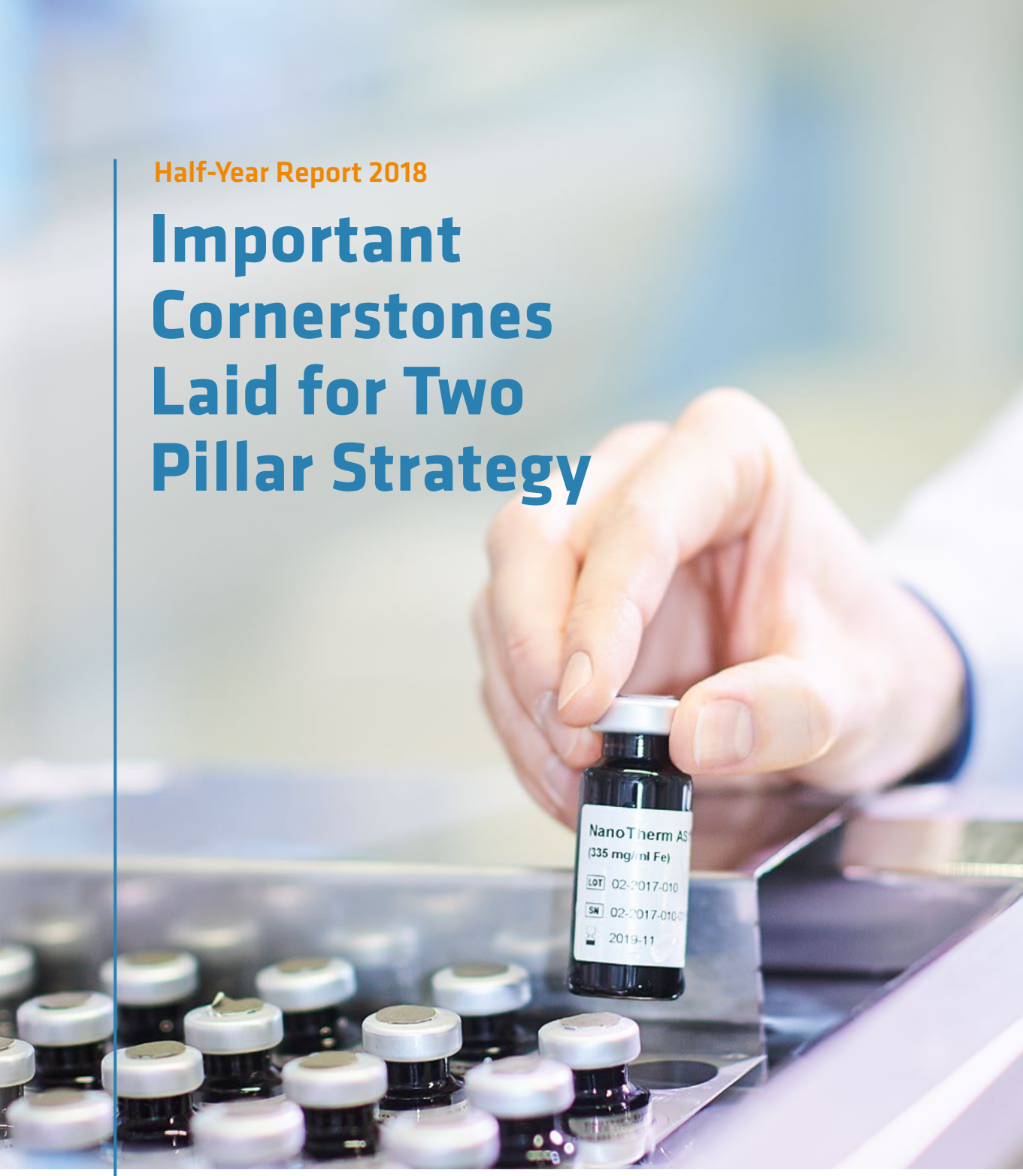
Half-Year Report 2018

Important Cornerstones Laid for Two Pillar Strategy



MagForce AG
Fighting Cancer with
NanoTherm Therapy

magforce®
THE NANOMEDICINE COMPANY

Important Cornerstones Laid for Two Pillar Strategy

CONTENT

Interim Management Report

Interim Financial Statements

Highlights 2018

February 2018

MagForce USA Receives FDA Investigational Device Exemption Approval to Conduct a Clinical Trial with NanoTherm Therapy as Focal Ablation Treatment for Intermediate Risk Prostate Cancer

In February 2018, MagForce AG US-subsidiary MagForce USA, Inc. received U.S. Food and Drug Administration (FDA) Investigational Device Ex emption (IDE) approval to conduct a clinical trial with NanoTherm therapy as focal ablation treatment for intermediate risk prostate cancer. The approval of this IDE allows MagForce to conduct a pivotal clinical evaluation with the Company's innovative NanoTherm therapy at selected medical centers in the US.

In order to conduct the study, MagForce has already installed two NanoActivator devices at University of Washington Medical Center in Seattle and at CHRISTUS Santa Rosa Hospital – Medical Center in San Antonio.

June 2018

MagForce AG Hosts Lunch Symposium about Local Therapies for Malignant Gliomas at the 2018 Meeting of the German Society of Neurosurgery (DGNC)

On July 4th, MagForce AG successfully hosted a scientific lunch symposium titled "Local Therapies for Malignant Gliomas" at the DGNC 2018. The one-hour lunch symposium featured three key note speeches on the current status of local therapies for malignant glioblastoma as well as on technical and immunological aspects of applying NanoTherm therapy with malignant gliomas tumor resections and future approaches with regard to intracavitary thermotherapy with superparamagnetic iron oxide nanoparticles.

June 2018

MagForce AG Announces Collaboration Agreement for NanoTherm Therapy with Independent Public Clinical Hospital No. 4, Lublin, Poland

In June, MagForce entered into a collaboration agreement with one of the most prestigious brain treatment centers in Poland which will introduce and provide access for brain cancer patients to be treated with NanoTherm therapy in Poland.

For this purpose a mobile container with a NanoActivator(R) device will be installed in the hospital in Lublin. The NanoTherm treatment center

will be headed by Prof. Dr. hab. n. med. Tomasz Trojanowski, Head and Chairman of the Department of Neurosurgery and Paediatric Neurosurgery, State Consultant in Neurosurgery and a member of the Scientific Advisory Board of the Minister of Health.

June 2018

MagForce AG Co-Sponsors the University Hospital of Münster's Annual Brain Cancer Patient Event

MagForce again co-sponsored an event hosted by the Brain Tumor Center at the University Hospital Münster for brain cancer patients and their relatives held on the occasion of the 2018 World Brain Tumor Day.

July 2018

MagForce Announces Enrollment of First Patient in Its Pivotal, Three-Stage, Single-Arm Study of Focal Ablation of Prostate Cancer with NanoTherm Therapy

Following the US FDA IDE approval earlier in the year, MagForce subsidiary MagForce USA, Inc. announced in July 2018 that it had enrolled the first patient in its pivotal clinical evaluation with the Company's innovative NanoTherm selective ablation.

06

August 2018

MagForce AG Announces Successful Capital Increase of the Subsidiary MagForce USA, Inc.

On August 8, MagForce US-subsidiary MagForce USA, Inc. carried out a capital increase by exercising 700,000 subscription rights of MagForce USA, Inc. and by issuing 166,666 new shares in MagForce USA, Inc.

The gross proceeds of the capital increase accruing to the Company amounting to USD 9 will be used to finance the initiated pivotal clinical trial in the USA with NanoTherm therapy for focal tumor ablation in intermediate risk prostate cancer and associated business operations.

August 2018

MagForce AG Announces Positive Results of 2018 Annual General Meeting

The Annual General Meeting approved all resolution items with a clear majority of more than 98 percent. The CEO and Chairman of the Management Board, Dr. Ben J. Lipps, reported on the current operational developments and provided an overview of the 2017 fiscal year, as well as an outlook for the current year. Subsequently, he gave an update on the status of the strategic plan.

Letter to the Shareholders

Dr. Ben J. Lipps
Chairman & Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

Prof. Dr. Hoda Tawfik
Chief Medical Officer

Dear MagForce Shareholders,

2018 has shaped up to be a year in which we made significant strides towards building the future of the Company both in the US and Europe. Our two-pronged strategy continues to show great progress as seen with the approval of our pivotal US prostate cancer study and the treatment of the first patients along with the first collaboration agreement for our NanoTherm therapy outside of Germany. Now, ten months into the year, we look to the future with confidence in our growth prospects.

US pivotal study for unique focal treatment option of prostate cancer progressing well

In February 2018, the USA FDA granted approval for MagForce's IDE application. An important milestone and a significant step towards the approval of our therapy for the treatment of prostate cancer patients in the US that allowed us to commence with a pivotal clinical evaluation of NanoTherm therapy as focal ablation treatment for intermediate risk prostate cancer at selected medical centers in the US with the objective to demonstrate that this approach can ablate prostate cancer lesions.

After receiving Institutional Review Board (IRB) approval from the two clinical US sites, the CHRISTUS Santa Rosa Hospital – Medical Center and the University of Washington, we started enrolling the first patients in this pivotal, staged, single-arm study and are expecting to complete treatment of the first ten patients with NanoTherm therapy around year-end 2018 with results being announced beginning of 2019. We still expect that this initial assessment will demonstrate ablation effectiveness with minimal side effects, and that the registration trial will prove that NanoTherm therapy will allow men diagnosed with prostate cancer to have a higher quality of life, while delaying or even avoiding invasive treatments. Subject to a successful completion of the trial, we target initial commercialization towards the end of 2019.

Entering into an estimated 300 million USD prostate cancer market

We continue to see a huge market potential for our NanoTherm therapy in the US and believe that it has the potential to tap into the prostate cancer market, worth an estimated USD 300 million, as a unique focal treatment option. Within the past two decades, over 250 Active Surveillance Programs (ASPs) have been established in the US to follow the slow growth of prostate cancer in order to avoid the side effects of

definitive therapy (radiation or surgery), for as long as possible. The goal is clear: to ensure the highest quality of life possible for men with prostate cancer while delaying or even completely avoiding invasive treatments. Still, approximately 60 percent of the patients in these programs require definitive therapy such as whole-gland surgery or radiation at one point once the small tumors have progressed to intermediate risk stage. ASPs have therefore been seeking a focal therapy for the past decade which would ablate these small tumors to enable patients to remain in active surveillance. If approved, NanoTherm could become a significantly less invasive, effective and well-tolerated addition to the current treatment options for prostate cancer patients and we believe that NanoTherm presumably allowing patients to remain in active surveillance as long as possible.

US capital increase provides solid basis for further development and reflects US shareholders' trust

Progress and development require sound financing. We are, therefore, delighted that we were able, with the support of our investors, to successfully complete a further capital increase in August of this year.

It generated gross proceeds of approximately USD 9.0 million for MagForce USA, Inc., which will be used to finance the initiated pivotal clinical trial in the US as well as associated business operations. This continues to display our US investors' trust in our US strategy to establish NanoTherm therapy as a focal treatment option for intermediate prostate cancer.

The capital increase was carried out by existing US investors exercising 700,000 subscription rights of MagForce USA, Inc. and by issuing 166,666 new shares in MagForce USA, Inc. which were subscribed by a new US investor. Following the issue of the new shares, MagForce AG holds 67.9 percent of the shares in MagForce USA, Inc. and will continue to retain a majority ownership position in the US subsidiary. Post transaction ownership structure MagForce USA, Inc.: MagForce AG 67.9 percent, Lipps & Associates 17.0 percent, other US investors 15.1 percent.

Refined strategy accelerates European roll-out to provide brain cancer patients fast access to therapy

In Europe, our refined commercial strategy is starting to bear first fruits. To provide accelerated treatment options, speed up the European roll-out and drive uptake, we have, for one, developed a mobile solution for the placement of NanoActivator devices enabling us to place the devices sooner and more cost-effectively in other European countries. The response to this strategic revision was well received and we signed the

first collaboration agreement with one of the most prestigious brain treatment centers in Poland, the Independent Public Clinical Hospital No. 4 in Lublin, in June of this year. Prof. Dr. hab. n. med. Tomasz Trojanowski, Head and Chairman of the Department of Neurosurgery and Paediatric Neurosurgery, with the support of his renowned medical team of qualified and experienced doctors and nurses will introduce and provide access for brain cancer patients to be treated with NanoTherm therapy in the country. For that purpose, preparations for the installation of a mobile container containing a NanoActivator device towards the end of the year are currently underway. With a majority of all patient inquiries who could qualify for NanoTherm therapy coming from Poland, Poland, together with Germany and Italy, makes up one of the key markets within Europe and we are happy to have found such a strong partner to support us in our quest to make our NanoTherm therapy available to brain cancer patients in Poland.

Our market development team continues to diligently work on identifying and building relationships with further possible partner hospitals throughout Europe and we are confident that we will soon be able to announce additional cooperation agreements. As the costs for treatments in connection with NanoTherm therapy and costs covered by the health care systems vary greatly from country to country, we believe that placing the NanoActivator devices in the specific countries will greatly aid in obtaining domestic reimbursement for NanoTherm therapy, thus, making it more affordable for many patients that had to refuse treatment before.

Whereas 2017 was a year in which we laid important cornerstones for our two-pillar strategy, 2018 has shaped up to be a year delivering results. Today, we are more confident than ever that our strategy will pay off. We are excited to report the initial results of our prostate cancer study very soon and remain on target to start commercialization towards the end of 2019. In Europe, we will focus on establishing further treatment centers in selected European countries, obtaining domestic reimbursement and streamlining the cross-border reimbursement process.

We look forward to a successful remaining 2018 and an exciting 2019 with many inflection points ahead and thank you for your continued support.

Sincerely,

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

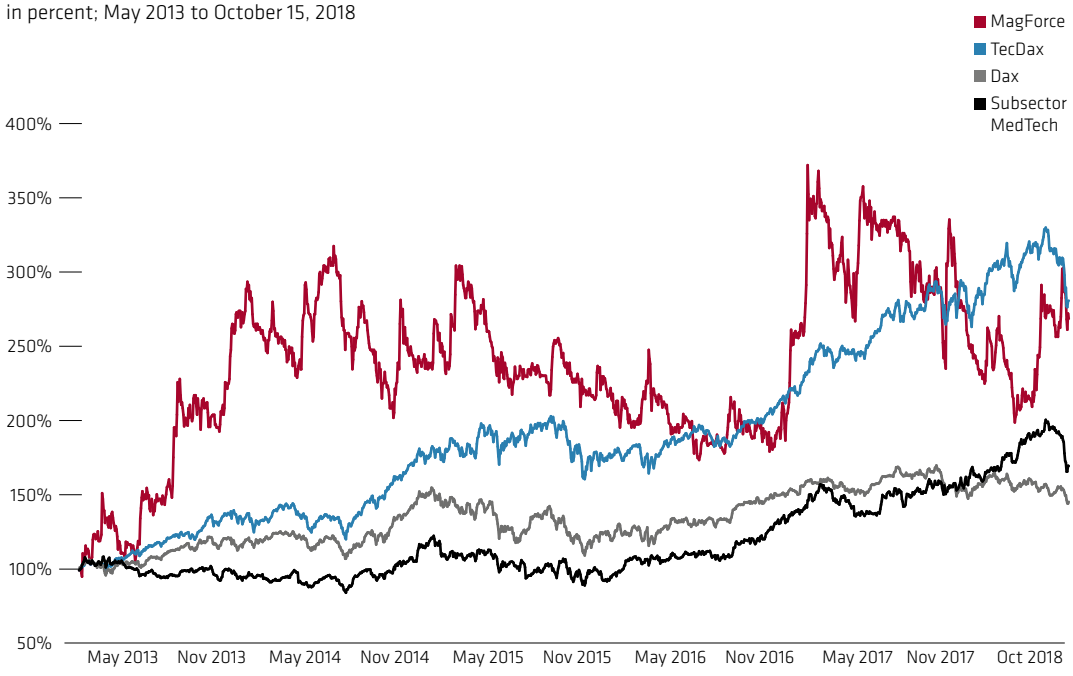
Investor Relations

MagForce share price development

On June 30, 2017, MagForce shares (MF6.DE) started at EUR 6.42 into 2018 and closed at EUR 4.58 on June 29, loosing 28.7% during first six months 2018. After the reporting period, the share price increased by 34.9% and closed at 6.18 on October 15. The high was at EUR 8.18 and the low was at EUR 4.38 during the first six months of 2018. The average daily trading volume of MagForce's shares on XETRA in the first six months of 2018 was 40,057 shares.

Share price

in percent; May 2013 to October 15, 2018



Key facts MagForce share

Number of shares issued at the beginning of the period	26,348,172
Free float	66.2%
6-month high (XETRA) in EUR	8.18
6-month low (XETRA) in EUR	4.38
Price at the beginning of the period (XETRA) in EUR	6.42
Price at the end of the period (XETRA) in EUR	4.58
Price at October 15, 2018 (XETRA) in EUR	6.18
Market capitalization at the beginning of the period (EUR millions)	169.16
Market capitalization at the end of the period (EUR millions)	120.67
Market capitalization at October 15, 2018 (EUR millions)	162.83
Average daily trading volume during the period (XETRA)	40,057

Transparent communication for a fair valuation

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

MagForce's shares are listed in the new "Scale" segment for small and medium-sized enterprises (SMEs) of Deutsche Börse.

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

In the first half of 2018, MagForce has presented at: 12th ODDO BHF German Conference in Frankfurt, Spring Conference 2018 in Frankfurt, Germany, Goldman Sachs European Small & Mid-Cap Symposium in London, United Kingdom, and Berenberg European Conference USA 2018 in Tarrytown, USA.

During the second half of 2018, MagForce will present at: Fall Conference in Frankfurt, 16th Goldman Sachs Annual European Medtech and Healthcare Services Conference 2018 in London, Berenberg & Goldman Sachs Sixth German Corporate Conference 2018 in Munich, German Equity Forum in Frankfurt and Prior Capital Markets Conference in Frankfurt.

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

Research coverage

Research House	Analyst	Rating / Price target in EUR
Berenberg	Tom Jones, Michael Ruzic-Gauthier	BUY / 10.10
Edison Investment Research	Dr. Susie Jana Dr. Daniel Wilkinson,	BUY / 11.70
GBC Investment Research	Cosmin Filker, Marcel Goldmann	BUY / 15.80
Hauck & Aufhäuser	Aliaksandr Halitsa	BUY / 12.50
Mainfirst	Dr. Marcus Wieprecht	BUY / 15.60

Directors' dealings: members of Management Board and Supervisory Board increased their holdings

During the first half of 2018, MagForce CEO Ben J. Lipps increased his holding in MagForce through the acquisition of additional shares by a total volume of EUR 90,061.84, stating his trust in the Company and its future growth.

In addition, Hallmann Holding International Investment GmbH acquired additional shares at a total volume of EUR 70,512.00. Hallmann Holding International GmbH together with Klemens Hallmann is one of MagForce's core shareholders.

Capital market transactions and funding of the Company

To improve liquidity and to accelerate the ongoing international expansion, the Company executed the following financing measures during the first half of the year.

On January 8, 2018, the first tranche of EUR 10.0 million of the financing agreement with the European Investment Bank (EIB), signed in the third quarter of 2017, was drawn. The first tranche has a maturity of 5 years.

In August, after the end of the reporting period, MagForce AG announced a capital increase of its subsidiary MagForce USA, Inc. The capital increase was carried out by exercising 700,000 subscription rights of MagForce USA, Inc. and by issuing 166,666 new shares in MagForce USA, Inc. The subscription rights were issued in 2014 to US investors as part of a growth financing round and had a term limit of four years. There are no outstanding subscription rights remaining after the exercise. The issuance of a total of 866,666 new shares will generate gross proceeds of approximately USD 9.0 million for MagForce USA, Inc. The new MagForce USA, Inc. shares were subscribed by a new US investor.

Following the issue of the new shares, MagForce AG holds 67.9 percent of the shares in MagForce USA, Inc. and will continue to retain a majority ownership position in the US subsidiary. Post transaction ownership structure MagForce USA, Inc.: MagForce AG 67.9 percent, Lipps & Associates 17.0 percent, other US investors 15.1 percent.

Proceeds from the capital increase will be used to finance the initiated pivotal clinical trial in the USA with NanoTherm therapy for focal tumor ablation in intermediate risk prostate cancer and associated business operations.

Interim Management Report

Business and Environment

Company overview

MagForce AG is a pioneer in the area of nanotechnology-based cancer treatment. It is the first company in the world to receive European approval for a medical product using nanoparticles. In Germany, this innovative therapy is available to patients at the NanoTherm therapy centers. Additional therapy centers are planned in Europe.

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

MagForce USA, Inc. with its place of Business in Nevada, USA, was founded to develop NanoTherm therapy for treatment of brain tumors and prostate cancer in the USA and later on launch the NanoTherm therapy in the American market. MagForce AG holds directly and indirectly through its 100 % subsidiary MagForce USA Holding GmbH, Berlin, the majority of shares in MagForce USA, Inc. MagForce USA, Inc. on the other hand holds all shares of MagForce Ventures GmbH, which owns the distribution and development rights in the indications of prostate cancer and brain tumors for the regions of North America and Mexico.

Furthermore, to be emphasized is MT MedTech Engineering GmbH, located in Berlin. The company produces and develops NanoActivator devices for the companies of the MagForce group of companies.

Macroeconomic situation

The macroeconomic situation has not changed significantly during the reporting period. We therefore refer to the annual report 2017, page 43 and the statements made there.

Market and industry conditions

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

Glioblastoma, prostate cancer and treatment

Glioblastoma

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

In Germany, more than 7,000 people are diagnosed with brain tumors every year, and the number continues to rise, including around 3,800 with glioblastoma. That's about 1.4 percent of all new cancer diagnoses. This makes glioblastoma one of the rarer forms of cancer. In Europe, around 13,000 glioblastoma cases are diagnosed each year, and in the United States this number is closer to 10,000 per year. (IARC: GLOBOCAN 2012. Estimated Cancer Incidence, Mortality and Prevalence Worldwide)

Conventional treatments for newly diagnosed glioblastoma are still dominated by surgery accompanied by radiotherapy and temozolomide (e.g. Merck & Co.'s Temodar® / Temodal® and generics). The use of Bevacizumab (Roche / Genentech / Chugai, Avastin®), approved in the United States for treatment of glioblastoma, is shrouded in the United States and Europe due to uncertainty following the announcement of equivocal data of this drug in Phase III clinical trials. In contrast to that, another medical device in addition to the temozolomide therapy used after a standard chemotherapy has shown an improvement in the mean survival time and the 5-year survival of glioblastoma patients. However, a breakthrough in the therapy could not be verified so far.

Despite the intensive standard treatment, after a few months the tumor often grows back. There is no standard therapy for the treatment of a grown back tumor. A new resection, accompanied with a repeating chemotherapy (Alkylanz, Bevacizumab) or radiotherapy or a therapy option within a clinical trial is commonly prescribed. Currently a final healing is nearly impossible in this indication. The average survival time with glioblastoma is 16–20 months only. The median five-year survival rate following combined radiation and temozolomide therapy is 5–10 percent. There is, therefore, a clear need for new therapies with different mechanisms of action.

Prostate cancer

Prostate cancer is the second most frequently diagnosed cancer. It is also the third leading cause of death in males worldwide and, with 25 percent, the most common type of cancer affecting men. In Germany, around 60,000 new prostate cancer diagnoses are made each year; in the United States over 233,000 in 2012; and over 400,000 cases in Europe. (IARC: GLOBOCAN 2012. Estimated Cancer Incidence, Mortality and Prevalence Worldwide)

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

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

MagForce AG is determined to develop and establish its technology as a new, focal treatment method for intermediate prostate cancer. MagForce AG plans to enter this market through its subsidiary MagForce USA, Inc. The application for an Investigational Device Exemption (IDE) has been approved by the USA Food and Drug Administration (FDA) in February, 2018. Recruiting of patients started after approval of the institutional review boards.

Competition

The landscape of competitors has not changed significantly in the reporting period. We therefore refer to the annual report 2017, page 46, and the statements made there.

Development of the Company in the financial year

Finance

The first tranche of the financing agreement with the European Investment Bank (EIB) signed in the third quarter of 2017, amounting to EUR 10.0 million, was disbursed on 8 January 2018. The first tranche has a maturity of 5 years.

Commercialization

The first half of 2018 was marked by further negotiations with potential European partner clinics. In these negotiations, MagForce AG succeeded in concluding a first cooperation agreement with the Independent Public Clinic No. 4 of the Lublin Medical University, Poland, in June 2018.

According to this agreement, the Independent Public Clinic No. 4 will offer MagForce's NanoTherm therapy and thus enable the treatment of brain tumor patients in Poland. For this purpose, a mobile container with a NanoActivator device will be installed at the hospital in Lublin. Commercial treatment is expected to begin during the second half of 2018.

IDE submission

In February 2018, MagForce received FDA approval to conduct a clinical registration study with NanoTherm therapy as a treatment for focal tumour ablation in moderate risk prostate cancer. This is a significant milestone in the development of NanoTherm therapy for the treatment of prostate cancer in the US and a significant step towards our goal of complementing the current standard therapy with a less invasive, effective and well-tolerated form of treatment.

In mid-2018, the first patient was enrolled in the pivotal, three-stage, single-arm NanoTherm Focal Thermal Ablation Registration Study for prostate cancer. The Focal Thermal Ablation Registration Study will enroll up to 120 male patients in a single-arm study. The aim is to demonstrate that NanoTherm therapy can destroy carcinogenic lesions with minimal side effects in patients whose prostate cancer has reached the intermediate stage and who are under active surveillance.

Results of Operations, Net Assets and Financial Position

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

Results of operations

In the reporting period, the Company's gross profit was mainly affected by the transfer of shares in MagForce USA, Inc. to MagForce USA Holding GmbH and the resulting disclosure of hidden reserves in the amount of EUR 8,769 thousand.

While the cost of materials declined by 20 percent due to the lower use of raw materials and supplies, personnel expenses remained at the previous year's level.

Other operating expenses decreased to EUR 1,527 thousand (previous year: EUR 1,876 thousand) compared to the previous year due to the absence of financing costs in connection with the borrowing transactions of the previous year.

In total, the Company generated a net profit for the period of EUR 4,106 thousand (previous year: EUR -3,023 thousand).

Net assets

In the reporting period, total assets increased by EUR 13,752 thousand to EUR 35,784 thousand, which was mainly due to the disclosure of hidden reserves of EUR 8,769 thousand from the transfer of shares in MagForce USA, Inc. to MagForce USA Holding GmbH at fair value. Adjusted for this effect, the balance sheet total increased by EUR 4,982 thousand.

On the assets side, cash and cash equivalents increased by EUR 4,664 thousand to EUR 5,330 thousand due to the call of the first tranche of the EIB loan.

On the liabilities side, liabilities to banks increased accordingly by EUR 10,463 thousand. Due to the share transfer, the accumulated loss was reduced by EUR 4,106 thousand.

Financial position

The Company's result for the period amounted to EUR 4,106 thousand (previous year: EUR -3,023 thousand).

The cash flow from operating activities amounted to EUR -4,009 thousand (previous year: EUR -3,154 thousand). The cash outflow from operating activities was derived indirectly from the net profit for the half-year. The cash outflows mainly relate to the financing of operating activities. The cash flow from investing activities amounted to EUR -516 thousand (previous year: TEUR -3 thousand).

The cash flow from financing activities amounts to EUR 9,189 thousand (previous year: EUR 10,285 thousand) and is mainly attributable to the call of the first tranche of the EIB loan and in the previous year to the issue of the convertible bond and the capital increase.

Free liquidity at the end of the reporting period amounted to EUR 5,330 thousand (December 31, 2017: EUR 666 thousand).

MagForce AG was able to meet its payment obligations at all times in the year under review.

Research and Development

We refer to our statements made in the annual report 2017.

Employees

As of June 30, 2018, MagForce AG had 25 employees (excluding members of the Management Board) and therefore three more than on December 31, 2017. As of June 30, 2018, 52 percent of the employees were women. The MagForce group of companies employed a total of 52 employees in five companies at the end of the reporting period.

Opportunities and Risks

A detailed description of the opportunities and risks as well as a description of the risk management system can be found in the 2017 annual report starting on page 54. The statements made there apply unchanged.

Report on Expected Developments

The forecast for the 2018 financial year, which was published in the 2017 annual report in May 2018, is confirmed by the Management Board. Accordingly, the statements made there remain valid.

Report on Subsequent Events

Regarding the report on significant events that took place after the balance sheet date, we refer to the information given in the Notes to the Financial Statements.

Berlin, October 2018

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

Prof. Dr. Hoda Tawfik
Chief Medical Officer

Interim Financial Statements

Statement of Income

in EUR	01/01–06/30/2018	01/01–06/30/2017
Revenues	23,600.00	683,508.82
Other operating income	9,198,614.17	605,872.53
thereof from exchange rate differences EUR 54,932.89 (previous year: EUR 110,691.58)		
	9,222,214.17	**1,289,381.35**
Cost of materials		
a) Raw materials and supplies and purchased goods	13,952.19	75,214.14
b) Purchased services	350,325.68	382,578.17
	364,277.87	**457,792.31**
Personnel expenses		
a) Salaries	1,572,513.65	1,555,538.22
b) Social security contributions	156,103.18	151,950.95
thereof for retirement benefits EUR 19,689.16 (previous year: EUR 20,339.16)		
	1,728,616.83	**1,707,489.17**
Amortization and depreciation		
of intangible assets and property, plant, and equipment	298,221.48	252,784.30
Other operating expenses	1,526,534.01	1,875,520.28
thereof from exchange rate differences EUR 14,008.83 (previous year: EUR 125,926.11)		
	3,917,650.19	**4,293,586.06**
Other interest and similar income	107,807.11	102,897.61
thereof from affiliated companies EUR 107,337.52 (previous year: EUR 102,897.54)		
Amortization of financial assets	379,000.00	0.00
Interest and similar expenses	926,222.97	120,858.09
thereof from affiliated companies EUR 0.00 (previous year: EUR 30,842.40)		
	-1,197,415.86	**-17,960.48**
Result before other taxes	4,107,148.12	-3,022,165.19
Other taxes	649.43	519.33
Net profit / net loss	4,106,498.69	-3,022,684.52
Loss carried forward from the previous year	56,422,214.73	48,957,050.87
Accumulated deficit	**52,315,716.04**	**51,979,735.39**

Balance Sheet as of June 30, 2018

Assets

in EUR	06/30/2018	12/31/2017
A. Fixed assets		
I. Intangible fixed assets		
Purchased commercial trade mark rights and similar rights and values like licenses to those rights and values	1,629.28	1,936.08
II. Tangible fixed assets		
1. Buildings and leasehold improvements	174,142.51	234,137.00
2. Technical assets and machines	2,333,853.74	2,542,227.99
3. Other equipment, furniture and fixtures	221,257.24	229,022.00
4. Advance payments made and construction in progress	698,638.81	583,593.18
	3,427,892.30	**3,588,980.17**
III. Financial assets		
Shares in affiliated companies	25,850,122.85	17,081,570.85
	29,279,644.43	**20,672,487.10**
B. Current assets		
I. Inventories		
1. Work in progress	291,046.25	291,046.25
2. Goods for resale	9,690.00	10,450.00
	300,736.25	**301,496.25**
II. Receivables and other assets		
1. Trade accounts receivable	74,004.75	85,475.00
2. Receivables from affiliated companies	332,180.31	32,401.90
3. Other assets	212,775.68	233,449.69
	618,960.74	**351,326.59**
III. Cash in hand, bank balances and checks	5,329,646.04	665,556.62
C. Prepaid expenses	254,603.35	41,323.02
	35,783,590.81	**22,032,189.58**

Shareholders' equity and liabilities

in EUR	06/30/2018	12/31/2017
A. Shareholders' equity		
I. Subscribed capital	26,348,172.00	26,348,172.00
Contingent capital: 12,198,401.00 (previous year: 12,198,401.00)		
II. Capital reserves	43,267,400.10	43,267,400.10
III. Accumulated deficit	-52,315,716.04	-56,422,214.73
	17,299,856.06	**13,193,357.37**
B. Special item for contributions designated to a purpose	8,545.85	8,545.85
C. Special item for investment subsidies for fixed assets	58,666.28	78,497.78
D. Provisions		
Other provisions	2,026,673.10	1,991,234.28
E. Liabilities		
1. Convertible note	5,000,000.00	5,000,000.00
2. Liabilities to financial institutions	10,475,042.22	12,382.02
3. Trade accounts payable	195,186.33	249,953.80
4. Liabilities to affiliated companies	188,666.76	863,911.98
5. Other liabilities	530,854.21	634,206.50
thereof taxes EUR 156,662.81 (previous year: EUR 38,141.30)		
thereof social security EUR 1,931.28 (previous year: EUR 1,814.38)		
	16,389,749.52	**6,760,454.30**
F. Deferred income	100.00	100.00
	35,783,590.81	**22,032,189.58**

Analysis of Fixed Assets

	Acquisition costs				
in EUR	01/01/2018	Additions	Disposals	06/30/2018	
A. Fixed assets					
I. Intangible fixed assets					
Purchased commercial trade mark rights and similar rights	**22,394.68**	**0.00**	**0.00**	**22,394.68**	
II. Tangible fixed assets					
Buildings and leasehold improvements	1,153,635.45	0.00	0.00	1,153,635.45	
Technical assets and machines	5,097,847.88	707.50	0.00	5,098,555.38	
Other equipment, furniture and fixtures	588,728.89	21,074.68	1,679.00	608,124.57	
Advance payments made and construction in progress	583,593.18	115,045.63	0.00	698,638.81	
	7,423,805.40	**136,827.81**	**1,679.00**	**7,558,954.21**	
III. Financial assets					
Shares in affiliated companies	17,109,396.05	12,079,000.00	2,931,448.00	26,256,948.05	
Loans to affiliated companies	2,453,107.83	0.00	0.00	2,453,107.83	
	19,562,503.88	**12,079,000.00**	**2,931,448.00**	**28,710,055.88**	
	27,008,703.96	**12,215,827.81**	**2,933,127.00**	**36,291,404.77**	

	Accumulated depreciation				Net book value	
	01/01/2018	Additions	Disposals	06/30/2018	**06/30/2018**	12/31/2017
	20,458.60	**306.80**	**0.00**	**20,765.40**	**1,629.28**	**1,936.08**
	919,498.45	59,994.49	0.00	979,492.94	174,142.51	234,137.00
	2,555,619.89	209,081.75	0.00	2,764,701.64	2,333,853.74	2,542,227.99
	359,706.89	28,838.44	1,678.00	386,867.33	221,257.24	229,022.00
	0,00	0,00	0,00	0,00	698,638.81	583,593.18
	3,834,825.23	**297,914.68**	**1,678.00**	**4,131,061.91**	**3,427,892.30**	**3,588,980.17**
	27,825.20	379,000.00	0.00	406,825.20	25,850,122.85	17,081,570.85
	2,453,107.83	0.00	0.00	2,453,107.83	0.00	0.00
	2,480,933.03	**379,000.00**	**0.00**	**2,859,933.03**	**25,850,122.85**	**17,081,570.85**
	6,336,216.86	**677,221.48**	**1,678.00**	**7,011,760.34**	**29,279,644.43**	**20,672,487.10**

Notes to the Interim Financial Statements for the Period of January 1 to June 30, 2018

Basis of presentation

MagForce AG has its place of business at Max-Planck-Str. 3 in 12489 Berlin, Germany, and is registered in the commercial register of Berlin-Charlottenburg under HRB 98748 B.

The Company is a small corporation within the meaning of section 267(1) of the Handelsgesetzbuch (HGB – German Commercial Code). The interim financial statements for the period of January 1, 2018 to June 30, 2018 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 288(1) HGB.

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

Accounting policies

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

Fixed assets

Purchased intangible fixed assets are recognized at acquisition costs and amortized over their useful lives. Tangible fixed assets are recognized at acquisition costs and depreciated using the straight-line method.

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

Low-value fixed assets costing up to EUR 410.00 are written off in the year of acquisition.

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

Current assets

Inventories are valued at acquisition cost, taking into account the lower of cost or market principle.

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

Payments made to support the subsidiary MT MedTech Engineering GmbH are reported at the lower fair value. The disclosure of the expenses relating to the fair value adjustment of the receivables are made under other operating expenses.

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

Prepaid expenses

The prepaid expenses include payments made before the balance sheet date that represent expenses for certain periods after the balance sheet date.

Special items

A special item was recognized for contributions designated to a purpose that were received from third parties to support patient programs. The item is depreciated according to utilization of funds in the patient program.

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

Provisions

Other provisions reflect all risks and uncertain obligations that were identifiable by the reporting date on the basis of prudent business judgment. They are recognized in the amount necessary to settle the obligations (i.e., including future cost and price increases).

Liabilities
Liabilities are recognized at their settlement amounts.

Deferred taxes
For the calculation of deferred taxes attributable to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses, and items of deferred income in the financial statements and their tax base, or to tax loss carryforwards, the amounts of the resulting tax liabilities and benefits are measured using the tax rate of the reporting entity that applies when the differences reverse and are not discounted. Deferred tax assets and liabilities are offset. No deferred tax assets are reported since the corresponding recognition option is exercised.

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 costs.

Disclosures on shareholdings
The Company owns all shares of MT MedTech Engineering GmbH, Berlin. As of June 30, 2018, the reported negative equity of the subsidiary amounts to EUR 6,041 thousand. Net loss for the half-year from January 1 to June 30, 2018 amounted to EUR 519 thousand.

In the first half-year the Company made a payment of EUR 379 thousand into the free capital reserve acc. § 272 section 2 No. 4 HGB. An impairment charge was recognized for shareholdings in MT MedTech Engineering GmbH to carry the investment at the lower fair market value of EUR 1.00 according to the principle of conservatism. Should MT MedTech Engineering GmbH generate sustainable gains in the future, the carrying amount will be written back to its historic costs.

Furthermore, the carrying amount of the investment in MagForce USA, Inc., Incline Village, United States of America, amounts to EUR 11,425 thousand as of June 30, 2018. The reduction in the carrying amount of the investment, comparing to December 31, 2017, results from the contribution of 975,000 MagForce USA Inc. shares to the capital reserve of the newly founded MagForce USA Holding GmbH, Berlin, as of June 25, 2018. The Company's equity amounts to USD 22,557 thousand as of June 30, 2018.

In addition, the Company holds 100 percent of the shares in MagForce USA Holding GmbH, headquartered in Berlin. The Company was founded by Articles of Association dated December 28, 2017 and entered in the commercial register on January 17, 2018. The Company's equity as at June 30, 2018 amounted to EUR 14,423 thousand. On June 25, 2018, MagForce AG, being the sole shareholder of MagForce USA Holding GmbH, contributed 975,000 shares of MagForce USA, Inc. with hidden reserves at a fair value of EUR 11,700 thousand. The transaction resulted in other operating income of EUR 8,769 thousand at MagForce AG level.

Inventories

The inventories amount to EUR 301 thousand (December 31, 2017: EUR 302 thousand) and consist of capitalized development services as well as hyperthermia catheters for clinical trials and commercial use in hospitals.

Receivables and other assets

Receivables and other assets in the amount of EUR 594 thousand (December 31, 2017: EUR 326 thousand) have a remaining term of up to one year. In addition, other assets contain rental deposits amounting to EUR 25 thousand (December 31, 2017: EUR 25 thousand) with an indefinite residual term.

Receivables from affiliated companies include EUR 332 thousand (December 31, 2017: EUR 32 thousand) in other assets.

Other assets mainly include receivables from value-added tax in the amount of EUR 140 thousand (December 31, 2017: EUR 172 thousand).

Subscribed capital

Share capital as of June 30, 2018 remained unchanged compared to December 31, 2017 balance sheet and amounted to EUR 26,348,172.00 comprised of 26,348,172 no-par-value bearer shares (ordinary shares) with a pro-rata amount of subscribed capital of EUR 1.00 per share.

Contingent Capital 2007/I

In accordance with the Company's Articles of Association, its share capital was contingently increased by up to EUR 100,000.00 (Contingent Capital 2007/I) by issuing up to 100,000 no-par value bearer shares (ordinary shares). The Annual General Meeting on August 10, 2017 resolved to release EUR 68,450.00 of the Contingent Capital 2007/I in accordance with article 6 (2) of the Company's Articles of Association. It therefore amounts to EUR 31,550.00.

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

No expenses are recognized for the 2007 Stock Option Plan in accordance with the view expressed in part of the literature. The Stock Option Plan is designed for members of the Management Board and for selected employees who are designated by the Management Board with the approval of the Supervisory Board. One option entitles the holder to acquire one share following payment of the contractually agreed strike price. The Company reserves the right to settle the value of the stock options in cash. As of January 1, 2018 and as of June 30, 2018, 29,049 options were outstanding and not forfeited. During the first half year 2018, no further options had been granted out of Contingent Capital 2007/I and no options had been forfeited. Thus, as of June 30, 2018, a total of 29,049 options were outstanding and exercisable.

Contingent Capital 2012/II

With resolution of the Annual General Meeting on August 16, 2012, the Company's share capital was contingently increased by up to EUR 395,000.00 by issuing up to 395,000 no-par value bearer shares (Contingent Capital 2012/II). Contingent Capital 2012/II exclusively serves to secure subscription rights for shares that were issued as part of the 2012 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 15, 2017. The contingent capital increase will only be implemented to the extent that subscription rights are issued and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

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

In the period from January 1, 2018 to June 30, 2018, no options were granted under the 2012/II Stock Option Plan.

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.

Contingent Capital 2013/III

With resolution of the Annual General Meeting on August 6, 2013, the Company's share capital was contingently increased by up to EUR 2,142,271.00 by issuing up to 2,142,271 no-par value bearer shares (Contingent Capital 2013/III). Contingent Capital 2013/III has been canceled by resolution of the Annual General Meeting of August 10, 2017 in the amount of EUR 286,999.00 and amounts to EUR 1,855,272.00 after partial cancellation. 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, 2018 as well as of June 30, 2018, 1,855,272 options were outstanding from the Contingent Capital 2013/III.

Contingent Capital 2015/I

With resolution of the Annual General Meeting on August 18, 2015, the Company's share capital was contingently increased by up to EUR 170,000.00 by issuing up to 170,000 no-par value bearer shares (Contingent Capital 2015/I). Contingent Capital 2015/I was canceled by resolution of the Annual General Meeting on August 10, 2017 in the amount of EUR 120,000.00. Contingent Capital 2015/I amounts to EUR 50,000.00 after partial cancellation. Contingent Capital 2015/I exclusively serves to secure subscription rights for shares that were issued as part of the 2015 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 17, 2020. The contingent capital increase will only be implemented to the extent that subscription rights are issued and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

As of January 1, 2018 as well as of June 30, 2018, 50,000 stock options were issued under the Stock Option Plan 2015/I.

Contingent Capital 2017/I

With resolution of the Annual General Meeting on August 10, 2017, the Company´s share capital was contingently increased by up to EUR 547,495.00 by issuing up to 547,495 no-par value bearer shares (Contingent Capital 2017/I). Contingent Capital 2017/I exclusively serves to secure subscription rights for shares that were issued as part of the 2017 Stock Option Plan to Management Board members and Company employees as well as to managers and employees at affiliated companies in the period up to and including August 9, 2022. The contingent capital increase will only be implemented to the extent that subscription rights are issued and their bearers exercise their subscription rights for shares in the Company and the Company does not grant treasury shares or make cash settlements when settling these subscription rights.

In the period from January 1, 2018 to June 30, 2018, no options were granted under the 2017/I Stock Option Plan.

Authorized Capital 2015/I

The Annual General Meeting on August 18, 2015 authorized the Management Board to increase the Company's share capital, with the consent of the Supervisory Board, once or in multiple partial instalments in the period up to August 17, 2020, by up to a total of EUR 12,811,355.00 against cash and / or noncash contributions (including mixed noncash contributions) by issuing up to 12,811,355 no-par value bearer shares (Authorized Capital 2015/I). The Authorized Capital 2015/I amounts to EUR 12,090,894.00 after partial utilization. The subscription right of shareholders is excluded in certain cases.

Capital reserves

The capital reserve includes amounts of EUR 42,767 thousand as defined by section 272(2) No. 1 HGB and EUR 500 thousand within the meaning of section 272(2) No. 4 HGB.

Net accumulated losses

The net accumulated losses contain accumulated losses brought forward of EUR 56,422 thousand. Net accumulated losses developed as follows:

in EUR thousand	
Net accumulated losses as of December 31, 2017	-56,422
Net profit for the period January 1 to June 30, 2018	4,106
Net accumulated losses as of June 30, 2018	**-52,316**

Special item for contributions designated to a purpose

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

Special item for investment subsidies for fixed assets

The investment grants were made in accordance with the Investitionszulagengesetz (German Investment Grants Act). In the period January 1 to June 30, 2018, EUR 20 thousand (December 31, 2017: EUR 40 thousand) was reversed to the income statement from the special reserve for investment grants and subsidies.

Provisions

In comparison to the previous year, the other provisions in the first half year are composed of the following items:

in EUR thousand	06/30/2018	12/31/2017
Personnel-related	331	494
Outstanding supplier invoices	155	162
Supervisory Board remuneration	60	72
Audit costs	40	40
Other	1,441	1,223
Total	**2,027**	**1,991**

Other includes provisions for dismantling commitments amounting to EUR 109 thousand (December 31, 2017: EUR 109 thousand), for the annual report amounting to EUR 19 thousand (December 31, 2017: EUR 30 thousand), and for the annual general meeting amounting to EUR 45 thousand (December 31, 2017: EUR 30 thousand).

Furthermore, other provisions include share-price linked debt components with a duration of 5 years amounting to EUR 1,238 thousand (December 31, 2017: 1,012 thousand).

Liabilities

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

Liabilities to financial institutions in the amount of EUR 10,475 thousand (December 31, 2017: EUR 12 thousand) relate to the drawdown of the first tranche of EUR 10,000 thousand plus interest in January 2018 due to the loan agreement with the European Investment Bank, Luxembourg (EIB), and have a duration of 5 years.

As in the previous year, trade accounts payable amounting to EUR 195 thousand (December 31, 2017: EUR 250 thousand) are due within one year.

Liabilities to affiliated companies include EUR 189 thousand (December 31, 2017: EUR 264 thousand) in trade payables and EUR 0 (December 31, 2017: EUR 600 thousand) in other liabilities.

Other liabilities mainly include liabilities from salaries and wages amounting to EUR 289 thousand (December 31, 2017: EUR 94 thousand) and from payroll and church taxes amounting to EUR 141 thousand (December 31, 2017: EUR 38 thousand). Furthermore, it also includes the interest accrued up to June 30, 2018 and due on September 1, 2018 for the convertible note in the amount of EUR 83 thousand (December 31, 2017: EUR 83 thousand). The loan from Lipps & Associates, LLC, Inc., Incline Village, USA, in the amount of EUR 400 thousand plus interest has been completely repaid on May 16, 2018.

As far as not described differently, all other liabilities have a remaining term of less than one year.

Income statement disclosures

Revenues and other operating income

In the first half year, the Company generated sales revenues in the amount of EUR 24 thousand (previous year: EUR 683 thousand).

Revenues recorded as realized result mainly from the commercial treatment of patients with NanoTherm therapy and amounted to EUR 23 thousand (previous year: EUR 112 thousand). In the first half year 2018, there were no recharge of development costs and no NanoTherm deliveries to subsidiaries (previous year: EUR 571 thousand).

Other operating income mainly results from the transfer of 975,000 shares of MagForce USA, Inc. to MagForce USA Holding GmbH with the disclosure of hidden reserves in the amount of EUR 8,769 thousand (previous year: EUR 0), from the cost recharges made to the subsidiaries in the amount of EUR 269 thousand (previous year: EUR 428 thousand) and from exchange rate differences in the amount of EUR 55 thousand (previous year: EUR 111 thousand).

Cost of material

Cost of material consists of expenses for raw materials and supplies and for purchased goods in the amount of EUR 14 thousand (previous year: EUR 75 thousand) and of expenses for purchased services in the amount of EUR 350 thousand (previous year: EUR 383 thousand).

Personnel expenses

Personnel expenses in the amount of EUR 1,729 thousand (previous year: EUR 1,707 thousand) consist mainly of expenses for wages and salaries in the amount of EUR 1,573 thousand (previous year: EUR 1,556 thousand) as well as expenses for social security and retirement benefits in the amount of EUR 156 thousand (previous year: EUR 152 thousand). Personnel expenses remained at the previous half year's level.

Personnel expenses of EUR 147 thousand (previous year: EUR 302 thousand) from the performance of management and development services for MagForce USA, Inc., Incline Village, USA, were recharged to the subsidiary.

Other operating expenses

in EUR thousand	**Six-months ended June 30, 2018**	Six-months ended June 30, 2017
Legal, audit, and consulting	177	111
Investor Relations	176	230
Car and travelling expenses	174	137
Commercialization	99	60
Rent and upkeep	97	81
Patents	84	104
Finance costs	40	532
Other	680	621
Total	**1,527**	**1,876**

The reduction of other operating expenses relates mainly to the finance costs occurred in the previous year.

Other interest and similar income

Other interest and similar income amounting to EUR 108 thousand (previous year: EUR 103 thousand) are related to interest income. Other interest and similar income in the amount of EUR 107 thousand (previous year: EUR 103 thousand) are attributable to affiliated companies.

Interest and similar expenses

Interest and similar expenses include mainly interest for the EIB loan that are due after 5 years. Furthermore, interest expenses on the convertible note of March 2, 2017 amounting to EUR 125 thousand as well as interest expenses of the Lipps & Associates, LLC loan amounting to EUR 8 thousand, that has been fully repaid on May 16, 2018, are included.

Supplemental disclosures

Other financial obligations

Other financial obligations amounting to EUR 365 thousand (previous year: EUR 392 thousand) resulted from rental contracts for offices in Berlin-Adlershof and Martinsried as well as from leases for car vehicles and office equipment.

Employees

The Company employed 25 employees (previous year: 26, without Management Board) on average over the financial year.

Shareholder structure

Irrespective of the total number of shares held by them, all shareholders have the same voting rights per share in accordance with section 20 (6) of the Articles of Association of MagForce AG.

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

Preparation of consolidated financial statements

MagForce AG is not required to prepare consolidated financial statements for the period ending on June 30, 2018.

Governing bodies of the Company

Management Board

Name / Position	Member since	Appointed until	Function
Dr. Ben J. Lipps Chemical Engineer	09/01/2013	08/31/2020	Chief Executive Officer
Prof. Dr. Hoda Tawfik Pharmacist	10/01/2012	09/30/2020	Chief Medical Officer
Christian von Volkmann MBA	10/01/2012	09/30/2020	Chief Financial Officer

Supervisory Board

The Supervisory Board consists of the following individuals:

- **Norbert Neef** (Chairman), lawyer in Berlin, chairman of the supervisory board of Singularity Capital AG, Frankfurt am Main; supervisory board of Gyant.com, Inc., San Francisco
- **Klemens Hallmann** (Deputy Chairman) [since August 11, 2017], entrepreneur, supervisory board mandates:
  - JDC Group AG, Wiesbaden
  - C-Quadrat Investment AG, Wien
  - SÜBA Liegenschaftsbeteiligungs GmbH, Wien
  - Film House Germany AG, Berlin
- **Dr. Wiebke Rösler,** physician

Report on subsequent events

On July 2, 2018, MagForce AG together with its subsidiary MagForce USA, Inc. announced MagForce USA has enrolled the first patient in its pivotal clinical evaluation with the Company's innovative NanoTherm selective ablation. Recruitment in the trial is underway at the two trial sites, the CHRISTUS Santa Rosa Hospital – Medical Center and the University of Washington.

On August 8, 2018 MagForce AG announced the successful completion of a capital increase of its subsidiary MagForce USA, Inc. The capital increase was carried out by exercising 700,000 subscription rights of MagForce USA, Inc. and by issuing 166,666 new shares in MagForce USA, Inc. The subscription rights were issued in 2014 to US investors as part of a growth financing round and had a term limit of four years. There are no outstanding subscription rights remaining after the exercise. The issuance of a total of 866,666 new shares will generate gross proceeds of approximately USD 9.0 million for MagForce USA, Inc. The new MagForce USA, Inc. shares were subscribed by a new US investor.

Following the issue of the new shares, MagForce AG holds 67.9 percent of the shares in MagForce USA, Inc. and will continue to retain a majority ownership position in the US subsidiary.

Proceeds from the capital increase will be used to finance the initiated pivotal clinical trial in the USA with NanoTherm Therapy for focal tumor ablation in intermediate risk prostate cancer and associated business operations.

The Management Board

Berlin, October 2018

Dr. Ben J. Lipps
Chief Executive Officer

Christian von Volkmann
Chief Financial Officer

Prof. Dr. Hoda Tawfik
Chief Medical

IMPRINT

Publisher and copyright
© 2018
MagForce AG

Editing and text
MagForce AG

Concept and design
IR-ONE, Hamburg
www.ir-one.de

Date of publication
October 24, 2018

Picture credits
investEU, MagForce AG

MagForce AG
Max-Planck-Straße 3
12489 Berlin

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

Follow us